

Human Stem Cell Institute (HSCI)

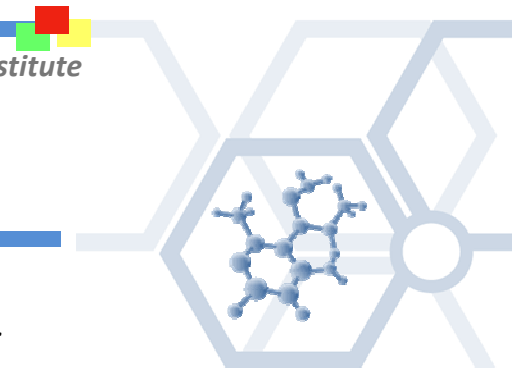
Public Placement of Shares as a Way of Biotechnology Investment Projects Funding

Arthur Isaev

General Director of HSCI

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Disclaimer

Certain statements in this presentation 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:

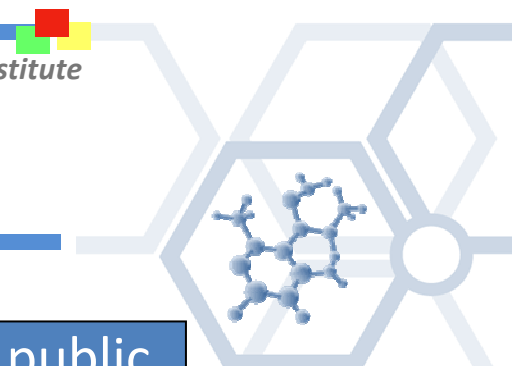
- management's assessment of the Company's future results, including revenue, net profit(loss), profit(loss) per share, dividends, investments, capital structure, margins and other operating and financial results;*
- forecasts of the present value of future cash flows and related factors;*
- the Company's 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.

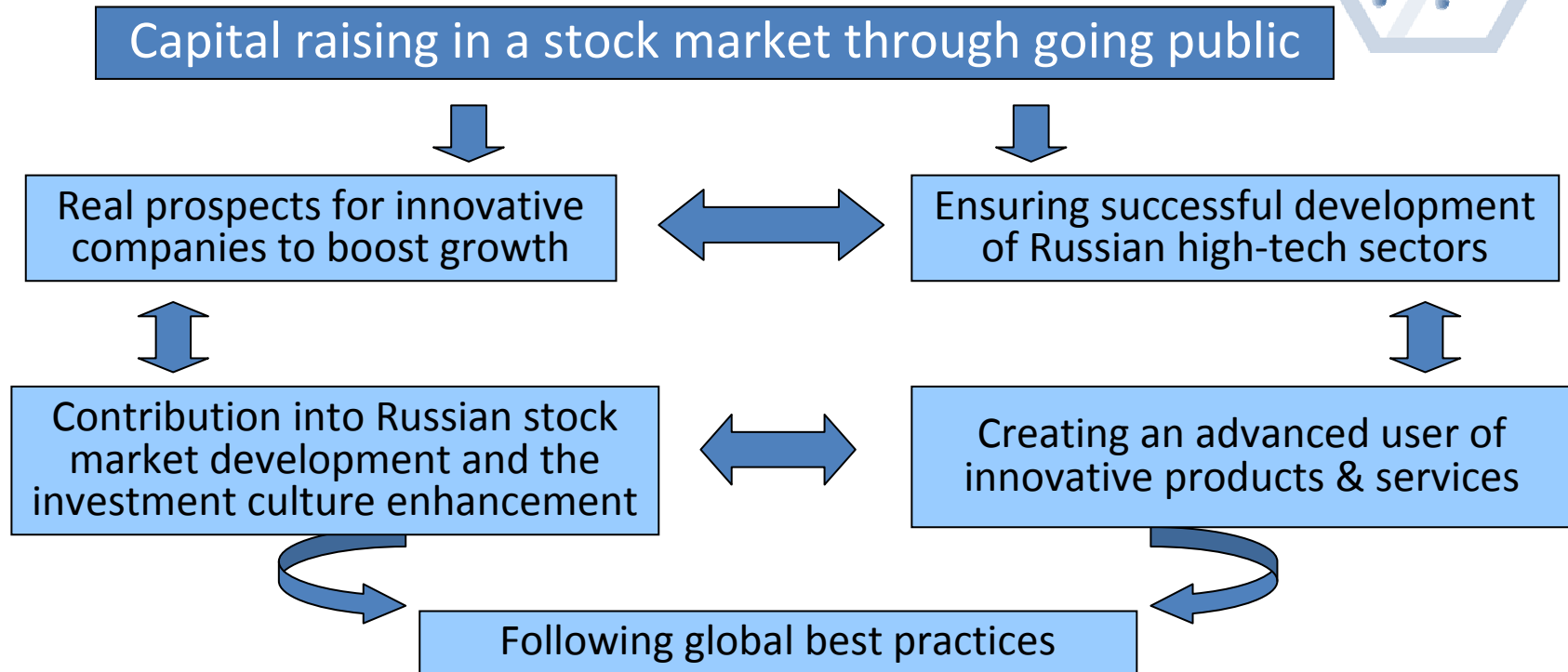
These risks include the risk of changes in political, economic and social conditions in Russia as well as changes in global economic environment, the risks relating to changes in industry regulation and the Russian legislation, the risk of changes in the Company's operations and business prospects, the 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.



Why about IPO&SPO for biotech in Russia?

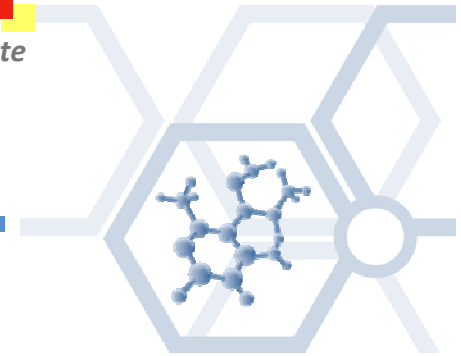


Alternative to other types of fundraising, difficult and/or impossible for venture companies

HSCI: "It's possible!"



IPO of HSCI - key results: facts and figures



On December 10, 2009 OJSC “HSCI” placed 15 million ordinary shares (20% of increased authorized capital) in the Innovation and Growth Companies (IGC) sector of MICEX:

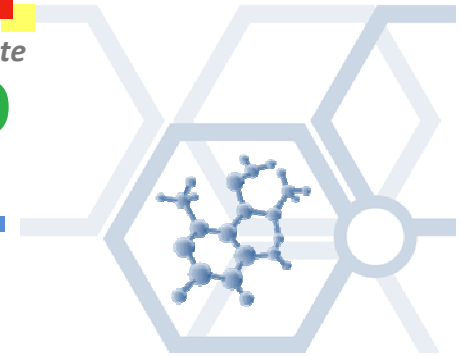
- All the shares offered were placed; demand exceeded supply
- Offering price – in the price range (9.5 rubles per share)
- Amount raised – 142.5 million rubles (USD 4.8 million)
- For 10 months from the IPO date stock prices have increased and haven't fallen below the offering price
- Over 300 new shareholders at the IPO with the total number of 2,409 at the record date (April 23, 2010) → sufficient liquidity

IPO of HSCI:

- the only one IPO on the MICEX in 2009
- opened trading on the IIM MICEX (Innovation & Investment Market) – «Russian NASDAQ»



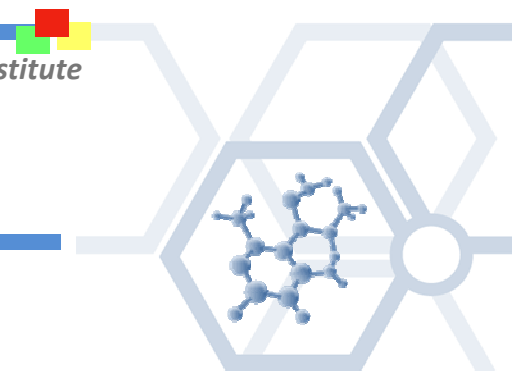
IPO of HSCI in Russian companies' IPO efficiency ratings (2009-2010)



	Providing the best terms for raising capital	Shares behaviour after the IPO	The best IPO of an innovative company
Criteria:	Amount raised; IPO share price; IPO costs.	MCap dynamics (share price performance relative to the market); Liquidity levels after IPO.	all 5 criteria
HSCI ranked:	2-nd	2-nd	1-st

“...It should be noted that three innovative companies demonstrated good results in the ratings where all 15 companies with much better prospects for development were assessed. Human Stem Cell Institute really pretended for being ranked first in two “big” ratings, so its golden prize as “The best IPO of an innovative company” was apparent.”

From the report “Russian companies’ IPO efficiency ratings (2009-2010) prepared by the Center for Capital Market Development upon the request of the Institute for Development of Financial Markets for presentation at IPO&SPO-2010 Forum held on September 23, 2010 in Moscow.



HSCI: “Before” и “After” IPO

IPO

HSCI – Russian innovative company founded in 2003 to advance projects in stem cell technology:

- Implemented project: **Gemabank** – stem cell bank – the market leader
- Laboratory of Cell Technologies (Russia): **R&D**, patents, portoflio of 3 projects for future commercializing;
+ Lab in Germany - stake in Symbiotec (Oncohist /based on Histone H1/)
- Cellular Transplantology and Tissue Engineering scientific journal

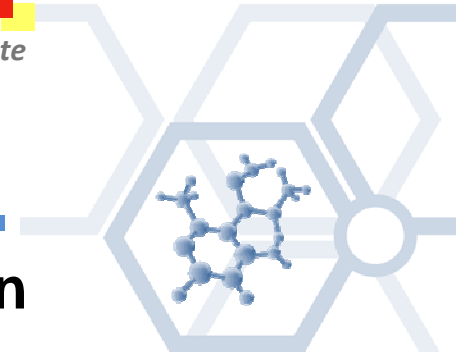
HSCI – integrated biotech company operating in the field of cell and gene technologies, aimed at expanded geographic presence and business diversification:

- New stage of HSCI products commercialization – clinical trials, registration and launch of innovative products & technologies
- Regional and international expansion
- Gemabank – “cashflow from existing strong business as insuring against R&D risks”, strengthening leadership, expanding the range of services

IPO → qualitative leap in business development
change in Company positioning + powerful PR
enhancing business processes -> diminishing juridical risks
market valuation of the Company
expanded prospects of fundraising



Investment program implementation



Total investments for 2010-2011 \approx **RUB 298 mln**

Proceeds from IPO
48%

Own funds (Cash flow)
52%

28% - expansion (Russia, CIS, the EU)

63% - R&D (incl. clinical trials, registration, launch & promotion)

9% - lab equipment modernization

2010

2010

1H 2011

Acquisition of a 50% stake in **Gemafond** – Ukraine’s largest cord blood bank; participation in increasing its authorized capital \rightarrow synergy effect

Launch of **SPRS-therapy** (individual skin regeneration based on technology of using autologous skin fibroblasts for skin defects treatment /approved by Russian regulator – Roszdravnadzor/)

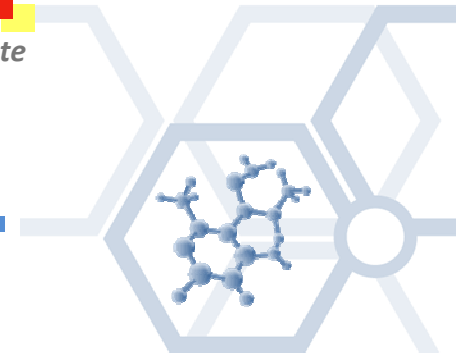
- Finalization of clinical trials and registration of **Neovasculgen** – first Russian gene-therapy drug for peripheral artery disease treatment
- Clinical trials of **Gemacell** – first cell-based medication against coronary artery disease and liver cirrhosis

Strong influence on market cap

IPO – what's next? SPO!



Human Stem Cell Institute



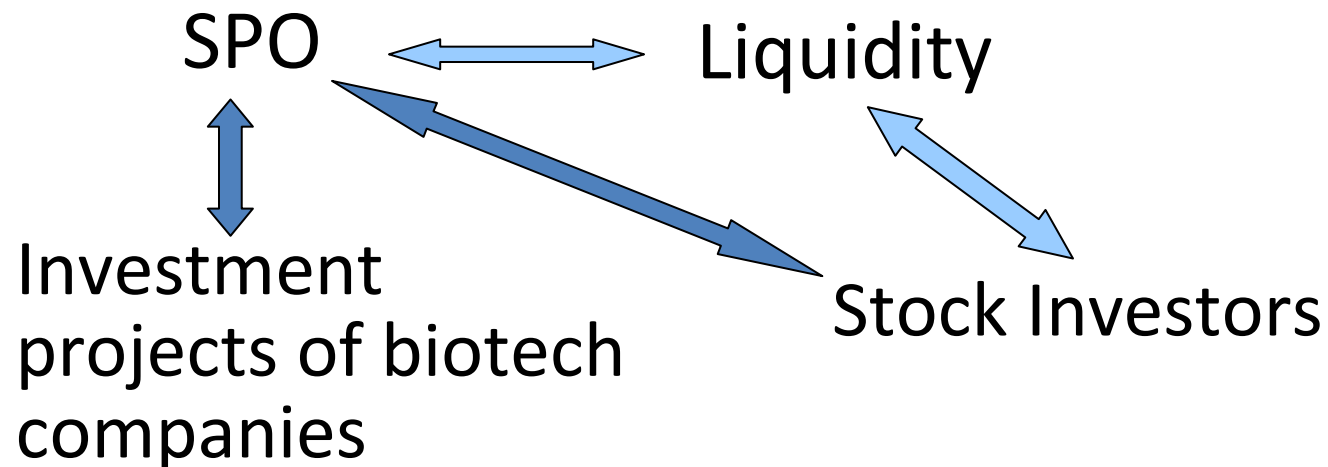
Biotech companies – small-cap:



SPO – increase of free float

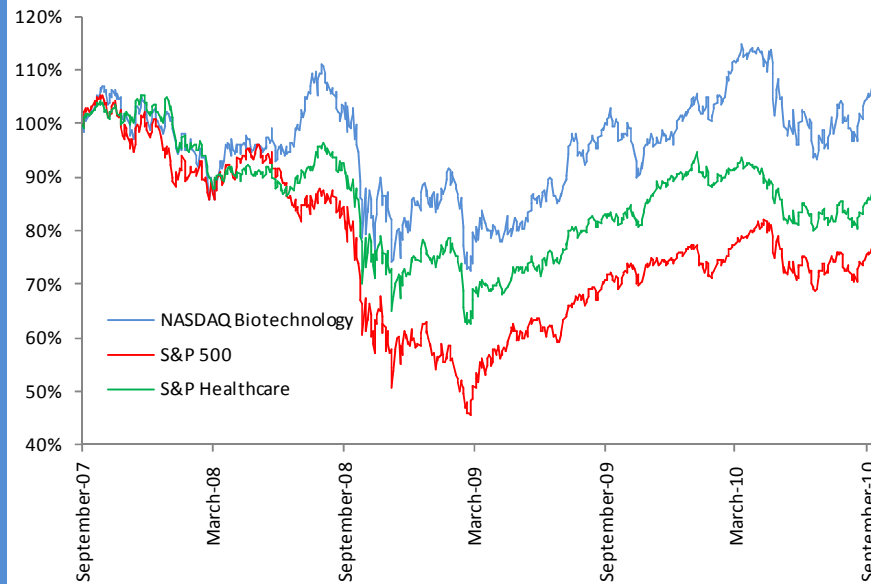
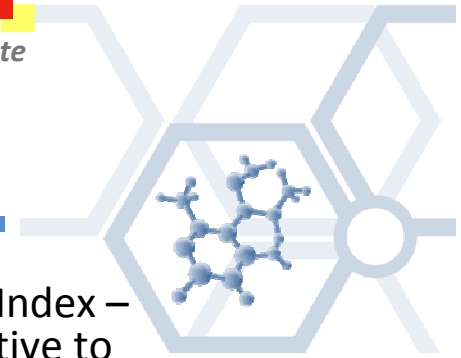


Stock liquidity growth – expanded investment appeal





Public biotech: post-crisis numbers and trends



NASDAQ Biotechnology Index – better performance relative to the market for 3 years in a row

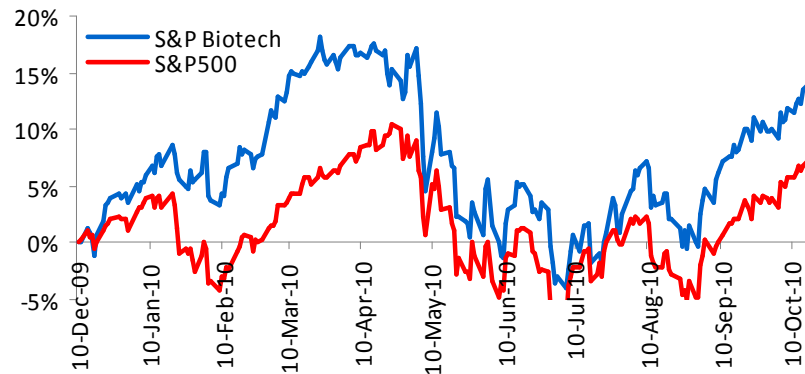
Biotech terribly hit by recession – but catastrophic shrinkage has not happened, in 2009 the sector was again profitable and recorded one of its best years for fundraising

Biotech IPO-2009:

10 companies, incl. HSCI (compare: 2008 – 6, 2007 – 51, 2006 – 49, 2005 – 45, 2004 – 53, 2003 – 14)

USD 92.8 million – average amount raised

(compare: 2008 – 22, 2007 – 58, 2006 – 41, 2005 – 41, 2004 – 48, 2003 – 39)



Conducted IPO/SPOs for a whopping millions – in case of positive trial results and/or launching products & climbing sales

IPO/SPO in overall biotech funding (2009):

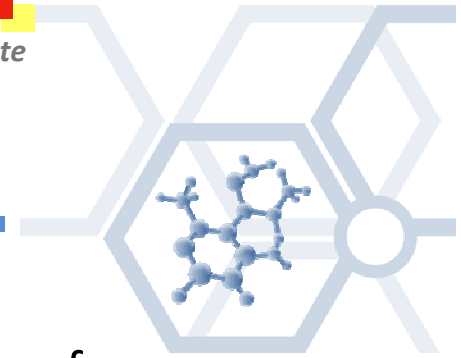
in the EU – 15% (incl. SPO – 13%),

in the US – 33% (incl. SPO – 29%).

Still the main role in the increase of overall global biotech financing – partnering deals



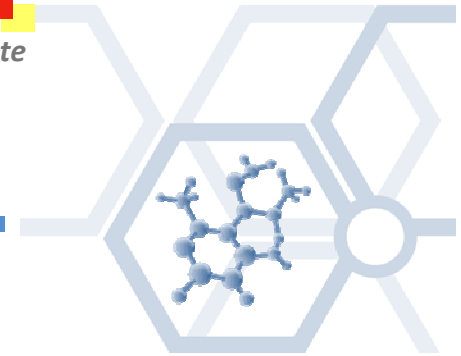
But... “biotech was built to deal with adversity”



- Difficult to attract financing – the industry made up mainly of unprofitable start-ups and small companies devoid of huge revenue
- Investments in R&D – long-term money → attracting strategic investors needs efforts + giving them special preferences
- Individuals invest in the growth story or in the dividends which not every biotech company can afford to pay
- For successful IPO/SPO the company should ensure confidence in positive end-points of clinical trials and/or guarantee launching sales – that is impossible at the initial or central stage of any biotech project development
- Biotech company valuation complexity → prevailing conservative approach and underpricing
- Public discussion on various aspects of biotechnology
- Insufficient sector legislation and its prohibitive interpreting



What we have, and what we need...



IIM MICEX – an exchange sector founded in cooperation with ROSNANO to allow high-tech companies to attract financing

Sufficient number of trading accounts on the MICEX to support liquidity

Lack of investment ideas on the Russian stock market → retail investors are ready to try new

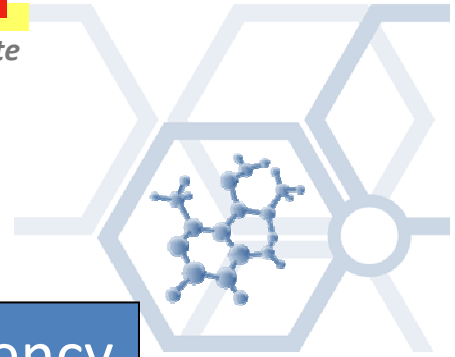
Huge prospective markets to launch innovative products → steady growth of capitalization in the long term

Public interest to the sector, media attention

- IIM MICEX development, system work with innovative companies, feasible criteria for issuers' entering (e.g. discussion on break-even requirement) – notwithstanding future changes in MICEX Listing Regulation.
- MICEX «Biotech+Biopharm» Index → valuation transparency, a benchmark for investors .
- Efficient combination of different types of funding:
 - Venture capital, private equity – in a proper form & size
 - Expanding partnerships – on R&D and introduction stages
- Institutional investors' attention – analyst coverage expansion, biotech valuation methods improvement
- Specialized information resources – for promotion while preparing IPO/SPO
- “State PR” of biotech → its better understanding and recognition from potential investors
- Favourable investment climate ← tax cuts, development of infrastructure for innovative business, extensive federal biotech sector legislation



Going public - biotech shouldn't be afraid...



Public status → increased business efficiency

- Public responsibility → improved transparency → the Company's positive image
- Fostering the creation of durable shareholder value ↔ enhanced recognition by the analytical and investment community → additional opportunities to obtain financing

Public status – a competitive advantage

Since:

Investments in biotech – “Investing in future”

“Investments in future” – Investing in “ideas + money”

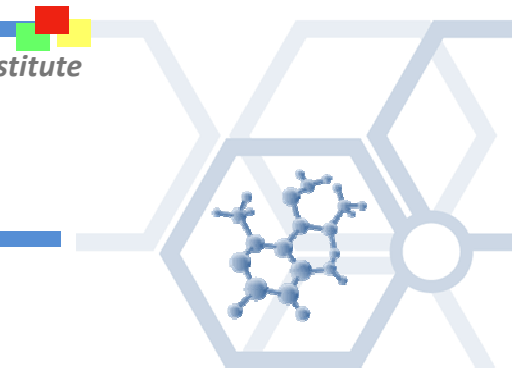
Investments in “ideas+money” – “investments of understanding & recognition”

NanoCap – another quality!!!

Biotech really needs it!



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Thank you for attention!