

Public Joint Stock Company
HUMAN STEM CELLS INSTITUTE
and its subsidiaries

Condensed Consolidated Interim Financial Statements

Prepared in Accordance with

International Financial Reporting Standards

as of 30 June 2017 and for the six-month period then ended

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Important remarks

Hereinafter contained condensed consolidated interim financial statements of HSCI as of 30 June 2017 and for the six-month period then ended in accordance with IFRS were prepared in Russian. In the event of any inconsistency between the English and the Russian texts, the Russian text shall prevail (The original Statements in Russian: http://hsci.ru/investoram-i-akcioneram/financial_reporting/otchety_msfo)

HSCI PJSC
Consolidated interim statement of financial position
(thousands of Russian rubles, unless otherwise indicated)

| | Notes | 30 June 2017 | 31 December 2016 |
|--|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 283,441 | 153,142 |
| Intangible assets | 6 | 68,017 | 59,151 |
| Investments in associates | | 244,990 | 245,318 |
| Non-current financial assets | | 555 | 1,883 |
| Deferred tax assets | | 13,615 | 17,774 |
| Total non-current assets | | 610,618 | 477,268 |
| Current assets | | | |
| Inventories | 16 | 68,394 | 64,132 |
| Trade receivables | 7 | 44,262 | 26,651 |
| Other receivables | 7 | 90,845 | 93,077 |
| Other current financial assets | 7 | 83,490 | 92,518 |
| Cash and cash equivalents | 17 | 182,246 | 285,545 |
| Total current assets | | 469,237 | 561,923 |
| Total assets | | 1,079,855 | 1,039,191 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | | 7,500 | 7,500 |
| Share premium | | 139,702 | 139,702 |
| Treasury shares | | (43,179) | (43,179) |
| Retained earnings | | 5,006 | 71,807 |
| Dividends declared for payment | | - | (22,500) |
| Other components of equity | | 485 | 485 |
| Equity attributable to equity holders of the parent | | 109,514 | 153,815 |
| Non-controlling interests | | 72,901 | 84,816 |
| Total equity | | 182,415 | 238,631 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 8 | 391,642 | 307,400 |
| Deferred tax liabilities | | 9,674 | 15,711 |
| Total non-current liabilities | | 401,316 | 323,111 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 8 | 40,289 | 38,851 |
| Advances received | | 349,505 | 346,708 |
| Trade and other payables | 8 | 100,295 | 87,610 |
| Taxes payable | | 6,035 | 4,280 |
| Total current liabilities | | 496,124 | 477,449 |
| Total liabilities | | 897,440 | 800,560 |
| Total equity and liabilities | | 1,079,855 | 1,039,191 |

Authorized for issue and signed on 28 August 2017

_____/s/_____
Isaev A.A.
General Director

The notes on pages 7 through 17 are an integral part of these condensed consolidated interim financial statements

HSCI PJSC
Consolidated interim statement of profit and loss and other comprehensive income
(thousands of Russian rubles, unless otherwise indicated)

| | Notes | Six-month period, ended 30 June 2017 | Six-month period, ended 30 June 2016 |
|---|-------|---|---|
| Sale of goods and services | 9 | 226,953 | 189,066 |
| Total revenue | | 226,953 | 189,066 |
| Operating expenses, including: | 10 | (282,700) | (231,514) |
| <i>Depreciation and amortization</i> | 5,6 | (10,467) | (10,990) |
| Operating profit / (loss) | | (55,747) | (42,448) |
| Interest expense | 13 | (14,316) | (7,534) |
| Interest income | | 7,174 | 833 |
| Share of profit / (loss) of associates | 15 | (328) | (240) |
| Net other non-operating profit / (loss) | 11 | 4,883 | (19,786) |
| Net foreign exchange gain / (loss) | 12 | 240 | (1,822) |
| Loss before tax | | (58,094) | (70,997) |
| Income tax | 14 | 1,878 | 602 |
| Loss for the period | | (56,216) | (70,395) |
| Total comprehensive loss for the period, net of tax | | (56,216) | (70,395) |
| Loss for the period | | (56,216) | (70,395) |
| <i>Attributable to:</i> | | | |
| Equity holders of the parent | | (44,301) | (63,284) |
| Non-controlling interests | | (11,915) | (7,111) |
| Total comprehensive loss for the period, net of tax | | (56,216) | (70,395) |
| <i>Attributable to:</i> | | | |
| Equity holders of the parent | | (44,301) | (63,284) |
| Non-controlling interests | | (11,915) | (7,111) |
| Basic and diluted loss per share for loss for the period attributable to equity holders of the parent (RUB) | 18 | (0.75) | (0.94) |

Authorized for issue and signed on 28 August 2017

_____/s/_____
Isaev A.A.
General Director

The notes on pages 7 through 17 are an integral part of these condensed consolidated interim financial statements

HSCI PJSC
Consolidated interim statements of cash flows
(thousands of Russian rubles, unless otherwise indicated)

| Notes | Six-month period, ended 30 June 2017 | Six-month period, ended 30 June 2016 |
|--|---|---|
| Operating activities | | |
| Loss for the period | (56,216) | (70,395) |
| Income tax | (1,878) | (602) |
| Loss before tax | (58,094) | (70,997) |
| <i>Adjustment for non-cash items to reconcile profit / (loss) before tax to net cash flows</i> | | |
| Depreciation and amortization | 10 10,467 | 10,990 |
| Interest expense | 13 14,316 | 7,534 |
| Interest income | (7,174) | (833) |
| Share of (profit) / loss of associates | 15 328 | 240 |
| Net foreign exchange (gain) / loss | (240) | 1,822 |
| Other non-operating (income) / expenses | 1,600 | 8,541 |
| Operating income / (loss) before changes in working capital, interest and income taxes paid | - | 12,112 |
| | (38,797) | (30,591) |
| <i>Working capital adjustments</i> | | |
| Increase in trade and other receivables and prepayments | | |
| Decrease / (increase) in inventories | (16,389) | 2,130 |
| Increase in trade and other payables | (4,262) | (10,458) |
| Income tax paid | 12,257 | 17,036 |
| Net cash flows from / (used in) operating activities | (47,191) | (21,883) |
| Investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (145,422) | (8,906) |
| Loans issued | (3,136) | (3,789) |
| Repayment of loans issued | 3,019 | 4,170 |
| Proceeds from sale of financial assets held for trading / (purchase of financial assets for trading) | 109 | 22,671 |
| Interest received | 6,560 | 2,147 |
| Net cash flows from / (used) in investing activities | (138,870) | 16,293 |
| Financing activities | | |
| Proceeds of loans and borrowings, net of the commission paid | 105,000 | 6,725 |
| Repayment of loans and borrowings | (7,000) | (24,514) |
| Interest paid | (14,648) | (4,533) |
| Net cash flows from / (used in) financing activities | 83,352 | (22,322) |
| Net increase / (decrease) in cash and cash equivalents | (102,709) | (27,912) |
| Effect of exchange rate changes on cash and cash equivalents | (590) | (529) |
| Cash and cash equivalents at the beginning of the period | 285,545 | 50,761 |
| Cash and cash equivalents at the end of the period | 182,246 | 22,320 |

Authorized for issue and signed on 28 August 2017

/s/
Isaev A.A.
General Director

The notes on pages 7 through 17 are an integral part of these condensed consolidated interim financial statements

HSCI PJSC
Consolidated interim statement of changes in equity
(thousands of Russian rubles, unless otherwise indicated)

Attributable to equity holders of the parent

| | Share capital (mln. shares) | Share capital | Treasury shares | Share premium | Other reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|--|-----------------------------|---------------|-----------------|---------------|---------------|-------------------|-----------------|---------------------------|-----------------|
| As at 1 January 2017 | 75 | 7,500 | (43,179) | 139,702 | 485 | 49,307 | 153,815 | 84,816 | 238,631 |
| Loss for the year | - | - | - | - | - | (44,301) | (44,301) | (11,915) | (56,216) |
| Total comprehensive income / (loss) | - | - | - | - | - | (44,301) | (44,301) | (11,915) | (56,216) |
| As at 30 June 2017 | 75 | 7,500 | (43,179) | 139,702 | 485 | 5,006 | 109,514 | 72,901 | 182,415 |
| As at 1 January 2016 | 75 | 7,500 | (43,179) | 139,702 | 485 | 183,116 | 287,624 | 71,777 | 359,401 |
| Loss for the year | - | - | - | - | - | (63,284) | (63,284) | (7,111) | (70,395) |
| Total comprehensive income / (loss) | - | - | - | - | - | (63,284) | (63,284) | (7,111) | (70,395) |
| Increase of subsidiary's charter capital/additional capital contribution | - | - | - | - | - | - | - | 33,665 | 33,665 |
| Dividends declared for payment | - | - | - | - | - | (22,500) | (22,500) | - | (22,500) |
| As at 30 June 2016 | 75 | 7,500 | (43,179) | 139,702 | 485 | 97,332 | 201,840 | 97,331 | 299,171 |

Authorized for issue and signed on 28 August 2017

_____/s/_____
Isaev A.A.
General Director

The notes on pages 7 through 17 are an integral part of these condensed consolidated interim financial statements

HSCI PJSC

Notes to condensed consolidated interim financial statements
as of 30 June 2017 and for the six-month period then ended
(*thousands of Russian rubles, unless otherwise indicated*)

1. Corporate information

The reviewed condensed consolidated interim financial statements of Public Joint Stock Company Human Stem Cells Institute and its subsidiaries as of 30 June 2017 and for the six-month period then ended were authorized for issue in accordance with a resolution of the General Director on 28 August 2017.

Public Joint Stock Company Human Stem Cells Institute (hereinafter, the "Company", "HSCI PJSC" or "HSCI") is the first Russian public biotech company founded on 27 November 2003 under the laws of the Russian Federation. The Group of HSCI companies (hereinafter, the "Group" of "HSCI Group") comprises the Company and its subsidiaries and associates.

The HSCI Group is engaged in drug discovery, R&D and marketing of innovative proprietary products and services in the field of advanced biomedical technologies, including such segments as:

- Gene therapy (gene therapy drugs, gene-activated matrices)
- Regenerative medicine
(cell therapy, tissue engineering products)
- Medical genetics, including reproductive genetics
(lab & clinic / genetic testing and counselling/)
- Bio-insurance
- Biopharmaceutics

The Company strives to foster a new culture of medical care linked to the concepts of personalized and preventive medicine.

HSCI is listed on the Innovation & Investment Market (iIM) of the Moscow Exchange (ticker [ISKJ](#)). The Company conducted its IPO in December 2009, becoming the first Russian biotech company to go public.

As of 30 June 2017, the main shareholders of the Company were:

- Artur Isaev; % of shares – 16.83%; number of shares – 12,622,000.
- Isaeva Maria; % of shares – 32.53%; number of shares – 24,394,400.
- DYNAMIC SOLUTIONS LTD. (103 Sham Peng Tong Plaza, Victoria, Mahe, Seychelles); % of shares – 24.00%; number of shares – 18,000,000.

As of June 30, 2017, the Company was under control of the above shareholders (73.36% of the Company's share capital), with Dynamic Solutions Ltd. being under indirect control of Artur Isaev, General Director of the Company.

HSCI PJSC

Notes to condensed consolidated interim financial statements
as of 30 June 2017 and for the six-month period then ended
(*thousands of Russian rubles, unless otherwise indicated*)

2. Group information

The subsidiaries consolidated in the Group's consolidated financial statements are disclosed below:

| Name | Business activity | Country of incorporation | % equity interest | |
|--------------------------------|---|--------------------------|-------------------|------------------|
| | | | 30 June 2017 | 31 December 2016 |
| "NextGen" Co. Ltd. | R&D and marketing of products for gene therapy. | Russia | 100.00 | 100.00 |
| Cell Technology Laboratory LLC | R&D for cell- and gene-based technologies. | Russia | 75.00 | 75.00 |
| Vitacel LLC | A developer of innovative cell-based and tissue engineering technologies for the regenerative medicine, incl. the aesthetic medicine (the company has developed and patented SPRS-therapy – a set of personalized diagnostics and treatment procedures for individual skin regeneration based on the use of autologous dermal fibroblasts to repair skin damage due to aging or other structural changes). | Russia | 60.00 | 60.00 |
| Cryonix JSC | Development and commercialization of innovative drugs and provision of high-tech medical services. | Russia | 70.11 | 70.11 |
| GENETICO LLC | R&D and provision of medical services (genetic diagnostic and counseling services with the aim of early identification, prediction and prophylactic treatment of genetic disorders; services of the reproductive cell and tissue bank (personal storage / donor bank)). | Russia | 73.08 | 73.08 |
| IMCB LLC | "International Medical Center for Biomaterials Processing and Cryostorage" LLC was set up for the provision of Gemabank's services (starting Q4 2015). | Russia | 100.00 | 100.00 |
| NVG-cardio LLC | R&D for introduction of innovative gene therapy drugs to treat cardiovascular diseases. | Russia | 65.00 | 65.00 |
| "Angiogenesis" LLC | R&D and commercialization of innovative gene therapy drugs for cardiovascular diseases. | Russia | 67.00 | 67.00 |
| REPROLAB LLC | Services of personal and donor banks of reproductive cells and tissues: procurement and sale of donor reproductive cells, cryopreservation of personal reproductive samples, professional long-term storage and transportation of reproductive cells and tissues (from the moment of transfer of activity from the parent company - LLC "TGGRM" GENETICO ", is planned to be completed until the end of 2017) | Russia | 79.99 | - |

HSCI PJSC is registered at: 18/1 Olimpiysky prospect, Moscow 129110, Russia

HSCI PJSC

Notes to condensed consolidated interim financial statements
as of 30 June 2017 and for the six-month period then ended
(*thousands of Russian rubles, unless otherwise indicated*)

2. Group Information (continued)

In October 2005, the Company founded a 100% owned subsidiary, Human Stem Cells Institute Publishing House LLC. On 1 November 2011, Human Stem Cells Institute Publishing House LLC was renamed as “NextGen” Co. Ltd. Today NextGen focuses on R&D and marketing of products for gene therapy, the development of treatments using gene therapy drugs and the method of therapeutic angiogenesis. In addition, it works on the development of new ways to prevent/treat inherited diseases and genetic disorders. NextGen is IP owner, Skolkovo resident. HSCI PJSC assumed publishing responsibility for the CTTE (Cell Transplantology & Tissue Engineering) journal.

In October 2005, the Company founded a 100% owned subsidiary, Human Stem Cells Institute Publishing House LLC.

In April 2007, HSCI founded a 75% owned subsidiary, Cell Technology Laboratory LLC.

In April 2010, under an equity interest sale and purchase agreement, the Company purchased a 60% interest in Vitacel LLC.

In February 2011, under an equity interest sale and purchase agreement, the Company purchased a 50% interest in Cryonix JSC. In April 2011, the Company purchased an additional interest of 5.98%. As a result of the related transactions, in 2011 the Company acquired control over Cryonix JSC. The acquisition of Cryonix JSC was a common control transaction, thus, in accordance with accounting policies of the Group, it was recognized as acquisition of business under common control.

In 2013, after the failure to comply with a loan agreement secured by a pledge of 903 ordinary registered non-documentary shares in Cryonix JSC, the shares were transferred to the Company thus increasing its share in Cryonix JSC by 3%. Thus, as of 31 December 2013, the total Company’s share in Cryonix JSC was 58.98%. In accordance with accounting policies of the Group, the transaction was accounted for as an equity transaction. In 2014 HSCI paid for the shares of Cryonix JSC under closed subscription for an additional securities issue. In November 2014, the report on the issue of additional securities underwent state registration. As a result, the Group’s share in Cryonix JSC increased to 70.11%.

Cryonix JSC operates in the biotech, pharmacological and medical sectors. The company’s key R&D projects include the development of cell-based medications as well as introduction of novel therapeutics based on Histone H1 – for treatment of oncohematological diseases. Cryonix JSC is a long-standing partner of HSCI; it has represented Gemabank’s services in Saint Petersburg and the region. In addition, Cryonix JSC, along with HSCI PJSC, is a co-investor of multilateral international project SynBio, supported by RUSNANO, and a participant in IceGen LLC (*see Item 3.2 in the Note 3 to the consolidated financial statements as of 31 December 2016 and for the year then ended*).

In October 2012 RGMC HSCI LLC was founded, with the share held by HSCI amounting to 100% for R&D and introduction of their results into practical healthcare through rendering of medical services. Starting from 2013 the company has been providing a wide range of genetic testing and counseling services as well as reproductive cell and tissue bank services (personal storage, donation). In October 2015, RGMC HSCI LLC was renamed to GENETICO LLC (Center of Genetics and Reproductive Medicine GENETICO LLC).

On 2 June 2014 RVC Biopharmaceutical Investments Ltd. (RVC Biofund Ltd.), a state investment fund, became a second participant in the company according to the investment agreement signed with HSCI for joint financing and development of the Genetico® project for the development of personalized medicine in the field of early identification, prediction and prophylactic treatment of genetic disorders, including reproductive system diseases. As of 31 December 2015, the share of RVC Biofund in the company amounted to 23.89%.

As of 31 December 2016 (and the same is as of 31 March 2017), the shares of GENETICO LLC participants were as follows:

- RVC Biofund – 26.92%
- HSCI PJSC – 73.08%

(Pursuant to the aforesaid investment agreement, in 2016 HSCI fulfilled its commitment to contribute RUB 40 million on the terms of further conversion into the share in the charter capital of GENETICO LLC. During the conversion of this additional contribution to the charter capital of GENETICO LLC the following calculation was used: RUB 1 (one) in the charter capital of GENETICO LLC for RUB 1,000 (one thousand) of investment funds of HSCI PJSC. As of 31 March 2016 - as a result of conversion - the charter capital of GENETICO LLC amounted to RUB 354,000, with HSCI’s share of 78.11 % and RVC Biofund’s share of 21.19 %. In June 2016, the charter capital of GENETICO LLC was increased by the participants to RUB 399,634 as a result of conversion of the loans given by them to GENETICO LLC before, with HSCI’s share amounting to 73.08 % and RVC Biofund’s share amounting to 26.92 %).

HSCI PJSC

Notes to condensed consolidated interim financial statements
as of 30 June 2017 and for the six-month period then ended
(*thousands of Russian rubles, unless otherwise indicated*)

2. Group information (continued)

As per the Addendum of 22 March 2017 to the investment agreement on the Genetico project between RVC Biofund LLC and HSCI PJSC dated 17 February 2014, the parties provided for an additional round of financing by HSCI PJSC – an additional contribution to the authorized capital of GENETICO LLC in the amount of RUB 138 million to be made no later than 31 March 2017. Therefore, following the next Genetico project financing round, starting 10 April 2017 (the date of registration of the increase of the authorized capital of GENETICO LLC), the stake of RVC Biofund Ltd. in GENETICO LLC is 20.01%, with HSCI PJSC holding 79.99%.

On 1 September 2014, pursuant to the BoD Minutes, HSCI resolved to establish International Medical Center for Biomaterials Processing and Cryostorage LLC (IMCB LLC), with HSCI's participatory interest of 100%.

From October 1 2015 the Company started rendering Gemabank[®] services through IMCB LLC (after IMCB obtained the license for hematopoietic cord blood stem cell isolation, transportation and storage services in July 2015) – with the aim to increase Gemabank's operational effectiveness as well as to use state tax allowance for medical companies. Therefore, in Q4 2015 IMCB started providing the complex service of personal cord blood stem cell banking which used to be provided by HSCI itself, and recorded the revenue from new clients.

After the whole client base from Gemabank's first days up to Q4 2015 is handed over from HSCI to IMCB, IMCB's total revenue will include both revenues from isolation & cryopreservation of cord blood SCs and revenues from the storage of cord blood SCs samples in Gemabank[®] (annual charges from new and old clients). At the moment, the transition is in progress, that leads to some contractual relationships between HSCI PJSC and IMCB LLC (IMCB is providing cord blood storage services to HSCI's as for the clients from before 1 October 2015). It has resulted in the IFRS consolidation adjustments (intercompany eliminations) concerning revenue and expenses.

IMCB's net income, starting 2016, is allocated to HSCI as a parent company in the form of dividends.

In May 2015, HSCI established a subsidiary called NVG-cardio LLC with the aim of R&D and commercialization of innovative gene therapy drugs for cardiovascular diseases - the most common cause of death in Russian Federation. The project is planned to be implemented in collaboration with Novosibirsk Research Institute of Blood Circulation Pathology named after E.N. Meshalkin. HSCI's share in NVG-Cardio LLC is 65%.

In September 2016, HSCI registered a subsidiary called "Angiogenesis" LLC, with HSCI's share amounting to 67%, to conduct R&D in the field of natural and technical sciences (in particular, R&D for introduction of innovative gene therapy drugs to treat cardiovascular diseases).

The companies within the Group have no representative offices.

HSCI PJSC

Notes to condensed consolidated interim financial statements
as of 30 June 2017 and for the six-month period then ended
(*thousands of Russian rubles, unless otherwise indicated*)

3. Associates

Starting from 2011 HSCI PJSC and its subsidiary – Cryonix JSC are among co-investors of multilateral international project SynBio and participants in IceGen LLC. The Investment Agreement on the SynBio project was signed on 4 August 2011 and approved (along with other transactions related to its implementation) by HSCI's Extraordinary General Shareholders' Meeting on 31 August 2011. The project company – SynBio LLC was established in 2011 and both HSCI and Cryonix acquired stakes in the company.

In 2016, IceGen LLC alienated its stake in SynBio LLC in exchange for shares of PJSC Pharmsynthez, issued as part of the additional issue with an increase in the authorized capital of PJSC Pharmsynthez. Therefore, as of the reporting date, the Group does not participate directly in Sinbio LLC either directly or indirectly - since December 29, 2016, the company Sinbio LLC has lost the status of a related party for the Group.

As of 31 December 2015, HSCI PJSC was a majority stakeholder of IceGen with a 48.07% interest, while an effective interest of the Group in IceGen amounted to 54.6% (considering HSCI's stake in Cryonix in the amount of 70.11% and 9.31% of Cryonix in IceGen).

As of 31 December 2016, the Group's effective interest in IceGen LLC changed to 46.01%, as from the end of December 2016 HSCI's stake in IceGen amounted to 39.48%, while the stake of Cryonix remained the same (9.31%).

Since 8 June 2017 and as of the date of this consolidated interim financial report (30 June 2017) HSCI's stake in IceGen amounted to 36.77%, while the stake of Cryonix amounted 8.68%. Thus, Group's effective interest is 42.85%

The Group henceforth considers IceGen LLC as an associated company, which is accounted for by means of the equity method.

4. Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

Russia's economy remains heavily dependent on fluctuations in oil prices on the market. During the last 2 years, the volatility of oil prices, along with geopolitical crisis in Ukraine, Russia is involved in, had a significant negative impact on the state of the Russian economy and, consequently, the amount of personal disposable income, leading to a decrease in consumer demand.

Difficult economic conditions, including inflation, the volatility of the ruble, capital outflows from the country, reduction in the credit opportunities also contribute to the formation of negative expectations, which reinforce the crisis in consumer demand.

To date, the possibility of resumption of growth is still limited by the economic sanctions against the Russian Federation from the international community and Russian counter-sanctions (various export embargos).

Therefore, there are risks with respect to a prolonged recession in the economy, lack of access to finance, as well as the high cost of capital may negatively affect Group's future financial positions, operating results and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

4.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective at the time of preparing the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available for sale that have been measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

The Russian ruble is the functional currency of the Company and its subsidiaries, since this is the currency of the prime economic environment in which all operations of the companies are conducted. These consolidated financial statements are presented in Russian rubles unless otherwise indicated.

HSCI PJSC

Notes to condensed consolidated interim financial statements as of 30 June 2017 and for the six-month period then ended (*thousands of Russian rubles, unless otherwise indicated*)

The Company and its subsidiaries maintain their accounting records and prepare their statutory financial statements in Russian rubles in accordance with the Regulations on Accounting and Reporting of the Russian Federation. These consolidated financial statements are based on statutory books and records of the Company and its subsidiaries, as adjusted and reclassified in order to comply with IFRS. The principal adjustments relate to: recognition of income, valuation of PPE, finance leases and financial instruments, provisions, deferred income tax and investments in subsidiaries and associates as well as compliance with IFRS requirements for preparing consolidated financial statements.

4.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December, 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

In 2014, the Group lost control over subsidiary IceGen LLC resulting from performance of the Investment Agreement on SynBio project, while maintaining a significant influence on the company. Therefore, the Group considers IceGen LLC to be an associated company accounted for using the equity method (refer to Note 3).

HSCI PJSC

Notes to condensed consolidated interim financial statements
as of 30 June 2017 and for the six-month period then ended
(*thousands of Russian rubles, unless otherwise indicated*)

4.3. Significant accounting policies

Accounting policy. When preparing these statements, the Group applied the same accounting policy principles as to the preparation of the consolidated financial statements for the year ending on 31 December 2016, except for the information disclosed in the paragraph "Application of new and revised standards and interpretations".

Application of new and revised standards and interpretations. Some of the newly issued standards and their interpretations, as disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2016, are mandatory for annual reporting periods beginning on or after 1 January 2017, but they do not have a significant impact on this consolidated shortened interim financial information of the Group.

Standards issued not yet effective. As at the date of this consolidated condensed interim financial information, the following standards have been issued but not effective:

| Standards and their changes | Applicable for annual reports, starting not earlier than |
|---|---|
| Annual Improvements 2014-2016 Cycle: IFRS 1, IAS 28 | January 1, 2018 |
| Amendments to IFRS 9: "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| Amendments to IAS 40: "Transfers of Investment Property" | January 1, 2018 |
| Amendments to IFRS 2: "Classification and Measurement of Sharebased Payment Transactions" | January 1, 2018 |
| Amendments to IFRS 15 "Revenue from Contracts from Customers" | January 1, 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | January 1, 2018 |
| IFRIC 23 Uncertainty over Income Tax Treatments | January 1, 2019 |
| IFRS 9 Financial Instruments | January 1, 2018 |
| IFRS 15 Revenue from Contracts from Customers | January 1, 2018 |
| IFRS 16 Leases | January 1, 2019 |
| IFRS 17 Insurance contracts | January 1, 2021 |

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5. Property, plant and equipment

| | Buildings and structures | Machinery and equipment | Other | Total |
|---|-------------------------------------|--|-----------------|------------------|
| Balance at 31 December 2016 | 93,516 | 127,624 | 32,812 | 253,952 |
| Additions | - | 138,717 | 86 | 138,803 |
| Balance at 30 June 2017 | 93,516 | 266,341 | 32,898 | 392,755 |
| <i>Accumulated depreciation</i> | | | | |
| Balance at 31 December 2016 | (35,408) | (39,425) | (25,977) | (100,810) |
| Depreciation charge for 6 months 2017 | (3,985) | (3,951) | (568) | (8,504) |
| Depreciation of PPE disposed during 6 months 2017 | - | - | - | - |
| Balance at 30 June 2017 | (39,393) | (43,376) | (26,545) | (109,314) |
| Balance at 31 December 2016 | 58,108 | 88,199 | 6,835 | 153,142 |
| Balance at 30 June 2017 | 54,123 | 222,965 | 6,353 | 283,441 |
| | | | | |
| | Buildings and structures | Machinery and equipment | Other | Total |
| Balance at 31 December 2015 | 93,516 | 57,194 | 28,423 | 179,133 |
| Additions | - | 2,431 | 2,756 | 5,187 |
| Disposals | - | (9) | (472) | (481) |
| Balance at 30 June 2016 | 93,516 | 59,616 | 30,707 | 183,839 |
| <i>Accumulated depreciation</i> | | | | |
| Balance at 31 December 2015 | (27,437) | (30,991) | (24,152) | (82,580) |
| Depreciation charge for 6 months 2016 | (3,583) | (2,455) | (2,288) | (8,326) |
| Depreciation of PPE disposed during 6 months 2016 | - | 8 | 472 | 480 |
| Balance at 30 June 2016 | (31,020) | (33,438) | (25,968) | (90,426) |
| Balance at 31 December 2015 | 66,079 | 26,203 | 4,271 | 96,553 |
| Balance at 30 June 2016 | 62,496 | 26,178 | 4,739 | 93,413 |

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6. Intangible assets

| | Software and licenses | R&D costs | User rights and patents | Trademarks | Total intangible assets |
|--|--------------------------|----------------|----------------------------|--------------|----------------------------|
| Initial cost | | | | | |
| Balance at 31 December 2016 | 4,358 | 11,465 | 63,009 | 1,053 | 79,885 |
| Additions | 173 | 13 | 11,844 | 91 | 12,121 |
| Development | - | 308 | - | - | 308 |
| Disposals | (1,001) | (1,600) | - | - | (2,601) |
| Balance at 30 June 2016 | 3,530 | 10,186 | 74,853 | 1,144 | 89,713 |
| Accumulated amortization | | | | | |
| Balance at 31 December 2016 | (1,759) | (8,500) | (10,001) | (474) | (20,734) |
| Amortization charge for 6 months 2017 | (412) | - | (1,478) | (72) | (1,963) |
| Disposals | 1,001 | - | - | - | 1,001 |
| Balance at 30 June 2017 | (1,170) | (8,500) | (11,479) | (546) | (21,696) |
| Balance at 31 December 2016 | 2,599 | 2,965 | 53,008 | 579 | 59,151 |
| Balance at 30 June 2017 | 2,360 | 1,686 | 63,373 | 598 | 68,017 |
| Initial cost | | | | | |
| Balance at 31 December 2015 | 2,427 | 40,181 | 19,329 | 1,003 | 62,940 |
| Additions | 1,264 | | 102 | 22 | 1,388 |
| Development | | 2,185 | 146 | | 2,331 |
| Disposals | | (247) | | | (247) |
| Reclassification | | (9,511) | 9,511 | | - |
| Balance at 30 June 2016 | 3,691 | 32,608 | 29,088 | 1,025 | 66,412 |
| Accumulated amortization | | | | | |
| Balance at 31 December 2015 | (1,040) | (7,364) | (6,525) | (352) | (15,281) |
| Amortization charge for 6 months 2016 | (309) | (286) | (2,014) | (54) | (2,663) |
| Balance at 30 June 2016 | (1,349) | (7,650) | (8,539) | (406) | (17,944) |
| Balance at 31 December 2015 | 1,387 | 32,817 | 12,804 | 651 | 47,659 |
| Balance at 30 June 2016 | 2,342 | 24,958 | 20,549 | 619 | 48,468 |

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7. Financial assets

| | 30 June 2017 | 31 December 2016 |
|--|---------------------|-------------------------|
| Cash and cash equivalents | 182,246 | 285,545 |
| Trade and other receivables | 135,107 | 119,728 |
| Financial instruments at fair value through profit or loss | 70,370 | 80,956 |
| Loans issued | 13,675 | 13,445 |
| Total financial assets | 401,398 | 499,674 |
| Total current financial assets | 400,843 | 497,791 |
| Total non-current financial assets | 555 | 1,883 |

Financial assets at fair value through profit or loss reflect the change in fair value of financial assets held for trading. The fair value of the quoted securities is determined by reference to published price quotations in an active market.

The detailed structure of trade and other receivables is as follows:

| | 30 June 2017 | 31 December 2016 |
|--|---------------------|-------------------------|
| Trade and other receivables: | 44,262 | 26,651 |
| Taxes paid in advance and overpayments | 10,885 | 8,741 |
| Advances to suppliers | 28,196 | 32,253 |
| Other receivables | 51,764 | 52,083 |
| Total | 135,107 | 119,728 |

8. Financial liabilities

| | 30 June 2017 | 31 December 2016 |
|---|---------------------|-------------------------|
| At amortized cost | | |
| Current interest-bearing loans and borrowings | 40,289 | 38,851 |
| Non-current interest-bearing loans and borrowings | 391,642 | 307,400 |
| Trade and other payables: | 106,173 | 91,733 |
| Trade payables | 84,664 | 78,642 |
| Other payables | 15,474 | 8,811 |
| Taxes payable | 6,035 | 4,280 |
| Total financial liabilities | 538,104 | 437,984 |
| Total non-current | 391,642 | 307,400 |
| Total current | 146,462 | 130,584 |

The detailed structure of loans and borrowings is as follows:

Non-current loans and borrowings

| Creditor | Currency | Effective interest rate, % | 30 June 2017 | 31 December 2016 |
|---|-----------------|-----------------------------------|---------------------|-------------------------|
| Moscow Seed Fund | RUB | 12.5 | 20,000 | 7,400 |
| Biofund RVC LLC | RUB | 15 | 71,642 | - |
| Industrial Development Fund (IDF) | RUB | 5 | 300,000 | 300,000 |
| Total non-current loans and borrowings | | | 391,642 | 307,400 |

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Current loans and borrowings

| Creditor | Currency | Effective interest rate, % | 30 June 2017 | 31 December 2016 |
|--|----------|----------------------------|----------------|------------------|
| Moscow Seed Fund | RUB | 15 | 25,818 | 14,833 |
| Atlas-Finance, Inc. | RUB | 25 | 11,143 | 23,568 |
| Biofund RVC LLC | RUB | 15 | 3,328 | - |
| Industrial Development Fund (IDF) | RUB | 5 | - | 450 |
| Total current loans and borrowings | | | 40,289 | 38,851 |
| Total interest-bearing loans and borrowings | | | 431,931 | 346,251 |

9. Sale of goods and services

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|---|--------------------------------|--------------------------------|
| Isolation, cryopreservation and personal storage of cord blood stem cells | 111,286 | 104,686 |
| Genetico [®] center & lab (genetic testing and counseling services, Reprobank [®] services) | 81,947 | 64,539 |
| SPRS-therapy [®] service | 20,294 | 17,495 |
| Sales of Neovasculgen [®] drug | 9,945 | 1,515 |
| Other revenue | 3,481 | 831 |
| Total | 226,953 | 189,066 |

10. Operating expenses

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|--|--------------------------------|--------------------------------|
| Salary | 103,720 | 41,177 |
| Supplies and reagents | 35,549 | 25,177 |
| Services provided by third parties | 31,422 | 30,397 |
| Rent of premises | 16,083 | 16,174 |
| Consulting, advisory and legal services | 15,103 | 34,623 |
| Advertising expenses | 14,486 | 27,998 |
| Transport expenses | 9,924 | 5,577 |
| Social charges | 9,398 | 8,122 |
| Bad debt expense | 6,790 | 4,434 |
| Business trips | 6,740 | 2,264 |
| Software and maintenance | 4,308 | 3,210 |
| R&D costs | 3,300 | 8,807 |
| Telecommunications services | 999 | 1,251 |
| Tax expenses | 660 | 560 |
| Maintenance of cryogenic equipment | 435 | 1,298 |
| Audit fees | 240 | 828 |
| Representation expenses | 200 | 1,024 |
| Current repairs of property, plant and equipment | 62 | 319 |
| Transaction support and buyer search | 16 | - |
| Other expenses | 12,798 | 7,284 |
| Depreciation of property, plant and equipment | 8,504 | 8,326 |
| Amortization of intangible assets and R&D | 1,963 | 2,664 |
| Total | 282,700 | 231,514 |

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11. Net other non-operating income / (expenses)

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|---|--|--|
| Other non-operating expenses: | | |
| Sale of securities | (44,545) | (27,412) |
| Revaluation of securities | - | (12,112) |
| Tax expenses | (364) | - |
| Allowance for bad debts | 133 | (263) |
| Other | (5,886) | (4,911) |
| Total other non-operating expenses | (50,662) | (44,698) |

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|--|--|--|
| Other non-operating income: | | |
| Sale of securities | 45,839 | 22,684 |
| Income from rent of property | 204 | 218 |
| Revaluation of purchased securities | 109 | - |
| Other | 9,393 | 2,010 |
| Total other non-operating income | 55,545 | 24,912 |
| Total net other non-operating income / (expenses) | 4,883 | (19,786) |

12. Net foreign exchange gain/ (loss)

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|---|--|--|
| Foreign exchange loss | (3,378) | (3,108) |
| Foreign exchange gain | 3,618 | 1,286 |
| Total net foreign exchange gain / (loss) | 240 | (1,822) |

13. Interest expense

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|-------------------------------|--|--|
| Interest payable accrued | (14,316) | (7,534) |
| Total interest expense | (14,316) | (7,534) |

14. Income tax

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|--|--|--|
| Deferred income tax | 1,878 | 602 |
| Income tax reported in the statement of profit or loss and other comprehensive income | 1,878 | 602 |

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15. Share of profits / (losses) of associates

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|---|--|--|
| Share of loss in the financial results of associated company IceGen LLC | (328) | (460) |
| Total share of profits / (losses) of associates | (328) | (460) |

16. Inventories

| | 30 June 2017 | 31 December 2016 |
|---|---------------------|-------------------------|
| Raw materials | 50,385 | 47,140 |
| Goods for resale | 17,573 | 16,727 |
| Materials transferred for processing | 475 | 468 |
| Other inventories | 296 | 24 |
| Allowance for impairment of inventories | (335) | (227) |
| Total inventories | 68,394 | 64,132 |

17. Cash and cash equivalents

| | 30 June 2017 | 31 December 2016 |
|---|---------------------|-------------------------|
| RUB-denominated cash on hand and balances on settlement account | 182,094 | 285,491 |
| Foreign currency-denominated balances on settlement account | 152 | 54 |
| Total | 182,246 | 285,545 |

18. Earnings / (loss) per share (EPS / LPS)

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|---|--|--|
| Profit / (loss) attributable to ordinary equity holders of the parent for basic earnings / (loss) | (56,216) | (70,395) |
| Weighted average number of ordinary shares for basic EPS/LPS (with a nominal value of RUB 0.1) | 75,000,000 | 75,000,000 |
| Basic earnings / (loss) per share, RUB | (0.75) | (0.94) |
| Diluted earnings / (loss) per share, RUB | (0.75) | (0.94) |

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19. Related party transactions

| | 6 months ended 30 June 2017 | 6 months ended 30 June 2016 |
|---|--|--|
| Revenue | 153 | - |
| IceGen LLC | 153 | - |
| Interest Income | 381 | 332 |
| IceGen LLC | 104 | 59 |
| A.A. Isaev | 210 | 110 |
| A.V. Prikhodko | 67 | - |
| First International Investment Group Ltd. | - | 163 |
| Other income | - | 153 |
| IceGen LLC | - | 153 |
| | 30 June 2017 | 31 December 2016 |
| Accounts receivable | 240 | 1,400 |
| I.L. Plaksa | 2,780 | 1,340 |
| IceGen LLC | 240 | 60 |
| Current loans issued | 8,182 | 7,601 |
| IceGen LLC | 3,227 | 3,123 |
| A.A. Isaev | 3,725 | 3,045 |
| A.V. Prikhodko | 1,230 | 1,433 |

20. Fair value of financial instruments

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties, except for cases of forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument by which it is quoted in an active market.

The results of the fair value measurement are analyzed at the levels of the fair value hierarchy as follows: (a) Level 1 estimates include quoted market prices (uncorrected) in active markets for identical assets or liabilities, (b) Level 2 estimates obtained in all significant material inputs used are observable for an asset or liability directly (eg, for example, prices) or indirectly (eg, for example, price derivatives), and (c) Level 3 estimates are not grounded on observable market data (ie based on unobservable inputs). When assigning financial instruments to a category in the fair value hierarchy, management uses judgments. If the observable data is used in estimating fair value, which require significant adjustments, then it is related to Level 3. The significance of the data used is assessed for the entirety of the fair value measurement.

The estimated fair value of financial instruments was determined by the Group on the basis of available market information (if any) and appropriate valuation methods. However, in order to interpret market information in order to determine the estimated fair value, professional judgments must be applied. The economy of the Russian Federation continues to exhibit some of the characteristics inherent in emerging markets, and economic conditions continue to limit the volume of activity in financial markets. Market quotations may be obsolete or reflect the cost of selling at low prices and therefore do not reflect the fair value of financial instruments. When determining the fair value of financial instruments, management uses all available market information.

Financial assets carried at amortized cost. The estimated fair value of fixed interest rate instruments is based on the discounted cash flow method using existing interest rates in the borrowing market for new instruments that involve a similar credit risk and a similar maturity. The discount rate depends on the credit risk of the counterparty. The carrying amount of receivables and loans issued approximates their fair value, which relates to Level 2 of the fair value hierarchy. Financial assets that are revalued through profit or loss reflect the change in the fair value of financial assets held for trading. The fair value of these quoted securities is determined based on published quotations of prices in the active market and refers to Level 1.

Cash and cash equivalents are stated at amortized cost, which approximates their fair value.

Liabilities carried for at amortized cost. The estimated fair value of instruments with a fixed interest rate and a fixed maturity is based on the expected discounted cash flows using interest rates for new instruments with similar credit risk and a similar period to maturity. The fair value of loans and borrowings is based on the input of Level 2.

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The carrying amount of other liabilities carried at amortized cost approximates their fair value.

21. Events after the balance sheet date

Since 2011, HSCI PJSC and its subsidiary company Cryonics JSC are co-investors of the multi-project "SinBio" and participants of IceGen LLC: the share of HSCI PJSC as of December 31, 2016 was 39.48%, and the share of Cryonics JSC - 9.31%.

As of June 8, 2017, there was a change in ownership interests, which amounted to: HSCI PJSC - 36.77%, Cryoniks JSC - 8.68%, which gives an effective shareholding of the Group of 42.85%.

In Q4 2017, the reorganization of IceGen LLC will take place in the form of a division into "IceGen 1" LLC and "IceGen 2" LLC. The beginning of the procedure of the reorganization of a legal entity in the form of a division is on August 28, 2017, as the corresponding entry is made in the Unified State Register of Legal Entities.

As a result of the separation of the Limited Liability Company "IceGen", all property, rights and obligations of the reorganized Company pass to the LLC "IceGen 1" and LLC "IceGen 2", created as a result of the separation, in accordance with the Transfer Certificate (also referred to in cl. Federal Law of 08.02.1998 No. 14-FZ "On Limited Liability Companies" with a separation balance sheet).

The Company will be considered reorganized from the moment of state registration of LLC "IceGen 1" and LLC "IceGen" 2, created as a result of the reorganization.

As a result of the exchange of shares of the participants of the reorganized Company, the participant of the LLC "IceGen" Public Joint Stock Company "Human Stem Cells Institute" will acquire a stake in the authorized capital of LLC "IceGen 2" in the amount of 80.912%, and the participant of LLC "IceGen" Joint Stock Company "Cryonics" will acquire a stake in the authorized capital of LLC "IceGen 2" in the amount of 19.088%.

This condensed consolidated interim financial statements were authorized for issue and signed on 28 August, 2017

General Director

/s/

A.A. Isaev