

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 September 2017 and for the nine-month period then ended

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Important remarks

Hereinafter contained condensed consolidated interim financial statements of HSCI as of 30 September 2017 and for the nine-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-aktsioneram/financial_reporting/otchety_msfo)

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

	Notes	30 September 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	5	282,458	153,142
Intangible assets	6	73,458	59,151
Investments in associates		244,922	245,318
Non-current financial assets	7	439	1,883
Deferred tax assets		14,381	17,774
Total non-current assets		615,658	477,268
Current assets			
Inventories	16	72,791	64,132
Trade receivables		53,725	26,651
Other receivables		101,193	93,077
Other current financial assets		92,168	92,518
Cash and cash equivalents	17	107,639	285,545
Total current assets		427,516	561,923
Total assets		1,043,174	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		29,816	71,807
Dividends declared for payment		-	(22,500)
Other components of equity		485	485
Equity attributable to equity holders of the parent		134,324	153,815
Non-controlling interests		73,151	84,816
Total equity		207,475	238,631
Non-current liabilities			
Interest-bearing loans and borrowings	8	377,343	307,400
Deferred tax liabilities		762	15,711
Total non-current liabilities		378,105	323,111
Current liabilities			
Interest-bearing loans and borrowings	8	42,719	38,851
Advances received		351,010	346,708
Trade and other payables		57,122	87,610
Taxes payable		6,743	4,280
Total current liabilities		457,594	477,449
Total liabilities		835,699	800,560
Total equity and liabilities		1,043,174	1,039,191

Authorized for issue and signed on 29 November 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	Nine-month period, ended 30 September 2017	Nine-month period, ended 30 September 2016
Sale of goods and services	9	352,284	285,234
Total revenue		352,284	285,234
Operating expenses, including:	10	(404,324)	(390,017)
<i>Depreciation and amortization</i>	10	(19,665)	(18,813)
Operating profit / (loss)		(52,040)	(104,783)
Interest expense	13	(22,363)	(10,377)
Interest income		9,033	1,599
Share of profit / (loss) of associates	15	(396)	(357)
Net other non-operating profit / (loss)	11	23,439	(14,948)
Net foreign exchange gain / (loss)	12	(282)	(2,373)
Loss before tax		(42,609)	(131,239)
Income tax	14	11,553	12,486
Loss for the period		(31,056)	(118,753)
Total comprehensive loss for the period, net of tax		(31,056)	(118,753)
Loss for the period		(31,056)	(118,753)
<i>Attributable to:</i>			
Equity holders of the parent		(19,491)	(105,023)
Non-controlling interests		(11,565)	(13,730)
Total comprehensive loss for the period, net of tax		(31,056)	(118,753)
<i>Attributable to:</i>			
Equity holders of the parent		(19,491)	(105,023)
Non-controlling interests		(11,565)	(13,730)
Basic and diluted loss per share for loss for the period attributable to equity holders of the parent (RUB)	18	(0.41)	(1.58)

Authorized for issue and signed on 29 November 2017

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Isaev A.A.
General Director

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

Notes	Nine-month period, ended 30 September 2017	Nine-month period, ended 30 September 2016
Operating activities		
Loss for the period	(31,056)	(118,753)
Income tax	(11,553)	(12,486)
Loss before tax	(42,609)	(131,239)
<i>Adjustment for non-cash items to reconcile profit / (loss) before tax to net cash flows</i>		
Depreciation and amortization	8 19,665	18,813
Interest expense	11 22,363	10,377
Interest income	(9,033)	(1,599)
Share of (profit) / loss of associates	13 396	357
Net foreign exchange (gain) / loss	282	2,373
Other non-operating (income) / expenses	2,546	2,864
Operating income / (loss) before changes in working capital, interest and income taxes paid	-	12,084
	(6,390)	(85,937)
<i>Working capital adjustments</i>		
Increase in trade and other receivables and prepayments		
Decrease / (increase) in inventories	(52,847)	(7,052)
Increase in trade and other payables	(8,659)	10,099
Income tax paid	7,738	(22,089)
Net cash flows from / (used in) operating activities	(60,158)	(104,979)
Investing activities		
Purchase of property, plant and equipment and intangible assets	(196,537)	(15,716)
Loans issued	(4,673)	(3,865)
Repayment of loans issued	3,701	11,429
Proceeds from sale of financial assets held for trading / (purchase of financial assets for trading)	271	45,271
Interest received	8,104	2,188
Net cash flows from / (used) in investing activities	(189,134)	39,307
Financing activities		
Proceeds of loans and borrowings, net of the commission paid	105,000	321,081
Repayment of loans and borrowings	(10,500)	(17,345)
Interest paid	(21,971)	(6,506)
Net cash flows from / (used in) financing activities	72,429	297,230
Net increase / (decrease) in cash and cash equivalents	(176,863)	231,558
Effect of exchange rate changes on cash and cash equivalents	(1,043)	(589)
Cash and cash equivalents at the beginning of the period	285,545	50,761
Cash and cash equivalents at the end of the period	107,639	281,730

Authorized for issue and signed on 29 November 2017

/s/
Isaev A.A.
General Director

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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	-	-	-	-	-	(19,491)	(19,491)	(11,565)	(31,056)
Total comprehensive income / (loss)	-	-	-	-	-	(19,491)	(19,491)	(11,565)	(31,056)
As at 30 September 2017	75	7,500	(43,179)	139,702	485	29,816	134,324	73,151	207,475
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	-	-	-	-	-	(105,023)	(105,023)	(13,730)	(118,753)
Total comprehensive income / (loss)	-	-	-	-	-	(105,023)	(105,023)	(13,730)	(118,753)
Increase of subsidiary's charter capital/additional capital contribution	-	-	-	-	-	-	-	32,665	33,665
Dividends declared for payment	-	-	-	-	-	(22,500)	(22,500)	-	(22,500)
As at 30 September 2016	75	7,500	(43,179)	139,702	485	55,593	160,101	90,745	250,846

Authorized for issue and signed on 29 November 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 September 2017 and for the nine-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 September 2017 and for the nine-month period then ended were authorized for issue in accordance with a resolution of the General Director on 29 November 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 September 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 September 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 September 2017 and for the nine-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 September 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	70.13	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	79.99	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 September 2017 and for the nine-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%.

In September 2017, HSCI purchased shares from two minority shareholders, as a result of which the Group's share in Cryonix JSC as of September 30, 2017 was 70.13%.

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 30 September 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

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

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 %).

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

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	-	142,607	3,319	145,926
Balance at 30 September 2017	93,516	270,231	36,131	399,878
<i>Accumulated depreciation</i>				
Balance at 31 December 2016	(35,408)	(39,425)	(25,977)	(100,810)
Depreciation charge for 6 months 2017	(5,978)	(9,379)	(1,253)	(16,610)
Depreciation of PPE disposed during 6 months 2017	-	-	-	-
Balance at 30 September 2017	(41,386)	(48,804)	(27,230)	(117,420)
Balance at 31 December 2016	58,108	88,199	6,835	153,142
Balance at 30 September 2017	52,130	221,427	8,901	282,458
	Buildings and structures	Machinery and equipment	Other	Total
Balance at 31 December 2015	93,516	57,194	28,423	179,133
Additions	-	5,172	3,611	8,783
Disposals	(501)	(9)	(469)	(979)
Balance at 30 September 2016	93,015	62,357	31,565	186,937
<i>Accumulated depreciation</i>				
Balance at 31 December 2015	(27,437)	(30,991)	(24,152)	(82,580)
Depreciation charge for 6 months 2016	(7,558)	(4,071)	(3,154)	(14,783)
Depreciation of PPE disposed during 6 months 2016	501	9	309	819
Balance at 30 September 2016	(34,494)	(35,053)	(26,997)	(96,544)
Balance at 31 December 2015	66,079	26,203	4,271	96,553
Balance at 30 September 2016	58,521	27,304	4,568	90,393

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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	282	-	9,038	118	9,438
Development	-	10,977	-	-	10,977
Disposals	(1,001)	(2,546)	-	-	(3,547)
Balance at 30 September 2016	3,639	19,896	72,047	1,171	96,753
Accumulated amortization					
Balance at 31 December 2016	(1,759)	(8,500)	(10,001)	(474)	(20,734)
Amortization charge for 6 months 2017	(644)	(43)	(2,783)	(92)	(3,562)
Disposals	1,001	-	-	-	1,001
Balance at 30 September 2017	(1,402)	(8,543)	(12,784)	(566)	(23,295)
Balance at 31 December 2016	2,599	2,965	53,008	579	59,151
Balance at 30 September 2017	2,237	11,353	59,263	605	73,458
Initial cost					
Balance at 31 December 2015	2,427	40,181	19,329	1,003	62,940
Additions	1,437	-	362	51	1,850
Development	-	5,083	-	-	5,083
Disposals	-	(409)	-	-	(409)
Reclassification	-	(9,668)	9,668	-	-
Balance at 30 September 2016	3,864	35,187	29,359	1,054	69,464
Accumulated amortization					
Balance at 31 December 2015	(1,040)	(7,364)	(6,525)	(352)	(15,281)
Amortization charge for 6 months 2016	(484)	(1,275)	(2,178)	(93)	(4,030)
Reclassification	-	564	(564)	-	-
Balance at 30 September 2016	(1,524)	8,075	(9,267)	(445)	(19,311)
Balance at 31 December 2015	1,387	32,817	12,804	651	47,659
Balance at 30 September 2016	2,340	27,112	20,092	609	50,153

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7. Financial assets

	30 September 2017	31 December 2016
Cash and cash equivalents	154,918	119,728
Trade and other receivables	107,639	285,545
Financial instruments at fair value through profit or loss	78,024	80,956
Loans issued	14,583	13,445
Total financial assets	355,164	499,674
Total current financial assets	354,725	497,791
Total non-current financial assets	439	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 September 2017	31 December 2016
Trade and other receivables:	53,725	26,651
Taxes paid in advance and overpayments	32,305	32,253
Advances to suppliers	10,784	8,741
Other receivables	58,104	52,083
Total	154,918	119,728

8. Financial liabilities

	30 September 2017	31 December 2016
At amortized cost		
Current interest-bearing loans and borrowings	42,719	38,851
Non-current interest-bearing loans and borrowings	377,343	307,400
Trade and other payables:	63,708	91,733
Trade payables	43,335	78,642
Other payables	13,630	8,811
Taxes payable	6,743	4,280
Total financial liabilities	483,770	437,984
Total non-current	377,343	307,400
Total current	106,427	130,584

The detailed structure of loans and borrowings is as follows:

Non-current loans and borrowings

Creditor	Currency	Effective interest rate, %	30 September 2017	31 December 2016
Moscow Seed Fund	RUB	12.5	16,000	7,400
Biofund RVC LLC	RUB	15	61,343	-
Industrial Development Fund (IDF)	RUB	5	300,000	300,000
Total non-current loans and borrowings			377,343	307,400

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Current loans and borrowings

Creditor	Currency	Effective interest rate, %	30 September 2017	31 December 2016
Moscow Seed Fund	RUB	15	25,312	14,833
Atlas-Finance, Inc.	RUB	25	-	23,568
Biofund RVC LLC	RUB	15	13,626	-
Industrial Development Fund (IDF)	RUB	5	3,781	450
Total current loans and borrowings			42,719	38,851
Total interest-bearing loans and borrowings			420,062	346,251

9. Sale of goods and services

	9 months ended 30 September 2017	9 months ended 30 September 2016
Isolation, cryopreservation and personal storage of cord blood stem cells	166,537	156,294
Genetico [®] center & lab (genetic testing and counseling services, Reprobank [®] services)	140,795	100,621
SPRS-therapy [®] service	26,258	23,780
Sales of Neovasculgen [®] drug	18,508	3,569
Proceeds from R&D	-	314
Other revenue	186	656
Total	352,284	285,234

10. Operating expenses

	9 months ended 30 September 2017	9 months ended 30 September 2016
Salary	149,962	73,334
Supplies and reagents	52,461	47,365
Services provided by third parties	34,882	43,949
Rent of premises	27,496	24,725
Advertising expenses	26,046	44,227
Consulting, advisory and legal services	17,212	53,635
Social charges	16,653	13,694
Transport expenses	11,964	7,654
Bad debt expense	9,484	3,080
Business trips	9,195	4,000
Software and maintenance	6,360	4,310
R&D costs	4,356	32,770
Telecommunications services	1,606	1,777
Representation expenses	1,386	1,037
Tax expenses	1,213	3,198
Current repairs of property, plant and equipment	549	333
Maintenance of cryogenic equipment	538	1,895
Audit fees	240	911
Transaction support and buyer search	27	
Other expenses	13,029	9,310
Depreciation of property, plant and equipment	16,692	14,783
Amortization of intangible assets and R&D	2,973	4,030
Total	404,324	390,017

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The increase in operating expenses is associated with the development of business projects, the launch of new laboratories GENETICO LLC, the hiring of new employees, including commercial staff and department heads.

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Other non-operating expenses:		
Sale of securities	(74,572)	(53,640)
Revaluation of securities	(3,337)	(12,114)
Tax expenses	(1,791)	-
Allowance for bad debts	133	(264)
Other	(3,645)	(6,789)
Total other non-operating expenses	(83,212)	(72,807)

	9 months ended 30 September 2017	9 months ended 30 September 2016
Other non-operating income:		
Sale of securities	92,448	49,423
Income from rent of property	299	340
Revaluation of purchased securities	-	30
Other	13,904	8,066
Total other non-operating income	106,651	57,859
Total net other non-operating income / (expenses)	23,439	(14,948)

12. Net foreign exchange gain/ (loss)

	9 months ended 30 September 2017	9 months ended 30 September 2016
Foreign exchange loss	(4,884)	(3,785)
Foreign exchange gain	4,602	1,412
Total net foreign exchange gain / (loss)	(282)	(2,373)

13. Interest expense

	9 months ended 30 September 2017	9 months ended 30 September 2016
Interest payable accrued	(22,363)	(10,377)
Total interest expense	(22,363)	(10,377)

14. Income tax

	9 months ended 30 September 2017	9 months ended 30 September 2016
Deferred income tax	11,553	12,486
Income tax reported in the statement of profit or loss and other comprehensive income	11,553	12,486

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15. Share of profits / (losses) of associates

	9 months ended 30 September 2017	9 months ended 30 September 2016
Share of loss in the financial results of associated company IceGen LLC	(396)	(460)
Total share of profits / (losses) of associates	(396)	(460)

16. Inventories

	30 September 2017	31 December 2016
Raw materials	53,294	47,140
Goods for resale	18,376	16,727
Materials transferred for processing	465	468
Other inventories	1,287	24
Allowance for impairment of inventories	(631)	(227)
Total inventories	72,791	64,132

17. Cash and cash equivalents

	30 September 2017	31 December 2016
RUB-denominated cash on hand and balances on settlement account	102,886	285,491
Foreign currency-denominated balances on settlement account	4,753	54
Total	107,639	285,545

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Profit / (loss) attributable to ordinary equity holders of the parent for basic earnings / (loss)	(31,056)	(118,753)
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	(0.41)	(1.58)
Diluted earnings / (loss) per share, RUB	(0.41)	(1.58)

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19. Related party transactions

	9 months ended 30 September 2017	9 months ended 30 September 2016
Revenue	221	-
IceGen LLC	221	-
Operating expenses	-	6,500
R&D expenses		
I.L. Plaksa	-	6,500
Interest Income	592	403
A.A. Isaev	339	150
IceGen LLC	156	90
A.V. Prikhodko	97	-
First International Investment Group Ltd.	-	163
Other income	-	229
IceGen LLC	-	229
Other expenses	-	271
R.V. Deev	-	121
V.L. Zorin	-	91
I.L. Plaksa	-	59
	30 September 2017	31 December 2016
Accounts receivable	270	1,400
I.L. Plaksa	2,780	1,340
IceGen LLC	270	60
Current loans issued	8,992	7,601
IceGen LLC	3,295	3,123
A.A. Isaev	4,569	3,045
A.V. Prikhodko	1,128	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.

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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.

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 29 November, 2017

General Director

/s/

A.A. Isaev