

HSCI Reports its Audited Consolidated Full Year 2011 Results under IFRS

Moscow – August 6, 2012 – OJSC HSCI – The Human Stem Cells Institute (“HSCI”, MICEX: [ISKJ](#)), one of Russia’s leading biotech companies, today announced its audited consolidated financial results for the full year ended December 31, 2011 in accordance with International Financial Reporting Standards (IFRS).

Highlights

- Consolidated revenue for the full year 2011 increased by 36% year on year to RUB 262.076 million;
- OIBDA¹ amounted to RUB 22.712 million compared to RUB 12.113 million in 2010;
- Operating profit totaled RUB 16.643 million compared to RUB 7.099 million in 2010;
- FY 2011 net profit amounted to RUB 20.943 million compared to RUB 7.200 in 2010.

HSCI and its subsidiaries (hereafter – “HSCI Group”, “the Company”) delivered the following financial and operating results for the full year 2011:

<i>RUB thousands</i>	2011	2010 (as restated*)	% change, y-o-y
Revenue	262,076	192,533	36.1%
Operating expenses, incl.	245,433	185,434	32.4%
Depreciation & amortization	6,069	5,014	21.0%
OIBDA	22,712	12,113	87.5%
<i>OIBDA margin, %</i>	<i>8.7%</i>	<i>6.3%</i>	<i>n/a</i>
Operating income	16,643	7,099	134.4%
<i>Operating margin, %</i>	<i>6.4%</i>	<i>3.7%</i>	<i>n/a</i>
Net profit	20,943	7,200*	190.9%
<i>Net margin, %</i>	<i>8.0%</i>	<i>3.7%</i>	<i>n/a</i>
Total comprehensive income	20,943	7,200*	190.9%

General Director of HSCI Artur Isaev commented:

“The past year brought a number of significant events for HSCI Group. These events were related both to the implementation of previously announced plans and the development of new projects and strategic initiatives.

In 2011 we introduced to the market a new technology in regenerative and personalized medicine (SPRS-therapy) and also concluded clinical trials and received marketing authorization for the world’s first gene-therapy drug Neovasculgen[®] with an action mechanism (therapeutic angiogenesis) opening new possibilities in the treatment of Peripheral Arterial Disease.

Since the second half of 2011 – thanks to the implementation of a new marketing strategy and positive changes on the market – a growth dynamic has reemerged for cord blood stem cell isolation and storage services, which had a positive impact on the Company’s revenue, as income from these services accounted for a substantial portion of overall revenues during the reporting period.

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

A notable contribution to the Group's revenue came from Cryonix, which was acquired as a subsidiary in 2011 and had previously been a long-time partner of HSCI. The acquisition of a controlling interest in Cryonix was made with the aim of achieving the highest level of integration of the efforts of the two companies in the development and commercialization of new drugs and provision of high-tech medical services, including the strengthening of HSCI's position on the cord blood stem cell isolation and storage services market in Northwest Russia, as Cryonix has represented the interests of Gemabank in St. Petersburg and the Leningrad Region for more than five years now.

Considering the fact that HSCI fulfilled the main points of its investment program put forward ahead of the IPO and over the previous two brought to market a number of products and also initiated several new projects, in late 2011 the Company's management decided to adopt a new business plan for the mid-term perspective.

Our strategy for 2012-2016 envisages comprehensive development as a multi-profile biotech company with international status and growing shareholder value. This is to be achieved through continued support of our positions on existing markets and also through the formation of new brands and market niches where HSCI's leadership will serve as a foundation for sustainable long-term growth. We plan to develop our technologies and products not only in Russia but abroad as well. The Company is taking measures to receive international patent protection of our intellectual property and also engage in partnership programs on co-development.

An example of such a partnership is SynBio, an international project launched in 2011. Two companies of the Group are participating in this project – HSCI and Cryonix – with HSCI acting as the largest private investor in the project.

The SynBio project brings together Russian and foreign companies renowned for their developments in biotechnology and biopharmaceuticals and is being implemented with financial support from RUSNANO as a key co-investor. The aim of the project is to create and bring to market in Russia and globally novel medicines for treatment of a number of socially significant diseases. Through its participation in this project, HSCI acquires promising foreign partners and also important competencies with regard to the introduction of innovative products on international markets as well as in the sphere of management of international IP and assets.

Furthermore, with the aim of facilitating the development of innovative products and technologies, in 2011 HSCI's subsidiaries Vitacel and NextGen became residents of Skolkovo. Vitacel joined with a project on the creation of tissue-engineering technologies for the regeneration of hard tissues of the periodontium; NextGen has joined with a project to develop technologies for the creation of test systems for the search for medicines and the study the pathogenesis of heritable neurodegenerative diseases.

In 2012 our Company enters a new phase of development. The main vector of our attention will be toward the sales and promotion of products and service brought to market and also the creation of new markets for these products – the diversification of revenue structure and top-line growth.”

Revenue and Positioning in Major Markets

The consolidated revenue of HSCI Group in 2011 grew by 36.1% year on year to RUB 262.076 million.

The main reasons behind such strong revenue growth were the acquisition of by HSCI of its subsidiary Cryonix, whose overall revenue consolidated in these financial statements amounted to RUB 61.554 million (from cord blood stem cell isolation and storage services and R&D work) as well as revenues generated by HSCI's new service SPRS-therapy.

The largest portion of HSCI Group's revenues was generated by bio-insurance – from cord blood stem cell isolation and storage services by HSCI Company and the inclusion in consolidated reporting of the revenues from its subsidiary Cryonix, which was acquired in 2011 and also provides services on this market.

During the reporting year HSCI signed 3,213 contracts for the banking/storage of cord blood stem cells, which is 6.4% more than during 2010 (3,021 samples). In Q3 and Q4 2011, in contrast to the relatively weak results of the previous two quarters (664 and 681 contracts), the largest numbers of agreements for all of Gemabank's history were signed – 914 and 951, respectively. This result was achieved thanks to the implementation of a new marketing strategy to

promote Gemabank's brand and services as also supported by trends toward an end of market stagnation (reemergence of consumer demand).

As of the start of 2012 more 14,000 personal samples of cord blood stem cells are held in storage by HSCI (at Gemabank in Moscow).

According to the Company's estimation, in 2011 HSCI's share of the market for cord blood stem cell isolation and storage services was 56%. In the regional market HSCI is the absolute leader in terms of geographical scope and its share is 76%. At the same time, in the highly competitive market of St. Petersburg and the Leningrad region Gemabank has a 50% market share, thanks in part to the business activities of Cryonix.

The largest cord blood bank in Ukraine, Hemafund, in which HSCI owns a 50% stake, in 2011 signed 1,287 contracts for cord blood banking/storage compared to 1,090 in the previous year (an 18% y-o-y increase). The total number of cord blood stem cell samples stored at Hemafund exceeded 4,400 units at the end of the reporting year.

Therefore, cord blood stem cell isolation and long-term storage services made the main contribution to cash flow, allowing HSCI Group to development in other promising areas.

The commercialization of proprietary innovative drugs, technologies and services (regenerative medicine /cell services and drugs/, medical genetics, gene therapy);

During the reporting period HSCI Group continued to carry out clinical trials, receive marketing authorization and bring to market proprietary innovative drugs and technologies as well as enter in partnership programs with the aim of attracting investments and obtaining new opportunities for developing the Company's products and IP.

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

This service was launched by HSCI to the market of aesthetic medicine in December 2010 and is provided in Russia on the basis of authorization received from the Federal Supervision Service for Healthcare and Social Development (Roszdravnadzor) for the medical technology of applying autologous dermal fibroblasts to correct the effects of aging and skin damage. SPRS-therapy includes the diagnostics of the condition of the patient's skin, a therapy course using the cell product with the patient's own fibroblasts and also long-term storage of the patient's skin fibroblast culture in cryogenic bank.

In 2011 revenues from the provision of SPRS-therapy amounted to RUB 9.757 million or 3.7% of consolidated revenues. During the reporting year HSCI signed cooperation agreements on the provision of SPRS-therapy with a limited number of leading cosmetology clinics of the city of Moscow and held corresponding training of the doctors of these clinics on the application of this innovative technology. As of yearend 2011, a total of 100 of patients elected to undergo this treatment (80 patients fully completed treatment, with one-third coming returning – two or more times – to treat other areas of the skin).

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

Neovasculgen® passed phase 2b/3 clinical trials and received marketing authorization on December 7, 2011 (the decision to include the drug in the state registry of medicinal products for medical use in the Russian Federation was adopted by the Ministry of Health and Social Development on September 28, 2011 – RU № LP-000671).

The beginning of Neovasculgen® sales is planned for Q3 2012 upon certification of the drug's first batches. Neovasculgen® will be made available on the retail market as well as sold directly to hospitals in Russia as a finished

product. HSCI will seek to include this new drug in federal and regional public medicine subsidy programs and, following successful promotional activities, Neovasculgen® sales should account for a substantial portion of HSCI's revenues.

Future plans include bringing Neovasculgen® to other CIS markets as well as studying the possibility of introducing it in the European Union and United States. The process of obtaining marketing authorization for the drug in Ukraine began in March 2012.

As Neovasculgen® is the first-in-class gene-therapy product for PAD treatment via stimulation of angiogenesis, the drug has much potential for use in treating other ischemia-related conditions. At the moment, HSCI is preparing clinical trials protocols in order to expand the range of indications for applying Neovasculgen® (including in conjunction with surgical reconstruction and other nosologies, such as ischemic heart disease /IHD/).

***Gemascreen** – a project to provide genetic medicine consultation with the aim of early detection, prevention and treatment of inherited diseases.*

Throughout 2011 HSCI developed a project to create a Russia-wide genetic medicine service network to provide genetic diagnostics and consultation regarding the inherited diseases most commonly found among the peoples of the Russian Federation.

The Gemascreen project includes a portfolio of genetic diagnostics and consulting services to identify carrier status of inherited diseases and predisposition to them as well as subsequent consultation regarding prevention or early treatment measures in the case that susceptibility is discovered. Gemascreen's services can be used by various consumer groups (newborns, couples planning children and pregnant women).

The HSCI began to implement the first phase of this project in the fourth quarter of 2011, launching in Moscow and a number of other regions pilot sales of Gemascreen services, namely presymptomatic identification of the six most common inherited diseases in the Russian Federation and their carrier status through DNA screening using umbilical cord blood of a newborn. After analysis of the results of pilot sales, the promotional program was adjusted and in January 2012 this service was launched Russia-wide.

The opening of HSCI's own genetic medicine consultation offices is planned in a number of major cities throughout Russia during the course of 2012. Hereafter, the spectrum of diagnosed diseases is planned to increase to more than 80 through the creation of HSCI's own DNA array as well as expansion of both the portfolio of services and the group of potential customers.

***Cryocell / Gemacell** – the first Russian cell-therapy product designed to treat myocardial infarction (IHD).*

With the aim of commercializing this drug, the production launch of which is planned for 2015, the Company is simultaneously working in two areas – two parallel clinical trial protocols: one for **Cryocell IHD** and one for **Gemacell IHD**.

Gemacell. Following the conclusion of preclinical studies, in Q3 2010 HSCI applied to the competent regulatory organ for authorization to carry out clinical trials of the drug for two nosologies – myocardial infarction and liver cirrhosis. However, due to changes in legislation on drug registration, the review of these documents was held up. In March 2011 the Ministry of Healthcare and Social Development declined to register Gemacell as a candidate drug for clinical trials, indicating that the regulatory organ believed that Gemacell should be registered as a medical technology. In June 2011 HSCI filed an updated dossier on Gemacell under the administrative regulations for registering new medical technologies but this too was denied on formalities. As of January 1, 2012, the Federal Law on Public Health

Protection went into effect and as a result the issuance of approvals to apply new medical technologies has ceased due to the lack of such a concept in the legal system of the Russian Federation. Thus, in 2012 a new dossier is being filed with the Ministry of Healthcare and Social Development aimed at securing permission to hold Phase 1 clinical trials of Gemacell as a medicine.

Phase 1-2 clinical trials of **Cryocell** began in February 2011. These clinical trials are being financed by HSCI's subsidiary Cryonix with permission granted in 2009. Following completion of Phase 2 of the clinical trials a decision will be made regarding the whether Phase 3 trials will be carried out by HSCI independently or completed by Cryonix with subsequent commercialization of the drug executed by HSCI.

The **clinical trial protocol for Gemacell-cirrhosis** was transferred by HSCI to its international partnership project Synbio (approved by EGSM on August 31, 2011).

Partnership Programs:

With the aim of attracting investment and obtaining new opportunities to develop the Company's own products and IP, during the reporting year HSCI and its subsidiary Cryonix became co-investors in SynBio, a multilateral international project aimed at the development and production of first-in-class medicines as well as next-generation pharmaceutical products known as BioBetter for commercialization on the Russian and global markets. In 2011 the final Project Investment Agreement was signed, corporate approval was received, all agreed assets and funds were delivered, and the shareholder structure of the project company SynBio LLC was determined: in November 2011 following the entry of RUSNANO (41.37%), HSCI became the largest private co-investor (28.18%) in the project, with Cryonix holding an additional 5.46%. For more information see: <http://eng.hsci.ru/research-development/synbio>.

HSCI's contribution to the SynBio project comprised intangible assets and financial investment not related to the investment program announced ahead of the IPO (patent, patent use rights and its stake in SymbioTec GmbH). Additionally, the transfer of intellectual property rights has been done in such a manner that HSCI retains the right to use these discoveries in its business. The project has not received rights to discoveries which declared in the investment program announced ahead of the IPO as drivers of the HSCI's cash flow.

The acquisition by HSCI Group companies (HSCI and Cryonix) of stakes in the SynBio project (as of yearend 2011 – 28.18% and 5.46%, respectively) was reflected in the consolidated statements as a substantial increase in balance sheets assets (see Consolidated Statement of Financial Position as of December 31, 2011) – RUB 980.648 million as of December 31, 2011, compared to RUB 294.602 million as of December 31, 2010.

With the aim of transferring a number of intangible assets and financial investment of HSCI and Cryonix in SynBio LLC during the reporting year an independent appraiser provided an estimate of their market value. In this regard, the Group's capital balance (Equity) includes provisions for revaluation (in the amount of RUB 635.133 million). This provision for revaluation of intangible assets and financial investments contributed to the share capital of Synbio LLC cannot be included in profit available for allocation until the sale of the investments to an unrelated party.

The total sum of the Group's financial investments in SynBio, which at the end of the reporting year amounted to RUB 733.561 million, was reflected in the assets of the consolidated balance sheet (see "Investment in associated companies").

Operating Expenses, OIBDA, Operating Profit

Total operating expenses of HSCI Group for 2011 amounted to RUB 245.433 million, an increase of 32.4% year on year. On the one hand, increased operating costs came from the acquisition by HSCI of Cryonix: Cryonix's expenses included in consolidated results amounted to RUB 55.265 million.

On the other hand, higher operating costs also came from planned expenses on the development of new projects and partnership programs, which was primarily manifested in higher staff costs in the parent company HCSI.

However, due to the fact that revenue growth outpaced increases in operating expenses, operating profit increased 2.3-fold year on year to RUB 16.643 million and OIBDA rose 1.8-fold year on year to RUB 22.712 million, representing an OIBDA margin of 8.7%.

Other Income/Loss, Profit before Income Tax

The consolidated statements of HSCI Group for 2011 reflect the loss from associates in the amount of RUB 2.344 million compared to the loss of RUB 6.382 million for the previous year. If in 2010 the said amount was largely derived from the net loss demonstrated by SymbioTec GmbH, then in this reporting year the gain from participation in associated companies was offset by the large share in the net loss reported by Hemafund (Ukraine). In addition, in the loss from Hemafund in 2011 is the share of loss accrued by the parent company for 2010 as a result of the recalculation of Hemafund's net assets for 2010 arising from the fact that Hemufund reported results under IFRS for the first time in 2011.

The negative financial results of Hemafund in 2011 under IFRS were backed on the following: on the one hand – growth in administrative expenses, requalification of types of expenses, creation of allowances for doubtful accounts receivable etc. resulting from the first-time application of IFRS, on the other hand – the introduction of a new Tax Code in Ukraine, which impacted revenues from cord blood banking services reflected in this reporting year.

HSCI's stake in SymbioTec GmbH, which was increased in Q1 2011 to 44%, was contributed to SynBio LLC in autumn of 2011.

Other (financial) gain in 2011 amounted to RUB 4.937 million compared to 9.727 million for the previous year. This reduction is largely a result of the lower net interest income during the reporting period compared to 2010 as well as the net expenses from discounting of long-term payables in 2011 compared to income of a comparable size in 2010 (see below Restatement of Earlier Financial Statements).

As a result, profit before income tax in 2011 amounted to RUB 19.236 million compared to RUB 10.444 million for the previous year.

Net Profit

HSCI Group's consolidated net profit increased by 2.9-fold year on year and amounted to RUB 20.943 million compared to RUB 7.200 million in 2010.

Consolidation

The consolidated financial statement for 2011 include the operating results of HSCI and its subsidiaries – Cell Technologies Laboratory LLC, Vitacel LLC, Human Stem Cells Institute Publishing House LLC (from November 2011 – NextGen LLC), Cryonix CJSC (from April 2011), and also HSCI's share as a parent company in the profits /losses of associated companies – SymbioTec GmbH (Germany) until October 2011, Medical Biotechnological Company Hemafund LLC (Ukraine), Hemafund Medical Center LLC (Cord Blood Bank, Ukraine), SynBio LLC, IceGen LLC.

Restatement of Earlier Financial Statements

In compiling financial statements for 2011 the presentation of accounts payable was changed and reflected in FY 2011 statements and in the comparable periods (2009 and 2010) with a distinction between long-term and short-term accounts payable. Long-term payables for 2011 and comparable periods (2009 and 2010) are discounted with a two-year repayment period and market rate of 10%. The effect of this retrospective reflection of short-term and long-term payables with discounting is seen in the corresponding line items of the financial statements. For more information see Note 3.1 of the Consolidated financial statements of HSCI Group for 2011.

The consolidated financial statements of HSCI for 2011 can be viewed on the Company's corporate website in the Investor Relations (Financial Reports → IFRS): <http://eng.hsci.ru/investor-relations/financial-reports/ifrs>.

Appendices:

1. Condensed consolidated statements of comprehensive income for the full year ended December 31, 2011, and December 31, 2010, in RUB thousands;
2. Condensed consolidated statements of financial position as of December 31, 2011, and December 31, 2010, in RUB thousands.

Appendix I

Condensed consolidated statements of comprehensive income for the full year ended December 31, 2011 and December 31, 2010 in RUB thousands

000' RUB	Year ended December 31, 2011	Year ended December 31, 2010 (as restated*)	% change, y-o-y
Revenue from services:	209,556.0	189,685.0	10.5%
Isolation, cryopreservation and storage of cord blood stem cells	199,799.0	189,685.0	5.3%
SPRS-therapy	9,757.0	-	n.a.
Other revenue	52,520.0	2,848.0	by a factor of 18.4
Total revenue	262,076.0	192,533.0	36.1%
Wages, salaries, other benefits and payroll taxes	(99,451.0)	(68,773.0)	44.6%
Materials and reagents	(28,594.0)	(28,594.0)	0.0%
R&D costs	(27,387.0)	(5,812.0)	371.2%
Rental fee	(17,268.0)	(8,487.0)	103.5%
Advertising costs	(14,030.0)	(15,688.0)	-10.6%
Medical services of third-party organizations (contractors)	(13,817.0)	(15,993.0)	-13.6%
Consulting and similar services	(6,694.0)	(13,577.0)	-50.7%
Travel and Representation expenses	(8,693.0)	(4,190.0)	107.5%
Repair and Maintenance, utilities, including communications services	(4,325.0)	(4,383.0)	-1.3%
Taxes other than on income	(3,904.0)	(5,813.0)	-32.8%
Bad dept expense	(2,650.0)	(846.0)	213.2%
Other operating expenses	(12,551.0)	(8,264.0)	51.9%
Operating expenses before depreciation & amortization	(239,364.0)	(180,420.0)	32.7%
OIBDA	22,712.0	12,113.0	87.5%
OIBDA margin, %	8.7%	6.3%	n.a.
Depreciation & amortization	(6,069.0)	(5,014.0)	21.0%
Total operating expenses	(245,433.0)	(185,434.0)	32.4%
Operating profit	16,643.0	7,099.0	134.4%
Operating margin, %	6.4%	3.7%	n.a.
Gain / (loss) from associates	(2,344.0)	(6,382.0)	-63.3%
Other income (net), incl.	4,937.0	9,727.0*	-49.2%
Interest expense	(414.0)	(302.0)	37.1%
Interest income	6,660.0	9,162.0	-27.3%
Gain / (loss) from discounting of long-term accounts payable	(905.0)	970.0*	n.a.
Foreign exchange loss, net	(404.0)	(103.0)	292.2%
Income before tax	19,236.0	10,444.0*	84.2%
Current tax charge	(4,095.0)	(4,270.0)	-4.1%
Deferred tax benefit	5,802.0	1,026.0	465.5%
Income tax (expense) / benefit	1,707.0	(3,244.0)*	-152.6%
Net income, attributable to:	20,943.0	7,200.0*	190.9%
Equity holders of the parent	18,296.0	7,497.0	144.0%
Non-controlling interests	2,647.0	(297.0)	n.a.
Net margin, %	8.0%	3.7%	n.a.
Other comprehensive income, net of tax, incl.	-	-	n.a.
Total comprehensive income	20,943.0	7,200.0*	190.9%

Appendix II

Condensed consolidated statements of financial position as of December 31, 2011 and December 31, 2010 in RUB thousands

000' RUB	Dec. 31, 2011	Dec. 31, 2010 (as restated*)	% change, y-o-y
ASSETS			
Non-current assets, incl.	876,882	147,505	494.5%
Property, plant and equipment	37,009	35,787	3.4%
Intangible assets	27,886	2,877	869.3%
Investments in associates	787,614	97,343	709.1%
Current assets, incl.	103,766	147,097	-29.5%
Accounts receivable	57,583	46,076	25.0%
Short-term loans granted	14,042	21,417	-34.4%
Cash and cash equivalents	17,363	70,030	-75.2%
Total Assets	980,648	294,602	232.9%
EQUITY AND LIABILITIES			
Shareholders' equity, incl.	817,404	204,079*	300.5%
Revaluation reserves	635,133	-	n.a.
Non-controlling interests	9,683	1,250	674.6%
Non-current liabilities	61,610	65,323	-5.7%
Accounts payable and accruals	59,141	62,170	-4.9%
Long-term borrowings	739	-	n.a.
Current liabilities, incl.	101,634	25,200	303.3%
Short-term borrowings	9,714	15	by a factor 647.6
Accounts payable and accrued expenses	87,115	24,245	259.3%
Total Liabilities	163,244	90,523*	80.3%
Total Equity and Liabilities	980,648	294,602	232.9%

OJSC HSCI (Human Stem Cells Institute) is Russia's public biotech company founded in 2003.

The main focus of HSCI is research and development as well as commercialization and marketing of innovative proprietary products and services in the areas of cell-based and gene and post-genome technologies. HSCI owns the largest family cord blood stem cells bank in Russia – [Gemabank](#)[®].

Starting 2012, HSCI is launching its first gene-therapy drug [Neovasculgen](#)[®] (for Peripheral Arterial Disease treatment) and is promoting its new [Gemascreeen](#) services (medical genetic diagnostics and consulting services provided by the Company's own network of medical centers throughout Russia to identify carrier status of inherited diseases and predisposition to them). In December 2010 the Company launched [SPRS-therapy](#) – a comprehensive set of services for individual skin regeneration based on a technology approved by the Russian health authorities for applying autologous dermal fibroblasts to repair skin damage due to aging or other structural changes.

HSCI is also the largest private co-investor in [SynBio](#) – a long-term multilateral project to create new unique medicines (first-in-class and BioBettters) for the Russian and international markets. The SynBio project, supported by an investment from RUSNANO (a state-owned fund for supporting nanotechnologies), unites top Russian and international companies engaged in biotech/biopharm R&D.

In December 2009 HSCI conducted an IPO on the MICEX (ticker: [ISKJ](#)), becoming the first Russian biotech company to go public.

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.

For additional information, please contact:

Human Stem Cells Institute

Svetlana Samoylova
Director for Investor Relations (IRO)
Telephone: +7 (963) 679 3508
e-mail: ssamoylova@hsci.ru

Elena Romanova
Press Secretary
Telephone: +7 (916) 809 5559
e-mail: rea@gemabank.ru