

## HSCI Announces Q1 2016 Consolidated Results under IFRS

**Moscow, 03 June 2016.** PJSC HSCI – The Human Stem Cells Institute (“HSCI”, MOEX: [ISKI](#)), one of Russia’s leading biotech companies, today announced its unaudited consolidated interim results for the first quarter 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 quarter according to IFRS (IAS 34). Therefore there are no comparable numbers for the same period of the previous year.*

<b>RUB thousands</b>	<b>3mo 2016</b>
<b>Revenue</b>	<b>93,644</b>
<b>Operating expenses, incl.</b>	<b>(89,766)</b>
Depreciation & amortization	(6,548)
<b>OIBDA<sup>1</sup></b>	<b>10,426</b>
<i>OIBDA margin, %</i>	<i>11.1%</i>
<b>Operating income</b>	<b>3,878</b>
<i>Operating margin, %</i>	<i>4.1%</i>
<b>Net profit/ (loss)</b>	<b>(7,267)</b>
<i>Net margin, %</i>	<i>n/a</i>
<b>Total comprehensive income/ (loss)</b>	<b>(7,267)</b>

### **Consolidated revenue and revenues generated by key products and services**

*Consolidated revenue for 1Q 2016 amounted to RUB 93.644 million.*

The largest portion of the consolidated revenue – 56% - 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*<sup>®</sup> testing lab and medical center services with share in the consolidated revenue of 32%.

SPRS-therapy services provision accounted for 11% of the consolidated revenue.

Other revenues amounted to 1% of the consolidated revenue in the reporting period.

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

In the reporting quarter 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<sup>®</sup> into the VED list for 2016. The distributors were yet offloading the rest of stock previously supplied by the Company.

Neovasculgen<sup>®</sup> 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<sup>®</sup> went on sales in Russia.

In order to facilitate patients' access to Neovasculgen<sup>®</sup>, 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<sup>®</sup> in the list of vital and essential drugs (VED), which enables a significant increase in hospital purchases.

<sup>1</sup> 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 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.

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 at professional conferences, and publication of relevant papers is expected in the near future.

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.

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 preparation of the agreements to be announced upon signing are under way. 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.

The work with potential partners for the registration of the drug in China is also in progress. For the development of the drug in the USA and China, HSCI's partners plan to raise necessary funds.

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

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. In 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 life.

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.

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®. HSCI aims to work in the therapy of IHD (Ischemic Heart Disease), Diabetic Foot Syndrome, trauma-induced peripheral nerve damage. Also, the R&D is in progress for the creation of gene-activated bone grafts based on Neovasculgen®.

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

In 1Q 2016 consolidated revenues from this service amounted to RUB 52.324 million (55.9% 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 reached 24.9 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<sup>®</sup> 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<sup>®</sup> 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 provision of isolation and cryopreservation of cord blood SCs service to new clients.

In the course of 2016 the whole client base from Gemabank's first days 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<sup>®</sup> (annual charges).

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.***

Revenues from SPRS-therapy, including the long-term storage of autologous skin fibroblasts, in 1Q 2016 amounted to RUB 10,024 million (10.7% of the Company's consolidated revenue).

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, in 2012 cooperation in providing this service began to extend to clinics in Russia's regions and CIS (covering 16 cities as of today). The total number of patients that had used this service, as of the end of the reporting year, exceeded 600 people. 2/3 of patients have returned for second and/or additional skin treatments 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.

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<sup>®</sup>. 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.

Vitacel LLC (HSCI's subsidiary) applied for an international patent (PCT) to protect its IP "Diagnostic method for connective tissue and its application" and this PCT application was published on April 11, 2013 and in 2013-2014 moved to the national and regional phases (EU, Eurasia, USA, Brazil and Japan).

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 on July 29, 2014).

Ukrainian patent application passed qualification expertise in February 2016, and the decision on patent's issuance was then made. The patent "Diagnostic method for connective tissue and its application" was published on April 25, 2016.

**Genetico<sup>®</sup> services (genetic diagnostics and consulting as well as Reprobank<sup>®</sup> services at Genetico<sup>®</sup> 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 1Q 2016 revenues from genetic diagnostic and consulting services as well as Reprobank<sup>®</sup> services amounted to RUB 30.249 million (32.3% of the Company's consolidated revenue) which represents almost a half of revenues from these services received for FY2015 (RUB 64,963 million).

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 the reporting period, Genetico<sup>®</sup> 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<sup>®</sup>** – 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).

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

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

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 1Q 2016 amounted to RUB 89.766 million.

In response to the recession in the Russian economy, the Company has taken steps to curb the growth in operating expenses.

However, along with cost cutting, it was necessary to increase the expenses associated with capturing and maintaining the leading positions in the current and promising prospective markets (for example, marketing and advertising costs). In order to ensure the increase in revenues generated by Genetio<sup>®</sup> 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 depreciation and current fluctuation of the ruble).

Operating expenses before depreciation and amortization amounted to RUB 83.218 million, resulting in OIBDA of RUB 10.426 million with OIBDA margin of 11.1%.

The Company's operating profit amounted to RUB 3.878 million in the reporting period.

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

In 1Q 2016, the Company's net other loss (share of loss of associates + net interest expense + net other non-operating loss + net foreign exchange loss) amounted to RUB 12.087 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 substantial loss from non-operating activities which surpassed the operating profit in the reporting period, the Company recognized loss before income tax in the amount of RUB 8.272 million.

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

Due to the reasons mentioned above, in 1Q 2016 the Company demonstrated a consolidated net loss totaling RUB 7.267 million.

### **Consolidation**

The consolidated financial statements for 1Q 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 for the 3-month period ended March 31, 2016 under IFRS*).

### **APPENDICES:**

1. Condensed consolidated interim statements of profit and loss and comprehensive income for the 3-month period ended March 31, 2016 – in RUB thousands
2. Condensed consolidated interim statements of financial position as of March 31, 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 3-month period ended March 31, 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 3-month period ended March 31, 2016 – in RUB thousands

'000 RUB	3mo 2016
<b>Revenue from products and services:</b>	
Isolation, cryopreservation and personal storage of cord blood stem cells	52,324.0
Neovasculgen®	-
SPRS-therapy®	10,024.0
Genetico® medical center & testing lab (genetic diagnostic and consulting services, Reprobank®)	30,249.0
Other revenue	1,047.0
<b>Total revenue</b>	<b>93,644.0</b>
Wages, salaries, other benefits and payroll taxes	(21,317.0)
Rental fee	(7,793.0)
Supplies and reagents	(10,916.0)
Services of third-party organizations (contractors)	(1,749.0)
Consulting and legal services	(17,517.0)
Advertising costs	(8,811.0)
R&D costs	(5,506.0)
Transportation and Travel expenses	(3,099.0)
Telecommunications services, software and maintenance	(2,491.0)
Cryostorage maintenance	(523.0)
Repairs	(261.0)
Other operating expenses (mainly, each type - less than 1% of total operating expenses)	(3,235.0)
<b>Operating expenses before depreciation &amp; amortization</b>	<b>(83,218.0)</b>
<b>OIBDA</b>	<b>10,426.0</b>
<b>OIBDA margin, %</b>	<b>n/a</b>
Depreciation & amortization	(6,548.0)
<b>Total operating expenses</b>	<b>(89,766.0)</b>
<b>Operating profit</b>	<b>3,878.0</b>
<b>Operating margin, %</b>	<b>4.1%</b>
<b>Loss from associates</b>	<b>(63.0)</b>
<b>Other income/ (loss) - net, incl.</b>	<b>(12,087.0)</b>
Net interest expense (interest income + interest expense)	(3,637.0)
Other non-operating expense - net, incl.	(8,112.0)
Loss from revaluation of financial instruments held for trading (purchased quoted securities)	(5,481.0)
Foreign exchange loss, net	(338.0)
<b>Loss before income tax</b>	<b>(8,272.0)</b>
Income tax	1,005.0
<b>Loss for the period (net loss)</b>	<b>(7,267.0)</b>
<b>Net margin, %</b>	<b>n/a</b>
<b>Other comprehensive income, net of tax</b>	<b>-</b>
<b>Total comprehensive loss for the period, net of tax</b>	<b>(7,267.0)</b>

## Appendix II

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

<b>RUB thousands</b>	<b>March 31, 2016</b>	<b>Dec. 31, 2015 (audited)</b>	<b>% change, y-o-y</b>
<b>ASSETS</b>			
<b>Non-current Assets, incl.:</b>	<b>462,735</b>	<b>471,228</b>	<b>-1.8%</b>
Property, plant and equipment	91,258	96,553	-5.5%
Intangible assets	46,405	47,659	-2.6%
Investments in associates	313,889	313,952	0.0%
<b>Current Assets, incl.:</b>	<b>355,048</b>	<b>361,306</b>	<b>-1.7%</b>
Accounts receivable	110,922	89,273	24.3%
Other current financial assets, incl.	150,653	159,195	-5.4%
Financial assets at fair value through profit or loss (held for trading)	139,305	144,771	-3.8%
Cash and cash equivalents	28,634	50,761	-43.6%
<b>Total Assets</b>	<b>817,783</b>	<b>832,534</b>	<b>-1.8%</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity:</b>	<b>352,134</b>	<b>359,401</b>	<b>-2.0%</b>
Equity attributable to equity holders of the parent	280,469	287,624	-2.5%
Non-controlling interests	71,665	71,777	-0.2%
<b>Non-currents liabilities, incl.:</b>	<b>41,342</b>	<b>54,372</b>	<b>-24.0%</b>
Long-term loans and borrowings	18,770	-	n/a
Deferred tax liabilities	22,572	29,747	-24.1%
<b>Current liabilities, incl.:</b>	<b>424,307</b>	<b>418,761</b>	<b>1.3%</b>
Short-term loans and borrowings	97,097*	90,048**	7.8%
Advances received	301,317	299,027	0.8%
Accounts payable (trade and other)	17,989	19,299	-6.8%
<b>Total Liabilities</b>	<b>465,649</b>	<b>473,133</b>	<b>-1.6%</b>
<b>Total Equity and Liabilities</b>	<b>817,783</b>	<b>832,534</b>	<b>-1.8%</b>
<b>Net debt***</b>	<b>-52,072</b>	<b>-80,859</b>	<b>-35.6%</b>

\* Including short-term portion of long-term loans to be repaid within less than one year period – in the amount of RUB 19,336 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](http://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 [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 (incl. [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 a co-investor in [SynBio](#) – a long-term multilateral project to create new unique medicines (first-in-class and BioBetter) 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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