

QUARTERLY REPORT Q1 2017



Wroclaw, 05/11/2017

THE MANAGEMENT BOARD'S LETTER

Dear Shareholders,

We are pleased to sum up the beginning of a breakthrough year giving our outlook for the future.

The perspective of PiLab's development is multidimensional and not always clear to outsiders. To address this issue, we have set up a series of meetings that is going to be included in an activity calendar regarding the company's relations with investors, thus implementing investor relations standard's recommended for companies listed on the main market of Warsaw Stock Exchange. The meetings were focused around the summary of the recent quarter events in Poland and presentation of actions in the USA. During the first two presentations made at the beginning of this year to institutional and individual investors as well as analysts, we organized a workshop on PiLab's business model, as well as training on assessment methods and development estimations of high-tech companies at a similar stage of development in the context of the potential of global analytical market. The key issues discussed at the meetings will be presented in this letter. At the same time, we invite you to take part in another presentations; you are welcome to send your application to the following e-mail address: inwestorzy@pilab.pl.

As a lot of investors were asking about the position of the DataWalk technology in the context of other analytical solutions and the market, we depicted the vision of the company's development in this context. The most important information is the size and speed of the development of the analytics and big data market whose annual revenue is currently estimated at several dozen to more than one hundred billion dollars. The projected medium-term growth rate between 11,7%-19% and the dynamics of recent years indicate that this market is worth to investors and in customers' global budgets much more than ERP and CRM markets together. Thus, it comes as no surprise that capital transactions involving companies from this sector are counted in tens of billions of dollars year by year. Such a trend has been confirmed by this year's IPOs in the USA, where the Alteryx horizontal platform has made its debut and a debut of the leader of vertical solutions in the market, the Palantir company, is being awaited; this company's value was estimated at over 20 billion dollars at the latest non-public financing round. In conclusion, the size and the dynamics of the market constitute a very good prognosis for our company's development and the discussions with investors in this context were mainly centered around the stage of the market's development (stabilization in the development of horizontal products and an early development of vertical markets) and the plans on positioning DataWalk as a vertical solution dedicated to an identified market niche (link analytics). In this area, the presentation was made by Gabe Gotthard, committed to our undertaking in many dimensions, among others: as an investor, the author of our global strategy, and now CEO of DataWalk Inc., who gave an account of observations based on several dozen interactions with customers (including the users of Palantir) in the context of the dimensions and the size of the niche.

Another aspect that drew investors' attention during the presentation was the effects of our actions in the USA. As it is a multi-functional process, the vital information summarizing the first quarter is presented below:

- expansion of the consulting team: we're widening experts' competences pool working with Bob Thomas's (VP of Marketing DataWalk Inc., engaged full time) in selected, highly specialized areas;
- drawing up a new version of a technology road map oriented towards implementation of functionality so that the DataWalk core will be adjusted to American customers' guidelines and needs; it also marks the beginning of the next stage of productisation before the product launch in the USA.
- confirmation that beta tests in the USA will no longer be necessary. It stems from the verification of the system performance in the production usage in Poland and also results from talks with customers in the USA at the stage of a finalized market-testing. Therefore, now the DataWalk Inc. team can focus on preparations for more commercial pilot projects, so called customer evals, which precede the product launch in the USA.
- recruitment of new regular members of the DataWalk Inc. team for the positions connected with business development and marketing in the USA.

The above information describes the characteristics of the process of creating a global product in a top-down approach. Simultaneously, as a company that follows an Israeli model of a high-tech development, PiLab is making significant progress in the domestic market, which has led to extraordinary discoveries that confirm DataWalk's technical and business capabilities to address the

global niche identified by the team in the USA. The two most important aspects regarding the confirmed capabilities of DataWalk are agility and application in solving enterprise-class analytical problems.

Agility – extremely fast implementations

On May 7th, a press conference was held to summarize the CEPIK project led by the Ministry of Digital Affairs, where a presentation of a working analytical environment based on DataWalk constituted a vital element. Unprecedented business results and an official reference PiLab was granted by the Ministry of Digital Affairs resulted in over 200 publications in media, which enabled about 5 million people to learn about the company's activities. However, much more significant information for PiLab's shareholders is the fact that the DataWalk system enabled integration of separate bases of the Central Registry of Vehicles (CEP) and the Central Registry of Drivers (CEK) in 8 weeks, despite a tremendous challenge posed by the quality of data and its volumes (4 billion objects with 20 billion connections between them) processed on a small server (worth about 4 thousand USD). It needs to be emphasized that building a DataWalk-based environment, which managed to generate significant values for the current CEPIK 1.0 project and the target CEPIK 2.0 and has been used in the Ministry of Digital Affairs to this day, represents a unique phenomenon and proves a critical advantage of DataWalk over traditional analytical technologies. It is thanks to this feature that we could carry out extremely fast implementations in the insurance sector described in previous letters. Contrary to "classical pilot implementations" by famous international suppliers, DataWalk-based projects are exceptional in terms of the capability to use all available data of a customer (not only a sample) and the production use of the DataWalk after the very first days of the implementation, while retaining the evolutionary potential of the system. Such an approach is impossible in classical systems as they require a time-consuming process of building a complex technological environment to operate on big data volumes from various sources.

Critical analytical use-cases in the enterprise sector

At the meeting, investors also asked how these proved features of the technology can be used or productized. By way of example, we could refer to our experience in the insurance sector.

In previous letters, we described experiences from fast implementations of our system. In this quarter, we can present the first business results: a contract with TUIR Warta signed in March is a conclusion of a 1,5-year process of discussion and cooperation with the customer. After the first implementation in this sector carried out under the auspices of the Board of TUIR Warta at the end of Q2'16 (10 working days) with extraordinary effects in the process of fraud detection in Q3'16, we began to cooperate on accelerated procurement at the end of Q3'16. The contract we have signed includes a multi-stage cooperation and various applications of the system in TUIR Warta, a trendsetter both in a global Talanx group and in a domestic insurance market. The income from the above-mentioned agreement planned for in Q2 and Q3'17 constitute at present a core of so called bookings, a contracted part of our dynamically growing sales funnel.

Other projects implemented in the insurance sector with a group of early adopters confirmed the results and proved a huge return on investment for the customer. For instance, a case study of a project in Ergo Hestia and the results of another two pilots where, together with the customers, we achieved even better parameters. Effects of these actions and results should constitute new projects in use-cases such as a narrow application of DataWalk for detection and prevention of misappropriation of funds in the area of non-life insurance services.

At the same time, we started verifying DataWalk application in other processes which are even more important in terms of profits for customers, among others: verification of sales of non-life insurance policies in the context of underwriting, profitability and best practices in sales channels or optimization of life insurance services. The first effects indicate a global potential of these use-cases, which may be reflected in the following quarters.

During the meetings with investors, we were also asked if the presented results could be achievable by means of traditional technologies. We believe they could, although link analysis (a key functionality of DataWalk, apart from traditional analytics) is very basic in other solutions. What is essential, however, is to take advantage of the above-described agility and to enable building advanced analytical environments in an agile methodology, which is already a breakthrough. The technical values of DataWalk strongly contrast with a traditional approach which can be illustrated with an image of huge, multi-million projects that often drag on for many quarters or years.

From a business perspective, the value of DataWalk is easily comprehensible, for example, when prevention of fraudulent practices in the insurance sector is considered. Does it pay to invest millions or dozens of millions PLN in IT projects which will yield effective results in many quarters and are limited

to a set scope of system activities if we can have ad-hoc an advanced high-tech platform that is operating here and now? Business results achieved iteratively and fast will always have an advantage over big, slow projects, not to mention disparity in investment costs between the two approaches. What is more, fraudulent activities and patterns of malpractices in a digital world are prone to change dynamically, so the verification of hypotheses and assumed characteristics is not only an internal need of financial institutions but also a way to build a competitive advantage.

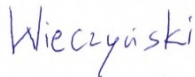
While building a global product, we are going to focus our efforts around the above-presented advantages of our technology. Also, we are drawing up a portfolio of intellectual property rights which, on the one hand, confirms the uniqueness of the technology and, on the other, constitute a potential source of income in the future.

As far as the financial aspect of the summary of Q1'17 is concerned, sales activities were vital. To adapt to the specificity of procurement processes of institutional customers in Poland (a two or three-year cycle), we kept costs at a lower level than we had planned (according to the lean-management methodology), hence we have got financial resources for the next year.

With reference to the actions carried out by DataWalk Inc. in the USA, we plan them to be reflected in the financial information in 2017. Thus, Q1'17 is the first period where the company presents financial results in a consolidated form.

We invite you to visit PiLab's headquarters in Wrocław.

Yours faithfully,



Paweł Wieczyński
CEO

1. BASIC INFORMATION

| | |
|------------------|--|
| 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 |

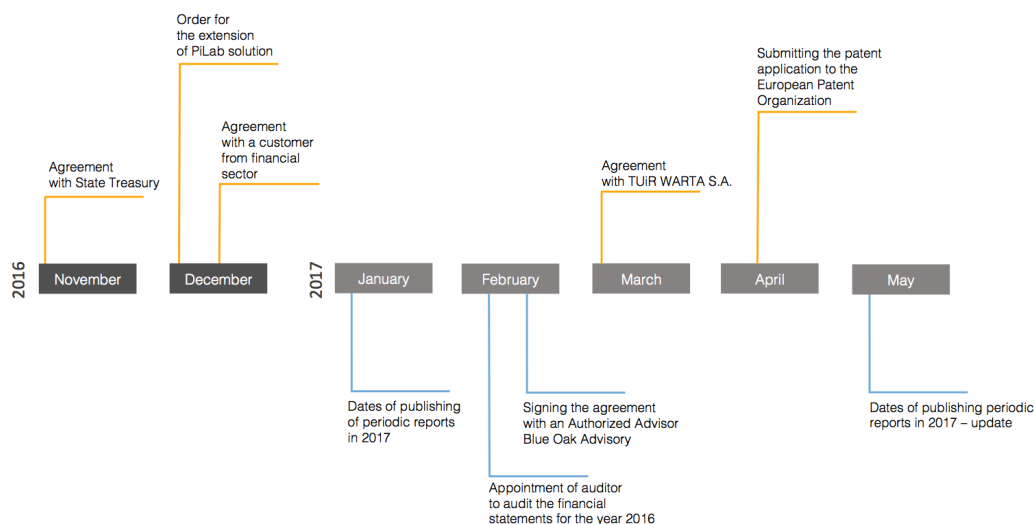
Source: Company

DataWalk Inc. (US Subsidiary)

| | |
|------------------|--|
| Company Name: | DataWalk Inc. |
| Company Address: | 1209 Orange Street, Wilmington, Delaware 19801 |
| E-mail: | info@datawalk.com |
| www: | www.datawalk.com |

Source: Company

2. TIMELINE



Source: Company

3. FINANCIAL DATA - CONSOLIDATED.

Balance Sheet with comparative results - consolidated¹

| | ASSETS | IQ 2017 PLN | IQ 2017 EUR | IQ 2016 PLN | IQ 2016 EUR |
|----------|--------------------------------|----------------------|---------------------|----------------------|---------------------|
| A | Fixed Assets | 2 011 296,57 | 476 633,15 | 1 412 800,38 | 330 990,62 |
| I. | Intangible assets | 1 748 668,41 | 414 396,04 | 1 260 374,94 | 295 280,42 |
| II. | Tangible fixed assets | 192 628,16 | 45 648,65 | 152 425,44 | 35 710,21 |
| III. | Long-term receivables | 70 000,00 | 16 588,46 | - | - |
| IV. | Long-term investments | - | - | - | - |
| V. | Long-term prepayments | - | - | - | - |
| B | Current Assets | 12 933 862,09 | 3 065 041,49 | 21 890 197,20 | 5 128 431,54 |
| I. | Inventory | - | - | - | - |
| II. | Short-term receivables | 1 895 655,08 | 449 228,66 | 1 977 282,66 | 463 237,43 |
| III. | Short-term investments | 10 844 238,49 | 2 569 846,56 | 19 890 316,62 | 4 659 899,87 |
| IV. | Short-term prepayments | 193 968,52 | 45 966,28 | 22 597,92 | 5 294,24 |
| C | Called up share capital | - | - | - | - |
| D | Own shares | - | - | - | - |
| | TOTAL ASSETS | 14 945 158,66 | 3 541 674,64 | 23 302 997,58 | 5 459 422,17 |

| | LIABILITIES | IQ 2017 PLN | IQ 2017 EUR | IQ 2016 PLN | IQ 2016 EUR |
|----------|--|----------------------|---------------------|----------------------|---------------------|
| A | Equity | 14 099 959,78 | 3 341 381,06 | 22 509 986,22 | 5 273 635,61 |
| I. | Share capital | 300 550,00 | 71 223,75 | 300 550,00 | 70 412,80 |
| II. | Supplementary capital | 32 988 203,98 | 7 817 480,44 | 32 988 203,98 | 7 728 470,62 |
| III. | Revaluation reserve | 8 550,04 | 2 026,17 | - | - |
| IV. | Other reserve capitals | - | - | - | - |
| V. | Previous years' profit (loss) | (17 041 047,30) | (4 038 354,26) | (9 594 997,38) | (2 247 914,30) |
| VI. | Net profit (loss) | (2 156 296,94) | (510 995,06) | (1 183 770,38) | (277 333,52) |
| VII. | Write-off on net profit during the financial year (negative value) | - | - | - | - |
| B | Liabilities and Provisions For Liabilities | 845 198,88 | 200 293,59 | 793 011,36 | 185 786,56 |
| I. | Provisions for liabilities | - | - | - | - |
| II. | Long-term liabilities | 32 486,93 | 7 698,69 | 20 479,78 | 4 798,00 |
| III. | Short-term liabilities | 802 211,95 | 190 106,63 | 772 531,58 | 180 988,56 |
| IV. | Accruals & Deferred Income | 10 500,00 | 2 488,27 | - | - |
| | TOTAL EQUITY & LIABILITIES | 14 945 158,66 | 3 541 674,64 | 23 302 997,58 | 5 459 422,17 |

Source: Company

¹ During the period from 1 January to 31 March 2016, PiLab SA did not form the Capital Group, therefore the data for that period are the Issuer's separate statements.

Profit and loss account with comparative results - consolidated²

| PROFIT AND LOSS ACCOUNT | | IQ 2017 | IQ 2017 | IQ 2016 | IQ 2016 |
|-------------------------|--|-----------------------|---------------------|-----------------------|---------------------|
| | | PLN | EUR | PLN | EUR |
| A | Revenues from sales | 204 272,58 | 47 235,02 | 304 185,42 | 69 764,10 |
| I. | Sales of products and services | 204 272,58 | 47 235,02 | 304 185,42 | 69 764,10 |
| II. | Change in work in progress | - | - | - | - |
| III. | Intercompany sales | - | - | - | - |
| IV. | Sales of goods and materials | - | - | - | - |
| B | Operating costs | 2 331 601,36 | 539 148,44 | 1 542 253,78 | 353 711,71 |
| I. | Depreciation | 51 002,77 | 11 793,64 | 45 714,55 | 10 484,51 |
| II. | Materials & energy | 24 766,06 | 5 726,79 | 41 538,69 | 9 526,79 |
| III. | Cost of services | 1 371 337,95 | 317 101,69 | 753 575,30 | 172 830,44 |
| IV. | Taxes and fees | 12 631,13 | 2 920,76 | 6 038,01 | 1 384,80 |
| V. | Salaries | 651 224,79 | 150 586,13 | 597 775,32 | 137 098,14 |
| VI. | Benefits | 148 640,65 | 34 370,96 | 61 843,55 | 14 183,65 |
| VII. | Other costs | 71 998,01 | 16 648,48 | 35 768,36 | 8 203,38 |
| VIII. | Cost of goods and materials sold | - | - | - | - |
| C | Profit/Loss on sales (A-B) | (2 127 328,78) | (491 913,42) | (1 238 068,36) | (283 947,61) |
| D | Other operating incomes | 12 093,96 | 2 796,55 | 22 822,76 | 5 234,34 |
| I. | Profit on sale of fixed assets | - | - | - | - |
| II. | Subsides | - | - | 22 400,00 | 5 137,38 |
| III. | Actualization of fixed assets | - | - | - | - |
| IV. | Other operating incomes | 12 093,96 | 2 796,55 | 422,76 | 96,96 |
| E | Other operating costs | 19 409,49 | 4 488,16 | 28 499,44 | 6 536,27 |
| I. | Loss on sale of fixed assets | - | - | - | - |
| II. | Actualization of fixed assets | - | - | - | - |
| III. | Other operating costs | 19 409,49 | 4 488,16 | 28 499,44 | 6 536,27 |
| F | Profit/Loss on activity (C +D- E) | (2 134 644,31) | (493 605,03) | (1 243 745,04) | (285 249,54) |
| G | Financial incomes | 54 844,69 | 12 682,03 | 75 086,97 | 17 220,99 |
| I. | Dividends | - | - | - | - |
| II. | Interest incomes | 31 406,34 | 7 262,25 | 61 338,41 | 14 067,80 |
| III. | Profit on sold investments | - | - | 605,48 | 138,87 |
| IV. | Actualization of investments | 23 438,35 | 5 419,77 | 13 143,08 | 3 014,33 |
| V. | Other | - | - | - | - |
| H | Financial costs | 76 497,32 | 17 688,88 | 15 112,31 | 3 465,97 |

² During the period from 1 January to 31 March 2016, PiLab SA did not form the Capital Group, therefore the data for that period are the Issuer's separate statements.

| | | | | | |
|------|--|-----------------------|---------------------|-----------------------|---------------------|
| I. | Interest expenses | 2 087,27 | 482,65 | 3 343,19 | 766,75 |
| II. | Loss on sold investments | - | - | - | - |
| III. | Actualization of investments | - | - | - | - |
| IV. | Other | 74 410,05 | 17 206,23 | 11 769,12 | 2 699,22 |
| I | Gross Profit/Loss (F+G-H) | (2 156 296,94) | (498 611,88) | (1 183 770,38) | (271 494,51) |
| J | Income tax | - | - | - | - |
| K | Other statutory appropriations of the profit | - | - | - | - |
| L | Net Profit/Loss (I-J-K) | (2 156 296,94) | (498 611,88) | (1 183 770,38) | (271 494,51) |

Source: Company

Cash flow with comparative results - consolidated³

| | | IQ 2017 | IQ 2017 | IQ 2016 | IQ 2016 |
|---|---|----------------|--------------|----------------|----------------|
| | CASH FLOW | PLN | EUR | PLN | EUR |
| A. Cash flows from operating activities | | | | | |
| I. | Net profit (loss) | (2 156 296,94) | (498 611,88) | (1 183 770,38) | (271 494,51) |
| II. | Total adjustments | (340 933,21) | (78 835,78) | (408 076,03) | (93 591,13) |
| III. | Net cash flows from operating activities (I +/- II) | (2 497 230,16) | (577 447,66) | (1 591 846,41) | (365 085,64) |
| B. Cash flows from investment activities | | | | | |
| I. | Inflows | 28 872,42 | 6 676,32 | 150 000,00 | 34 402,09 |
| II. | Outflows | - | - | 3 127 812,15 | 717 355,20 |
| III. | Net cash flows from investment activities (I-II) | 28 872,42 | 6 676,32 | (2 977 812,15) | (682 953,11) |
| C. Cash flows from financial activities | | | | | |
| I. | Inflows | - | - | - | - |
| II. | Outflows | 16 987,24 | 3 928,05 | 13 790,88 | 3 162,90 |
| III. | Net cash flows from financial activities (I-II) | (16 987,24) | (3 928,05) | (13 790,88) | (3 162,90) |
| D. | Total net cash flows (A.III. +/- B.III +/- C.III) | (2 485 344,98) | (574 699,39) | (4 583 449,44) | (1 051 201,65) |
| E. | Balance sheet change in cash, including: | (2 485 344,98) | (574 699,39) | (4 583 449,44) | (1 051 201,65) |
| F. | Cash opening balance | 10 704 712,97 | 2 475 307,07 | 21 909 497,77 | 5 024 883,67 |
| G. | Closing balance of cash (F+/-D), including: | 8 219 367,99 | 1 900 607,69 | 17 326 048,33 | 3 973 682,02 |

Source: Company

³ During the period from 1 January to 31 March 2016, PiLab SA did not form the Capital Group, therefore the data for that period are the Issuer's separate statements.

Statement of changes in share equity (funds) with comparative results - consolidated⁴

| | Statement of changes in share equity (funds) | IQ 2017 | IQ 2017 | IQ 2016 | IQ 2016 |
|------|---|---------------|--------------|---------------|--------------|
| | | PLN | EUR | PLN | EUR |
| I. | Opening balance of equity | 16 283 452,28 | 3 765 308,30 | 23 914 349,63 | 5 484 690,98 |
| I.a. | Opening balance of equity after adjustments | 16 283 452,28 | 3 765 308,30 | 23 914 349,63 | 5 484 690,98 |
| II. | Closing balance of equity | 14 099 959,78 | 3 260 407,85 | 22 509 986,22 | 5 162 604,06 |
| III. | Equity including proposed profit distribution (loss coverage) | 14 099 959,78 | 3 260 407,85 | 22 509 986,22 | 5 162 604,06 |

Source: Company

4. FINANCIAL DATA – SEPARATE.

Balance Sheet with comparative results

| | ASSETS | IQ 2017 PLN | IQ 2017 EUR | IQ 2016 PLN | IQ 2016 EUR |
|----------|--------------------------------|----------------------|---------------------|----------------------|---------------------|
| A | Fixed Assets | 2 416 227,39 | 572 592,87 | 1 412 800,38 | 330 990,62 |
| I. | Intangible assets | 1 748 668,41 | 414 396,04 | 1 260 374,94 | 295 280,42 |
| II. | Tangible fixed assets | 192 628,16 | 45 648,65 | 152 425,44 | 35 710,21 |
| III. | Long-term receivables | 70 000,00 | 16 588,46 | - | - |
| IV. | Long-term investments | 404 930,82 | 95 959,72 | - | - |
| V. | Long-term prepayments | - | - | - | - |
| B | Current Assets | 12 596 289,81 | 2 985 044,27 | 21 890 197,20 | 5 128 431,54 |
| I. | Inventory | - | - | - | - |
| II. | Short-term receivables | 1 895 655,08 | 449 228,66 | 1 977 282,66 | 463 237,43 |
| III. | Short-term investments | 10 526 393,71 | 2 494 524,32 | 19 890 316,62 | 4 659 899,87 |
| IV. | Short-term prepayments | 174 241,02 | 41 291,30 | 22 597,92 | 5 294,24 |
| C | Called up share capital | - | - | - | - |
| D | Own shares | - | - | - | - |
| | TOTAL ASSETS | 15 012 517,20 | 3 557 637,14 | 23 302 997,58 | 5 459 422,17 |

| | LIABILITIES | IQ 2017 PLN | IQ 2017 EUR | IQ 2016 PLN | IQ 2016 EUR |
|----------|-------------------------------|----------------------|---------------------|----------------------|---------------------|
| A | Equity | 14 032 322,05 | 3 325 352,40 | 22 509 986,22 | 5 273 635,61 |
| I. | Share capital | 300 550,00 | 71 223,75 | 300 550,00 | 70 412,80 |
| II. | Supplementary capital | 32 988 203,98 | 7 817 480,44 | 32 988 203,98 | 7 728 470,62 |
| III. | Revaluation reserve | - | - | - | - |
| IV. | Other reserve capitals | - | - | - | - |
| V. | Previous years' profit (loss) | (17 072 265,67) | (4 045 752,33) | (9 594 997,38) | (2 247 914,30) |
| VI. | Net profit (loss) | (2 184 166,26) | (517 599,47) | (1 183 770,38) | (277 333,52) |

⁴ During the period from 1 January to 31 March 2016, PiLab SA did not form the Capital Group, therefore the data for that period are the Issuer's separate statements.

| | | | | | |
|----------|--|----------------------|---------------------|----------------------|---------------------|
| VII. | Write-off on net profit during the financial year (negative value) | - | - | - | - |
| B | Liabilities and Provisions For Liabilities | 980 195,15 | 232 284,74 | 793 011,36 | 185 786,56 |
| I. | Provisions for liabilities | - | - | - | - |
| II. | Long-term liabilities | 32 486,93 | 7 698,69 | 20 479,78 | 4 798,00 |
| III. | Short-term liabilities | 937 208,22 | 222 097,78 | 772 531,58 | 180 988,56 |
| IV. | Accruals & Deferred Income | 10 500,00 | 2 488,27 | - | - |
| | TOTAL EQUITY & LIABILITIES | 15 012 517,20 | 3 557 637,14 | 23 302 997,58 | 5 459 422,17 |

Source: Company

Profit and loss account with comparative results

| PROFIT AND LOSS ACCOUNT | | IQ 2017 | IQ 2017 | IQ 2016 | IQ 2016 |
|-------------------------|--|-----------------------|---------------------|-----------------------|---------------------|
| | | PLN | EUR | PLN | EUR |
| A | Revenues from sales | 204 272,58 | 47 235,02 | 304 185,42 | 69 764,10 |
| I. | Sales of products and services | 204 272,58 | 47 235,02 | 304 185,42 | 69 764,10 |
| II. | Change in work in progress | - | - | - | - |
| III. | Intercompany sales | - | - | - | - |
| IV. | Sales of goods and materials | - | - | - | - |
| B | Operating costs | 2 359 470,68 | 545 592,81 | 1 542 253,78 | 353 711,71 |
| I. | Depreciation | 51 002,77 | 11 793,64 | 45 714,55 | 10 484,51 |
| II. | Materials & energy | 23 316,27 | 5 391,54 | 41 538,69 | 9 526,79 |
| III. | Cost of services | 1 627 179,76 | 376 261,33 | 753 575,30 | 172 830,44 |
| IV. | Taxes and fees | 11 615,73 | 2 685,97 | 6 038,01 | 1 384,80 |
| V. | Salaries | 495 530,18 | 114 584,05 | 597 775,32 | 137 098,14 |
| VI. | Benefits | 87 804,22 | 20 303,43 | 61 843,55 | 14 183,65 |
| VII. | Other costs | 63 021,75 | 14 572,85 | 35 768,36 | 8 203,38 |
| VIII. | Cost of goods and materials sold | - | - | - | - |
| C | Profit/Loss on sales (A-B) | (2 155 198,10) | (498 357,79) | (1 238 068,36) | (283 947,61) |
| D | Other operating incomes | 12 093,96 | 2 796,55 | 22 822,76 | 5 234,34 |
| I. | Profit on sale of fixed assets | - | - | - | - |
| II. | Subsides | - | - | 22 400,00 | 5 137,38 |
| III. | Actualization of fixed assets | - | - | - | - |
| IV. | Other operating incomes | 12 093,96 | 2 796,55 | 422,76 | 96,96 |
| E | Other operating costs | 19 409,49 | 4 488,16 | 28 499,44 | 6 536,27 |
| I. | Loss on sale of fixed assets | - | - | - | - |
| II. | Actualization of fixed assets | - | - | - | - |
| III. | Other operating costs | 19 409,49 | 4 488,16 | 28 499,44 | 6 536,27 |
| F | Profit/Loss on activity (C+D-E) | (2 162 513,63) | (500 049,40) | (1 243 745,04) | (285 249,54) |
| G | Financial incomes | 54 844,69 | 12 682,03 | 75 086,97 | 17 220,99 |

| | | | | | |
|----------|---|-----------------------|---------------------|-----------------------|---------------------|
| I. | Dividends | - | - | - | - |
| II. | Interest incomes | 31 406,34 | 7 262,25 | 61 338,41 | 14 067,80 |
| III. | Profit on sold investments | - | - | 605,48 | 138,87 |
| IV. | Actualization of investments | 23 438,35 | 5 419,77 | 13 143,08 | 3 014,33 |
| V. | Other | - | - | - | - |
| H | Financial costs | 76 497,32 | 17 688,88 | 15 112,31 | 3 465,97 |
| I. | Interest expenses | 2 087,27 | 482,65 | 3 343,19 | 766,75 |
| II. | Loss on sold investments | - | - | - | - |
| III. | Actualization of investments | - | - | - | - |
| IV. | Other | 74 410,05 | 17 206,23 | 11 769,12 | 2 699,22 |
| I | Gross Profit/Loss (F+G-H) | (2 184 166,26) | (505 056,25) | (1 183 770,38) | (271 494,51) |
| J | Income tax | - | - | - | - |
| K | Other statutory appropriations of the profit | - | - | - | - |
| L | Net Profit/Loss (I-J-K) | (2 184 166,26) | (505 056,25) | (1 183 770,38) | (271 494,51) |

Source: Company

Cash flow with comparative results

| CASH FLOW | | IQ 2017 | IQ 2017 | IQ 2016 | IQ 2016 |
|---|---|----------------|--------------|----------------|----------------|
| | | PLN | EUR | PLN | EUR |
| A. Cash flows from operating activities | | | | | |
| I. | Net profit (loss) | (2 184 166,26) | (505 056,25) | (1 183 770,38) | (271 494,51) |
| II. | Total adjustments | (178 049,93) | (41 171,42) | (408 076,03) | (93 591,13) |
| III. | Net cash flows from operating activities (I +/- II) | (2 362 216,19) | (546 227,67) | (1 591 846,41) | (365 085,64) |
| B. Cash flows from investment activities | | | | | |
| I. | Inflows | 28 872,42 | 6 676,32 | 150 000,00 | 34 402,09 |
| II. | Outflows | - | - | 3 127 812,15 | 717 355,20 |
| III. | Net cash flows from investment activities (I-II) | 28 872,42 | 6 676,32 | (2 977 812,15) | (682 953,11) |
| C. Cash flows from financial activities | | | | | |
| I. | Inflows | - | - | - | - |
| II. | Outflows | 16 987,24 | 3 928,05 | 13 790,88 | 3 162,90 |
| III. | Net cash flows from financial activities (I-II) | (16 987,24) | (3 928,05) | (13 790,88) | (3 162,90) |
| D. | Total net cash flows (A.III. +/- B.III +/- C.III) | (2 350 331,01) | (543 479,40) | (4 583 449,44) | (1 051 201,65) |
| E. | Balance sheet change in cash, including: | (2 350 331,01) | (543 479,40) | (4 583 449,44) | (1 051 201,65) |
| F. | Cash opening balance | 10 251 854,22 | 2 370 590,16 | 21 909 497,77 | 5 024 883,67 |
| G. | Closing balance of cash (F+/-D), including: | 7 901 523,21 | 1 827 110,76 | 17 326 048,33 | 3 973 682,02 |

Source: Company

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

| | Statement of changes in share equity (funds) | IQ 2017 | IQ 2017 | IQ 2016 | IQ 2016 |
|------|---|---------------|--------------|---------------|--------------|
| | | PLN | EUR | PLN | EUR |
| I. | Opening balance of equity | 16 216 488,31 | 3 749 823,87 | 23 914 349,63 | 5 484 690,98 |
| I.a. | Opening balance of equity after adjustments | 16 216 488,31 | 3 749 823,87 | 23 914 349,63 | 5 484 690,98 |
| II. | Closing balance of equity | 14 032 322,05 | 3 244 767,62 | 22 509 986,22 | 5 162 604,06 |
| III. | Equity including proposed profit distribution (loss coverage) | 14 032 322,05 | 3 244 767,62 | 22 509 986,22 | 5 162 604,06 |

Source: Company

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

Pilab is continuing strategy of development on two paths. The first one, more mature, domestic path is growing in a stable and predictable way.

Confirmation of our progress was work done for project CEPIK in cooperation with Ministry of Digital Affairs. During 8-week project DataWalk solution was able to consolidate two separate databases Central Drivers Registry and Central Vehicles Registry. Implementation was done despite the gigantic data quality challenges and large volumes.

In the enterprise sector, our earlier experience with rapid implementations resulted in first business effects. As a result of 1,5-year process, in March we signed contract with WARTA S.A. Insurance and Reinsurance Company, which is a trendsetter in both the global Talanx group and the domestic insurance market.

Our approach to the entry into U.S. market is not changing. We continue to focus on exploring different use-cases, to search areas with the greatest potential to efficiently introduce our product to this market. Operational activities in US market, led by Pilab S.A. subsidiary DataWalk Inc. will intensify in the current fiscal year. That would require further development of the subsidiary and it was base for the decision to start to consolidate our financial statements in order to provide true and faithful financial data.

In Q1'17 sales played an important role in shaping our financial results. Responding to the specifics of the purchasing processes with institutional clients in Poland (2-3 years long sales cycle), we suppressed operating costs to a level lower than planned. Thanks to this we secured financial resources for the next year of operations.

6. NOTES TO FINANCIAL DATA

The following exchange rates were applied:

| EUR: | | | | |
|------------|------------|-------------------|---------------------|---------------|
| from | to | for Balance Sheet | for profit and loss | for cash flow |
| 01.01.2016 | 31.03.2016 | 4,2684 | 4,3602 | 4,3602 |
| 01.01.2017 | 31.03.2017 | 4,2198 | 4,3246 | 4,3246 |

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.