HSCI Announces First Half 2014 Consolidated results under IFRS

Moscow, 3 September 2014 – OJSC HSCI – The Human Stem Cells Institute ("HSCI", MOEX: ISKJ), one of Russia's leading biotech companies, announced its unaudited consolidated interim results for the first half of 2014 (6 months ended June 30, 2014) under International Financial Reporting Standards (IFRS):

- *Consolidated revenue for the first half of 2014 amounted to RUB 174.2 million compared to RUB 215.7 million in the same period of the previous year.*
- *Operating loss amounted to RUB 14.2 million compared to an operating profit of RUB 42.4 million for 1H 2013.*
- *Net profit for the first half of 2014 amounted to RUB 30.0 million compared to RUB 44.2 million in the same period of the previous year.*

RUB thousands	6mo 2014	6mo 2013	*% change, y-o-y*
Revenue	**174,201**	**215,686**	***-19.2%***
Operating expenses, incl.	**188,443**	**173,336**	***8.7%***
Depreciation & amortization	13,676	10,712	*27.7%*
OIBDA	**(566)**	**53,062**	***n/a***
OIBDA margin, %	*n/a*	*24.6%*	*n/a*
Operating profit / (loss)	**(14,242)**	**42,350**	***n/a***
Operating margin, %	*n/a*	*19.6%*	*n/a*
Net profit	**29,970**	**44,192**	***-32.2%***
Net margin, %	*17.2%*	*20.5%*	*n/a*
Total comprehensive income	**29,970**	**82,707**	***-63.8%***

General Director of HSCI Artur Isaev commented:

"The state of consumer markets and capital markets today leaves much to be desired. Naturally, this increases business risks, complicates development of innovative companies and capital raising – and results in the application of larger discounts to valuation of quality assets. In my opinion, all economic crises are opportunities for companies to focus on their core values, and at the same time, they create opportunities for market expansion.

We shall do our best to capture these opportunities."

HSCI consolidated revenue and income generated by key products and services

Consolidated revenue for 1H 2014 amounted to RUB 174.201 million – a year-on-year decrease of 19.2%.

The largest portion of the consolidated revenue – 59.8% - was generated by OJSC HSCI (hereafter – "HSCI") as well as its subsidiary Cryonix CJSC from cord blood stem cells isolation and storage services.

The decrease in consolidated revenue is primarily attributable to lower revenues received from the sales of Neovasculgen® to distributors. In 1H 2014 they amounted to RUB 41.8 million compared to RUB 70.2 million in the 1H 2013.

Neovasculgen's sales on the Russian market in 2014 are highly influenced by the absence of this first-in-class innovative drug in the list of Vital and Essential Drugs (VED), which has not been updated in Russia for the past 3 years (i.e. the list approved for 2012 is still in case though must be updated annually). This strongly constrains the accessibility of Neovasculgen® for all patients in need via state drug subsidy programs.

According to a pharmacoeconomics research study issued in July 2014, the cumulative cost-saving effect for Russia's Healthcare Budget from the application of Neovasculgen® will amount to nearly RUB 4 million per patient. The study is published in scientific and applied magazine of the North-West State Medical University named after I.I. Mechnikov (#2, 2014).

The cost-saving aggregate gain of RUB 3.93 million (calculated from analysis of the drug's cost-effectiveness data) per patient includes gains from lower cost of treatment with Neovasculgen® as well as benefits from quality-of-life improvements. The researchers concluded that a wide application of the drug in a public hospital delivers clinical and economic advantages.

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® to distributors in Russia in 1H 2014 amounted to RUB 41.800 million (24.0% of the Company's consolidated revenue) – a decrease of 40.5% year on year.

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 experienced in bringing medicines to market.

Due to the fact that this drug is innovative, the dynamics of sales to end-customers is highly dependent on its inclusion in state medicine financing programs. Therefore, one of the Company's key objectives is the inclusion of Neovasculgen® in federal and regional public drug subsidy programs.

An import step in this direction would be the inclusion of Neovasculgen® in the list of Vital and Essential Drugs. However, changes the list were not approved by the Government for either 2013 or 2014 (a government directive from December 19, 2013 stipulated that the list would not be changed for 2014, thus leaving in place for a third year in a row the list confirmed for 2012).

In Q2 2014 the Company submitted application for the inclusion of Neovasculgen® in the Vital and Essential Drugs list to be formulated for 2015. If this new list is confirmed by the government, it must be published before the year end.

In 2013 marketing authorization for Neovasculgen® was received in Ukraine but HSCI cannot expect the planned sales because of political and economic situation in this country.

Taking into consideration data of Neovasculgen's safety and effectiveness received as a result of clinical trials and further use in clinical practice in Russia, HSCI has decided to start the process of development, obtaining marketing authorization and launch of Neovasculgen® in the United States and China.

HSCI has prepared a business plan to introduce Neovasculgen® to the US market, analyzed the potential of the market (which is substantially larger than the Russian market), selected potential partners for addressing regulatory issues and contract production as well as preclinical studies and clinical trials, and made calculations of the financing required. According to preliminary estimations, the required volume of investments for carrying out preclinical studies and clinical (Phase I and II) trials in the United States would be approximately US$20 million. The Company intends to attract required funds from Russian / international investors.

Neovasculgen® is innovative, first in class, drug. Its 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. For this reason HSCI aims to implement new clinical trial protocols in order to expand the range of indications for applying the drug. By the moment preclinical studies have been completed and based on their results

another target nosology is selected – IHD (Ischemic Heart Disease). The Company is now preparing clinical trial protocols for receiving regulator's permission to initiate clinical trials Phase I.

At the international conference of the Russian Association of Angiologists and Vascular Surgeons (June 2014), the results of 3-year observation of patients receiving Neovasculgen® were presented, and the therapeutic effect over 3 years following a treatment course of the drug was also described in the publication in the Russian medical journal Khirurgiya ("Surgery"): №4, 2014: http://www.mediasphera.ru/journals/pirogov/1155/18794/.

Therefore, according to the published data the therapeutic effect following a treatment course of Neovasculgen® continues for up to 3 years.

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

In the first half of 2014 revenues from this services amounted to RUB 104.188 million (59.8% of the Company's consolidated revenue – a year-on-year decrease of 5.3%.

During the reporting period HSCI' s revenues from the storage of cord blood stem cells rose while revenues from the isolation and cryopreservation of cord blood stem cells declined. As of the moment, the total number of personal cord blood stem cell samples held in storage at Gemabank exceeds 21,000.

Research and assessment of the cord blood stem cell banking market in Russia conducted by the Company has shown that in 2013 Gemabank retained its leading positions. However, it should be noted that competitors have become more active and new players have emerged. Another important feature is that the Russian market for personalized cord blood stem cell banking, according to the research, has potential for growth: over the past three years the country has seen rising birth rates and rising consumer demand while the market for cord blood stem cell banking has remained virtually unchanged from the level reached in 2011.

On the whole, it should be noted that in 2012-2013 the relative decline in consumer demand for cord blood stem cell banking has been observed not only in Russia but in other countries as well, now the market stabilizes and becomes more consolidated. As of now, the resumption of Gemabank's sales growth on quarterly base directly depends not only on global market trends and marketing efforts of the Company, but also on crisis developments in consumer demand derived from negative economical expectations as a consequence of Russia's engagement in political crisis in Ukraine, including economic sanctions from Western countries against Russia and its retaliatory steps. As for the moment, the market demonstrates down trends, nevertheless the fully-weighted assessment of crisis impact should be done after the 2014 end.

Ukraine's largest cord blood bank Hemafund, in which HSCI holds a 50% stake, as of the end of 1H 2014 held more than 7,700 cord blood stem cell samples in storage.

***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-tern storage of autologous skin fibroblasts, in the first half of 2014 amounted to RUB 10,616 million (6.1% of the Company's consolidated revenue) – a year-on-year increase of 20.0%.

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.

This service is primarily offered through the leading dermatology and cosmetics clinics of Moscow (~ 30); however, in 2012 cooperation in providing this service began to extend to clinics in Russia's regions (covering 8 cities as of the end 1H 2014).

The total number of patients that had used this service as of the end of 1H 2014 was 421 people. A third of patients have returned for second and/or additional skin treatments (incl. in other areas besides the face). Therefore, the increase in number of requests for services within the spectrum SPRS-therapy (both initial and follow-up applications) is securing revenue growth.

In parallel with continued work with doctors and clinics specializing in aesthetic medicine, the marketing strategy continues to also include a focus on the promotion of SPRS-therapy services directly to consumers.

In September 2012, Vitacel LLC (HSCI's subsidiary) applied for an international patent (PCT) 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 moved to the national and regional phases, and in September the corresponding Eurasian Patent Application (covering the CIS) was published and in October the United States patent application was published.

In February 2014, the US Patent Office completed its expert review and issued Vitacel a patent for its "Method of determining tissue regenerative ability of the skin" (published in July 2014), which provides the opportunity to receive protection of the SPRS-therapy know-how (including its unique diagnostic component) in the United States. For this purpose, in May 2014 the complimentary application was made (which describes direct link between skin diagnosis results and SPRS-therapy treatment as well as frequency of treatment).

In late-March 2014 national patent applications were submitted to the European Patent Office as well as to the Patent Office of Brazil.

Genetic diagnostics and consultation as well as Reprobank services at Genetico medical genetics centers

Revenues from genetic diagnostic and consulting services as well as Reprobank services in 1H 2014 amounted to RUB 7.652 million (4.4% of consolidated revenue) which represents almost a 40% increase over the full year 2013 revenues (RUB 5.555 million). These services are provided by the Regenerative and Genetic Medical Center of the Human Stem Cells Institute (RGMC HSCI LLC), a subsidiary of HSCI, which develops the Russia-wide network of advanced medical genetic centers under the Genetico brand. During the course of 5 years the Genetico centers network should cover 19 major Russian cities, and as of today six centers are operating already.

RVC BioFund, a state investment fund, is HSCI's partner in this project. The investment agreement signed by the parties was approved by HSCI's EGM on March 27, 2014 and has come into force (for details, see: the press-release on EGM results and the press-release on the Investment agreement for RVC BioFund to become a participant in RGMC HSCI LLC).

The development of HSCI's socially significant project to create its own Russia-wide network of advanced medical centers to provide genetic diagnostics and consulting with the aim of early identification, prediction and prophylactic treatment of genetic disorders was started in 2011.

The main focus 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 (including with the help of new medical technologies) to maintain good health and the health of one's children as well as to prevent the coincidental birth in the family of children with serious inherited pathologies.

Starting 2013, HSCI began providing a range of medical genetics consulting services using complex genetic testing technologies, including proprietary *Ethnogene* DNA-array:

- Neonatal screening with aim of early identification (preventing the development of clinical symptoms / complications) as well for prophylactic treatment of the most widespread inherited disorders (for the newborns);
- Preconception screening (for couples in pregnancy planning to minimize the risks of giving birth to a sick child);
- Medical genetics consulting for patients with infertility;
- Prophylactic genetic screening for adults (determination of the genetic features and identification of risks for clinically healthy individuals and their future offsprings).

During 2012 the Company began to implement the first test phase of the Genetico project, launching the DNA screening program for newborns – diagnosing (mainly by the cord blood) the six most widespread inherited diseases in Russia and congenital features with follow-up consultations with a genetic doctor.

Starting Q2 2013, HSCI began providing medical genetics consulting services for a broad range of consumers (for adults and children) including those using its proprietary Ethnogene DNA-array which makes it possible to test for over the 60 inherited diseases (monogenic) and predisposition to widespread multifactorial disorders. One of the key ideas behind the creation of this DNA array is its practical application: it reflects the spectrum of inherited diseases characteristic for residents of Russia and the CIS.

In Q3 2013 the Company also began to provide the spectrum of PGD services – preimplantation genetic diagnosis of developing embryos for monogenic inherited diseases and chromosome abnormalities during an IVF cycle. The PGD laboratory, which operates within the HSCI's new laboratory and production complex, was created in cooperation with the pioneer and world leader in this field – the Reproductive Genetics Institute in the United States. 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.

Specifically, a PGD procedure may allow for treatment of a sick sibling – by providing control of the causes of a genetic disease during an IVF cycle, which is necessary for a birth of a healthy child to be a donor for UCB stem cell transplantation to the elder brother/sister having an inherited disease. PGD makes it possible to ensure the birth of a sibling who is not only free of the genetic mutation causing the disease but also is an appropriate donor match for the sick child. Provided the genes histocompatibility, stem cells derived from the cord blood of such healthy child may serve as a fully compatible donor material for his/her elder brother / sister suffering from an inherited disease. A simultaneous embryo analysis for histocompatibility (by HLA typing) and absence of a genetic disorder conducted at the HSCI's PGD-laboratory gives Russian families an opportunity to treat such serious inherited diseases as congenital hereditary immunodeficiency, Krabbe disease, Omenn syndrome, Blackfan-Diamond anemia, Shwachman-Diamond syndrome, Fanconi anemia, etc. Parents, who request HSCI for PGD services to give birth to a healthy child and further treat his / her brother / sister suffering from an inherited disease, are enrolled in a special program named after Adam Nash. Within the framework of this program, a first child was born in Russia to save the elder sister who was suffering from Shwachman-Diamond syndrome.

Genetico clients have also access to the services offered by Reprobank (reproductive cells and tissues bank) which started operations in Q3 2013 with the sale of donor sperm samples as well as the service of the personal sperm storage for bio-insurance purposes. Before the end of 2014 the oocyte cryopreservation service should be launched.

HSCI plans to expand the range of medical genetics consultation services offered by Genetico, built on highly-technological diagnostics methods in oncogenetics and bioinformatics (genome sequencing and interpretation /employing NGS methods/).

Expanding into new geographic markets – international markets entry (development of HSCI's products and services outside of Russia)

At the moment, HSCI is doing business-planning, making evaluations and preparations towards developing and marketing its proprietary services and Neovasculgen® drug on the U.S., European and Chinese markets which are substantially larger than the Russian market and, therefore, present greater opportunities.

Operating expenses, OIBDA, Operating profit

Consolidated operating expenses in the first half of 2014 increased by 8.7% year on year to RUB 188.443 million. The key reasons behind this were as follows: higher staff costs due to the expansion of teams for each project and of HSCI's management; higher rent expenses resulting from the expansion of office space; increase of depreciation as the clean room premises of the new laboratory and production complex were commissioned.

Due to the increase in operating expenses along with the revenue decrease, in 1H 2014 the Company demonstrated negative operating profitability and margins – compared to 1H 2013 (*see Appendix I below*).

Operating expenses before depreciation and amortization amounted to RUB 172.767 million (a year-on-year increase of 7.5%), resulting in an OIBDA of RUB -0.566 million.

The Company's operating loss amounted to RUB 14.242 million.

Net other gain /loss, Profit before income tax

In 1H 2014, the Company's net other gain (share of profit/(loss) of associates + net interest expense + net other non-operating income + net foreign exchange gains) amounted to RUB 55.993 million compared to RUB 8.472 million in 1H 2013.

The size of consolidated net other gain in 1H 2014 was largely determined by:

- Due to the increase in the number of purchased securities (quoted shares) along with the financial market trends in 1H 2014, opposed to 1H 2013, the Company reported a significant revaluation gain – in the amount of RUB 55.025 million;
- Due to a decrease of the principal long-term debt, in 1H 2014 the interest expense decreased, which led to a drop of net interest expense in 1H 2014 compared to 1H 2013 (RUB -5.144 million against RUB -7.929 million respectively);
- In the condensed consolidated interim financial statements for 1H2014 the Company did not recognize a gain/loss from associates assumed there was no indication of impairment, so value of investments remained the same that resulted in no negative influence.

The Company's profit before income tax in 1H 2014 thus amounted to RUB 41.751 million – a decrease compared to RUB 50.822 million for 1H 2013 on the back of operating profit received then by the Company thanks to the greater revenues from Neovasculgen's sales.

Profit for the period (net profit)

Due to the reasons mentioned above, in 1H 2014 the Company demonstrated a consolidated net profit totaling RUB 29.970 million, compared to RUB 44.192 million in 1H 2013.

Consolidation

The condensed consolidated financial statements for 1H 2014 include the operating results of HSCI and its subsidiaries – Cell Technologies Laboratory LLC, Vitacel LLC, NextGen LLC, Cryonix CJSC, RGMC HSCI LLC, IceGen LLC (including through effective share with Cryonix) and also HSCI's share in the profit/loss of associated companies – Medical Biotechnological Company Hemafund LLC (Ukraine), Hemafund Medical Center LLC (Cord Blood Bank, Ukraine), SynBio LLC (through the participation in IceGen LLC).

APPENDICES:

I. Condensed consolidated interim statements of comprehensive income for the six months ended June 30, 2014, and June 30, 2013 – in RUB thousands

II. Condensed consolidated interim statements of financial position as of June 30, 2014 and December 31, 2013 – in RUB thousands

HSCI's unaudited condensed consolidated financial statements prepared in accordance with IFRS as of and for the six-month period ended June 30, 2014 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 comprehensive income for the six months ended June 30, 2014, and June 30, 2013 – in RUB thousands

'000 RUB	6mo 2014	6mo 2013	% change, y-o-y
Revenue from products and services:			
Isolation, crypreservation and storage of cord blood stem cells	104,188.0	110,066.0	*-5.3%*
Neovasculgen®	41,800.0	70,212.0	*-40.5%*
SPRS-therapy	10,616.0	8,848.0	*20.0%*
Genetico medical genetics centers (genetic diagnostic and consulting services + Reprobank /for 6mo 2014/)	7,652.0	1,854.0	*312.7%*
Research and development agreements	-	14,975.0	*n/a*
Other revenue	9,945.0	9,731.0	*2.2%*
Total revenue	**174,201.0**	**215,686.0**	***-19.2%***
Wages, salaries, other benefits and payroll taxes	(78,152.0)	(74,211.0)	*5.3%*
Rental fee	(21,044.0)	(15,084.0)	*39.5%*
Advertising costs	(8,669.0)	(10,671.0)	*-18.8%*
R&D costs	(4,561.0)	(19,583.0)	*-76.7%*
Services of third-party organizations (contractors)	(8,693.0)	(9,455.0)	*-8.1%*
Supplies and reagents	(15,342.0)	(12,210.0)	*25.7%*
Consulting and similar services, incl. legal and on transaction support and buyer search	(18,628.0)	(6,345.0)	*193.6%*
Bad debt recovery	2,864.0	2,109.0	*35.8%*
Transportation, Travel and Representation expenses	(7,550.0)	(5,659.0)	*33.4%*
Tax expenses	(3,168.0)	(1,018.0)	*211.2%*
Telecommunications services	(2,329.0)	(1,858.0)	*25.3%*
Current repairs of property, plant and equipment	(313.0)	(2,448.0)	*-87.2%*
Other operating expenses (mainly, each type - less than 1% of total operating expenses)	(9,182.0)	(6,191.0)	*48.3%*
Operating expenses before depreciation & amortization	**(174,767.0)**	**(162,624.0)**	***7.5%***
OIBDA	**(566.0)**	**53,062.0**	***n/a***
OIBDA margin, %	***n/a***	***24.6%***	***n/a***
Depreciation & amortization	(13,676.0)	(10,712.0)	*27.7%*
Total operating expenses	**(188,443.0)**	**(173,336.0)**	***8.7%***
Operating profit / (loss)	**(14,242.0)**	**42,350.0**	***n/a***
Operating margin, %	***n/a***	***19.6%***	***n/a***
Gain from associates (share of profit)	***-***	***7,861.0***	***n/a***
Other income - net, incl.	***55,993.0***	***611.0***	***by a factor of 91.6***
Net interest expense (interest income + interest expense)	(5,144.0)	(7,929.0)	*-35.1%*
Other non-operating income - net, incl.	60,604.0	7,538.0	*704.0%*
Gain/ (loss) from revaluation of financial instruments held for trading (purchased quoted securities)	55,025.0	(5,894.0)	*n/a*
Foreign exchange gain, net	533.0	1,002.0	*-46.8%*
Profit before income tax	***41,751.0***	***50,822.0***	***-17.8%***
Income tax expense	(11,781.0)	(6,630.0)	*77.7%*
Profit for the period /net profit/	**29,970.0**	**44,192.0**	***-32.2%***
Net margin, %	***17.2%***	***20.5%***	***n/a***
Other comprehensive income, net of tax	***-***	***38,515.0***	***n/a***
Total comprehensive income for the period, net of tax	**29,970.0**	**82,707.0**	***-63.8%***

Appendix II

Condensed consolidated interim statements of financial position as of June 30, 2014 and December 31, 2013 – in RUB thousands

RUB thousands	Jun. 30, 2014	Dec. 31, 2013	% change, y-o-y
ASSETS			
Non-current Assets, incl.:	**516,583**	**512,768**	***0.7%***
Property, plant and equipment	112,502	117,454	*-4.2%*
Intangible assets	43,894	36,855	*19.1%*
Investments in associates	348,984	348,984	*0.0%*
Non-current financial assets	8,218	7,146	*15.0%*
Current Assets, incl.:	**315,318**	**216,257**	***45.8%***
Accounts receivable	68,027	90,659	*-25.0%*
Other current financial assets, incl.	139,983	92,355	*51.6%*
Financial assets at fair value through profit or loss (held for trading)	121,554	78,861	*54.1%*
Cash and cash equivalents	92,623	18,120	*411.2%*
Total Assets	**831,901**	**729,025**	***14.1%***
EQUITY AND LIABILITIES			
Shareholders' equity:	**454,394**	**362,322**	***25.4%***
Equity attributable to equity holders of the parent	446,625	351,768	*27.0%*
Non-controlling interests	7,769	10,554	*-26.4%*
Non-currents liabilities, incl.:	***41,769***	**40,248**	***3.8%***
Long-term loans and borrowings	26,153	36,742	*-28.8%*
Deferred tax liabilities	15,616	3,177	*391.5%*
Current liabilities, incl.:	**335,738**	**326,455**	***2.8%***
Short-term loans and borrowings	106,785*	90,598	*17.9%*
Advances received	203,754	211,431	*-3.6%*
Accounts payable (trade and other)	18,358	16,199	*13.3%*
Total Liabilities	**377,507**	**366,703**	***2.9%***
Total Equity and Liabilities	**831,901**	**729,025**	***14.1%***
Net debt**	**-81,239**	**30,359**	***n/a***

** Including short-term portion of long-term loans amounting to RUB 30,027 thousand. Therefore, as of June 30, 2014, total long-term debt = RUB 56,180 thousand (as of 31 December 31, 2013 was RUB 76,744 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 available for sale.*

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 field of regenerative medicine, bio-insurance, medical genetics including reproductive genetics, gene therapy and biopharmaceutics (within the international SynBio project).

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 project to create its own Russia-wide network of *Genetico* medical genetics centers to provide genetic diagnostic and consulting services with the aim of early identification, prediction and prophylactic treatment of genetic disorders (Ethnogene, PGD, Prenetix and other services).

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

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.

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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