

International Stem Cell Corp Announces First Quarter 2012 Financial Results and Business Highlights

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International Stem Cell Corporation (OTCBB: ISCO) (www.internationalstemcell.com) today announced financial results for the three months ended March 31, 2012.

Three Months ended March 31, 2012

Consolidated net revenues for the three months ended March 31, 2012 were \$1.08 million compared to \$1.52 million in the corresponding period a year ago. The year-over-year decrease in revenues is due to fewer sales generated from the Lifeline Skin Care (LSC) direct sales channel, partially offset by higher Lifeline Cell Technology (LCT) sales generated from larger distributors. LSC and LCT accounted for 51% and 49% of total revenue in the three months ended March 31, 2012 compared to 75% and 25%, respectively, in the comparable period a year ago.

For the three months ended March 31, 2012, development expenses were \$3.80 million, representing a decrease of approximately 5% compared to the corresponding period in 2011. The decrease primarily reflects lower general and administrative expenses resulting from decreased stock-based compensation expense and lower laboratory-related expenses. The decrease was partially offset by higher cost of sales ratio resulting from increased sales concentration of lower margin products, and higher marketing and selling expense related to LSC. The Company continued to invest in its sales and marketing infrastructure, including significant enhancements to the e-commerce platforms, increased advertising and strengthening the sales and customer service organization.

Cash and cash equivalents at March 31, 2012 were \$6.01 million compared to \$1.34 million at December 31, 2011, reflecting an increase of \$4.67 million resulting from two financing transactions including the issuance of shares of Series G preferred stock for \$5.00 million and issuance of shares of common stock for a total of \$2.08 million in the first quarter of 2012.

Q1 2012 Business Highlights:

The Company continued to focus its research and development efforts on the creation of additional parthenogenetic stem cell lines for therapeutic use and on the advancement of the disease area research programs, particularly pre-clinical *in vivo* safety and efficacy studies in Parkinson's disease and new methods for high-throughput cell culture and stem cell differentiation.

ISCO's wholly-owned subsidiary Lifeline Skin Care drove sales by expanding acquisition of both retail and trade customers, increasing the average order value and enhancing customer loyalty and retention. New retail customers were attracted by an increased social media presence and national exposure on TV shows such as ABC's "The Talk" and the use of risk-free introductory offers and free sample promotions. In addition, LSC continued to increase the number of strategic marketing partnerships. Although LSC revenue for the quarter was lower than the same period in 2011, the sales were generated from more diversified sources with much greater growth potential and reduced reliance on individual third parties.

Lifeline Cell Technology, ISCO's wholly-owned subsidiary specialized in cells and media research products, grew revenue across all three sales channels including domestic, international and OEM, showing a 39% increase over the same quarter of 2011.

The overall financial position of the company was significantly improved. ISCO increased its liquidity by securing a total \$7.03 million of capital through equity financing transactions in the first quarter of 2012.

Dr. Andrey Semechkin, ISCO's CEO and Co-Chairman, commented, "The first quarter of this year has been a challenging one for ISCO. However, with the significant improvement of our balance sheet position resulting from the closing of the financings, coupled with the addition of Dr. Berglund as a new independent director to our Board of Directors, I believe that we have strengthened our foundation on which we can increase our competitiveness. "

About International Stem Cell Corporation

International Stem Cell Corporation is focused on the therapeutic applications of human parthenogenetic stem cells (hpSCs) and the development and commercialization of cell-based research and cosmetic products. ISCO's core technology, parthenogenesis, results in the creation of pluripotent human stem cells from unfertilized oocytes (eggs). hpSCs avoid ethical issues associated with the use or destruction of viable human embryos. ISCO scientists have created the first parthenogenic, homozygous stem cell line that can be a source of therapeutic cells for hundreds of millions of individuals of differing genders, ages and racial background with minimal immune rejection after transplantation. hpSCs offer the potential to create the first true stem cell bank, UniStemCell™. ISCO also produces and markets specialized cells and growth media for therapeutic research worldwide through its subsidiary Lifeline Cell Technology (www.lifelinecelltech.com), and stem cell-based skin care products through its subsidiary Lifeline Skin Care (www.lifelineskincare.com). More information is available at www.internationalstemcell.com

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Safe harbor statement

Statements pertaining to anticipated developments, potential sales growth, new products and distribution channels and other opportunities for the company and its subsidiaries, along with other statements about the future expectations, beliefs, goals, plans, or prospects expressed by management constitute forward-looking statements. Any statements that are not historical fact (including, but not limited to statements that contain words such as "will," "believes," "plans," "anticipates," "expects," "estimates,") should also be considered to be forward-looking statements.

Forward-looking statements involve risks and uncertainties, including, without limitation, risks inherent in the development and/or commercialization of potential products and the management of collaborations, regulatory approvals, need and ability to obtain future capital, application of capital resources among competing uses, and maintenance of intellectual property rights. Actual results may differ materially from the results anticipated in these forward-looking statements and as such should be evaluated together with the many uncertainties that affect the company's business, particularly those mentioned in the cautionary statements found in the company's Securities and Exchange Commission filings. The company disclaims any intent or obligation to update forward-looking statements.

International Stem Cell Corporation and Subsidiaries
(A Development Stage Company)
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	March 31, 2012	December 31, 2011
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 6,013	\$ 1,337
Accounts receivable	257	140
Inventory, net	1,228	1,268
Prepaid expenses and other current assets	297	274
Total current assets	7,795	3,019
Property and equipment, net	1,356	1,420
Intangible assets, net	1,419	1,282
Deposits and other assets	16	16
Total assets	<u>\$ 10,586</u>	<u>\$ 5,737</u>
Liabilities, Redeemable Preferred Stock and Stockholders' Equity		
Accounts payable	\$ 719	\$ 777
Accrued liabilities	813	752
Deferred revenue	112	189
Related party payable	64	108
Advances	250	250
Warrants to purchase common stock	-	38
Total current liabilities	1,958	2,114
Convertible Redeemable Series G Preferred stock, \$0.001 par value 5,000,000 shares and 0 were authorized, issued and outstanding at March 31, 2012 and December 31, 2011, respectively, liquidation preferences of \$5,018 and \$0 at March 31, 2012 and December 31, 2011, respectively	4,959	-
Commitments and contingencies		
Stockholders' Equity		
Series D Preferred stock, \$0.001 par value 50 shares authorized, 43 issued and outstanding at March 31, 2012 and December 31, 2011	-	-
Series A Preferred stock, \$0.001 par value 5,000,000 shares authorized, 0 and 500,000 issued and outstanding at March 31, 2012 and December 31, 2011, respectively, liquidation preferences of \$0 and \$615 at March 31, 2012 and December 31, 2011, respectively	0	1
Series B Preferred stock, \$0.001 par value 5,000,000 shares authorized, 300,000 issued and outstanding at March 31, 2012 and December 31, 2011, liquidation preferences of \$372 and \$367 at March 31, 2012 and December 31, 2011, respectively	0	0
Series C Preferred stock, \$0.001 par value 3,000,000 shares authorized, 2,000,000 issued and outstanding at March 31, 2012 and December 31, 2011, liquidation preferences of \$2,420 and \$2,387 at March 31, 2012 and December 31, 2011, respectively	2	2
Common stock, \$0.001 par value 200,000,000 shares authorized, 87,036,315 and 80,036,315 issued and outstanding at March 31, 2012 and December 31, 2011, respectively	87	80
Additional paid-in capital	68,169	63,995
Deficit accumulated during the development stage	<u>(64,589)</u>	<u>(60,455)</u>

Total stockholders' equity	<u>3,669</u>	<u>3,623</u>
Total liabilities, redeemable preferred stock and stockholders' equity	<u>\$ 10,586</u>	<u>\$ 5,737</u>

International Stem Cell Corporation and Subsidiaries
(A Development Stage Company)
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Inception (August 17, 2001) through March 31, 2012
	2012	2011	
Revenues			
Product sales	\$ 1,077	\$ 1,515	\$ 8,708
Royalties and license	<u>-</u>	<u>-</u>	<u>135</u>
Total revenue	<u>\$ 1,077</u>	<u>\$ 1,515</u>	<u>\$ 8,843</u>
Development expenses			
Cost of sales	324	429	3,658
Research and development	937	1,004	19,231
Marketing	496	318	4,370
General and administrative	<u>2,039</u>	<u>2,233</u>	<u>33,723</u>
Total development expenses	<u>3,796</u>	<u>3,984</u>	<u>60,982</u>
Loss from development activities	<u>(2,719)</u>	<u>(2,469)</u>	<u>(52,139)</u>
Other income (expense)			
Settlement with related company	-	-	(93)
Miscellaneous income (expense)	1	1	(179)
Dividend income	-	-	94
Interest expense	-	-	(2,225)
Sublease income	3	2	312
Change in market value of warrants	<u>38</u>	<u>871</u>	<u>(1,357)</u>
Total other income (expense), net	<u>42</u>	<u>874</u>	<u>(3,448)</u>
Loss before income taxes	(2,677)	(1,595)	(55,587)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>7</u>
Net loss	<u>\$ (2,677)</u>	<u>\$ (1,595)</u>	<u>\$ (55,594)</u>
Deemed dividend on preferred stock	(1,375)	-	(1,375)
Dividend on preferred stock	<u>(82)</u>	<u>(106)</u>	<u>(8,050)</u>
Net loss applicable to common stockholders	<u>\$ (4,134)</u>	<u>\$ (1,701)</u>	<u>\$ (65,019)</u>
Net loss per common share-basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>	<u>\$ n/a</u>
Weighted average shares-basic and diluted	<u>82,485</u>	<u>75,326</u>	<u>n/a</u>

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