HSCI Announces Consolidated Results for First Half of 2013 under IFRS

Moscow, 30 August 2013 – OJSC HSCI – The Human Stem Cells Institute ("HSCI", MICEX: ISKJ), one of Russia's leading biotech companies specializing in cell-based, gene and post-genome technologies, today announced its unaudited consolidated interim results for the first half of 2013 (6 months ended June 30, 2013) under International Financial Reporting Standards (IFRS):

The company is for the first time disclosing its condensed consolidated interim financial statements for the half year according to IFRS (IAS 34).

In the first half of 2013 HSCI Group delivered the following financial and operating results:

RUB thousands	**6mo 2013**
Revenue	**215,686**
Operating expenses, incl.	**173,336**
Depreciation & amortization	10,712
OIBDA[1]	**53,062**
OIBDA margin, %	*24.6%*
Operating income	**42,350**
Operating margin, %	*19.6%*
Net profit	**44,192**
Net margin, %	*20.5%*
Total comprehensive income	**82,707**

HSCI consolidated revenue and income generated by specific projects

Consolidated revenue for the first half of 2013 amounted to RUB 215.686 million.

The largest portion of the consolidated revenue – 51.0% – was generated by OJSC HSCI (hereafter – "HSCI") as well as its subsidiary Cryonix from cord blood stem cell isolation and storage services.

The share of revenues generated by new products and services (SPRS-therapy, genetic diagnostics and consulting, Neovasculgen®) accounted for 37.5% of consolidated revenue.

In the first half of 2013 the revenue structure changed: a substantial portion of revenues were produces by the sale of the innovative drug Neovasculgen®, introduced to the Russian market in late 2012. The growth in sales of Neovasculgen® positively impacted both consolidated revenue and margins.

[1] OIBDA is a non-U.S. GAAP and non-IFRS financial measure, which the Company defines as operating income before 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.

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

Consolidated revenues from these services in the first half of 2013 amounted to RUB 110.066 million (51.0% of consolidated revenue).

As of the end of H1 2013, more than 18,400 personal cord blood stem cell samples were held in storage by Gemabank.

The largest cord blood bank in Ukraine, Hemafund (an associated company in which HSCI owns a 50% stake), at the end of the reporting period held more than 6,500 cord blood stem cell samples in storage.

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

Revenues from the sale of HSCI's own innovative drug Neovasculgen® in the first half of 2013 amounted to RUB 70.212 million (32.6% of consolidate revenue).

Neovasculgen® received marketing authorization on December 7, 2011 (registration decision RU № LP-000671). After industrial production of the first batches of Neovasculgen® was launched and certified (in late-September 2012), the drug went on sale in Russia in the form of a ready-to-use drug (lyophilisate to prepare an injection solution; the treatment course comprising 2 sequential injections /i.e. 2 vials/) offered through distributors.

In March 2013 HSCI signed a sales agreement with Sotex Pharm Firm, which is part of Protek Group and has experience in bringing innovative medicines to market. The agreement covers three commercial years and first-year deliveries have been agreed for a total of RUB 211.75 million.

HSCI plans to focus on the comprehensive development of the market for this drug, including efforts to include Neovasculgen® in federal and regional public medicine subsidy programs. In 2013 the drug was included in the National Recommendations for treating patients with Peripheral Arterial Disease. The new version of the recommendations was approved in June 2013 by a conference of vascular surgeons in Novosibirsk. The next phase is to include Neovasculgen® in the Federal Treatment Standards as well as in regional subsidy programs aimed at treating patients with PAD, which would provide an opportunity to boost sales to hospitals.

According to HSCI's forecasts, by 2017 the market volume for Neovasculgen® in Russia could exceed 1.5 billion rubles.

In addition to the Russian market, HSCI intends to make Neovasculgen® available on other markets as well. In February 2013 marketing authorization for Neovasculgen® was received in Ukraine: the first deliveries of the drug to Ukraine were made in the second quarter of this year. Work is also underway to develop strategies for entering the US market as well as the markets of other BRIC countries (namely, China and India). The process of receiving marketing authorizations in these countries may begin in 2014.

The action mechanism of Neovasculgen® – therapeutic angiogenesis – has much potential for use in treating other ischemia-related conditions. HSCI is preparing new clinical trial protocols in order to expand the range of indications for applying this drug (other nosologies, including cardiovascular diseases).

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

Revenues from SPRS-therapy, including the long-term storage of autologous skin fibroblasts, in the first half of 2013 totaled RUB 8.848 million (4.1% of consolidated revenue).

This service was introduced to the Russian market starting in January 2011 and it based on a registered innovative medical technology which 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.

This service is primarily offered through the leading dermatology and cosmetics clinics of Moscow; however, in 2012 cooperation in providing this service began to extend to clinics in Russia's regions.

The total number of patients that had used this service as of the end of the first half of 2013 was 293 people (230 patients fully completed their treatment, a third of which have returned for second and/or additional skin treatments in other affected areas besides the face).

In parallel with continued work with doctors and clinics specializing in aesthetic medicine, in the reporting period a new aspect of the marketing strategy has been developed and launched aimed at promoting SPRS-therapy services directly to consumers.

In the second quarter of 2013 HSCI announced the results of its two-year study of the application of SPRS-therapy and its effectiveness. The results of the research (published in the journal Clinical Dermatology and Venereology, Issue No.3, 2013) demonstrated that following the transplantation into the skin the autologous skin fibroblasts become fully integrated in the derma and their biosynthetic vitality continues for at least 12 months: the clinical effect thus cumulates over the course of 12 months and lasts no less than 2 years.

In September 2012, Vitacel LLC (a fully owned subsidiary of HSCI) applied for an international patent to protect its IP for the related "Diagnostic method for connective tissue and its application", which is necessary to receive global patent protection for SPRS-therapy and, in particular, personalized skin diagnostics (Skin Passport®). This PCT application was published on April 11, 2013, which provides temporary legal protection of the technology in countries which allow for patent applications in English. In July 2013 the international patent application for the "Diagnostic method for connective tissues and its application" moved to the national and regional phases in the United States, Ukraine and CIS countries (patent applications have been submitted in the United States and Ukraine and a regional patent application has been submitted to the Eurasian Patent Organization).

Genetic diagnostics and consultation services at Genetico medical genetics centers – *HSCI's socially significant project aimed at promoting the widespread use in Russia of medical genetics diagnostics and consultation for the identification and prophylactic treatment of monogenic inherited diseases and multifactorial disorders.*

Revenues from the provision of genetic diagnostics and consulting services in the first half of 2013 amounted to RUB 1.854 million (0.9% of consolidated revenue), including revenues from Gemascreen for Newborns service as well as the first revenues from Ethnogene service and consultations on preimplantation genetic diagnostics (PGD). These services are provided by the Regenerative and Genetic Medical Center of the Human Stem Cells Institute (RGMC HSCI LLC), a 100% subsidiary of HSCI specially created in October 2012 for the provision of medical services (with the aim of making use of tax breaks available for medical service providers).

In 2011 HSCI developed a project to create its own a Russia-wide network of advanced medical genetics centers to provide genetic diagnostics and consulting services with a physician-geneticist.

The main aim of the project is to identify and forecast risks for clinically healthy individuals and their progeny, i.e. to foster and promote among the Russian public a new attitude towards one's own health and the health of future generations. Genetic diagnostics and consulting services are intended to foster a preventative approach to healthcare, whereby every person has the opportunity to in a timely manner discover their genetic features and take the necessary measures to maintain good health and also to prevent the coincidental birth in the family of children with serious inherited pathologies.

In January 2012 the Company began to implement the first test phase of the project, launching the Russia-wide Gemascreen for Newborns program. This service includes DNA screening and consulting services on the six most widespread inherited disorders in Russia and congenital features. DNA screening can be carried out using both cord blood and peripheral blood. Through follow-up consultations with a genetic doctor the parents receive information on prophylactic treatment of complications and prevention of the development of clinical symptoms of a disease (if discovered) or advice on approaches to planning the health of the child's progeny (in the case that carrier status is identified).

During 2012 substantial progress was also made on the creation of a proprietary DNA array which makes it possible to diagnose a large number of inherited diseases (monogenic) and predisposition to widespread multifactorial disorders (thrombophilia, ischemic stroke, osteoporosis and others). One of the exceptional features of this DNA array is its practical application: it reflects the spectrum of inherited diseases characteristic for residents of Russia and the CIS.

In February 2013, HSCI completed the technical validation of the array and in April completed its clinical validation. Using this DNA array HSCI can diagnose more than 60 monogenic inherited diseases and predisposition to about 10 multifactorial disorders.

Starting in the second half of April 2013 HSCI began using this array to provide its new *Ethnogene services – medical genetics consultations for a broad range of consumers*: for children and adults (identification of genetic peculiarities and determination of genetic load for the purpose of forecasting and evaluating risks), as well as a tool in pregnancy planning (preconception screening).

The provision of genetic diagnostic services and consultations with a physician-geneticist, including PGD (preimplantation genetic diagnosis), is being made possible by the launch of a Russia-wide network of *advanced medical genetics centers under the Genetico brand*. According to HSCI's business plan over the next five years Genetico centers will be opened and operating in 19 major cities throughout Russia. By the end of 2013 HSCI's medical centers will be operating in six cities in the Russian Federation.

Plans through the end of 2013 include the launch of a pilot program to promote Ethnogene services both within the medical community and among potential clients. The Company will begin to offer the full spectrum of PGD services – preimplantation genetic diagnosis of the embryo for monogenic inherited diseases and chromosome anomalies – in the third quarter of 2013 upon the signing of agreements with IVF clinics and the completion of the licensing process for the HSCI's laboratory and production complex and the renewal of the medical licenses of RGMC HSCI following the issuance of the decree by the Russian Ministry of Healthcare with a new list of types of medical activities. At present clients have the opportunity to receive consultations on the planning of preimplantation genetic diagnosis.

Operating expenses, OIBDA, Operating profit

Consolidated operating expenses in the first half of 2013 amounted to RUB 173.336 million, 42.8% of which went toward employee compensation (wages, salaries, other benefits and payroll taxes).

Operating expenses before depreciation and amortization amounted to RUB 162.624 million, resulting in an OIBDA of RUB 53.062 million and an OIBDA margin of 24.6%.

Operating profit for the reporting period amounted to RUB 42.350 million for an operating profit margin of 19.6%.

Other income/loss, profit before Income tax

The consolidated interim statements for the first half of 2013 show an income from associated companies in the amount of RUB 7.861 million as well as a net financial income of RUB 0.611 million.

The size of the net financial income was largely determined by the net interest expenses in the amount of RUB 7.929 million due to the use of long- and short-term borrowings for development, on the one hand, and a net gain from the discounting of long-term accounts payable in the amount of RUB 9.726 million, on the other hand (due to the unique aspects of providing biomaterial storage services: the advanced payments received for the long-term storage of cord blood stem cell samples as well as skin fibroblasts are considered long-term accounts payable).

As a result, profit before income tax for the reporting period amounted to RUB 50.822 million.

Net profit for the period

Consolidated net profit for the first half of 2013 amounted to RUB 44.192 million. The net profit margin was 20.5%.

HSCI's unaudited condensed consolidated interim financial statements prepared in accordance with IFRS the six-month period ended June 30, 2013 can be viewed on the Company's corporate website under Investor Relations (Financial Reports -> IFRS): http://eng.hsci.ru/investoram-i-aktsioneram/financial-reports/financial-reports-in-accordance-with-international-financial-reporting-standards-ifrs

APPENDICES:

1. Condensed consolidated interim statements of comprehensive income for the six months ended June 30, 2013, in RUB thousands

2. Condensed consolidated interim statements of financial position as of June 30, 2013 and December 31, 2012, in RUB thousands

Appendix I

Condensed consolidated interim statements of comprehensive income for the six months ended June 30, 2013, in RUB thousands

'000 RUB	6mo 2013
Revenue from products and services:	***190,980.0***
Isolation, crypreservation and storage of cord blood stem cells	110,066.0
SPRS-therapy	8,448.0
Neovasculgen	70,212.0
Genetic diagnostics and consulting services	1,854.0
Other revenue	***24,706.0***
Total revenue	**215,686.0**
Wages, salaries, other benefits and payroll taxes	(74,211.0)
Materials and reagents	(13,631.0)
R&D costs	(19,583.0)
Rental fee	(15,084.0)
Advertising costs	(10,671.0)
Services of third-party organizations (contractors)	(3,958.0)
Consulting and similar services	(6,345.0)
Transportation, Travel and Representation expenses	(5,659.0)
Repair and Maintenance	(2,448.0)
Taxes other than on income	(1,019.0)
Bad debt recovery	2,109.0
Unused vacation provisions	(4,541.0)
Other operating expenses	(7,583.0)
Operating expenses before depreciation & amortization	**(162,624.0)**
OIBDA	**53,062.0**
OIBDA margin, %	***24,6%***
Depreciation & amortization	**(10,712.0)**
Total operating expenses	**(173,336.0)**
Operating profit	**42,350.0**
Operating margin, %	***19,6%***
Gain from associates	***7,861.0***
Financial gain - net, incl.:	***611.0***
Interest expense	(10,113.0)
Interest income	2,184.0
Gain from discounting of long-term accounts payable	9,726.0
Loss on sale of investments	(611.0)
Foreign exchange gain, net	*1,002.0*
Net loss on factoring transaction	*(1,577.0)*
Income before tax	***50,822.0***
Current tax charge	(3,943.0)
Deferred tax loss	(2,687.0)
Income tax expense	***(6,630.0)***
Profit for the period	**44,192.0**
Net margin, %	***20.5%***
Other comprehensive income, net of tax	***38,515.0***
Total comprehensive income for the period	**82,707.0**

Appendix II

Condensed consolidated interim statements of financial position as of June 30, 2013 and December 31, 2012, in RUB thousands

RUB thousands	Jun. 30, 2013	Dec. 31, 2012 (as restated*)	*% change, y-o-y*
ASSETS			
Non-current Assets, incl.:	**1,012,150**	**932,822***	***8.5%***
Property, plant and equipment	111,352	66,163	*68.3%*
Intangible assets	93,182	48,497	*92.1%*
Investments in associates	758,737	748,130*	*1.4%*
Other investments	37,810	56,889	*-33.5%*
Current Assets, incl.:	**159,896**	**166,060**	***-3.7%***
Accounts receivable and prepayments	81,902	109,406	*-25.1%*
Short-term loans granted	24,390	13,101	*86.2%*
Cash and cash equivalents	34,012	26,671	*27.5%*
Total Assets	**1,172,046**	**1,098,882***	***6.7%***
EQUITY AND LIABILITIES			
Shareholders' equite, incl.:	**849,068**	**766,361***	***10.8%***
Retained earnings	725,123	645,800*	*12.3%*
Non-controlling interests	16,311	12,927	*26.2%*
Non-currents liabilities, incl.:	***171,042***	**129,342**	***32.2%***
Accounts payable and accrued expenses	108,119	63,655	*69.9%*
Long-term borrowings	56,422	61,790	*-8.7%*
Current liabilities, incl.:	**151,936**	**203,179**	***-25.2%***
Short-term borrowings	89,002	87,217	*2.0%*
Accounts payable and accrued expenses	58,469	112,531	*-48.0%*
Total Liabilities	**322,978**	**332,521**	***-2.9%***
Total Equity and Liabilities	**1,172,046**	**1,098,882***	***6.7%***
Net debt [1]	**87,022**	**109,235**	***-20.3%***

[1] *Net debt is calculated as the sum of long-term and short-term borrowings minus cash and cash equivalents and short-term investments (in this case – short term loans granted).*

** In compiling the condensed consolidated interim financial statements as of 30 June 2013 and for the six months ended 30 June 2013 under IFRS the presentation of investments in associated companies was changed and, correspondingly, statements for 2012 were also amended to reflect this correction. The items affected by this retrospective change in the presentation of investments in associated companies are marked with an asterisk (*).*

Human Stem Cells Institute OJSC (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 areas of cell-based, gene and post-genome technologies.

Today, HSCI's projects encompass five core focus areas: regenerative medicine, bio-insurance, medical genetics, gene therapy, and biopharmaceuticals (within the SynBio international project). HSCI owns the largest family cord blood stem cell bank in Russia – Gemabank®.

Since 2011 HSCI has been marketing SPRS-therapy – an innovative cell technology which entails the use of autologous dermal fibroblasts to repair skin damage due to aging and other structural changes.

In 2012 the Company launched Neovasculgen®, the first-in-class gene-therapy drug for treating Peripheral Arterial Disease, including Critical Limb Ischemia, and also began creating its own Russia-wide network of advanced medical genetics centers to provide genetic diagnostics and consulting services for inherited disorders (including preimplantation genetic diagnosis /PGD/ - starting 2013).

In 2013 HSCI is launching a reproductive cells and tissues bank (personal storage, donation).

HSCI is a co-investor in SynBio – a long-term multilateral project to create new unique medicines (first-in-class and BioBetters) for the Russian and international markets. The SynBio project, supported by an investment from RUSNANO, unites top Russian and international companies engaged in biotech/biopharm R&D.

In December 2009 HSCI conducted an IPO on the MICEX (ticker: ISKJ), 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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