BIOTIME INC
Form 10-Q
August 09, 2013

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-12830

BioTime, Inc.
(Exact name of registrant as specified in its charter)

California	94-3127919
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1301 Harbor Bay Parkway, Suite 100
Alameda, California 94502
(Address of principal executive offices)

(510) 521-3390
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. T Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer T

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes T No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 57,938,220 common shares, no par value, as of August 7, 2013.

PART 1--FINANCIAL INFORMATION

Statements made in this Report that are not historical facts may constitute forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed. Such risks and uncertainties include but are not limited to those discussed in this report under Item 1 of the Notes to Financial Statements, and in BioTime's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Words such as “expects,” “may,” “will,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and similar express identify forward-looking statements.

References to “we” means BioTime, Inc. and its subsidiaries unless the context otherwise indicates.

The description or discussion, in this Form 10-Q, of any contract or agreement is a summary only and is qualified in all respects by reference to the full text of the applicable contract or agreement.

Item 1. Financial Statements

BIOTIME, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$14,306,296	$4,349,967
Inventory	64,745	55,316
Prepaid expenses and other current assets	3,760,667	2,774,196
Total current assets	18,131,708	7,179,479
Equipment, net	1,841,253	1,348,554
Deferred license and consulting fees	600,583	669,326
Deposits	118,576	64,442
Intangible assets, net	19,201,647	20,486,792
TOTAL ASSETS	$39,893,767	$29,748,593
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$3,972,224	$3,989,962
Deferred license and subscription revenue, current portion	462,773	400,870
Total current liabilities	4,434,997	4,390,832
LONG-TERM LIABILITIES		
Deferred license revenue, net of current portion	693,242	768,678
Deferred rent, net of current portion	47,134	57,214
Other long-term liabilities	201,093	237,496
Total long-term liabilities	941,469	1,063,388
Commitments and contingencies		
EQUITY		
Preferred Shares, no par value, authorized 2,000,000 and 1,000,000 shares respectively, as of June 30, 2013 and December 31, 2012; none issued		
Common shares, no par value, authorized 125,000,000 and 75,000,000 shares respectively, as of June 30, 2013 and December 31, 2012; 57,932,220 issued and 55,616,934 outstanding at June 30, 2013 and 51,183,318 issued and 49,383,209 outstanding as of December 31, 2012	148,002,896	119,821,243
Contributed capital	93,972	93,972
Accumulated other comprehensive income/(loss)	117,724	(59,570)
Accumulated deficit	(117,178,103)	(101,895,712)
Treasury stock at cost: 2,315,286 and 1,800,109 shares at June 30, 2013 and at December 31, 2012, respectively	(10,120,653)	(8,375,397)
Total shareholders' equity	20,915,836	9,584,536
Noncontrolling interest	13,601,465	14,709,837
Total equity	34,517,301	24,294,373
TOTAL LIABILITIES AND EQUITY	$39,893,767	$29,748,593

See accompanying notes to the condensed consolidated interim financial statements.
3

BIOTIME, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
REVENUES:				
License fees	$362,249	$175,419	$712,078	$211,887
Royalties from product sales	103,315	126,455	210,914	273,857
Grant income	693,480	672,537	777,293	1,074,771
Sale of research products	57,281	59,253	124,005	127,037
Total revenues	1,216,325	1,033,664	1,824,290	1,687,552
Cost of sales	(180,811)	(83,918)	(363,560)	(105,497)
Total revenues, net	1,035,514	949,746	1,460,730	1,582,055
EXPENSES:				
Research and development	(5,530,395)	(4,615,436)	(10,975,825)	(8,773,302)
General and administrative	(3,621,570)	(2,413,641)	(7,005,091)	(4,802,337)
Total expenses	(9,151,965)	(7,029,077)	(17,980,916)	(13,575,639)
Loss from operations	(8,116,451)	(6,079,331)	(16,520,186)	(11,993,584)
OTHER INCOME/(EXPENSES):				
Interest income, net	579	3,355	1,522	11,636
Other income/(expense), net	(80,541)	85,260	(109,520)	(240,005)
Gain/(Loss) on sale/write off of equipment	800	(3,546)	(710)	(3,546)
Total other income/(expense), net	(79,162)	85,069	(108,708)	(231,915)
NET LOSS	(8,195,613)	(5,994,262)	(16,628,894)	(12,225,499)
Less: Net loss attributable to noncontrolling interest	645,848	537,040	1,346,503	1,796,378
NET LOSS ATTRIBUTABLE TO BIOTIME, INC.	$(7,549,765)	$(5,457,222)	$(15,282,391)	$(10,429,121)
Foreign currency translation gain (loss)	28,857	(182,947)	177,294	(58,859)
TOTAL COMPREHENSIVE NET LOSS	$(7,520,908)	$(5,640,169)	$(15,105,097)	$(10,487,980)
BASIC AND DILUTED LOSS PER COMMON SHARE	$(0.14)	$(0.11)	$(0.29)	$(0.21)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING: BASIC AND DILUTED	53,791,434	50,548,582	52,490,767	50,435,272

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	June 30, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to BioTime, Inc.	$(15,282,391)	$(10,429,121)
Adjustments to reconcile net loss attributable to BioTime, Inc. to net cash used in operating activities:		
Depreciation expense	253,215	183,981
Amortization of intangible asset	1,285,145	1,123,431
Amortization of deferred license and royalty revenues	(75,914)	(75,796)
Amortization of deferred consulting fees	32,559	388,124
Amortization of deferred license fees	54,750	87,434
Amortization of deferred rent	(4,446)	(5,427)
Amortization of deferred grant income	–	(261,777)
Stock-based compensation	1,351,795	929,257
Reduction in receivables from the reversal of revenues	–	205,004
Write-off of security deposit	–	(3,570)
Loss on sale/write off of equipment	710	3,546
Net loss allocable to noncontrolling interest	(1,346,503)	(1,796,378)
Changes in operating assets and liabilities:		
Accounts receivable, net	(25,701)	(12,156)
Grant receivable	(269,365)	359,420
Inventory	(9,429)	(3,844)
Prepaid expenses and other current assets	(414,449)	7,195
Other long-term assets	(5,000)	–
Accounts payable and accrued liabilities	(30,865)	(373,555)
Deferred revenues	62,381	(13,015)
Other long-term liabilities	(41,731)	(13,462)
Net cash used in operating activities	(14,465,239)	(9,674,679)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(735,124)	(153,490)
Cash acquired in connection with mergers	–	292,387
Proceeds for the sale of equipment	–	4,500
Security deposit paid	(54,423)	(526)
Net cash provided by (used in) investing activities	(789,547)	142,871
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the exercise of stock options from employees	–	14,800
Proceeds from issuance of common shares	23,810,421	–
Financing fees paid upon issuance of common shares	(747,907)	–
Proceeds from sale of treasury shares	1,819,500	–
Proceeds from the sale of common shares of subsidiary	255,502	–
Net cash provided by financing activities	25,137,516	14,800
Effect of exchange rate changes on cash and cash equivalents	73,599	(35,046)

NET CHANGE IN CASH AND CASH EQUIVALENTS:	9,956,329	(9,552,054)
Cash and cash equivalents at beginning of period	4,349,967	22,211,897
Cash and cash equivalents at end of period	$14,306,296	$12,659,843
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$–	$255
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Common shares issued as part of merger	$–	$1,802,684
Common shares issued for consulting services	$148,920	$–
Common shares issued for rent	$242,726	$–

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization, Basis of Presentation, and Summary of Select Significant Accounting Policies

General – BioTime is a biotechnology company engaged in two areas of biomedical research and product development. BioTime's primary focus is in the field of regenerative medicine; specifically human embryonic stem ("hES") cell and induced pluripotent stem ("iPS") cell technology. Regenerative medicine refers to therapies based on stem cell technology that are designed to rebuild cell and tissue function lost due to degenerative disease or injury. hES and iPS cells provide a means of manufacturing every cell type in the human body and therefore show considerable promise for the development of a number of new therapeutic products. BioTime plans to develop stem cell products for research and therapeutic use through its subsidiaries. OncoCyte Corporation ("OncoCyte") is developing products and technologies to diagnose and treat cancer. ES Cell International Pte Ltd. ("ESI"), a Singapore private limited company, develops hES products for research use. OrthoCyte Corporation ("OrthoCyte") is developing therapies to treat orthopedic disorders, diseases and injuries. ReCyte Therapeutics, Inc., formerly known as Embryome Sciences, Inc. ("ReCyte Therapeutics"), is developing therapies to treat a variety of blood and lymphatic vascular disorders, as well as products for research using iPS and other cell reprogramming technology. Cell Cure Neurosciences Ltd. ("Cell Cure Neurosciences"), is an Israel-based biotechnology company focused on developing stem cell-based therapies for retinal and neurological disorders, including the development of retinal pigment epithelial cells for the treatment of macular degeneration, and treatments for multiple sclerosis. LifeMap Sciences, Inc. ("LifeMap Sciences") markets, sells and distributes GeneCards®, the leading human gene database, and is developing an integrated database suite to complement GeneCards® that will also include the LifeMap™ database of embryonic development, stem cell research and regenerative medicine, and MalaCards, the human disease database. LifeMap Sciences will also market BioTime research products and PanDaTox, a database that can be used to identify genes and intergenic regions that are unclonable in E. coli, to aid in the discovery of new antibiotics and biotechnologically beneficial functional genes. LifeMap Sciences plans to commence research into the identification and development of novel cell lines for therapeutic products, including research on PureStem™ human embryonic progenitor cells ("hEPC") using the LifeMap Sciences proprietary discovery platform, with the goal of identifying those hEPC that have greatest potential for use in the development of cell-based therapies for degenerative diseases. Asterias Biotherapeutics, Inc. ("Asterias," formerly known as BioTime Acquisition Corporation) was incorporated on September 24, 2012. Asterias was incorporated to explore opportunities to acquire assets and businesses in the field of stem cells and regenerative medicine.

BioTime is focusing a portion of its efforts in the field of regenerative medicine on the development and sale of advanced human stem cell products and technology that can be used by researchers at universities and other institutions, at companies in the bioscience and biopharmaceutical industries, and at other companies that provide research products to companies in those industries. Products for the research market generally can be sold without regulatory (FDA) approval, and are therefore relatively near-term business opportunities when compared to therapeutic products.

BioTime has historically developed blood plasma volume expanders and related technology for use in surgery, emergency trauma treatment and other applications. BioTime's operating revenues are derived primarily from licensing fees and advertising from the marketing of the LifeMap Sciences database products, from royalties and licensing fees related to the sale of its plasma volume expander product, Hextend®, and from the sale of products for research.

The unaudited condensed consolidated interim balance sheet as of June 30, 2013, the unaudited condensed consolidated interim statements of operations and comprehensive loss for the three and six months ended June 30, 2013 and 2012, and the unaudited condensed consolidated interim statements of cash flows for the six months ended June 30, 2013 and 2012 have been prepared by BioTime's management in accordance with the instructions from Form 10-Q and Regulation S-X. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at June 30, 2013 have been made. The condensed consolidated balance sheet as of December 31, 2012 is derived from BioTime's annual audited financial statements as of that date. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the operating results anticipated for the full year of 2013.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as permitted by regulations of the Securities and Exchange Commission ("SEC") except for the condensed consolidated balance sheet as of December 31, 2012, which was derived from audited financial statements. Certain previously furnished amounts have been reclassified to conform with presentations made during the current periods. These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto included in BioTime's Form 10-K for the year ended December 31, 2012.

Principles of consolidation – BioTime's consolidated financial statements include the accounts of its subsidiaries. The following table reflects BioTime's ownership of the outstanding shares of its subsidiaries.

Subsidiary	BioTime Ownership	Country
ReCyte Therapeutics, Inc. (formerly Embryome Sciences, Inc.)	94.8%	USA
OncoCyte Corporation	75.3%	USA
OrthoCyte Corporation	100%	USA
ES Cell International Pte Ltd.	100%	Singapore
BioTime Asia, Limited	81%	Hong Kong
Cell Cure Neurosciences Ltd.	62.5%	Israel
LifeMap Sciences, Inc.	73.2%	USA
LifeMap Sciences, Ltd.	(1)	Israel
Asterias Biotherapeutics, Inc.	96.7%(2)	USA

(1) LifeMap Sciences, Ltd. is a wholly-owned subsidiary of LifeMap Sciences, Inc.

(2) BioTime expects that its percentage ownership will be reduced to approximately 71.6% after Asterias issues common stock to BioTime and Geron Corporation pursuant to an Asset Contribution Agreement and sells common stock and warrants to a private investor for cash in a related transaction. See Note 9.

All material intercompany accounts and transactions have been eliminated in consolidation. As of June 30, 2013 and as of December 31, 2012, we consolidated the financial results of ReCyte Therapeutics, OncoCyte, BioTime Asia, OrthoCyte, LifeMap, ESI, Cell Cure Neurosciences, and Asterias as we have the ability to control their operating and financial decisions and policies through our ownership. We reflect the noncontrolling interest as a separate element of equity on our condensed consolidated balance sheet.

Certain significant risks and uncertainties – BioTime's operations are subject to a number of factors that can affect its operating results and financial condition. Such factors include but are not limited to, the following: the results of clinical trials of BioTime's pharmaceutical products and medical devices; BioTime's ability to obtain FDA and foreign regulatory approval to market its pharmaceutical and medical device products; BioTime's ability to develop new stem cell research products and technologies; competition from products manufactured and sold or being developed by other companies; the price and demand for BioTime products; BioTime's ability to obtain additional financing and the terms of any such financing that may be obtained; BioTime's ability to negotiate favorable licensing or other manufacturing and marketing agreements for its products; the availability of ingredients used in BioTime's products; and the availability of reimbursement for the cost of BioTime's pharmaceutical products and medical devices (and related treatment) from government health administration authorities, private health coverage insurers, and other organizations.

Use of estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition – BioTime complies with SEC Staff Accounting Bulletin guidance on revenue recognition. Royalty revenues consist of product royalty payments. License fee revenues consist of fees under license agreements and are recognized when earned and reasonably estimable and also include subscription and advertising revenue from our online databases based upon respective subscription and advertising periods. BioTime recognizes revenue in the quarter in which the royalty reports are received, rather than the quarter in which the sales took place. When BioTime is entitled to receive up-front nonrefundable licensing or similar fees pursuant to agreements under which BioTime has no continuing performance obligations, the fees are recognized as revenues when collection is reasonably assured. When BioTime receives up-front nonrefundable licensing or similar fees pursuant to agreements under which BioTime does have continuing performance obligations, the fees are deferred and amortized ratably over the performance period. If the performance period cannot be reasonably estimated, BioTime amortizes nonrefundable fees over the life of the contract until such time that the performance period can be more reasonably estimated. Milestone payments, if any, related to scientific or technical achievements are recognized in income when the milestone is accomplished if (a) substantive effort was required to achieve the milestone, (b) the amount of the milestone payment appears reasonably commensurate with the effort expended, and (c) collection of the payment is reasonably assured. Grant income and the sale of research products are recognized as revenue when earned. Revenues from the sale of research products are primarily derived from the sale of hydrogels and stem cell products.

Cash and cash equivalents – BioTime considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts – Trade accounts receivable and grants receivable are presented in the prepaid expenses and other current assets line item of the consolidated balance sheet. Total trade receivables amounted to approximately $420,000 and $395,000 and grants receivable amounted to approximately $1,345,000 and $1,062,000 as of June 30, 2013 and December 31, 2012, respectively. Some of these amounts are deemed uncollectible; as such BioTime recognized allowance for doubtful accounts in the amount of $116,816 as of June 30, 2013 and December 31, 2012. BioTime evaluates the collectability of its receivables based on a variety of factors, including the length of time receivables are past due and significant one-time events and historical experience. An additional reserve for individual accounts will be recorded if BioTime becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

Concentrations of credit risk – Financial instruments that potentially subject BioTime to significant concentrations of credit risk consist primarily of cash and cash equivalents. BioTime limits the amount of credit exposure of cash balances by maintaining its accounts in high credit quality financial institutions. Cash equivalent deposits with financial institutions may occasionally exceed the limits of insurance on bank deposits; however, BioTime has not experienced any losses on such accounts.

Equipment – Equipment is stated at cost. Equipment is being depreciated using the straight-line method over a period of 36 to 120 months. See Note 3.

Inventory – Inventories are stated at the lower of cost or market. Cost, which includes amounts related to materials, labor, and overhead, is determined in a manner which approximates the first-in, first-out ("FIFO") method.

Treasury stock – BioTime accounts for BioTime common shares issued to subsidiaries for future potential working capital needs as treasury stock on the consolidated balance sheet. BioTime has the intent and ability to register any unregistered shares to support the marketability of the shares.

Patent costs – Costs associated with obtaining patents on products or technology developed are expensed as general and administrative expenses when incurred. This accounting is in compliance with guidance promulgated by the Financial Accounting Standards Board (the "FASB") regarding goodwill and other intangible assets.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation.

Research and development – BioTime complies with FASB requirements governing accounting for research and development costs. Research and development costs are expensed when incurred, and consist principally of salaries, payroll taxes, consulting fees, research and laboratory fees, and license fees paid to acquire patents or licenses to use patents and other technology from third parties.

Foreign currency translation gain/loss and Comprehensive net loss – In countries in which BioTime operates, and the functional currency is other than the U.S. dollar, assets and liabilities are translated using published exchange rates in effect at the consolidated balance sheet date. Revenues and expenses and cash flows are translated using an approximate weighted average exchange rate for the period. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income/(loss) on the consolidated balance sheet. For the three and six months ended June 30, 2013, comprehensive net loss includes foreign currency translation gain of $28,857 and $177,294, respectively. Comprehensive net loss in the same periods in 2012 includes foreign currency translation loss of $182,947 and $58,859, respectively.

Income taxes – BioTime accounts for income taxes in accordance with the accounting principles generally accepted in the United States of America ("GAAP") requirements, which prescribe the use of the asset and liability method, whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect. Valuation allowances are established when necessary to reduce deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will not be realized. The FASB guidance also prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not sustainable upon examination by taxing authorities. BioTime recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties as of June 30, 2013 and December 31, 2012. BioTime files its income tax returns in the U.S. federal and various state and local and foreign jurisdictions. Generally, BioTime is no longer subject to income tax examinations by major taxing authorities for years before 2009. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local and foreign tax laws. Management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

9

Stock-based compensation – BioTime adopted accounting standards governing share-based payments, which require the measurement and recognition of compensation expense for all share-based payment awards made to directors and employees, including employee stock options, based on estimated fair values. In March 2005, the SEC issued additional guidelines which provide supplemental implementation guidance for valuation of share-based payments. BioTime has applied the provisions of this guidance in such valuations as well. Consistent with those guidelines, BioTime utilizes the Black-Scholes Merton option pricing model. BioTime's determination of fair value of share-based payment awards on the date of grant using that option-pricing model is affected by BioTime's stock price as well as by assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, BioTime's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate is based on the U.S. Treasury rates in effect during the corresponding period of grant. Although the fair value of employee stock options is determined in accordance with recent FASB guidance, changes in the subjective assumptions can materially affect the estimated value.

Impairment of long-lived assets – BioTime’s long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, BioTime will evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment will be recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets.

Deferred license and consulting fees – Deferred license and consulting fees consist of the value of warrants issued to third parties for services and to the minority shareholder in BioTime Asia for consulting services, and deferred license fees paid to acquire rights to use the proprietary technologies of third parties. The value of the warrants is being amortized over the period the services are being provided, and the license fees are being amortized over the estimated useful lives of the licensed technologies or licensed research products. See Note 5.

Loss per share – Basic net loss per share is computed by dividing net loss attributable to BioTime, Inc. by the weighted-average number of common shares outstanding for the period. Diluted net loss per share reflects the weighted-average number of common shares outstanding plus the potential effect of dilutive securities or contracts which are convertible to common shares, such as options and warrants (using the treasury stock method) and shares issuable in future periods, except in cases where the effect would be anti-dilutive. Diluted loss per share for the three and six months ended June 30, 2013 and 2012 excludes any effect from 4,394,634 options and 1,751,615 warrants, and 3,433,802 options and 636,613 warrants, respectively, as the inclusion of those options and warrants would be antidilutive.

Fair value of financial instruments – The fair value of BioTime’s assets and liabilities, which qualify as financial instruments under FASB guidance regarding disclosures about fair value of financial instruments, approximate the carrying amounts presented in the accompanying consolidated balance sheets.

2. Inventory

BioTime held $51,822 and $41,494 of inventory of finished products on-site at its corporate headquarters in Alameda, California at June 30, 2013 and December 31, 2012, respectively. Finished goods products of $12,923 and $13,822 were held by a third party on consignment at June 30, 2013 and December 31, 2012, respectively.

3. Equipment

At June 30, 2013 and December 31, 2012, equipment, furniture and fixtures were comprised of the following:

	June 30, 2013 (unaudited)	December 31, 2012
Equipment, furniture and fixtures	$2,851,456	$2,098,812
Accumulated depreciation	(1,010,203)	(750,258)
Equipment, net	$1,841,253	$1,348,554

Depreciation expense amounted to $253,215and $183,981 for the six months ended June 30, 2013 and 2012, respectively. The difference of $6,730 between the depreciation expense recognized in the condensed consolidated statement of operations and the increase in accumulated depreciation of $259,945 per the condensed consolidated balance sheet is primarily attributable to the impact of foreign currency conversion rates for the depreciation of assets held by foreign subsidiaries.

4. Intangible assets

At June 30, 2013 and December 31, 2012, intangible assets and intangible assets net of amortization were comprised of the following:

	June 30, 2013 (unaudited)	December 31, 2012
Intangible assets	$25,702,909	$25,702,909
Accumulated amortization	(6,501,262)	(5,216,117)
Intangible assets, net	$19,201,647	$20,486,792

BioTime amortizes its intangible assets over an estimated period of 10 years on a straight line basis. BioTime recognized $1,285,145 and $1,123,431 in amortization expense of intangible assets during the six months ended June 30, 2013 and 2012, respectively.

5. Royalty Obligation and Deferred License Fees

BioTime amortizes deferred license fees over the estimated useful lives of the licensed technologies or licensed research products. BioTime is applying a 10 year estimated useful life to the technologies and products that it is currently licensing. The estimation of the useful life any technology or product involves a significant degree of inherent uncertainty, since the outcome of research and development or the commercial life a new product cannot be known with certainty at the time that the right to use the technology or product is acquired. BioTime will review its amortization schedules for impairments that might occur earlier than the original expected useful lives.

On January 3, 2008, BioTime entered into a Commercial License and Option Agreement with Wisconsin Alumni Research Foundation ("WARF"). The WARF license permits BioTime to use certain patented and patent pending technology belonging to WARF, as well as certain stem cell materials, for research and development purposes, and for the production and marketing of products used as research tools, including in drug discovery and development. BioTime or ReCyte Therapeutics will pay WARF royalties on the sale of products and services using the technology or stem cells licensed from WARF. The royalty will range from 2% to 4%, depending on the kind of products sold. The royalty rate is subject to certain reductions if BioTime also becomes obligated to pay royalties to a third party in order to sell a product. BioTime paid licensing fees, totaling $295,000 in cash and BioTime stock, and reimbursed WARF for certain costs associated with preparing, filing, and maintaining the licensed patents. In addition, BioTime pays WARF $25,000 annually as a license maintenance fee. The licensing fees less the amortized portion were included in deferred license fees in BioTime's condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012.

On July 10, 2008, ReCyte Therapeutics entered into a License Agreement with Advanced Cell Technology, Inc. ("ACT"), under which ReCyte Therapeutics acquired exclusive worldwide rights to use ACT's "ACTCellerate" technology for methods to accelerate the isolation of novel cell strains from pluripotent stem cells. ReCyte Therapeutics paid ACT a $250,000 license fee. ReCyte Therapeutics has assigned its rights under the License Agreement to BioTime. BioTime will pay an 8% royalty on sales of products, services, and processes that utilize the licensed technology. Once a total of $1,000,000 of royalties has been paid, no further royalties will be due. The license will expire in twenty years or upon the expiration of the last to expire of the licensed patents, whichever is later. The $250,000 license fee less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012.

On August 15, 2008, ReCyte Therapeutics entered into a License Agreement and a Sublicense Agreement with ACT under which ReCyte Therapeutics acquired world-wide rights to use an array of ACT technology (the "ACT License") and technology licensed by ACT from affiliates of Kirin Pharma Company, Limited (the "Kirin Sublicense"). The ACT License and Kirin Sublicense permit the commercialization of products in human therapeutic and diagnostic product markets.

The technology licensed by ReCyte Therapeutics covers methods to transform cells of the human body, such as skin cells, into an embryonic state in which the cells will be pluripotent. Under the ACT License, ReCyte Therapeutics paid ACT a $200,000 license fee and will pay a 5% royalty on sales of products, services, and processes that utilize the licensed ACT technology, and 20% of any fees or other payments (other than equity investments, research and development costs, loans and royalties) received by ReCyte Therapeutics from sublicensing the ACT technology to third parties. Once a total of $600,000 of royalties has been paid, no further royalties will be due. The license will expire in twenty years or upon the expiration of the last-to-expire of the licensed patents, whichever is later. The $200,000 license fee payment less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012.

Under the Kirin Sublicense, ReCyte Therapeutics has paid ACT a $50,000 license fee and will pay a 3.5% royalty on sales of products, services, and processes that utilize the licensed ACT technology, and 20% of any fees or other payments (other than equity investments, research and development costs, loans and royalties) received by ReCyte Therapeutics from sublicensing the Kirin Technology to third parties. ReCyte Therapeutics will also pay to ACT or to an affiliate of Kirin Pharma Company, Limited ("Kirin"), annually, the amount, if any, by which royalties payable by ACT under its license agreement with Kirin are less than the $50,000 annual minimum royalty due. Those payments by ReCyte Therapeutics will be credited against other royalties payable to ACT under the Kirin Sublicense. The license will expire upon the expiration of the last to expire of the licensed patents, or May 9, 2016 if no patents are issued. The $50,000 license fee payment less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012.

On February 29, 2009, ReCyte Therapeutics entered into a Stem Cell Agreement with Reproductive Genetics Institute ("RGI"). In partial consideration of the rights and licenses granted to ReCyte Therapeutics by RGI, BioTime issued to RGI 32,259 common shares, having a market value of $50,000 on the effective date of the Stem Cell Agreement. This $50,000 payment less the amortized portion is included in deferred license fees in BioTime's condensed consolidated balance sheet as of June 30, 2013 and December 31, 2012.

As of June 30, 2013, future amortization of deferred license fees described above was as follows:

Year Ended December 31,	Deferred License Fees
2013	$54,750
2014	109,500
2015	109,500
2016	109,500
2017	109,500
Thereafter	101,333
Total	$594,083

6. Accounts Payable and Accrued Liabilities

At June 30, 2013 and December 31, 2012, accounts payable and accrued liabilities consisted of the following:

	June 30, 2013 (unaudited)	December 31, 2012
Accounts payable	$1,687,529	$1,168,077
Accrued bonuses	-	497,843
Other accrued liabilities	2,284,695	2,324,042
	$3,972,224	$3,989,962

7. Equity

Warrants

BioTime has issued warrants to purchase its common shares as payments for services and in connection to certain business acquisitions. At June 30, 2013, 1,751,615 warrants to purchase common shares with a weighted average exercise price of $6.59 and a weighted average remaining contractual life of 2.12 years were outstanding. At December 31, 2012, 556,613 warrants to purchase common shares with a weighted average exercise price of $10.00 and a weighted average remaining contractual life of 1.32 years were outstanding.

Preferred Shares

BioTime is authorized to issue 2,000,000 preferred shares. The shareholders approved the increase in the number of authorized preferred shares from 1,000,000 to 2,000,000 in May 2013. The preferred shares may be issued in one or more series as the board of directors may by resolution determine. The board of directors is authorized to fix the number of shares of any series of preferred shares and to determine or alter the rights, references, privileges, and restrictions granted to or imposed on the preferred shares as a class, or upon any wholly unissued series of any preferred shares. The board of directors may, by resolution, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of preferred shares subsequent to the issue of shares of that series.

As of June 30, 2013 BioTime has no issued and outstanding preferred shares.

Common Shares

BioTime is authorized to issue 125,000,000 common shares with no par value. The shareholders approved the increase in the number of authorized common shares from 75,000,000 to 125,000,000 in May 2013. As of June 30, 2013, BioTime had issued 57,932,220 common shares and outstanding 55,616,934 common shares. The difference between the issued and outstanding number of common shares reflects the treasury stock treatment, for financial reporting purposes, of BioTime common shares held by its subsidiaries.

During the six months ended June 30, 2013, BioTime raised gross proceeds of $11,571,953 from the sale of 2,594,156 BioTime common shares at a weighted average price of $4.46 per share in the open market through our Controlled Equity Offering facility with Cantor Fitzgerald & Co. and through the sale of BioTime shares held by BioTime’s majority owned subsidiaries, LifeMap Sciences and Cell Cure Neurosciences. The proceeds of the sale of BioTime shares by its subsidiaries belong to those subsidiaries.

In January 2013, BioTime and a private investor entered into a Stock and Warrant Purchase Agreement under which the investor agreed to invest $5,000,000 in BioTime by purchasing, in two tranches, an aggregate of 1,350,000 BioTime common shares and warrants to purchase approximately 650,000 additional BioTime common shares. The first tranche of $2,000,000 was funded on January 14, 2013, and BioTime issued to the investor 540,000 common shares and 259,999 warrants. BioTime received the second tranche of $3,000,000 on April 10, 2013 at which time BioTime issued to the investor 810,000 common shares, and warrants to purchase an additional 389,999 common shares at an exercise price of $5.00 per share.

In June 2013, BioTime sold 2,180,016 common shares and 545,004 warrants to purchase common shares for gross proceeds of $9,057,967 under the Stock and Warrant Purchase Agreement entered between BioTime and certain investors. The common shares and warrants to purchase common shares were sold in "units" with each unit consisting of one common share and one-quarter of a warrant, at an offering price of $4.155 per unit. The warrants have an initial exercise price of $5.00 per share and are exercisable during the three year period beginning on the date of issuance, June 6, 2013.

During the six months ended June 30, 2013, no options or warrants were exercised.

During the six months ended June 30, 2013 and 2012, BioTime recognized stock-based compensation expenses of $1,351,795 and $929,257, respectively, due to stock options granted to employees and directors. During the six months ended June 30, 2013 and 2012, BioTime granted 1,155,000 and 130,000 options, respectively, under its 2012 Equity Incentive Plan and 2002 Stock Option Plan. Asterias granted 2,700,000 and nil options, respectively under its 2013 Equity Incentive Plan; OrthoCyte granted nil and 300,000 options, respectively under its 2010 Stock Option Plan; OncoCyte granted 80,000 and nil options, respectively under its 2011 Stock Option Plan; ReCyte granted nil and 550,000 options, respectively under its 2011 Stock Option Plan; LifeMap Sciences granted nil and 217,143 options, respectively under its 2011 Stock Option Plan; and BioTime Asia did not grant any options in either periods.

Option on LifeMap Sciences Common Stock Held by BioTime

As a condition to the sale of BioTime shares and warrants under the terms of a Stock and Warrant Purchase Agreement during June 2013, BioTime entered into an Option Agreement with certain investors. Under the Option Agreement, each investor has an option to purchase a number of shares of common stock that BioTime holds in its subsidiary LifeMap Sciences, initially equal to the number of warrants that the investors purchased from BioTime. The options to purchase shares of LifeMap Sciences common stock may be exercised at a price of $4.00 per share in lieu of exercising the warrants to purchase BioTime common shares. The exercise of an option by an investor will require the cancellation of one BioTime warrant for each share of LifeMap Sciences common stock (as adjusted to reflect any stock dividend, stock split, reverse stock split or other certain other transactions) purchased by the investor, so that an investor will have to choose between purchasing BioTime common shares and LifeMap Sciences common stock when they exercise either the warrants or the options. The right of a holder of an option to exercise its option is subject to the availability of an exemption from registration under the Securities Act of 1933, as amended.

8. Merger with XenneX, Inc.

On May 18, 2012, BioTime completed the acquisition of XenneX, Inc. (“XenneX”) through a merger of XenneX into LifeMap Sciences. Through the merger, XenneX stockholders received, in the aggregate, 1,429,380 shares of LifeMap Sciences common stock, which represented approximately 13.7% of the LifeMap Sciences common stock outstanding upon the closing of the transaction. XenneX shareholders also received approximately 448,429 BioTime common shares as part of the transaction. Through the merger, LifeMap Sciences acquired all of XenneX's assets, including cash, accounts receivables, prepaid assets, licenses, and assumed XenneX’s obligations, which at May 18, 2012 totaled approximately $572,826 and primarily consisted of trade payables, deferred subscription revenues, and distributions due to former XenneX shareholders.

The merger is being accounted for under the acquisition method of accounting. In accordance with ASC 805, the total purchase consideration is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of May 18, 2012. BioTime amortizes intangibles over their useful lives, which BioTime estimates to be 10 years. In accordance with ASC 805, BioTime does not amortize goodwill. The purchase price was allocated using the information currently available, and may be adjusted after obtaining more information regarding, among other things, asset valuations, liabilities assumed, and revisions of preliminary estimates.

The total purchase price of $4,304,099 is being allocated as indicated:

Components of the purchase price:	
BioTime common shares	$1,802,684
LifeMap Sciences common shares	2,501,415
Total purchase price	$4,304,099
Preliminary allocation of purchase price:	
Assets acquired and liabilities assumed:	
Cash	$292,387
Other current assets	311,118
Intangible assets	4,273,420
Current liabilities	(294,572)
Cash distributable to sellers	(278,254)
Net assets acquired	$4,304,099

The fair value of the BioTime shares issued was $4.02, the closing price as reported on the NYSE MKT on May 18, 2012, the date the merger was finalized. The fair value of the LifeMap Sciences shares issued was $1.75 as determined by negotiation between BioTime, LifeMap Sciences and XenneX and its stockholders and is consistent with an internal valuation analysis completed by BioTime.

9. Asset Contribution Agreement

On January 4, 2013, BioTime and Asterias entered into an Asset Contribution Agreement with Geron Corporation ("Geron") pursuant to which BioTime and Geron will concurrently contribute certain assets to Asterias in exchange for shares of Asterias common stock. Closing of the asset contribution transaction is expected to occur no later than September 30, 2013.

Pursuant to the Asset Contribution Agreement, Geron has agreed to contribute certain assets related to its discontinued stem cell research and development programs, including certain patents and know-how related to human embryonic stem cells; certain biological materials and reagents; certain laboratory equipment; certain contracts; and certain product clinical trials, in exchange for shares of Asterias common stock, and BioTime has agreed to contribute 8,902,077 common shares; warrants to subscribe for and purchase 8,000,000 additional common shares; $5,000,000 in cash; 10% of the shares of common stock of OrthoCyte Corporation issued and outstanding on the date of the Asset Contribution Agreement; 6% of the ordinary shares of our subsidiary Cell Cure Neurosciences issued and outstanding on the date of the Asset Contribution Agreement; and a quantity of certain human hES cell lines produced under cGMP, and a non-exclusive, world-wide, royalty-free license to use those hES cell lines and certain patents pertaining to stem cell differentiation technology, in exchange for Asterias common stock and warrants to purchase Asterias common stock.

A private investor has agreed to contribute $5,000,000 in cash to Asterias for 2,136,000 shares of Asterias Series B common stock, and warrants to purchase 350,000 additional shares of Asterias Series B common stock. That investment will be made in conjunction with the closing under the Asset Contribution Agreement. If for any reason the private investor fails to make the $5,000,000 contribution, BioTime will contribute cash, BioTime common shares, or a combination of cash and BioTime common shares to Asterias in an amount equal to the cash not contributed by the private investor.

The same private investor invested $5,000,000 in BioTime by purchasing, in two tranches, an aggregate of 1,350,000 BioTime common shares and warrants to purchase approximately 650,000 additional BioTime common shares. The first tranche of $2,000,000 was funded in January 2013, and BioTime issued to the investor 540,000 common shares and 259,999 warrants. The second tranche of $3,000,000 was funded in April 2013, and BioTime issued to the investor 810,000 common shares and 389,999 warrants.

Asterias will assume all obligations and liabilities in connection with the assets contributed by Geron, to the extent such obligations and liabilities arise after the closing date of the Asset Contribution Agreement, including certain obligations and liabilities to provide follow-up procedures with patients who participated in Geron's clinical trials.

Upon the closing under the Asset Contribution Agreement, BioTime will own 21,773,340 shares of Asterias Series B common stock and Geron will own 6,537,779 shares of Asterias Series A common stock. Upon the sale of Asterias shares to the private investor, the private investor will own 2,136,000 shares of Asterias Series B common stock.

Geron has agreed to distribute to its stockholders on a pro rata basis the shares of Asterias Series A common stock that Geron receives in the asset contribution transaction following the closing under the Asset Contribution Agreement. Following that distribution by Geron, Asterias will distribute to the holders of its Series A common stock on a pro rata basis the 8,000,000 BioTime warrants that it receives under the Asset Contribution Agreement.

Following the distributions of the Asterias Series A common stock by Geron to its stockholders, BioTime will own, including the shares of Asterias Series B common stock that BioTime presently owns, approximately 71.6% of the outstanding Asterias common stock, the Geron stockholders will own approximately 21.4% of the outstanding Asterias common stock and the private investor will own approximately 7.0%, of the outstanding Asterias common stock.

BioTime will also receive warrants to purchase 3,150,000 shares of Asterias Series B common stock and the private investor will receive warrants to purchase 350,000 shares of Asterias Series B common stock (the "Asterias Warrants"). The Asterias Warrants will have an exercise price of $5.00 per share and a term of three years. The exercise price per share and number of shares that may be purchased upon the exercise of the Asterias Warrants will be subject to adjustment in the event of any Asterias stock split, reverse stock split, stock dividend, reclassification of shares and certain other transactions.

The Asterias Series A and Series B common stock will be identical in most respects, however, Asterias will be entitled to make certain distributions or pay dividends, other than stock dividends, on its Series A common stock, without making a distribution or paying a dividend on its Series B common stock. The Asterias Series B common stock may be converted into Asterias Series A common stock, on a share for share basis, at Asterias' election, only after Geron distributes to its stockholders the Asterias Series A common stock issued under the Asset Contribution Agreement and Asterias subsequently distributes to the Asterias Series A common stock holders the 8,000,000 BioTime warrants that Asterias will receive from BioTime under the Asset Contribution Agreement.

Closing of the asset contribution transaction is subject to certain negotiated conditions, including the effectiveness of registration statements under the Securities Act of 1933 filed by BioTime and Asterias.

Closing of the cash contribution by the private investor is also subject to certain negotiated closing conditions, including the closing of the asset contribution transaction.

10. Segment Information

BioTime's executive management team represents its chief decision maker. To date, BioTime's management has viewed BioTime's operations as one segment that includes, the research and development of therapeutic products for oncology, orthopedics, retinal and neurological diseases and disorders, blood and vascular system diseases and disorders, blood plasma volume expansion, diagnostic products for the early detection of cancer, and hydrogel products that may be used in surgery, and products for human embryonic stem cell research. As a result, the financial information disclosed materially represents all of the financial information related to BioTime's sole operating segment.

11. Unaudited Pro Forma Interim Financial Information – Six Months Ended June 30, 2013 and 2012

The following unaudited pro forma information gives effect to the merger with XenneX as if the merger took place on January 1, 2012. The pro forma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during the periods presented.

	Six Months Ended June 30,	
	2013	2012
	(Unaudited)	(Unaudited)
Revenues	$1,824,290	$1,873,701
Net loss available to common shareholders	$(15,105,097)	$(10,326,605)
Net loss per common share – basic and diluted	$(0.29)	$(0.20)

12. Subsequent Events

These condensed consolidated financial statements were approved by management and the Board of Directors, and were issued on August 6, 2013. Subsequent events have been evaluated through that date.

On August 2, 2013, Asterias purchased certain research equipment and supplies for $1,090,000. BioTime advanced to Asterias the funds required for the purchase.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide information necessary to understand our condensed consolidated financial statements for the three and six months ended June 30, 2013 and 2012, and highlight certain other information which, in the opinion of management, will enhance a reader's understanding of our financial condition, changes in financial condition and results of operations. In particular, the discussion is intended to provide an analysis of significant trends and material changes in our financial position and the operating results of our business during the quarter ended June 30, 2013 as compared to the quarter ended June 30, 2012. This discussion should be read in conjunction with our Condensed Consolidated Financial Statements for the three and six months ended June 30, 2013 and 2012 and related notes included elsewhere in this Quarterly Report on Form 10-Q. These historical financial statements may not be indicative of our future performance. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks described throughout this filing, particularly in "Item 1A. Risk Factors."

Overview

We are a biotechnology company focused on the emerging field of regenerative medicine. Our core technologies center on stem cells capable of becoming all of the cell types in the human body, a property called pluripotency. Products made from these "pluripotent" stem cells are being developed by us and our subsidiaries, each of which concentrates on different medical specialties, including: neuroscience, oncology, orthopedics, and blood and vascular diseases. Our commercial strategy is heavily focused on near-term commercial opportunities including our current line of research products such as PureStem™ human embryonic progenitor cells (hEPC) (which we previously called ACTCellerate™ cell line) and associated ESpan™ culture media, HyStem® hydrogels, human embryonic stem cell lines, and royalties from Hextend®. Potential near-term therapeutic and diagnostic product opportunities include Renevia™ (formerly known as HyStem®-Rx) as a cell delivery device expected to enter clinical trials in Europe in 2013, and the initiation of clinical studies PanC-Dx™ as a novel blood-based cancer screen by the end of 2013. Our long-term strategic focus is to provide regenerative therapies for age-related degenerative diseases.

“Regenerative medicine” refers to an emerging field of therapeutic product development that may allow all human cell and tissue types to be manufactured on an industrial scale. This new technology is made possible by the isolation of human embryonic stem (“hES”) cells, and by the development of “induced pluripotent stem (“iPS”) cells” which are created from regular cells of the human body using technology that allows adult cells to be “reprogrammed” into cells with pluripotency like young hES-like cells. These pluripotent hES and iPS cells have the unique property of being able to branch out into each and every kind of cell in the human body, including the cell types that make up the brain, the blood, the heart, the lungs, the liver, and other tissues. Unlike adult-derived stem cells that have limited potential to become different cell types, pluripotent stem cells may have vast potential to supply an array of new regenerative therapeutic products, especially those targeting the large and growing markets associated with age-related degenerative disease. Unlike pharmaceuticals that require a molecular target, therapeutic strategies in regenerative medicine are generally aimed at regenerating affected cells and tissues, and therefore may have broader applicability. Regenerative medicine represents a revolution in the field of biotechnology with the promise of providing therapies for diseases previously considered incurable.

Our commercial efforts in regenerative medicine include the development and sale of products designed for research applications in the near term as well as products designed for diagnostic and therapeutic applications in the medium and long term. We offer advanced human stem cell products and technology that can be used by researchers at universities and at companies in the bioscience and biopharmaceutical industries. We have developed research and clinical grade hES cell lines that we market for both basic research and therapeutic product development. Our subsidiary, ES Cell International Pte Ltd ("ESI"), has developed six hES cell lines that are among the best characterized and documented cell lines available today. Developed using current Good Manufacturing Practices ("cGMP") that facilitate transition into the clinic, these hES cell lines are extensively characterized and five of the six cell lines currently have documented and publicly-available genomic sequences. The ESI hES cell lines are now included in the Stem Cell Registry of the National Institutes of Health ("NIH"), making them eligible for use in federally funded research, and all are available for purchase through http://bioreagents.lifemapsc.com. We also market human embryonic progenitor cell ("hEPCs"), which are called PureStem™ progenitors and were developed using ACTCellerate™ technology. These hEPCs are purified lineages of cells that are intermediate in the developmental process between embryonic stem cells and fully differentiated cells. We expect that hEPCs will simplify the scalable manufacture of highly purified and identified cell types and will possess the ability to become a wide array of cell types with potential applications in research, drug discovery, and human regenerative stem cell therapies. The PureStem™ progenitors are also available for purchase through http://bioreagents.lifemapsc.com.

Research products can be marketed without regulatory or other governmental approval, and thus offer relatively near-term business opportunities, especially when compared to therapeutic products. The medical devices and diagnostics that we and our subsidiaries are developing will require regulatory approval for marketing, but the clinical trial and approval process for medical devices is often faster and less expensive than the process for the approval of new drugs and biological therapeutics. Our current and near-term product opportunities, combined with expected long-term revenues from the potentially very large revenue that could be derived from cell-based therapeutic products under development at our subsidiaries, provide us with a balanced commercial strategy. The value of this balance is apparent in the commercial field of regenerative medicine as competitors whose sole focus is on long-term therapeutic products have found it challenging to raise the requisite capital to fund clinical development.

Certain BioTime's research products, such as HyStem® hydrogels and ESI hES lines have the advantage of being "translatable to the clinic" meaning that these products are available as economic research grade products and at a therapeutic grade; allowing researchers more assurance that they will be acceptable for use in future clinical trials.

Our HyStem® hydrogel product line is one of the components in our near-term revenue strategy. HyStem® is a patented biomaterial that mimics the human extracellular matrix, which is the network of molecules surrounding cells in organs and tissues that is essential to cellular function. Many tissue engineering and regenerative cell-based therapies will require the delivery of therapeutic cells in a matrix or scaffold to sustain cell survival after transplantation and to maintain proper cellular function. HyStem® is a unique hydrogel that has been shown to support cellular attachment and proliferation in vivo. Recent publications have highlighted the combined use of HyStem hydrogels with PureStem progenitors resulting in a combined product that produces cartilage-producing cell masses known as chondrocytes. We call this experimental product HyStem®-4D.

Renevia™ (formerly known as HyStem®-Rx) is a clinical grade formulation of HyStem®-C, a biocompatible, implantable hyaluronan and collagen-based matrix for cell delivery in human clinical applications. As an injectable product, Renevia™ may address an immediate need in cosmetic and reconstructive surgeries and other procedures by improving the process of transplanting adipose derived cells, mesenchymal stem cells, or other adult stem cells. We will need to obtain approval by the U.S. Food and Drug Administration ("FDA") and comparable regulatory agencies in foreign countries in order to market Renevia™ as a medical device. We expect to initiate clinical trials for CE marking in the European Union during 2013, subject to our receipt of regulatory approval to commence the trials.

Other HyStem® products are currently being used by researchers at a number of leading medical schools in pre-clinical studies of stem cell therapies, including research that we are funding at UCLA for the treatment of ischemic stroke. Other researchers are conducting work with HyStem® in research to facilitate wound healing, to treat brain cancer, vocal fold scarring, and for myocardial infarct repair. Our HyStem® hydrogels may have other applications when combined with the diverse and scalable cell types our scientists have isolated from hES cells.

Our subsidiary, OncoCyte Corporation, is developing PanC-Dx™, a novel non-invasive blood-based cancer screening test designed to detect the presence of various human cancers, including cancers of the breast, lung, bladder, uterus, stomach, and colon, during routine check -ups. OncoCyte intends to develop PanC-Dx™ as a screen for breast and bladder cancer and to initially seek regulatory approval to market PanC-Dx™ in Europe for one or both of those cancers before seeking regulatory approvals required to market the product in the U.S. and other countries.

Our subsidiary, LifeMap Sciences markets, sells and distributes GeneCards®, the leading human gene database, as part of an integrated database suite that includes LifeMap Discovery™, the database of embryonic development, stem cell research and regenerative medicine; and MalaCards, the human disease database. LifeMap Sciences also markets PanDaTox, a database that can be used to identify genes and intergenic regions that are unclonable in E. coli, to aid in the discovery of new antibiotics and biotechnologically beneficial functional genes.

LifeMap Sciences is also the internet sales and marketing arm of our research products for sale through the website http://bioreagents.lifemapsc.com. LifeMap Sciences will utilize its databases as part of its online marketing strategy for our research products to reach life sciences researchers at biotech and pharmaceutical companies and at academic institutions and research hospitals worldwide. We now offer 23 PureStem™ hEPC and five hES cell lines developed under cGMP by our subsidiary ESI for sale, and hES cell lines carrying inherited genetic diseases. The hES cell lines developed by ESI are included in the NIH Stem Cell Registry, making them eligible for use in federally funded research, and five of the six cell lines currently have documented and publicly-available genomic sequences. We anticipate adding additional cell lines and related ESpan™ growth media and differentiation kits over time. LifeMap Sciences will also market research products produced by other companies.

During January 2013, we entered into an Asset Contribution Agreement with our subsidiary Asterias Biotherapeutics, Inc. (“Asterias,” formerly known as BioTime Acquisition Corporation) and Geron Corporation pursuant to which Asterias will acquire a significant portfolio of patents and patent applications, cell lines, and hES technology and know-how related to potential therapeutic products in various stages of development. Two of the products under development have already been used in early stage clinical trials. The acquisition of the Geron stem cell assets is expected to occur no later than September 30, 2013. The completion of the transaction is subject to the satisfaction of certain conditions.

The following table shows our subsidiaries, their respective principal fields of business, our percentage ownership as at June 30, 2013, and the country where their principal business is located:

Subsidiary	Field of Business	BioTime Ownership	Country
ES Cell International Pte Ltd	Stem cell products for research, including clinical grade cell lines produced under cGMP	100%	Singapore
OncoCyte Corporation	Diagnosis and treatment of cancer	75.3%	USA
OrthoCyte Corporation	Orthopedic diseases, including osteoarthritis Age-related macular degeneration	100%	USA
Cell Cure Neurosciences Ltd.	Multiple sclerosis	62.5%	Israel
ReCyte Therapeutics, Inc. (formerly Embryome Sciences, Inc.)	Parkinson's disease Vascular disorders, including cardiovascular-related diseases, vascular injuries, and acquired lymphedema complications of cancer treatment Stem cell-derived endothelial progenitor cells for research, drug testing, and therapeutics; iPS cell banking	94.8%	USA
BioTime Asia, Limited	Stem cell products for research	81%	Hong Kong
LifeMap Sciences, Inc.	Genetic, disease, and stem cell databases; sale of stem cell products for research	73.2%	USA
LifeMap Sciences, Ltd.	Stem cell database	(1)	Israel
Asterias Biotherapeutics, Inc.	Research, development and commercialization of human therapeutic products from stem cells	96.7%(2)	USA

(1) LifeMap Sciences, Ltd. is a wholly-owned subsidiary of LifeMap Sciences, Inc.

(2) We expect our percentage ownership will be reduced to approximately 71.6% after Asterias issues common stock to us and Geron pursuant to the Asset Contribution Agreement and sells common stock and warrants to a private investor for cash in a related transaction. See Note 9 to the condensed consolidated interim financial statements.

Initially, we developed blood plasma volume expanders and related technology for use in surgery, emergency trauma treatment, and other applications. Our lead blood plasma expander product, Hextend®, is a physiologically balanced intravenous solution used in the treatment of hypovolemia, a condition caused by low blood volume, often from blood loss during surgery or injury. Hextend® maintains circulatory system fluid volume and blood pressure, and keeps vital organs perfused during surgery and trauma care. Hextend® is manufactured and distributed in the U.S. by Hospira, Inc., and in South Korea by CJ CheilJedang ("CJ"), under license from us.

Additional Information

HyStem®, Hextend® and PentaLyte® are registered trademarks of BioTime, Inc., and Renevia™, PureStem™, ESpan™, and ESpy® are trademarks of BioTime, Inc. ACTCellerate™ is a trademark licensed to us by Advanced Cell Technology, Inc. ReCyte™ is a trademark of ReCyte Therapeutics, Inc. PanC-Dx™ is a trademark of OncoCyte Corporation. GeneCards® is a registered trademark of Yeda Research and Development Co. Ltd.

We were incorporated in 1990 in the state of California. Our principal executive offices are located at 1301 Harbor Bay Parkway, Alameda, California 94502. Our telephone number is (510) 521-3390.

Research and Development Expenses

The following table shows the approximate percentages of our total research and development expenses of $10,975,825 and $8,773,302 allocated to our primary research and development projects during the three and six months ended June 30, 2013 and 2012, respectively.

		Three Months Ended June 30,		Six Months Ended June 30,	
Company	Program	2013	2012	2013	2012
BioTime and ESI	ACTCellerate™ hPECs, GMP hES cell lines, and related research products	13.5%	16.6%	13.2%	16.3%
BioTime	ACTCellerate™ technology	– %	2.3 %	1.8 %	5.6 %
BioTime	Hydrogel products and HyStem® research	20.6%	20.6%	21.1%	15.9%
OncoCyte	Cancer therapy and diagnosis	12.6%	17.7%	12.8%	19.1%
OrthoCyte	Orthopedic therapy	6.3 %	5.4 %	5.5 %	4.8 %
ReCyte Therapeutics	IPS and vascular therapy	5.8 %	8.8 %	5.8 %	7.7 %
BioTime	Hextend®	0.4 %	0.9 %	0.4 %	2.7 %
BioTime Asia	Stem cell products for research	0.1 %	1.1 %	0.1 %	0.9 %
Cell Cure Neurosciences	OpRegen®, OpRegen-Plus®, and neurological disease therapies	18.4%	16.1%	20.8%	18.2%
LifeMap	Stem cell database	11.7%	10.5%	11.4%	8.8 %
Asterias	hESC-based cell therapy assets to be acquired from Geron Corporation	10.6%	– %	7.1 %	– %

Critical Accounting Policies

Revenue recognition – We comply with SEC Staff Accounting Bulletin guidance on revenue recognition. Royalty revenues consist of product royalty payments. License fee revenues consist of fees under license agreements and are recognized when earned and reasonably estimable and also include subscription and advertising revenue from our online databases based upon respective subscription or advertising periods. We recognize revenue in the quarter in which the royalty reports are received rather than the quarter in which the sales took place. When we are entitled to receive up-front nonrefundable licensing or similar fees pursuant to agreements under which we have no continuing performance obligations, the fees are recognized as revenues when collection is reasonably assured. When we receive up-front nonrefundable licensing or similar fees pursuant to agreements under which we do have continuing performance obligations, the fees are deferred and amortized ratably over the performance period. If the performance period cannot be reasonably estimated, we amortize nonrefundable fees over the life of the contract until such time that the performance period can be more reasonably estimated. Milestone payments, if any, related to scientific or technical achievements are recognized in income when the milestone is accomplished if (a) substantive effort was required to achieve the milestone, (b) the amount of the milestone payment appears reasonably commensurate with the effort expended, and (c) collection of the payment is reasonably assured. Grant income and the sale of research

products are recognized as revenue when earned. Revenues from the sale of research products are primarily derived from the sale of hydrogels and stem cell products.

Patent costs – Costs associated with obtaining patents on products or technology developed are expensed as general and administrative expenses when incurred. This accounting is in compliance with guidance promulgated by the Financial Accounting Standards Board ("FASB") regarding goodwill and other intangible assets.

Research and development – We comply with FASB requirements governing accounting for research and development costs. Research and development costs are expensed when incurred, and consist principally of salaries, payroll taxes, consulting fees, research and laboratory fees, and license fees paid to acquire patents or licenses to use patents and other technology from third parties.

Stock-based compensation – We have adopted accounting standards governing share-based payments, which require the measurement and recognition of compensation expense for all share-based payment awards made to directors and employees, including employee stock options, based on estimated fair values. We utilize the Black-Scholes Merton option pricing model. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate is based on the U.S. Treasury rates in effect during the corresponding period of grant. Although the fair value of employee stock options is determined in accordance with recent FASB guidance, changes in the subjective assumptions can materially affect the estimated value. In management's opinion, the existing valuation models may not provide an accurate measure of the fair value of employee stock options because the option-pricing model value may not be indicative of the fair value that would be established in a willing buyer/willing seller market transaction.

Treasury stock – We account for BioTime common shares issued to subsidiaries for future potential working capital needs as treasury stock on the consolidated balance sheet. We have the intent and ability to register any unregistered shares to support the marketability of the shares.

Impairment of long-lived assets – Our long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the estimated fair value of the assets.

Deferred license and consulting fees – Deferred license and consulting fees consist of the value of warrants issued to third parties for services and to the minority shareholder in BioTime Asia for its participation in the organization of that company, and deferred license fees paid to acquire rights to use the proprietary technologies of third parties. The value of the warrants is being amortized over the lives of the warrants, and deferred license fees over the estimated useful lives of the licensed technologies or licensed research products. The estimation of the useful life any technology or product involves a significant degree of inherent uncertainty, since the outcome of research and development or the commercial life of a new product cannot be known with certainty at the time that the right to use the technology or product is acquired. We will review its amortization schedules for impairments that might occur earlier than the original expected useful lives. See also Note 5 to the condensed consolidated interim financial statements.

Principles of consolidation – Our consolidated financial statements include the accounts of our wholly-owned subsidiaries, OrthoCyte, and ESI, the accounts of ReCyte Therapeutics, a subsidiary of which we owned approximately 94.8% of the outstanding shares of common stock as of June 30, 2013; the accounts of OncoCyte, a subsidiary of which we owned approximately 75.3% of the outstanding shares of common stock as of June 30, 2013; the accounts of BioTime Asia, a subsidiary of which we owned approximately 81.0% of the outstanding shares as of June 30, 2013, the accounts of Cell Cure Neurosciences, a subsidiary of which we owned approximately 62.5% of the outstanding shares as of June 30, 2013, the accounts of LifeMap Sciences, a subsidiary of which we owned approximately 73.2% of the outstanding shares as of June 30, 2013, and the accounts of Asterias Biotherapeutics, a subsidiary of which we owned 96.7% of the outstanding shares as of June 30, 2012. All material intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements are presented in accordance with accounting principles generally accepted in the U.S. and with the accounting and reporting requirements of Regulation S-X of the SEC.

Results of Operations

Revenues

	Three Months Ended June 30,		$ Increase/ Decrease	% Increase/ Decrease
	2013	2012		
License fees	$362,249	$175,419	$+186,830	+107 %
Royalties from product sales	103,315	126,455	-23,140	-18 %
Grant income	693,480	672,537	+20,943	+3 %
Sales of research products and services	57,281	59,253	-1,972	-3 %
Total revenues	1,216,325	1,033,664	+182,661	+18 %
Cost of sales	(180,811)	(83,918)	+96,893	+115 %
Total revenues, net	1,035,514	949,746	+85,768	+9 %

	Six Months Ended June 30,		$ Increase/ Decrease	% Increase/ Decrease
	2013	2012		
License fees	$712,078	$211,887	$+500,191	+236 %
Royalties from product sales	210,914	273,857	-62,943	-23 %
Grant income	777,293	1,074,771	-297,478	-28 %
Sales of research products and services	124,005	127,037	-3,032	-2 %
Total revenues	1,824,290	1,687,552	+136,738	+8 %
Cost of sales	(363,560)	(105,497)	+258,063	+245 %
Total revenues, net	1,460,730	1,582,055	-121,325	-8 %

Our license fee revenues for the three and six months ended June 30, 2013 amounted to $362,249 and $712,078, respectively. License fee revenues for the same periods in 2012 amounted to $175,419 and $211,887, respectively. License fee revenues for the six months ended June 30, 2013 and 2012 include subscription and advertising revenues of $638,148 and $138,763, respectively, from LifeMap Sciences' online database business primarily related to its GeneCards® database which LifeMap Sciences began marketing, selling and distributing after its acquisition of XenneX, Inc. during May 2012. The 236% increases in license fee revenue during the six months ended June 30, 2013 is entirely attributed to this new subscription and advertising revenue.

License fee revenues also include amortization of license fees from CJ which we received during April 2003 and July 2004, and the license fees from Summit which we received during December 2004 and April and October of 2005. Full recognition of those license fees were deferred and is being recognized over the lives of the contracts, which have been estimated to last until approximately 2019 based on the current expected lives of the governing patents covering our products in Korea and Japan. Amortization of such license fees during the three and six months ended June 30, 2013 and 2012 amounted to $36,468 and $72,936, respectively.

Under our license agreements with Hospira and CJ, our licensees report sales of Hextend® and pay us the royalties due on account of such sales within 90 days after the end of each calendar quarter. We recognize those revenues in the quarter in which the sales report is received, rather than the quarter in which the sales took place. For example, royalties on sales made during the first quarter of 2013 were not recognized until the second quarter of fiscal year 2013.

Our royalty revenues from product sales for the three months ended June 30, 2013 primarily consist of royalties on sales of Hextend® made by Hospira and CJ during the period beginning January 1, 2013 and ending March 31, 2013. Royalty revenues recognized in the second quarter of 2013 were $82,098 from Hospira, $20,935 from CJ, and $282 from Millipore. Total royalties of $103,315 for the quarter decreased by $23,140 or 18% from royalties of $126,455 received during the same period last year. Total royalties of $210,914 for the six month period ended June 30, 2013 decreased by $62,943 or 23% from royalties of $273,857 during the same period last year.

The decrease in royalties is attributable to a decrease in Hextend® sales in the U.S. and in the Republic of Korea. The decrease in royalties received from Hospira is primarily due to the decline in the price of hetastarch-based products in the market. The blood volume expander market continues to contract as hospitals continue to shift their purchases to albumin products. Hospira has reported that they have seen a rapid decline in the price of hetastarch-based plasma expanders in the market which could continue to have a negative impact on revenues from the sale of Hextend®. Hospira has implemented price reductions for Hextend® in an attempt to maintain market share. We expect royalty revenues from product sales to continue to decline as a percentage of total revenue.

In addition to price competition, sales of Hextend® could be adversely affected if certain safety labeling changes proposed by the FDA go into effect. During June 2013, we were notified by the FDA that they believe that new safety labeling should be required for the entire class of hydroxyethyl starch products, including Hextend®. The proposed labeling change would include a boxed warning that would state that that the use of Hextend® increases the risk of mortality and renal injury requiring renal replacement therapy in critically ill adult patients, including patients with sepsis and those admitted to the ICU, and that Hextend® should not be used in critically ill adult patients, including patients with sepsis and those admitted to the ICU. New warning and precaution information would also be required along with new information about contraindications, adverse reactions, and information about certain recent studies. The warning and precautions would state that the use of Hextend® should be avoided in patients with pre-existing renal dysfunction and in patients undergoing open heart surgery in association with cardiopulmonary bypass due to the risk of excessive bleeding.