HSCI Announces First Half 2016 Consolidated Results under IFRS

Moscow – 31 August, 2016. PJSC HSCI – The Human Stem Cells Institute ("HSCI", MOEX: ISKJ), one of Russia's leading biotech companies, today announced its unaudited consolidated interim results for the first half of 2016 in accordance with the International Financial Reporting Standards (IFRS).

RUB thousands	6mo 2016	6mo 2015	*% change, y-o-y*
Revenue	**189,066**	**151,944**	***24.4%***
Operating expenses, incl.	**(231,514)**	**(170,312)**	***35.9%***
Depreciation & amortization	(10,990)	(12,641)	*-13.1%*
OIBDA[1]	**(31,458)**	**(5,727)**	***449.3%***
OIBDA margin, %	*n/a*	*n/a*	*n/a*
Operating profit / (loss)	**(42,448)**	**(18,368)**	***131.1%***
Operating margin, %	*n/a*	*n/a*	*n/a*
Net profit/ (loss)	**(70,395)**	**13,863**	***n/a***
Net margin, %	*n/a*	*9.1%*	*n/a*
Total comprehensive income/ (loss)	**(70,395)**	**13,863**	***n/a***

Consolidated revenue and revenues generated by key products and services

Consolidated revenue for 1H 2016 amounted to RUB 189.066 million - a year-on-year increase of 24,4% on the back of the surge of revenues from Genetico® services.

The largest portion of the consolidated revenue – 55% - was generated by PJSC HSCI as well as its subsidiary Cryonix JSC and IMCB LLC from cord blood stem cell isolation and storage services.

The second largest revenue generator was *Genetico®* testing lab and medical center services with the share in the consolidated revenue of 34%.

SPRS-therapy services provision accounted for 9% of the consolidated revenue.

Other revenues amounted to 2% of the consolidated revenue in the reporting period.

Neovasculgen® – the first-in-class gene-therapy drug for treatment of Peripheral Arterial Disease (PAD), including Critical Limb Ischemia (CLI)

In 1H 2016 revenues from the sales of Neovasculgen® amounted to RUB 1.515 million (0.8% of the Company's total revenue), compared to RUB 1,152 million for 1H 2015 (+83.3%).

To explain these figures, it's important to mention that:

- in the first quarter of 2016 the Company did not sell the drug to distributors due to the ongoing process of the registration of cap price limit following the inclusion of Neovasculgen® into the VED list for 2016. And overall,

[1] OIBDA is a non-U.S. GAAP and non-IFRS financial measure, which the Company calculates as total revenues less operating expenses excluding depreciation and amortization. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance investments and to incur and service debt. OIBDA should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under U.S. GAAP or IFRS.

the distributors are yet offloading the rest of stock previously supplied by the Company. The real notable effect from public purchases due to inclusion in the VED list is expected to start from 2017.

- in 1H 2016 the distributors sold Neovasculgen® from the batches previously supplied by HSCI (in line with RUB 200 million contract for 2013-2014).

Neovasculgen® is an innovative drug, mostly intended for the treatment of patients in stationary (hospital). Therefore, Neovasculgen's sales are highly dependent on its inclusion in the state public medicine subsidy programs (state drug reimbursement), and the Company began this work already in 2012, when Neovasculgen® went on sales in Russia.

In order to facilitate patients' access to Neovasculgen®, the Company are actively interacting with the professional medical community and regulatory authorities. One of the first sound results of this work was the inclusion of Neovasculgen® in the list of vital and essential drugs (VED), which enables a significant increase in hospital purchases.

The Government directive on the inclusion of Neovasculgen® into the VED list for 2016 (# 2724-p.) was published on December 26, 2015 and in mid-March 2016, following the obligatory rule and procedure for all drugs included into the VED list, the cap price limit for manufacturer's wholesales was set for Neovasculgen® in the amount of RUB 120,000 (VAT excluded).

Consequently, the drug's sales volumes are expected to notably increase in 2017 upon the placement of Neovasculgen® in hospital's procurement plans budgeted by the State.

In order to actively work with regional key opinion leaders, hospitals and healthcare authorities as well as to support distributors in the formation of proposals and tender procurement, the Company has started to form its own sales force in the Russian regions.

As of today, dozens of healthcare centers (hospitals) across the Russian Federation have positive track of Neovasculgen® clinical administration. The Company continues to work on further promotion of the drug within medical community as well as on increasing vascular surgeons' and angiologists' awareness of this new therapy approach (therapeutic angiogenesis). The data on therapeutic effect following a treatment course of Neovasculgen® according to 5-year observation were reported at the professional conferences, and publication of relevant papers is expected in the near future.

International development and licensing of Neovasculgen® can have a significant impact not only on the value of intellectual property, but also on the valuation of the company itself. Therefore, in addition to promoting Neovasculgen® in the Russian market, HSCI is working on the *development of Neovasculgen® in the foreign markets.*

Thus, as for the development of the drug candidate based on IP connected with the Russian drug Neovasculgen® in the United States – the partners have been selected and the agreements have been signed (to be announced in the beginning of September). In the course of 3 years from the project start, the contract manufacturing are planned to be set up on the U.S. grounds and pre-clinical studies and the Phase I clinical trials are expected to be completed.

In addition, the work is proceeding to conclude distribution agreements for the sales of Russian Neovasculgen® in the developing markets (currently our partners are conducting activities to register the drug in several countries with results to be disclosed upon the completion).

As the drug's action mechanism – therapeutic angiogenesis – introduces a new approach to the treatment of ischemia (the use of an evolutionarily programmed process of blood vessel creation and growth), HSCI plans to implement new clinical trial protocols in order to expand the range of indications for applying Neovasculgen®. To start with, HSCI aims to work in the therapy of IHD (Ischemic Heart Disease), Diabetic Foot Syndrome.

Peripheral Arterial Disease (PAD) is a serious, incapacitating disease, which is exceeded in frequency (amongst cardiovascular diseases) only by ischemic heart disease (IHD) and brain stroke. Over 202 million people are diagnosed with PAD worldwide. In the Russian Federation the number of patients with critical form of the disease (CLI, Critical Limb Ischemia) annually amounts up to 145,000, of which 35,000 - 40,000 undergo amputations, while around 25% of patients die. A part of patients diagnosed with CLI is inoperable, and for them Neovasculgen® could be the only treatment, allowing the opportunity to evade amputation as well as to significantly improve the quality of live.

According to the drug's clinical trial results and its use in practical healthcare starting autumn 2012, Neovasculgen® increases the functioning capillaries number in ischemic tissues, improves the blood supply, reduces the rate of amputation and mortality in patients with lower limb ischemia, especially in those who are inoperable. Containing the gene of the Vascular Endothelial Growth Factor (VEGF) embedded in a plasmid vector (carrier), Neovasculgen® stimulates the growth of collateral blood vessels (angiogenesis) and, as a result, promotes a long-term therapeutic effect and improves patients' quality of life, first of all manifested in a substantial increase of Pain Free Walking Distance.

In addition, the drug has a significant healthcare economic efficiency (cost-saving effect).

Neovasculgen® has a long-term effect (over 3 years – compared to 6-8 months for standard therapies) and can be effectively applied at PAD, including CLI (Stages 2a-3 of low limb ischemia according to Fontaine-Pokrovsky).

Cord blood stem cell isolation, cryopreservation and personal storage service – bio-insurance (Gemabank®)

In 1H 2016 consolidated revenues from this service provided by Gemabank® amounted to RUB 104.686 million (55.4% of the Company's consolidated revenue).

Compared to 1H 2015, Gemabank® revenue increased by 0.8% - due to sustainable growth in revenues from the storage of cord blood stem cells but the decrease in revenues from the isolation and cryopreservation of cord blood stem cells (new contracts) which was attributable to the decline in consumer demand because of economic recession in Russia.

As of today, the total number of personal cord blood stem cell samples held in storage at Gemabank® has exceeded 25.3 thousand.

Despite the increase in activity and the number of competitors, Gemabank® retains its position as a leading player in the Russian market, traditionally outpaced the peers as for geographical coverage.

Gemabank® plans include expanding the number of services in order to attract new groups of customers, as well as flexible pricing. The Company is aimed on implementing the marketing strategy that will meet both current economic situation and consumer demand evolution.

> **NB:** From October 1, 2015 the Company started rendering Gemabank® services through IMCB LLC (HSCI's 100%-subsidiary) – with the aim to increase effectiveness as well as to use state tax allowance for medical companies.
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> IMCB (International Medical Center for Biomaterials Processing and Cryostorage) was set up in October, 2014 and in July 2015 obtained the license for hematopoietic cord blood stem cell isolation, transportation and storage services.
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> In Q4 2015 IMCB started providing this complex service of personal cord blood stem cell banking which used to be provided by HSCI itself, and recorded the revenue from new clients.
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> In the course of 2016-2017 the whole client base from Gemabank's first days up to Q4 2015 is planned to be handed over from HSCI to IMCB. Therefore, IMCB 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).
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> IMCB's net income, starting 2016, is allocated to the parent company in the form of dividends to contribute to HSCI's net profit under RAS (unconsolidated) which may be distributed through dividend payment to the HSCI's shareholders

SPRS-therapy – a set of personalized diagnostic and treatment procedures for repairing skin damage due to aging or other structural changes.

Revenue from SPRS-therapy, including the long-term storage of autologous skin fibroblasts, for 1H 2016 amounted to RUB 17.495 million (9.3% of the Company's consolidated revenue) – a year-on-year increase of 0,9%.

The main cause behind the revenue growth impairment is a decrease of primary appeals because of unstable economic situation of potential clients (the service belongs to the premium segment of esthetic medicine market and primary demand is suffer from economic recession in the country). However, we should note a stable growth of secondary appeals: right now more than 70% of patients return for the second and/or additional skin treatments in other areas besides the face. This fact shows us patients' satisfaction by the result. From financial point of view it should be noted that an additional or repeated service is cheaper for the client as for such service we use the patient's skin fibroblast culture from his/her personal cryobank.

Therefore, the increase in number of requests for services within the spectrum SPRS-therapy (both initial and follow-up applications) is securing revenue stability/growth.

> This service was authorized by the Russian healthcare regulator and introduced to the Russian market starting in January 2011. An innovative medical technology, SPRS-therapy entails the use of autologous skin fibroblasts to correct the effects of aging and skin damage. The service includes diagnostics of the condition of the patient's skin; a therapy course using the cell product with the patient's own fibroblasts; and long-term storage of the patient's skin fibroblast culture in a cryogenic bank.

The service is primarily offered through the leading dermatology and cosmetics clinics of Moscow (more than 30); however, from 2012 cooperation in providing this service had been extending to clinics in Russia's regions and CIS (covering 17 cities as of June 30, 2016). The total number of patients that had used this service, as of the end of the reporting period, exceeded 610 people.

SPRS-therapy marketing strategy includes continued work in professional aesthetic medicine community (attracting new clinics, conducting trainings and seminars for doctors, lecturing postdoc students at field-specific medical universities) as well as the promotion of SPRS-therapy services directly to consumers (including Social Media engagement).

Also, the Company maintains the protection of the IP related to SPRS-therapy®. The Company thwarts violation of exclusive rights to the intellectual property, including trademarks, in court.

In addition to the Russian market, the Company is making efforts to promote SPRS-therapy and the Service of personalized skin diagnosis ("Skin Passport") internationally. An international medical tourism project is being prepared for launch in order to attract patients globally to receive SPRS-therapy services in partner clinics in Moscow. The project is initiated in cooperation with a partner from Great Britain and the first sales are anticipated in the second half of 2016.

Alongside, work on receiving global patent protection for the unique diagnostic component of SPRS-therapy know-how, i.e. personalized skin diagnosis ("Skin Passport"), is underway.

Genetico® services (genetic diagnostics and consulting as well as Reprobank® services at Genetico® medical center & testing lab)

In partnership with RVC BioFund, HSCI implements its socially significant project for the development of personalized medicine in the field of early identification, prediction and prophylactic treatment of genetic disorders, including reproductive system diseases.

In 1H 2016 revenues from genetic diagnostic and consulting services as well as Reprobank® services amounted to RUB 64.539 million (34.1% of the Company's consolidated revenue) which represents 99% of revenues from these services received for FY2015 (RUB 64.963 million). Compared to 1H 2015, the revenues increased by 2.4 times.

The Genetico project is implemented on the base of HSCI's new laboratory and production complex, opened in 2013 in Moscow. The services are provided by GENETICO LLC – a subsidiary of HSCI, in which RVC BioFund obtains a 26.92% stake as of now.

In the reporting period, Genetico® center & testing lab main activities included as follows:

- Promotion of **a range of medical genetics diagnostic and consulting services** using various genetic testing technologies, including microfluidics and NGS.

  The services that accounted for the biggest share of revenues in the reporting quarter were preimplantation genetic diagnosis and non-invasive prenatal testing.

  PGD – preimplantation genetic diagnosis of early-stage embryos for monogenic inherited diseases and chromosomal abnormalities during an IVF cycle, which allows specialists to determine which embryos can be recommended for transplantation into the uterus. HSCI's PGD laboratory, created in cooperation with the pioneer and world leader in this field – the US Reproductive Genetics Institute, as of today holds #1 place in Russia by the number of patients. The laboratory uses a broad arsenal of methods and technologies which meet the strictest requirements for the fullness, informative value and reliability of the analysis as applicable to any situation in which preimplantation genetic diagnosis is required: when there is a risk of giving birth to a child with a serious inherited disease, in the case of high risk of chromosome abnormality which could lead to the death of an embryo or birth of a child with a pathology (such as Down syndrome), when it is vital to ensure that the future child will be a suitable donor of hematopoietic stem cells for the treatment of an older brother or sister suffering from an inherited disease (the selection of an embryo which is free of the disease-inducing mutation and also a compatible match (HLA-matched) for the sick sibling.

  Prenetix® – non-invasive prenatal testing of fetal chromosome aberrations using maternal venous blood (can be performed starting from the 10th week of pregnancy to cover the most common chromosome abnormalities leading to the risk of delivering the child with Down syndrome, Klinefelter syndrome, Patau syndrome and other).

  The Company also promotes other diagnostic panels and tests for specific classes and particular types of socially significant disorders as well as genetically determined pathologies, including in the reproductive health area; and provides genome sequencing and interpretation services employing NGS methods (for the diagnosis of complicated inherited disease cases and selection of better targeted therapy as well as for personalized study of patient's genetic features).

Within HSCI's focus of interest:

Preconception screening – for couples in pregnancy planning to minimize the risks of giving birth to a sick child (with an inherited disease, sometimes life-threatening). In the case the carrier status is identified among future parents, the development of the pathology in future generations can be prevented with the help of modern assisted reproductive technologies, namely, the use of IVF with PGD *(see above)*.

Oncogenetics – identification of genetic predisposition to breast cancer and/or ovarian cancer; NGS-based extended diagnostic panel for familial oncological diseases.

Pharmacogenetics – for the selection of better therapy while treating cardiovascular diseases and chemo therapy in case of cancers when the therapeutic effect depends on the genetics of tumor.

Neonatal screening – with the aim of early identification (preventing the development of clinical symptoms / complications) as well for prophylactic treatment of the most widespread inherited disorders.

- Promotion of **Reprobank®** services - reproductive cell and tissue bank offers personal storage as well as a sperm/oocyte donation. Reprobank® is Russia's largest reproductive cell bank operating independently of IVF clinics.

The Company's plans include further promotion of Genetico® services among both medical and patient communities, geographic expansion of sales and the increase in the number of partnerships with health centers in Russia.

In addition, the Company plans to launch its services in the field of medical, including reproductive, genetics on the markets outside of Russia.

To scale the business of providing Genetico® services, first of all – through technology transfer and localization of production of diagnostic panels in Russia, The Company has attracted a long-term loan from IDF (Russian State Industry Development Fund) – in the amount of RUB 300 million, with an interest rate of 5% per annum with a grace period for the payment of principal debt.

Under this project, on the basis of Genetico® Center, HSCI will organize production of genetic tests on the base of DNA arrays (microfluidic) and next-generation sequencing (NGS) for prenatal testing of chromosomal abnormalities and early detection and prevention of inherited diseases, including identification of genetic predisposition to hereditary cancers.

Genetico® Center will be equiped with new laboratories, and will become one of the best centers of genetic diagnostics in Europe in terms of equipment and the uniqueness of the technology used. This will enable Russia to export the services of genetic testing in neighboring countries and Europe. Besides increasing the quality of DNA tests, Genetico® will reduce costs of imported components of tests which will make them more affordable, including for inclusion in the CHI state program.

The total cost of the project amounts to RUB 600 million. RUB 150 million of this sum were invested by HSCI over the past 3 years, RUB 300 million will be provided by IDF, while the rest RUB 150 million are to be invested by GENETICO LLC shareholders.

The Company also cooperates with regulatory, medical and patient communities to develop and implement new standards and programs aimed at the development of cutting-edge technologies in genetic diagnostics and their widespread introduction into practical healthcare (including within the framework of the National Technology Initiative, initiated by the President of the Russian Federation).

Operating expenses, OIBDA, Operating profit/ (loss)

Consolidated operating expenses in 1H 2016 increased by 35.9% year on year to RUB 231.514 million.

The increase in operating costs is derived from the investment stage of some projects and the necessity to increase the expenses associated with capturing and maintaining the leading positions in the current and promising prospective markets (we would like to take an advantage from these fast-growing markets – to capture a majority market share and then capitalize on the market growth, for our leadership to serve a base for the Company sustainable development in the long-term).

These are marketing and advertising costs as well as costs for production of services. In order to ensure the increase in revenues generated by Genetico® services and SPRS-therapy service on the back of growing number of customers, we increased expenses for consumables, reagents and services of third-party contractors. Behind the surge in these costs there was mainly the surge of price for outsourced genetic tests and consumables purchased abroad (due to the increase in the number of outsourced tests as well as depreciation and current fluctuation of the Russian ruble).

For example, in the reporting period we saw an increase in demand for our Prenetix® service – non-invasive prenatal testing, and as this technology was elaborated in the USA, the lab analysis is conducted there at the moment. That is why one of the Company's plans for the nearest future – to make the technology transfer and manufacturing localization for import substitution to cut costs and reduce prices for the client.

As there was no such revenue increase to compensate rather high operating expenses necessary as of now to promote a range of promising products and services, in 1H 2016 the Company demonstrated negative operating profitability and margins (*see Appendix I*).

Operating expenses before depreciation and amortization amounted to RUB 220.524 million, resulting in a negative OIBDA of RUB -31.458 million.

The Company's operating loss for 1H 2016 amounted to RUB 42.448 million.

Net other gain/ loss, Profit / (loss) before income tax

In 1H 2016, the Company's consolidated net other loss (share of loss of associates + net interest expense + net other non-operating loss + net foreign exchange loss) amounted to RUB 28.549 million – *see Appendix I below*.

The size of consolidated net other loss was largely determined by:

- A RUB 4.728 million loss from the sale of purchased securities (quoted shares) and a revaluation loss of RUB 12.112 million – due to the reduction in the number of these financial instruments held for trading, along with the current stock market trends (compared to RUB 16.888 million revaluation gain in 1H 2015).
- A RUB 6.701 million net interest loss – due to the interest expense increase caused by borrowed funds, along with a decrease in interest income (compared to an insignificant net interest loss of RUB 0.756 million for 1H 2015).
- A loss from associates in the amount of RUB 0.240 million against a significant gain from associates received for 1H 2015 in the amount of RUB 28.335 million.

As a result of absence of substantial gain from non-operating activities which would have surpassed the operating loss as it was in 1H 2015, in the reporting period the Company recognized loss before income tax in the amount of RUB 70.997 million (compared to a profit before income tax in the amount of RUB 17.635 million for 1H 2015).

Profit / (loss) for the period (net profit / (loss))

Due to the reasons mentioned above, in 1H 2016 the Company demonstrated a consolidated net loss totaling RUB 70.395 million (compared to a net profit for 1H 2015 on the back of a significant gain from associates).

Consolidation

The consolidated financial statements for 1H 2016 include the operating results of HSCI and its subsidiaries – Vitacel LLC, NextGen LLC, Cryonix JSC, GENETICO LLC, Cell Technologies Laboratory LLC, IMCB LLC, NVG-cardio LLC and also HSCI's share in the loss of its associated company IceGen LLC (*see Notes 2 and 13 to HSCI's unaudited interim condensed consolidated financial statements as of and for the 6-month period ended June 30, 2016 under IFRS).*

APPENDICES:

1. Condensed consolidated interim statements of profit and loss and comprehensive income for the 6-month period ended June 30, 2016, and June 30,2015 – in RUB thousands
2. Condensed consolidated interim statements of financial position as of June 30, 2016 and December 31, 2015 – in RUB thousands

HSCI's unaudited interim condensed consolidated financial statements prepared in accordance with IFRS as of and for the 6-month period ended June 30, 2016 can be viewed on the Company's corporate website under "For Investors" (Financial Reports -> IFRS): http://eng.hsci.ru/investoram-i-aktsioneram/financial-reports/financial-reports-in-accordance-with-international-financial-reporting-standards-ifrs

Appendix I

Condensed consolidated interim statements of profit and loss and comprehensive income for the 6-month period ended June 30, 2016, and June 30, 2015 – in RUB thousands

'000 RUB	6mo 2016	6mo 2015	% change, y-o-y
Revenue from products and services:			
Isolation, crypreservation and personal storage of cord blood stem cells	104,686.0	103,847.0	*0.8%*
Neovasculgen®	1,515.0	1,152.0	*31.5%*
SPRS-therapy®	17,495.0	17,331.0	*0.9%*
Genetico® medical center & testing lab (genetic diagnostic and consulting services, Reprobank®)	64,539.0	26,578.0	*142.8%*
Research and development agreements	-	2,994.0	*n/a*
Other revenue	831.0	42.0	*1878.6%*
Total revenue	**189,066.0**	**151,944.0**	***24.4%***
Wages, salaries, other benefits and payroll taxes	(49,299.0)	(38,793.0)	*27.1%*
Rental fee	(16,174.0)	(13,962.0)	*15.8%*
Supplies and reagents	(25,177.0)	(19,931.0)	*26.3%*
Services of third-party organizations (contractors)	(30,397.0)	(11,916.0)	*155.1%*
Consulting and legal services	(34,623.0)	(14,775.0)	*134.3%*
Advertising costs	(27,998.0)	(20,205.0)	*38.6%*
R&D costs	(8,807.0)	(14,132.0)	*-37.7%*
Transportation and Travel expenses	(7,841.0)	(5,312.0)	*47.6%*
Bad debt expense	(4,434.0)	(5,158.0)	*-14.0%*
Telecommunications services, software and maintenance	(4,461.0)	(3,976.0)	*12.2%*
Maintenance of cryogenic equipment	(1,298.0)	(1,342.0)	*-3.3%*
Audit fees	(828.0)	-	*n/a*
Other operating expenses (each type - less than 0.5% of total operating expenses)	(9,187.0)	(8,169.0)	*12.5%*
Operating expenses before depreciation & amortization	**(220,524.0)**	**(157,671.0)**	***39.9%***
OIBDA	**(31,458.0)**	**(5,727.0)**	***449.3%***
OIBDA margin, %	***n/a***	***n/a***	***n/a***
Depreciation & amortization	(10,990.0)	(12,641.0)	*-13.1%*
Total operating expenses	**(231,514.0)**	**(170,312.0)**	***35.9%***
Operating profit / (loss)	**(42,448.0)**	**(18,368.0)**	***131.1%***
Operating margin, %	***n/a***	***n/a***	***n/a***
Gain / (loss) from associates	***(240.0)***	***28,335.0***	***n/a***
Other income/ (loss) - net, incl.	***(28,309.0)***	***7,668.0***	***n/a***
Net interest expense (interest income + interest expense)	(6,701.0)	(756.0)	*786.4%*
Other non-operating income / (loss) - net, incl.	(19,786.0)	8,236.0	*n/a*
Gain /(loss) from revaluation of financial instruments held for trading (purchased quoted securities)	(12,112.0)	16,888.0	*n/a*
Foreign exchange gain/(loss), net	(1,822.0)	188.0	*n/a*
Profit / (loss) before income tax	***(70,997.0)***	***17,635.0***	***n/a***
Income tax	602.0	(3,772.0)	*n/a*
Profit/ (loss) for the period (net profit/ (loss))	**(70,395.0)**	**13,863.0**	***n/a***
Net margin, %	***n/a***	***9.1%***	***n/a***
Other comprehensive income, net of tax	***-***	***-***	***n/a***
Total comprehensive income / (loss) for the period, net of tax	**(70,395.0)**	**13,863.0**	***n/a***

Appendix II

Condensed consolidated interim statements of financial position as of June 30, 2016 and December 31, 2015 – in RUB thousands

RUB thousands	June 30, 2016	Dec. 31, 2015 (audited)	% change, y-o-y
ASSETS			
Non-current Assets, incl.:	**460,610**	**471,228**	***-2.3%***
Property, plant and equipment	93,413	96,553	*-3.3%*
Intangible assets	48,468	47,659	*1.7%*
Investments in associates	313,712	313,952	*-0.1%*
Current Assets, incl.:	**293,035**	**361,306**	***-18.9%***
Accounts receivable	84,430	89,273	*-5.4%*
Other current financial assets, incl.	113,750	159,195	*-28.5%*
Financial assets at fair value through profit or loss (held for trading)	105,366	144,771	*-27.2%*
Cash and cash equivalents	22,320	50,761	*-56.0%*
Total Assets	**753,645**	**832,534**	***-9.5%***
EQUITY AND LIABILITIES			
Shareholders' equity:	**299,171**	**359,401**	***-16.8%***
Equity attributable to equity holders of the parent, incl.	201,840	287,624	*-29.8%*
Retained earnings	119,832	183,116	*-34.6%*
Dividends declared for payment	(22,500)	-	*n/a*
Non-controlling interests	97,331	71,777	*35.6%*
Non-currents liabilities, incl.:	***35,498***	**54,372**	***-34.7%***
Long-term loans and borrowings	14,400	-	*n/a*
Deferred tax liabilities	21,098	29,747	*-29.1%*
Current liabilities, incl.:	**418,976**	**418,761**	***0.1%***
Short-term loans and borrowings	59,895*	90,048**	*-33.5%*
Advances received	291,284	299,027	*-2.6%*
Accounts payable (trade and other)	52,348	19,299	*171.2%*
Total Liabilities	**454,474**	**473,133**	***-3.9%***
Total Equity and Liabilities	**753,645**	**832,534**	***-9.5%***
Net debt* **	**-53,391**	**-80,859**	***-34.0%***

** Including short-term portion of long-term loans to be repaid within less than one year period – in the amount of RUB 20,228 thousand.*

*** Including short-term portion of long-term loans to be repaid within less than one year period – in the amount of RUB 14,905 thousand.*

**** Net debt is calculated as the sum of long-term and short-term loans and borrowings minus cash and cash equivalents and financial assets at fair value through profit or loss (held for trading) – quoted securities.*

Human Stem Cells Institute PJSC (HSCI, www.eng.hsci.ru**)** is a Russian public biotech company founded in 2003.

HSCI engages in R&D as well as commercialization and marketing of innovative proprietary products and services in the field of regenerative medicine, bio-insurance, medical genetics including reproductive genetics, gene therapy and biopharmaceutics.

The Company aims to foster a new culture of medical care – developing new health care opportunities in such areas as personalized and preventive medicine.

HSCI owns the largest family cord blood stem cell bank in Russia – Gemabank®, as well as the reproductive cell and tissue bank Reprobank® (personal storage and donation).

The Company launched Neovasculgen®, the first-in-class gene-therapy drug for treating Peripheral Arterial Disease, including Critical Limb Ischemia, and also introduced the innovative cell technology SPRS-therapy**,** which entails the use of autologous dermal fibroblasts to repair skin damage due to aging and other structural changes.

HSCI is implementing a socially significant Genetico® project for the development of its own medical center & testing lab to provide a range of genetic diagnostic and consulting services with the aim of early identification, prediction and prophylactic treatment of genetic disorders, including reproductive system diseases (e.g. PGD, NIPT, Oncogenetics, Bioinformatics)**.**

The Company actively promotes its products and services on the Russian market and intends to open new markets throughout the world.

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.

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Certain statements in this press-release are forward-looking statements within the meaning of the U.S. federal securities laws and are intended to be covered by the safe harbors created thereby.

Those forward-looking statements include, but are not limited to:

- *management's assessment of the Company's future results, including revenue, net profit(loss), profit(loss) per share, dividends, investments, capital structure, margins and other operating and financial results;*
- *forecasts of the present value of future cash flows and related factors;*
- *the Company's plans, goals and tasks relating, among other things, to its products and services development;*
- *the Company's expectations with respect to improving its corporate governance practices;*
- *the Company's market position – as anticipated;*
- *economic outlook and industry trends;*
- *the Company's expectations as to the sector regulation and assessment of impact of regulatory initiatives on the Company's activity;*
- *assumptions and prerequisites under the statements.*

Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

These risks include the risk of changes in political, economic and social conditions in Russia as well as changes in global economic environment, the risks relating to changes in industry regulation and the Russian legislation, the risk of changes in the Company's operations and business prospects, the competition and other risks.

For a more detailed discussion of these and other factors, see the Company's Annual Report and other public filings.

Many of these factors are beyond the Company's ability to control or predict. Given these and other uncertainties, readers are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements (which are made as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable laws.

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