HSCI Announces 9mo 2016 Consolidated Results under IFRS

Moscow – 2 December, 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 nine months of 2016 in accordance with the International Financial Reporting Standards (IFRS).

It's the first time the Company has disclosed its interim condensed consolidated financial statements for the first nine months according to IFRS (IAS 34). Therefore there are no comparable numbers for the same period of the previous year.

RUB thousands	9mo 2016
Revenue	**285,234**
Operating expenses, incl.	**(390,017)**
Depreciation & amortization	(18,813)
OIBDA[1]	**(85,970)**
OIBDA margin, %	*n/a*
Operating profit / (loss)	**(104,783)**
Operating margin, %	*n/a*
Net profit/ (loss)	**(118,753)**
Net margin, %	*n/a*
Total comprehensive income/ (loss)	**(118,753)**

Consolidated revenue and revenues generated by key products and services

Consolidated revenue for 9mo 2016 amounted to RUB 285.234 million.

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

The second largest revenue generator was *Genetico*® testing lab and medical center services with the share in the consolidated revenue of 35%.

SPRS-therapy services provision accounted for 8%, the sales of Neovasculgen® – for 1% and other revenues – for 1% 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)

For 9mo 2016 revenues from the sales of Neovasculgen® amounted to RUB 3.569 million (1.3% of the Company's consolidated revenue).

To explain these figures, it's important to mention that the distributors are yet offloading the rest of stock previously supplied by the Company (in 2015-2016 the distributors sold out Neovasculgen® in the Russian market from the batches supplied by HSCI in line with RUB 200 million contract in 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).

[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.

In order to facilitate patients' access to Neovasculgen®, the Company is 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 increase starting 2017 upon the placement of Neovasculgen® in hospital's procurement plans budgeted by the State.

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 have been reported at the professional conferences and also published.

In addition to promoting Neovasculgen® in the Russian market, HSCI is working on the *development of Neovasculgen® in the foreign markets.*

For the development of the drug candidate based on IP connected with the Russian drug Neovasculgen® in the United States, the agreements with the US partners have been signed (see the press-release: Human Stem Cells Institute Licenses Its Innovative Ischemia Drug to ArtGen, Inc. for Development in the United States and Canada). In the course of 3 years from the project start, the contract manufacturing is 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.

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 Diabetic Foot Syndrome and IHD (Ischemic Heart Disease). In October 2016 HSCI received a permission to start clinical trials for Diabetic Foot Syndrome in Russia, while in September 2016 HSCI's subsidiary "NextGen" Co. Ltd. received a patent for gene-therapy method of Diabetic Foot Syndrome treatment.

In addition, the R&D is in progress for the creation of gene-activated bone grafts based on Neovasculgen®.

Widening the drug's use in the practical healthcare, sales increase in the domestic market and bringing Neovasculgen® to the new markets outside of Russia (for which new powerful GMP-manufacturing is to be set up) – these are areas the Company plans to invest it its own and attracted funds during the nearest 2 years.

> 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.
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> 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).
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> Neovasculgen® has a long-term effect (5 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®)

For 9mo 2016 consolidated revenues from this service provided by Gemabank® amounted to RUB 156.294 million (54.8% of the Company's consolidated revenue).

As of today, the total number of personal cord blood stem cell samples held in storage at Gemabank® has exceeded 25.8 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 and the number of samples in storage.

Gemabank® plans include expanding the number of services, launching of package offers as well as flexible pricing in order to attract new groups of customers. The Company is aimed on implementing the marketing strategy that meets 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.

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.

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.

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).

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 9mo 2016 amounted to RUB 23.780 million (8.3% of the Company's consolidated revenue).

This year we see 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, with the growing number of clinics in Russia's regions and CIS (in 18 cities as of September 30, 2016). Overall, more than 50 clinics are providing the service as of now. The total number of patients that had used the service reached 650 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.

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. By now, the patents have been received in the US, Europe and Japan.

The Company's plans include expanding the use of technology to treat various serious skin diseases and burns. In addition, the technology of restoring periodontium soft and hard tissues by application of autologous gingival fibroblasts and biocomposite osteoplastic material is under development.

Recently, an innovative SPRG-therapy service has been already launched as stand-alone. SPRG-therapy (Service for Personal Regeneration of Gum) is a cell-based technology designed to correct and restore periodontal soft tissues by applying autologous gingival fibroblasts.

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.

For 9mo 2016 revenues from genetic diagnostic and consulting services as well as Reprobank® services amounted to RUB 100.621 million (35.3% of the Company's consolidated revenue) – a 55% increase over FY 2015.

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 DNA-tests/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 for 5 years, with an interest rate of 5% per annum with a grace period for the payment of principal debt (starting the 4th year).

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 non-invasive prenatal testing of fetal chromosome abnormalities and early detection and prevention of inherited diseases, including identification of genetic predisposition to hereditary cancers as well as selection of targeted therapy.

Genetico® Center will set up new laboratories, and will become one of the best European centers of genetic diagnostics furnished with state of the art equipment and unique technologies. This will enable Russia to export genetic testing services in neighboring countries and Europe. With high quality of DNA tests, Genetico® will reduce the costs for imported components of the tests to make them more affordable for customers and proper for inclusion in the CHI state program.

The total cost of the project amounts to RUB 600 million, of which RUB 150 million have already been invested by HSCI over the past 3 years, RUB 300 million are provided by IDF, while the rest RUB 150 million are to be invested by GENETICO LLC stakeholders. For details, see the press-release: HSCI GENETICO Center received RUB 300 mln from IDF.

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 for 9mo 2016 amounted to RUB 390.017 million.

A quarter-to-quarter increase in operating costs this year 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 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 (*see above "Genetico® services" chapter - a long-term loan from IDF*).

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, for 9mo 2016 the Company demonstrated negative operating profitability and margins (*see Appendix I below*).

Operating expenses before depreciation and amortization amounted to RUB 371.204 million, resulting in a negative OIBDA of RUB -85.970 million.

The Company's operating loss for 9mo 2016 amounted to RUB 104.783 million.

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

For 9mo 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 26.456 million – *see Appendix I below*.

The consolidated net other loss received in the reporting period is partially associated with the loss from the revaluation of purchased securities (quoted shares) – due to the current stock market trends.

As a result of absence of substantial gain from non-operating activities which would have surpassed the operating loss, in the reporting period the Company recognized loss before income tax in the amount of RUB 131.239 million.

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

Due to the reasons mentioned above, for 9mo 2016 the Company demonstrated a consolidated net loss totaling RUB 118.753 million.

Consolidation

The consolidated financial statements for the first 9 months of 2016 include the operating results of HSCI and its subsidiaries – IMCB LLC, NextGen LLC, Cryonix JSC, GENETICO LLC, Cell Technologies Laboratory LLC, Vitacel LLC, NVG-cardio LLC, "Angiogenesis" 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 9-month period ended September 30, 2016 under IFRS).*

APPENDICES:

1. Condensed consolidated interim statements of profit and loss and comprehensive income for the 9-month period ended September 30, 2016 – in RUB thousands
2. Condensed consolidated interim statements of financial position as of September 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 9-month period ended September 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 9-month period ended September 30, 2016 – in RUB thousands

'000 RUB	9mo 2016
Revenue from products and services:	
Isolation, cryopreservation and personal storage of cord blood stem cells	156,294.0
Neovasculgen®	3,569.0
SPRS-therapy®	23,780.0
Genetico® medical center & testing lab (genetic diagnostic and consulting services, Reprobank®)	100,621.0
Research and development agreements	314.0
Other revenue	656.0
Total revenue	**285,234.0**
Wages, salaries, other benefits and payroll taxes	(87,028.0)
Rental fee	(24,725.0)
Supplies and reagents	(47,365.0)
Services of third-party organizations (contractors)	(43,949.0)
Consulting and legal services	(53,635.0)
Advertising costs	(44,227.0)
R&D costs	(32,770.0)
Transportation and Travel expenses	(11,654.0)
Bad debt expense	(3,080.0)
Telecommunications services, software and maintenance	(6,087.0)
Tax expenses	(3,198.0)
Maintenance of cryogenic equipment	(1,895.0)
Audit fees	(911.0)
Other operating expenses (each type - less than 0.5% of total operating expenses)	(10,680.0)
Operating expenses before depreciation & amortization	**(371,204.0)**
OIBDA	**(85,970.0)**
OIBDA margin, %	***n/a***
Depreciation & amortization	(18,813.0)
Total operating expenses	**(390,017.0)**
Operating profit / (loss)	**(104,783.0)**
Operating margin, %	***n/a***
Gain / (loss) from associates	***(357.0)***
Other income/ (loss) - net, incl.	***(26,099.0)***
Net interest expense (interest income + interest expense)	(8,778.0)
Other non-operating income / (loss) - net, incl.	(14,948.0)
Gain /(loss) from revaluation of financial instruments held for trading (purchased quoted securities)	(12,084.0)
Foreign exchange gain/(loss), net	(2,373.0)
Profit / (loss) before income tax	***(131,239.0)***
Income tax	12,486.0
Profit/ (loss) for the period (net profit/ (loss))	**(118,753.0)**
Net margin, %	***n/a***
Other comprehensive income, net of tax	**-**
Total comprehensive income / (loss) for the period, net of tax	**(118,753.0)**

Appendix II

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

RUB thousands	Sept. 30, 2016	Dec. 31, 2015 (audited)	*% change, y-o-y*
ASSETS			
Non-current Assets, incl.:	**465,792**	**471,228**	***-1.2%***
Property, plant and equipment	90,393	96,553	*-6.4%*
Intangible assets	50,153	47,659	*5.2%*
Investments in associates	313,594	313,952	*-0.1%*
Current Assets, incl.:	**517,751**	**361,306**	***43.3%***
Accounts receivable	112,280	89,273	*25.8%*
Other current financial assets, incl.	81,763	159,195	*-48.6%*
Financial assets at fair value through profit or loss (held for trading)	74,873	144,771	-48.3%
Cash and cash equivalents	281,730	50,761	*455.0%*
Total Assets	**983,543**	**832,534**	***18.1%***
EQUITY AND LIABILITIES			
Shareholders' equity:	**299,171**	**359,401**	***-30.2%***
Equity attributable to equity holders of the parent, incl.	201,840	287,624	*-44.3%*
Retained earnings	119,832	183,116	*-57.4%*
Dividends declared for payment	(22,500)	-	*n/a*
Non-controlling interests	90,745	71,777	*26.4%*
Non-currents liabilities, incl.:	***326,749***	**54,372**	***501.0%***
Long-term loans and borrowings	310,900	-	*1162.5%*
Deferred tax liabilities	15,849	29,747	*-46.7%*
Current liabilities, incl.:	***405,948***	**418,761**	***-3.1%***
Short-term loans and borrowings	78,790*	90,048**	*-12.5%*
Advances received	279,966	299,027	*-6.4%*
Accounts payable (trade and other)	37,230	19,299	*92.9%*
Total Liabilities	**732,697**	**473,133**	***54.9%***
Total Equity and Liabilities	**983,543**	**832,534**	***18.1%***
Net debt* **	**33,087**	**-80,859**	***n/a***

** Including short-term portion of long-term loans to be repaid within less than one year period – in the amount of RUB 20,617 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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