Fibrocell Science, Inc.
Form 10-Q
May 13, 2011

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2011
OR

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Fibrocell Science, Inc.
(Exact name of registrant as specified in its Charter.)

Delaware	**001-31564**	**87-0458888**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

405 Eagleview Boulevard
Exton, Pennsylvania 19341
(Address of principal executive offices, including zip code)
(484) 713-6000
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for any 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. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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). Yes o No o

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. (Check one):

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

As of May 9, 2011, issuer had 30,911,561 shares issued and outstanding of common stock, par value $0.001.

TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. Financial statements.

Fibrocell Science, Inc.
(A Development Stage Company)
Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 3,310,138	$ 867,738
Accounts receivable, net	172,339	229,891
Inventory, net	299,201	258,939
Prepaid expenses and other current assets	335,965	559,082
Total current assets	4,117,643	1,915,650
Property and equipment, net of accumulated depreciation of $10,558 and $8,085, respectively	36,607	21,589
Other assets	250	250
Intangible assets	6,340,656	6,340,656
Total assets	$ 10,495,156	$ 8,278,145
Liabilities, Redeemable Preferred Stock, Shareholders Deficit and Noncontrolling Interest		
Current liabilities:		
Current debt	$ 32,771	$ 56,911
Accounts payable	540,929	1,096,125
Accrued expenses	751,422	789,482
Deferred revenue	14,000	
Total current liabilities	1,339,122	1,942,518
Long-term debt	7,564,289	7,290,881
Deferred tax liability	2,500,000	2,500,000
Warrant liability	19,220,324	8,171,518
Derivative liability	8,820,108	2,120,360
Other long-term liabilities	227,205	255,606
Total liabilities	39,671,048	22,280,883
Commitments and contingencies		
Preferred stock series A, $0.001 par value; 9,000 shares authorized; 3,250 shares issued and 2,886 and 2,886 shares outstanding, respectively	1,338,312	1,280,150
Preferred stock series B, $0.001 par value; 9,000 shares authorized; 4,640 shares issued and 2,693 and 4,640 shares outstanding, respectively		

Preferred stock series B, $0.001 par value; subscription receivable		(210,000)
Preferred stock series D, $0.001 par value; 8,000 shares authorized; 7,779 and 1,645 shares issued and outstanding, respectively		
Fibrocell Science, Inc. shareholders deficit:		
Successor common stock, $0.001 par value; 250,000,000 shares authorized; 24,559,097 and 20,375,500 shares issued and outstanding, respectively	24,559	20,376
Additional paid-in capital	4,055,108	2,437,893
Accumulated deficit during development stage	(35,063,900)	(17,981,530)
Total Fibrocell Science, Inc. shareholders deficit	(30,984,233)	(15,523,261)
Noncontrolling interest	470,029	450,373
Total deficit and noncontrolling interest	(30,514,204)	(15,072,888)
Total liabilities, preferred stock, shareholders deficit and noncontrolling interest	$ 10,495,156	$ 8,278,145

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Fibrocell Science, Inc.
(A Development Stage Company)
Condensed Consolidated Statements of Operations
(unaudited)

	Successor For the three months ended March 31, 2011	Successor For the three months ended March 31, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to March 31, 2011	Predecessor Cumulative period from December 28, 1995 (date of inception) to August 31, 2009
Revenue				
Product sales	$ 208,636	$ 209,070	$ 1,474,946	$ 4,818,994
License fees				260,000
Total revenue	208,636	209,070	1,474,946	5,078,994
Cost of sales	97,858	100,519	782,554	2,279,335
Gross profit	110,778	108,551	692,392	2,799,659
Selling, general and administrative expenses	2,354,383	2,019,913	11,578,320	84,805,520
Research and development expenses	1,616,529	1,192,610	8,926,044	56,269,869
Operating loss	(3,860,134)	(3,103,972)	(19,811,972)	(138,275,730)
Other income (expense)				
Interest income			1	6,989,539
Reorganization items, net		3,303	(69,174)	73,538,984
Other income			244,479	316,338
Warrant expense	(6,296,330)	(1,417,244)	(7,080,646)	
Derivative revaluation expense	(6,620,726)		(6,620,726)	
Interest expense	(273,408)	(197,730)	(1,565,781)	(18,790,218)
Loss from continuing operations before income taxes	(17,050,598)	(4,715,643)	(34,903,819)	(76,221,087)
Income tax benefit				190,754
Loss from continuing operations	(17,050,598)	(4,715,643)	(34,903,819)	(76,030,333)
Loss from discontinued operations	(12,116)	(17,044)	(73,034)	(41,091,311)
Net loss	(17,062,714)	(4,732,687)	(34,976,853)	(117,121,644)
Deemed dividend associated with beneficial conversion				(11,423,824)
Preferred stock dividends				(1,589,861)
Net (income)/loss attributable to noncontrolling interest	(19,656)	(15,138)	(87,047)	1,799,523

Net loss attributable to Fibrocell Science, Inc. common shareholders	$ (17,082,370)	$ (4,747,825)	$ (35,063,900)	$ (128,335,806)
Per share information:				
Loss from continuing operations-basic and diluted	$ (0.80)	$ (0.30)	$ (1.91)	$ (4.30)
Loss from discontinued operations-basic and diluted				(2.32)
Income (loss) attributable to noncontrolling interest			(0.01)	0.10
Deemed dividend associated with beneficial conversion of preferred stock				(0.65)
Preferred stock dividends				(0.09)
Net loss attributable to common shareholders per common share basic and diluted	$ (0.80)	$ (0.30)	$ (1.92)	$ (7.26)
Weighted average number of basic and diluted common shares outstanding	21,230,249	15,806,989	18,237,924	17,678,219

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Fibrocell Science, Inc.
(A Development Stage Company)
Condensed Consolidated Statements of Shareholders Equity (Deficit) and Comprehensive Income (Loss)
(unaudited)

	Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Amount	Other Comprehensive Income	Accumulated Deficit During Development Stage	Total Shareholders Equity (Deficit)
Issuance of common stock for cash on 12/28/95		$		$	2,285,291	$ 2,285	$ (1,465)		$	$	$	$ 820
Issuance of common stock for cash on 11/7/96					11,149	11	49,989					50,000
Issuance of common stock for cash on 11/29/96					2,230	2	9,998					10,000
Issuance of common stock for cash on 12/19/96					6,690	7	29,993					30,000
Issuance of common stock for cash on 12/26/96					11,148	11	49,989					50,000
Net loss											(270,468)	(270,468)
Balance, 12/31/96 (Predecessor)		$		$	2,316,508	$ 2,316	$ 138,504		$	$	$ (270,468)	$ (129,648)
Issuance of common stock for cash on 12/27/97					21,182	21	94,979					95,000
Issuance of common stock for services on 9/1/97					11,148	11	36,249					36,260
Issuance of common stock for services on 12/28/97					287,193	287	9,968					10,255
Net loss											(52,550)	(52,550)
Balance, 12/31/97(Predecessor)		$		$	2,636,031	$ 2,635	$ 279,700		$	$	$ (323,018)	$ (40,683)

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Table of Contents

	Series A Preferred Stock Number of Shares	Series A Preferred Stock Amount	Series B Preferred Stock Number of Shares	Series B Preferred Stock Amount	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income	Accumulated Deficit During Development Stage	Total Shareholders Equity (Deficit)
Issuance of common stock for cash on 8/23/98	$	$			4,459	$ 4	$ 20,063		$	$	$	$ 20,067
Repurchase of common stock on 9/29/98								2,400	(50,280)			(50,280)
Net loss											(195,675)	(195,675)
Balance, 12/31/98 (Predecessor)	$	$			2,640,490	$ 2,639	$ 299,763	2,400	$ (50,280)	$	$ (518,693)	$ (266,571)
Issuance of common stock for cash on 9/10/99					52,506	53	149,947					150,000
Net loss											(1,306,778)	(1,306,778)
Balance, 12/31/99 (Predecessor)	$	$			2,692,996	$ 2,692	$ 449,710	2,400	$ (50,280)	$	$ (1,825,471)	$ (1,423,349)
Issuance of common stock for cash on 1/18/00					53,583	54	1,869					1,923
Issuance of common stock for services on 3/1/00					68,698	69	(44)					25
Issuance of common stock for services on 4/4/00					27,768	28	(18)					10
Net loss											(807,076)	(807,076)
Balance, 12/31/00 (Predecessor)	$	$			2,843,045	$ 2,843	$ 451,517	2,400	$ (50,280)	$	$ (2,632,547)	$ (2,228,467)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income	Development Stage	Shareholders Equity (Deficit)
Issuance of common stock for services on 7/1/01	$	$			156,960	$ 157	$ (101)		$	$	$	$ 56
Issuance of common stock for services on 7/1/01					125,000	125	(80)					45
Issuance of common stock for capitalization of accrued salaries on 8/10/01					70,000	70	328,055					328,125
Issuance of common stock for conversion of convertible debt on 8/10/01					1,750,000	1,750	1,609,596					1,611,346
Issuance of common stock for conversion of convertible shareholder notes payable on 8/10/01					208,972	209	135,458					135,667
Issuance of common stock for bridge financing on 8/10/01					300,000	300	(192)					108
Retirement of treasury stock on 8/10/01							(50,280)	(2,400)	50,280			
Issuance of common stock for net assets of Gemini on 8/10/01					3,942,400	3,942	(3,942)					
Issuance of common stock for net assets of AFH on 8/10/01					3,899,547	3,900	(3,900)					
					1,346,669	1,347	2,018,653					2,020,000

Issuance of common stock for cash on 8/10/01				
Transaction and fund raising expenses on 8/10/01			(48,547)	(48,547)
Issuance of common stock for services on 8/10/01	60,000	60		60
Issuance of common stock for cash on 8/28/01	26,667	27	39,973	40,000
Issuance of common stock for services on 9/30/01	314,370	314	471,241	471,555

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Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock			Treasury Stock		Accumulated	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareholders Equity (Deficit)
Uncompensated contribution of services 3rd quarter		$		$		$	$ 55,556		$	$	$	$ 55,556
Issuance of common stock for services on 11/1/01					145,933	146	218,754					218,900
Uncompensated contribution of services 4th quarter							100,000					100,000
Net loss											(1,652,004)	(1,652,004)
Balance, 12/31/01 (Predecessor)		$		$	15,189,563	$ 15,190	$ 5,321,761		$	$	$ (4,284,551)	$ 1,052,400
Uncompensated contribution of services 1st quarter							100,000					100,000
Issuance of preferred stock for cash on 4/26/02	905,000	905					2,817,331					2,818,236
Issuance of preferred stock for cash on 5/16/02	890,250	890					2,772,239					2,773,129
Issuance of preferred stock for cash on 5/31/02	795,000	795					2,473,380					2,474,175
Issuance of preferred stock for cash on 6/28/02	229,642	230					712,991					713,221
Uncompensated contribution of services 2nd							100,000					100,000

quarter								
Issuance of preferred stock for cash on 7/15/02	75,108	75			233,886			233,961
Issuance of common stock for cash on 8/1/02			38,400	38	57,562			57,600
Issuance of warrants for services on 9/06/02					103,388			103,388
Uncompensated contribution of services 3rd quarter					100,000			100,000
Uncompensated contribution of services 4th quarter					100,000			100,000
Issuance of preferred stock for dividends	143,507	144			502,517		(502,661)	
Deemed dividend associated with beneficial conversion of preferred stock					10,178,944		(10,178,944)	
Comprehensive income:								
Net loss							(5,433,055)	(5,433,055)
Other comprehensive income, foreign currency translation adjustment						13,875		13,875
Comprehensive loss								(5,419,180)
Balance, 12/31/02 (Predecessor)	3,038,507	$ 3,039	$ 15,227,963	$ 15,228	$ 25,573,999	$ $ 13,875	$ (20,399,211)	$ 5,206,930

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Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit	Tot
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareh Equ (Defi
e of n stock n on		$		$	61,600	$ 62	$ 92,338		$	$	$	$ 9
e of n stock ent g tion on					100,000	100	539,900					54
ation of n stock /03 pensated ution of s 1st					(79,382)	(79)	(119,380)					(11
e of							100,000					10
ed stock n on			110,250	110			2,773,218					2,77
e of ed stock n on			45,500	46			1,145,704					1,14
sion of ed stock mmon 2nd qtr	(70,954)	(72)			147,062	147	40,626					4
sion of s into n 2nd qtr pensated ution of s 2nd					114,598	114	(114)					
e of							100,000					10
ed stock ds											(1,087,200)	(1,08
							1,244,880				(1,244,880)	

d										
d										
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sion of										
ed stock										
e of										
n stock										
rd qtr					202,500	202	309,798			3
e of										
n stock										
n on										
					3,359,331	3,359	18,452,202			18,4
sion of										
ed stock										
mmon										
d qtr	(2,967,553)	(2,967)	(155,750)	(156)	7,188,793	7,189	(82,875)			(
sion of										
ts into										
n										
d qtr					212,834	213	(213)			
nsation										
e on										
ts issued										
nployees							412,812			4
e of										
n stock										
th qtr					136,500	137	279,363			2
sion of										
ts into										
n										
th qtr					393					
ehensive										
:										
s									(11,268,294)	(11,2
hensive										
, foreign										
y										
ion										
ment								360,505		3
ehensive										
										(10,9
e,										
03										
cessor)	$		$		26,672,192	$ 26,672	$ 50,862,258	$	$ 374,380	$ (33,999,585)	$	17,2

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Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Shareholders Equity (Deficit)
version of ants into mon stock st	$	$			78,526	$ 79	$ (79)		$	$	$	$
nce of mon stock for in ection with cise of stock ons st qtr					15,000	15	94,985					95,
nce of mon stock for in ection with cise of ants st qtr					4,000	4	7,716					7,
pensation nse on ons and ants issued to employees directors st							1,410,498					1,410,
nce of mon stock in ection with cise of ants nd qtr					51,828	52	(52)					
nce of mon stock for nd qtr					7,200,000	7,200	56,810,234					56,817,
pensation nse on ons and ants issued to employees directors nd							143,462					143,
nce of mon stock in					7,431	7	(7)					

ection with cise of ants 3rd qtr							
nce of mon stock for in ection with cise of stock ons 3rd qtr	110,000	110	189,890				190,
nce of mon stock for in ection with cise of ants 3rd qtr	28,270	28	59,667				59,
pensation nse on ons and ants issued to employees directors 3rd			229,133				229,
nce of mon stock in ection with cise of ants 4th qtr	27,652	28	(28)				
pensation nse on ons and ants issued to employees, oyees, and tors 4th qtr			127,497				127,
nase of ury stock 4th				4,000,000	(25,974,000)		(25,974,
prehensive me: oss						(21,474,469)	(21,474,
r prehensive me, foreign ency lation stment					79,725		79,
r prehensive me, net alized gain					10,005		10,

able-for-sale stments									
prehensive									
									(21,384,
nce, 12/31/04 decessor)	$	$	34,194,899	$ 34,195	$ 109,935,174	4,000,000	$ (25,974,000)	$ 464,110	$ (55,474,054)	$ 28,985,

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Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit	Tota
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income (Loss)	During Development Stage	Shareho Equi (Defic
ce of on stock for n ction with se of stock s 1 qtr	$	$			25,000	$ 25	$ 74,975		$	$	$	$ 7
ensation se on s and nts issued to mployees 1							33,565					3
rsion of nts into on stock 2nd					27,785	28	(28)					
ensation se on s and nts issued to mployees 2nd							(61,762)					(6
ensation se on s and nts issued to mployees 3rd							(137,187)					(13
rsion of nts into on stock 3rd					12,605	12	(12)					
ensation se on s and nts issued to mployees 4th							18,844					1
							14,950					1

ensation									
se on									
ration of									
s 4 qtr									
ensation									
se on									
ted stock									
issued to									
yee 4 qtr				606					
rsion of									
cessor									
ny shares	94								
rehensive									
ss								(35,777,584)	(35,77
ehensive									
oreign									
cy									
tion									
ment							(1,372,600)		(1,37
n exchange									
n									
ntial									
ation of									
n entity							133,851		13
ehensive									
et									
ized gain									
ble-for-sale									
ments							(10,005)		(1
rehensive									
									(37,02
ce, 12/31/05									
cessor)	$	$ 34,260,383	$ 34,260	$ 109,879,125	4,000,000	$ (25,974,000)	$ (784,644)	$ (91,251,638)	$ (8,09

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Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Accumulated Deficit		
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Other Comprehensive Income	During Development Stage	Noncontrolling Interest	Sh
on													
ued													
ees [1]													
	$	$		$		$	$ 42,810		$	$	$	$	$
on													
ds													
nd qtr							46,336						
on													
ock													
l qtr					128,750	129	23,368						
on													
ued													
ees [2]													
							96,177						
on													
ds													
nd qtr							407,012						
on													
ock													
s [2]													
							4,210						
of													
ock													
					(97,400)	(97)	97						

ck				
vith tock tr on	10,000	10	16,490	
ued				
ees rd			25,627	
on				
ds				
nd qtr on			389,458	
ock s rd			3,605	
ck				
vith tock tr of	76,000	76	156,824	
on				2,182,505
ued				
ees th			34,772	
on				
ds				
nd qtr on			390,547	
ock s th			88	
	(15,002)	(15)	15	

								(35,821,406)	(78,132)		
							657,182				
)	$	$	34,362,731	$ 34,363	$ 111,516,561	4,000,000	$ (25,974,000)	$ (127,462)	$ (127,073,044)	$ 2,104,373	$

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Table of Contents

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated Other	Accumulated Deficit During		Sha
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Paid-In Capital	Number of Shares	Amount	Comprehensive Income (Loss)	Development Stage	Noncontrolling Interest	
ion													
ued													
vees st							39,742						
ion													
rds													
and qtr ion							448,067						
ock													
st qtr							88						
ock													
with stock tr					15,000	15	23,085						
with n of tock qtr ion							1,178,483						
ued													
vees nd							39,981						
ion							462,363						

rds			
and qtr on			
ock			
2nd qtr on			88
rds			
and qtr on			478,795
ock			
3rd qtr			88
ock se of qtr	492,613	493	893,811
ock t of ts 3rd	6,767,647	6,767	13,745,400
ock			
with stock tr on	1,666	2	3,164
rds			
and qtr on			378,827
ock			
4th qtr			88
sive			
		(35,573,114)	(246,347)

ive
n

846,388

sive

(

r) $ $ 41,639,657 $ 41,640 $ 129,208,631 4,000,000 $ (25,974,000) $ 718,926 $ (162,646,158) $ 1,858,026 $ (5

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest
ted to s 1	$	$		$		$ 44,849		$	$	$	$
ion to						151,305					
h f k						1,262,815					
k				(165)	(1)						
ted to s 2nd						62,697					
ion to r						193,754					
ted to s 3rd						166,687					
ion to qtr						171,012					
						(86,719)					

sted to s 4th										
ion to qtr					166,196					
e										
									(31,411,179)	(1,680,676)
n of ge ntial .								(2,152,569)		
e										
								1,433,643		
e										
08	$	$	41,639,492	$ 41,639	$ 131,341,227	4,000,000	$ (25,974,000)	$	$ (194,057,337)	$ 177,350

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

	Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	
ion vested ted to vees 1 qtr	$	$		$		$	1,746		$	$	$	$	$
ion option ed to and qtr of debt on stock 9					37,564	38	343,962						
ion option ed to and nd qtr of debt on stock 9					1,143,324	1,143	10,468,857						
ion option ed to and months 09 expense ellation ssued to and							35,382						
2 months 09							294,912						
sive											65,721,531	205,632	

sive									6
1/09									
or)	42,820,380	$ 42,820	$ 142,737,500	4,000,000	$ (25,974,000)	$	$ (128,335,806)	$ 382,982	$ (1
n of									
r common									
resh start									
s	(42,820,380)	(42,820)	(150,426,331)	(4,000,000)	25,974,000				(12
of									
r									
d deficit									
ulated									
rehensive									
							128,335,806		12
/09									
or)			(7,688,831)					382,982	
n shares									
stock in									
with									
from									
	11,400,000	11,400	5,460,600						
/09									
	11,400,000	11,400	(2,228,231)					382,982	
shares of									
ock in									
with the									
ng	2,666,666	2,667	1,797,333						
common									
t. 28,									
	25,501	25	58,627						
ion									
shares									
nt	600,000	600	167,400						
ion									
option									
ed to									
			326,838						
ion									
option									
ed to									
yees			386,380						

sive loss:										
								(5,049,999)	15,493	(
sive loss										(
/31/09										
	$	$ 14,692,167	$ 14,692	$ 508,347		$	$	(5,049,999)	$ 398,475	$ (

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

	Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Treasury Stock Number of Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit During Development Stage	Noncontrolling Interest	Total Equity (Deficit)
Issuance of 5.1 million shares of common stock in March 2010, net of issuance costs of $338,100	$	$		$	5,076,664	$ 5,077	$ 3,464,323		$	$	$	$	$ 3,469,400
Warrant fair value associated with common shares issued in March 2010							(2,890,711)						(2,890,711)
Compensation expense on shares issued to management 1Q10							18,000						18,000
Compensation expense on option awards issued to directors/employees 1Q10							324,377						324,377
Compensation expense on option awards issued to non-employees 1Q10							18,391						18,391
Compensation expense on shares issued to management 2Q10							18,000						18,000
Compensation expense on option awards issued to directors/employees 2Q10							222,011						222,011
Compensation expense on option awards issued to non-employees 2Q10							33,206						33,206

Compensation expense on shares issued to management	3Q10			18,000					18,000
Compensation expense on option awards issued to directors/employees	3Q10			183,231					183,231
Compensation expense on option awards issued to non-employees	3Q10			7,724					7,724
Compensation expense on shares issued to management	4Q10			18,000					18,000
Compensation expense on option awards issued to directors/employees	4Q10			104,094					104,094
Compensation expense on option awards issued to non-employees	4Q10			27,507					27,507
Preferred Stock Series A conversion		606,667	607	363,393					364,000
Comprehensive loss:									
Net loss							(12,931,531)	51,898	(12,879,633)
Comprehensive loss									(12,879,633)
Balance 12/31/10 (Successor)		$	$ 20,375,498	$ 20,376	$ 2,437,893	$	$	$ (17,981,530)	$ 450,373	$ (15,072,888)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

	Series A Preferred Stock Number of Shares	Amount	Series B Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-In Capital	Accumulated Treasury Stock Number of Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During Development Stage	Noncontrolling Interest	Total Equity (Deficit)
Compensation expense on shares issued to management	1Q11						18,000						18,000
Compensation expense on option awards issued to directors/employees	1Q11						995,551						995,551
Compensation expense on option awards issued to non-employees	1Q11						38,203						38,203
Preferred Stock and warrants exercised	1Q11				289,599	289	241,542						241,831
Preferred Stock Series A and B converted	1Q11				3,894,000	3,894	323,919						327,813
Comprehensive loss:													
Net loss											(17,082,370)	19,656	(17,062,714)
Comprehensive loss													(17,062,714)
Balance 3/31/11 (Successor)		$		$	24,559,097	$ 24,559	$ 4,055,108		$	$	$ (35,063,900)	$ 470,029	$ (30,514,204)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Fibrocell Science, Inc.
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(unaudited)

	Successor For the three months ended March 31, 2011	Successor For the three months ended March 31, 2010	Successor Cumulative period from September 1, 2009 (date of inception) to March 31, 2011	Predecessor Cumulative period from December 31, 1995 (date of inception) to August 31, 2009
Cash flows from operating activities:				
Net loss	$ (17,082,370)	$ (4,747,825)	$ (35,063,900)	$ (115,322,121)
Adjustments to reconcile net loss to net cash used in operating activities:				
Reorganization items, net			72,477	(74,648,976)
Expense related to equity awards and issuance of stock	1,051,754	360,768	2,925,513	10,608,999
Warrant expense	6,296,330	1,417,244	7,080,646	
Derivative revaluation expense	6,620,726		6,620,726	
Uncompensated contribution of services				755,556
Depreciation and amortization	2,473	852	10,558	9,091,990
Provision for doubtful accounts	(8,372)	(4,948)	(62,809)	337,810
Provision for excessive and/or obsolete inventory	5,387	(34,532)	(43,315)	259,427
Amortization of debt issue costs				4,107,067
Amortization of debt discounts on investments				(508,983)
Loss on disposal or impairment of property and equipment				17,668,477
Foreign exchange loss (gain) on substantial liquidation of foreign entity	(859)	2,448	(8,545)	(2,256,408)
Net (loss) income attributable to non-controlling interest	19,656	15,138	87,047	(1,799,523)
Change in operating assets and liabilities, excluding effects of acquisition:				
Decrease (increase) in accounts receivable	65,924	994	137,154	(91,496)
Decrease (increase) in other receivables	1,674	(88)	2,381	218,978
Decrease (increase) in inventory	(45,649)	818	12,733	(455,282)
Decrease in prepaid expenses	221,449	110,650	19,343	34,341
Decrease in other assets			4,120	71,000
Increase (decrease) in accounts payable	(555,196)	(23,887)	403,528	57,648
Increase in accrued expenses, liabilities subject to compromise and other	238,320	583,164	1,068,666	3,311,552

liabilities				
Increase (decrease) in deferred revenue	14,000		14,000	(50,096)
Net cash used in operating activities	(3,154,753)	(2,319,204)	(16,719,677)	(148,610,040)
Cash flows from investing activities:				
Acquisition of Agera, net of cash acquired				(2,016,520)
Purchase of property and equipment	(17,491)	(26,335)	(47,165)	(25,515,170)
Proceeds from the sale of property and equipment, net of selling costs				6,542,434
Purchase of investments				(152,998,313)
Proceeds from sales and maturities of investments				153,507,000
Net cash used in investing activities	(17,491)	(26,335)	(47,165)	(20,480,569)
Cash flows from financing activities:				
Proceeds from convertible debt				91,450,000
Offering costs associated with the issuance of convertible debt				(3,746,193)
Proceeds from notes payable to shareholders, net				135,667
Proceeds from the issuance of redeemable preferred stock series A, net			2,870,000	12,931,800
Proceeds from the issuance of redeemable preferred stock series B, net	193,200		4,212,770	
Proceeds from the issuance of redeemable preferred stock series D, net	5,642,780		7,152,180	
Proceeds from the issuance of common stock, net		3,469,400	5,269,400	93,753,857
Costs associated with secured loan and debtor-in-possession loan				(360,872)
Proceeds from secured loan				500,471
Proceeds from debtor-in-possession loan				2,750,000
Payments on insurance loan	(24,139)	(20,273)	(109,713)	(79,319)
Cash dividends paid on preferred stock	(198,227)		(337,977)	(1,087,200)
Cash paid for fractional shares of preferred stock				(38,108)
Merger and acquisition expenses				(48,547)
Repurchase of common stock				(26,024,280)
Net cash provided by financing activities	5,613,614	3,449,127	19,056,660	170,137,276
Effect of exchange rate changes on cash balances	1,030	(2,631)	10,044	(36,391)
Net increase (decrease) in cash and cash equivalents	2,442,400	1,100,957	2,299,862	1,010,276
Cash and cash equivalents, beginning of period	867,738	1,362,488	1,010,276	

Cash and cash equivalents, end of period	$ 3,310,138	$ 2,463,445	$ 3,310,138	$ 1,010,276
Supplemental disclosures of cash flow information:				
Predecessor cash paid for interest	$	$	$	$ 12,715,283
Successor cash paid for dividends	198,227		337,977	
Non-cash investing and financing activities:				
Predecessor deemed dividend associated with beneficial conversion of preferred stock	$	$	$	$ 11,423,824
Predecessor preferred stock dividend				1,589,861
Successor accrued preferred stock dividend	197,582	48,260	197,582	
Predecessor uncompensated contribution of services				755,556
Predecessor common stock issued for intangible assets				540,000
Predecessor common stock issued in connection with conversion of debt				10,814,000
Predecessor equipment acquired through capital lease				167,154
Successor/Predecessor financing of insurance premiums			178,582	87,623
Successor issuance of notes payable				6,000,060
Successor common stock issued in connection with reorganization				5,472,000
Successor intangible assets				6,340,656
Successor deferred tax liability in connection with fresh-start				2,500,000
Elimination of Predecessor common stock and fresh start adjustment				14,780,320
Successor accrued warrant liability	4,994,307	2,890,711	12,381,509	

Successor conversion of preferred stock into common stock	327,813	691,813
Exercise of warrants-cashless	241,831	241,831
Successor accrued derivative liability	510,810	2,631,170

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Fibrocell Science, Inc.
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 Business and Organization

Fibrocell Science, Inc. (Fibrocell or the Company or the Successor) is the parent company of Fibrocell Technologies (Fibrocell Tech) and Agera Laboratories, Inc., a Delaware corporation (Agera). Fibrocell Technologies is the parent company of Isolagen Europe Limited, a company organized under the laws of the United Kingdom (Isolagen Europe), Isolagen Australia Pty Limited, a company organized under the laws of Australia (Isolagen Australia), and Isolagen International, S.A., a company organized under the laws of Switzerland (Isolagen Switzerland).

The Company is an aesthetic and therapeutic company focused on developing novel skin and tissue rejuvenation products. The Company s clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burns with a patient s own, or autologous, fibroblast cells produced in the Company s proprietary Fibrocell Process. The Company also markets an advanced skin care line with broad application in core target markets through its Agera subsidiary.

Note 2 Development-Stage Risks and Liquidity

The Successor Company emerged from Bankruptcy in September 2009 and continues to operate as a going concern. At March 31, 2011, the Successor Company had cash and cash equivalents of approximately $3.3 million and working capital of $2.8 million.

As of May 9, 2011, the Company had cash and cash equivalents of approximately $2.0 million and current liabilities of approximately $1.1 million. The Company s current monthly cash run-rate is approximately $1.0 million. The Company is in the process of purchasing manufacturing equipment and incurring marketing expenditures over the next couple of months to prepare the Company for launch post a possible FDA approval. Thus, the Successor Company will need to access the capital markets in the near future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Successor Company or available at all. These matters create uncertainty relating to its ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

Further, if the Successor Company raises additional cash resources in the near future, it may be raised in contemplation of or in connection with bankruptcy. In the event of a bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and our creditors will receive significantly less than what is owed to them.

Through March 31, 2011, the Successor Company has been primarily engaged in developing its initial product technology. In the course of its development activities, the Company has sustained losses and expects such losses to continue through at least 2011. During the quarter ended March 31, 2011, the Successor Company financed its operations primarily through its existing cash received from external financings, but as discussed above it now requires additional financing. There is substantial doubt about the Successor Company s ability to continue as a going concern.

The Successor Company s ability to complete additional offerings is dependent on the state of the debt and/or equity markets at the time of any proposed offering, and such market s reception of the Successor Company and the offering terms. The Successor Company s ability to complete an offering is also dependent on the status of its FDA regulatory milestones and its clinical trials, and in particular, the status of its indication for the treatment of nasolabial folds/wrinkles and the potential approval of the related BLA, which cannot be predicted. There is no assurance that capital in any form would be available to the Company, and if available, on terms and conditions that are acceptable.

As a result of the conditions discussed above, and in accordance with U.S. generally accepted accounting principles (GAAP), there exists substantial doubt about the Successor Company s ability to continue as a going concern, and its ability to continue as a going concern is contingent, among other things, upon its ability to secure additional adequate financing or capital in the near future. If the Successor Company does not obtain additional funding, or does not anticipate additional funding, in the near future, it will likely enter into bankruptcy and/or cease operations. Further, if

it does raise additional cash resources in the near future, it may be raised in contemplation of or in connection with bankruptcy. If the Successor Company enters into bankruptcy, it is likely that its common stock and common stock equivalents will become worthless and its creditors, including preferred stock holders, will receive significantly less than what is owed to them.

Table of Contents

Note 3 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission (SEC). The results of the Company s operations for any interim period are not necessarily indicative of the results of operations for any other interim period or full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes. In addition, management s assessment of the Successor Company s ability to continue as a going concern involves the estimation of the amount and timing of future cash inflows and outflows. Actual results may differ materially from those estimates.

Earnings (loss) per share data

Basic earnings (loss) per share is calculated based on the weighted average common shares outstanding during the period. Diluted earnings per share (Diluted EPS) also gives effect to the dilutive effect of stock options, warrants, restricted stock and convertible preferred stock calculated based on the treasury stock method.

The Predecessor and Successor Company s potentially dilutive securities consist of potential common shares related to stock options, warrants, restricted stock and convertible preferred stock. Diluted EPS includes the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would be anti-dilutive. The Company does not present diluted earnings per share for periods in which it incurred net losses as the effect is anti-dilutive.

Note 4 Agera Laboratories, Inc.

On August 10, 2006, the Predecessor Company acquired 57% of the outstanding common shares of Agera. Agera is a skincare company that has proprietary rights to a scientifically-based advanced line of skincare products. Agera markets its product primarily in the United States and Europe. The results of Agera s operations and cash flows have been included in the consolidated financial statements from the date of the acquisition. The assets and liabilities of Agera have been included in the consolidated balance sheets since the date of the acquisition.

Table of Contents

Note 5 Fair Value Measurements

The Company adopted the accounting guidance on fair value measurements for financial assets and liabilities measured on a recurring basis. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following fair value hierarchy table presents information about each major category of the Company s financial assets and liability measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Balance at March 31, 2011				
Cash and cash equivalents	$ 3,310,138	$	$	$ 3,310,138
Liabilities				
Warrant liability	$	$	$ 19,220,324	$ 19,220,324
Derivative liability			8,820,108	8,820,108
Total	$	$	$ 28,040,432	$ 28,040,432

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Balance at December 31, 2010				
Cash and cash equivalents	$ 867,738	$	$	$ 867,738
Liabilities				
Warrant liability	$	$	$ 8,171,518	$ 8,171,518
Derivative liability			2,120,360	2,120,360
Total	$	$	$ 10,291,878	$ 10,291,878

The reconciliation of warrant liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

	Warrant Liability
Balance at December 31, 2010	$ 8,171,518
Issuance of additional warrants	4,994,307
Exercise of warrants	(241,831)
Change in fair value of warrant liability	6,296,330
Balance at March 31, 2011	$ 19,220,324

Table of Contents

The fair value of the warrant liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 9 for further discussion of the warrant liability.

The reconciliation of derivative liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

	Derivative Liability
Balance at December 31, 2010	$ 2,120,360
Issuance of additional preferred stock	510,810
Conversion of preferred stock	(431,788)
Change in fair value of derivative liability	6,620,726
Balance at March 31, 2011	$ 8,820,108

The fair value of the derivative liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 8 for further discussion of the derivative liability.

Note 6 Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2011	December 31, 2010
Accrued professional fees	$ 393,392	$ 413,384
Accrued compensation	40,676	7,076
Dividend on preferred stock payable	190,772	191,417
Accrued other	126,582	177,605
Accrued expenses	$ 751,422	$ 789,482

Note 7 Commitments and Contingencies

Legal Proceedings

As of March 31, 2011, there were no legal proceedings.

Note 8 Equity

Redeemable Preferred stock

As of March 31, 2011, the number of Redeemable Preferred stock (Preferred) outstanding, with a par value of $0.001 per share and a stated value of $1,000 per share is as follows:

Preferred Stock Series A	2,886
Preferred Stock Series B	2,693
Preferred Stock Series D	7,779
Total	13,358

Table of Contents

The Successor Company records accrued dividends at a rate of 6% per annum on the Series A, Series B and Series D Preferred. As of March 31, 2011, $190,772 was accrued for dividends payable. The Successor Company paid cash of $198,227 during the three months ended March 31, 2011.

Preferred Stock Series D

On January 21 and 28, February 9 and March 1, 2011, the Successor Company completed a private placement of securities of Series D Preferred and warrants. Each of the foregoing securities were subject to the down-round protection and if at any time while the Series D Preferred is outstanding, we sell or grant any option to purchase or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any sale, grant or any option to purchase or other disposition), any common stock or common stock equivalents at an effective price per share that is lower than the then Conversion Price, then the Conversion Price will be reduced to equal the lower price. The preferred stock has been classified within the mezzanine section between liabilities and equity in its consolidated balance sheets in accordance with ASC 480, Distinguishing Liabilities from Equity (ASC 480) because any holder of Series D Preferred may require the Successor Company to redeem all of its Series D Preferred in the event of a triggering event which is outside of the control of the Successor Company.

The details of the Series D Preferred financing for the three months ended March 31, 2011 are as follows:

Date of Financing	Number of shares of Series D Preferred [1]	Number of warrants issued [2]
January 21, 2011	1,234	2,665,440
January 28, 2011	1,414	3,054,240
February 9, 2011	3,436	7,421,760
March 1, 2011	50	108,000
	6,134	13,249,440

(1) Series D Preferred at a stated par value of $1,000.

(2) Warrants issued shares of Common Stock at an exercise price of $0.50 per share to certain accredited investors and placement agents.

Conversion option of Redeemable Preferred stock

The embedded conversion option for the Series A Preferred, Series B Preferred and Series D Preferred has been recorded as a derivative liability under ASC 815 in the consolidated balance sheet as of March 31, 2011 and December 31, 2010. As of March 31, 2011 the derivative liability was re-measured resulting in an expense of $6,620,726 in our statement of operations. The fair value of the derivative liability is determined using the Black-Scholes option pricing model and is affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. The Company will continue to classify the fair value of the embedded conversion option as a liability and re-measure on the Company s reporting dates until the preferred stock is converted into common stock.

The embedded conversion option for the Series A Preferred, Series B Preferred and Series D Preferred was valued at $8,820,108 at March 31, 2011 at fair value using the Black-Scholes option pricing model. The fair market value of the derivative liability was computed using the Black-Scholes option-pricing model with the following weighted average assumptions as of the dates indicated:

	March 31, 2011	December 31, 2010

Expected life (years)	1.4 years	1.6 years
Interest rate	0.6%	1.3%
Dividend yield		
Volatility	62%	63%

Table of Contents

Note 9 Warrants

Preferred Stock Series D Warrants and Co-placement Agent Warrants

In connection with the Series D Convertible Preferred Stock transaction, the Successor Company issued 12,268,000 warrants at an exercise price of $0.50 per share and 981,440 placement agent warrants at an exercise price of $0.50 per share during the first quarter of 2011. The warrants are liability classified since they have down-round price protection and they are re-measured on the Company s reporting dates. The weighted average fair market value of the warrants, at the date of issuance, granted to the accredited investors and co-placement agents, based on the Black-Scholes valuation model, is estimated to be $0.45 per warrant.

The fair market value of the warrants was computed using the Black-Scholes option-pricing model with the following key weighted average assumptions as of the dates indicated:

	March 31, 2011	December 31, 2010
Expected life (years)	4.6 years	4.7 years
Interest rate	2.2%	1.8%
Dividend yield		
Volatility	62%	63%

The following table summarizes outstanding warrants to purchase Common Stock as of March 31, 2011:

	Number of Warrants	Expiration Dates	Warrant liability Balance as of March 31, 2011
Warrants and co-placement warrants issued in Series A Preferred Stock offering	3,555,493	Oct. 2014	$ 1,484,193
Warrants and co-placement warrants issued in March 2010 offering	10,183,469	Mar. 2015	4,380,593
Warrants and co-placement warrants issued in Series B Preferred Stock offering	12,932,565	Jul.-Nov. 2015	5,774,963
Warrants and co-placement warrants issued in Series D Preferred Stock offering	16,802,640	Dec. 2015-Mar. 2016	7,580,575
Total	43,474,167		$ 19,220,324

All warrants have an exercise price of $0.50 per share as a result of the December 2010 Preferred Stock Series D financing transaction. There were 953,568 warrants exercised on a cashless basis in the first quarter of 2011.

Note 10 Stock-based Compensation

Total stock-based compensation expense recognized using the straight-line attribution method in the consolidated statement of operations is as follows:

	March 31, 2011	March 31, 2010
Stock option compensation expense for employees and directors	$ 995,551	$ 324,377
Restricted stock expense	18,000	18,000
Equity awards for nonemployees issued for services	38,203	18,391
Total stock-based compensation expense	$ 1,051,754	$ 360,768

22

Table of Contents

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at December 31, 2010	5,677,000	$ 0.86	7.46	$
Granted	5,008,000	$ 0.62		
Exercised		$		
Forfeited		$		
Outstanding at March 31, 2011	10,685,000	$ 0.75	8.28	$ 694,960
Exercisable at March 31, 2011	6,379,720	$ 0.75	7.97	$ 330,380

The total fair value of shares vested during the three months ended March 31, 2011 was $1.0 million. As of March 31, 2011, there was $1.4 million of total unrecognized compensation cost, related to non-vested stock options which vest over time. That cost is expected to be recognized over a weighted-average period of 1.8 years. As of March 31, 2011, there was $0.3 million of total unrecognized compensation expense related to performance-based, non-vested employee and consultant stock options. That cost will be recognized when the performance criteria within the respective performance-based option grants become probable of achievement. As of March 31, 2011, there was no intrinsic value to the outstanding and exercisable options.

During the three months ended March 31, 2011 and 2010, the weighted average fair market value using the Black-Scholes option-pricing model of the options granted was $0.35 and $0.63, respectively, for this period. The fair market value of the warrants was computed using the Black-Scholes option-pricing model with the following key weighted average assumptions for the three months ended as of the dates indicated:

	March 31, 2011	March 31, 2010
Expected life (years)	5.4 years	5.5 years
Interest rate	2.1%	2.4%
Dividend yield		
Volatility	62%	65%

There were no stock options exercised during the first quarter of March 31, 2011.

Restricted stock

As of March 31, 2011, there was less than $0.1 million of total unrecognized compensation cost related to non-vested restricted stock that is expected to be recognized over a weighted-average period less than 1 year.

Table of Contents

Note 11 Segment Information and Geographical information

The Successor Company has two reportable segments: Fibrocell Therapy and Agera. The Fibrocell Therapy segment specializes in the development and commercialization of autologous cellular therapies for soft tissue regeneration. The Agera segment maintains proprietary rights to a scientifically-based advanced line of skincare products. There is no intersegment revenue. The following table provides operating financial information for the continuing operations of the Successor Company s two reportable segments:

	Segment		
Three Months Ended March 31, 2011	**Fibrocell Therapy**	**Agera**	**Consolidated**
Total operating revenue	$	$ 208,636	$ 208,636
Segment income (loss) from continuing operations	$ (17,072,010)	$ 21,412	$ (17,050,598)
Supplemental information related to continuing operations			
Depreciation and amortization expense	$ 2,473	$	$ 2,473
Total assets, including assets from discontinued operations as of March 31, 2011	9,859,336	635,820	10,495,156
Property and equipment, net	36,607		36,607
Intangible assets, net	6,340,656		6,340,656

An intercompany receivable as of March 31, 2011, of $0.9 million, due from the Agera segment to the Fibrocell Therapy segment, is eliminated in consolidation. This intercompany receivable is primarily due to the intercompany management fee charge to Agera by Fibrocell Technologies, Inc., as well as Agera s working capital needs provided by Fibrocell Technologies, Inc., and has been excluded from total assets of the Fibrocell Therapy segment in the above table. There is no intersegment revenue. Total assets on the consolidated balance sheet at March 31, 2011 are approximately $10.5 million, which includes assets of discontinued operations of less than $0.1 million.

	Segment		
Three Months Ended March 31, 2010	**Fibrocell Therapy**	**Agera**	**Consolidated**
Total operating revenue	$	$ 209,070	$ 209,070
Segment income (loss) from continuing operations	$ (4,726,548)	$ 10,905	$ (4,715,643)
Supplemental information related to continuing operations			
Depreciation and amortization expense	$ 852	$	$ 852
Total assets, including assets from discontinued operations as of March 31, 2010	9,094,140	683,610	9,777,750
Property and equipment, net	25,483		25,483
Intangible assets, net	6,340,656		6,340,656

An intercompany receivable as of March 31, 2010, of $1.0 million, due from the Agera segment to the Fibrocell Therapy segment, is eliminated in consolidation. This intercompany receivable is primarily due to the intercompany management fee charge to Agera by Fibrocell Technologies, as well as Agera s working capital needs provided by Fibrocell Technologies, and has been excluded from total assets of the Fibrocell Therapy segment in the above table. There is no intersegment revenue. Total assets on the consolidated balance sheet at March 31, 2010 are approximately

$9.8 million.

Table of Contents

Geographical information concerning the Company s revenue is as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
United States	$ 48,123	$ 60,194
United Kingdom	148,164	141,667
Other	12,349	7,209
Total	$ 208,636	$ 209,070

During the three months ended March 31, 2011, revenue from one foreign customer and one domestic customer represented 71% and 16% of consolidated revenue, respectively. During the three months ended March 31, 2010, revenue from one foreign customer and one domestic customer represented 68% and 19% of consolidated revenue, respectively.

As of March 31, 2011 and December 31, 2010, one foreign customer represented 86% and 88%, respectively, of accounts receivable, net.

Note 12 Subsequent Events

Subsequent to March 31, 2011, 2,037 preferred shares were converted into 4,074,000 common shares and 2,536,967 warrants were exercised. Cash received for the warrants subsequent to March 31, 2011 was $739,984.

Table of Contents

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

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, as well as information relating to Fibrocell that is based on management s exercise of business judgment and assumptions made by and information currently available to management. When used in this document, the words anticipate, believe, estimate, expect, intend, the facts suggest and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. Actual events, transactions and results may materially differ from the anticipated events, transactions or results described in such statements. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors could cause actual results to differ materially from our forward looking statements. Several of these factors include, without limitation:

our ability to finance our business and continue in operations;

whether the results of our full Phase III pivotal study and our BLA filing will result in approval of our product candidate, and whether any approval will occur on a timely basis;

our ability to meet requisite regulations or receive regulatory approvals in the United States, Europe, Asia and the Americas, and our ability to retain any regulatory approvals that we may obtain; and the absence of adverse regulatory developments in the United States, Europe, Asia and the Americas or any other country where we plan to conduct commercial operations;

whether our clinical human trials relating to the use of autologous cellular therapy applications, and such other indications as we may identify and pursue can be conducted within the timeframe that we expect, whether such trials will yield positive results, or whether additional applications for the commercialization of autologous cellular therapy can be identified by us and advanced into human clinical trials;

our ability to develop autologous cellular therapies that have specific applications in cosmetic dermatology, and our ability to explore (and possibly develop) applications for periodontal disease, reconstructive dentistry, treatment of restrictive scars and burns and other health-related markets;

our ability to decrease our manufacturing costs for our Fibrocell Therapy product candidates through the improvement of our manufacturing process, and our ability to validate any such improvements with the relevant regulatory agencies;

our ability to reduce our need for fetal bovine calf serum by improved use of less expensive media combinations and different media alternatives;

continued availability of supplies at satisfactory prices;

new entrance of competitive products or further penetration of existing products in our markets;

the effect on us from adverse publicity related to our products or the company itself;

any adverse claims relating to our intellectual property;

the adoption of new, or changes in, accounting principles;

our issuance of certain rights to our shareholders that may have anti-takeover effects;

our dependence on physicians to correctly follow our established protocols for the safe administration of our Fibrocell Therapy; and

other risks referenced from time to time elsewhere in our filings with the SEC.

Table of Contents

These factors are not necessarily all of the important factors that could cause actual results of operations to differ materially from those expressed in these forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. We cannot assure you that projected results will be achieved.

General

We are an aesthetic and therapeutic development stage biotechnology company focused on developing novel skin and tissue rejuvenation products. Our clinical development product candidates are designed to improve the appearance of skin injured by the effects of aging, sun exposure, acne and burn scars with a patient s own, or autologous, fibroblast cells produced by our proprietary Fibrocell Process. Our clinical development programs encompass both aesthetic and therapeutic indications. Our most advanced indication utilizing the Fibrocell Therapy is for the treatment of nasolabial folds/wrinkles, which completed Phase III clinical studies and the related Biologics License Application (BLA) was accepted for filing by the Food and Drug Administration (FDA) during May 2009. On October 9, 2009 the FDA Cellular, Tissue and Gene Therapies Advisory Committee reviewed our nasolabial folds/wrinkles product candidate. The Committee voted 11 yes to 3 no that the data presented on our product demonstrated efficacy, and 6 yes to 8 n that the data demonstrated safety; both for the proposed indication of treatment of nasolabial folds/wrinkles. The committee s recommendations are not binding on the FDA, but the FDA will consider their recommendations during their review of our application. The United States Adopted Names (USAN) Council adopted the USAN name, azficel-T, for our product on October 28, 2009, and the FDA is currently evaluating a proposed brand name, laViv®. On December 21, 2009, Fibrocell Science received a Complete Response letter from the FDA related to the BLA for azficel-T. A Complete Response letter is issued by the FDA s Center for Biologics Evaluation and Research (CBER) when the review of a file is completed and additional data are needed prior to approval. The Complete Response letter requested that Fibrocell Science provide data from a histopathological study on biopsied tissue samples from patients following injection of azficel-T. The letter also requested finalized Chemistry, Manufacturing and Controls (CMC) information regarding the manufacture of azficel-T as follow-up to discussions that occurred during the BLA review period, as well as revised policies and procedures regarding shipping practices, and proposed labeling. The Company announced on December 20, 2010, that it had submitted its complete response to the Complete Response (CR) letter issued by the FDA regarding the Company s BLA for azficel-T. On January 22, 2011, the FDA accepted for review the Company s complete response submission for azficel-T. Even though the FDA has accepted the Company s response for complete evaluation, there is no assurance that it will approve our product. The FDA, under the Prescription Drug User Fee Act (PDUFA), has a target six months review window to completely evaluate the Company s response upon acceptance of the response. The PDUFA date is June 22, 2011. The Company announced on March 16, 2011, that it had submitted a final study report to the FDA for the completed, six-month histological study examining skin after injections of azficel-T.

During 2009 we completed a Phase II/III study for the treatment of acne scars. During 2008 we completed our open-label Phase II study related to full face rejuvenation.

We also develop and market an advanced skin care product line through our Agera subsidiary, in which we acquired a 57% interest in August 2006.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Management bases these significant judgments and estimates on historical experience and other assumptions it believes to be reasonable based upon information presently available. Actual results could differ from those estimates under different assumptions, judgments or conditions. There were no material changes to our critical accounting policies and use of estimates previously disclosed in our 2010 Annual Report on Form 10-K.

Table of Contents

Results of Operations

Three Months Ended March 31, 2011 compared to the Three Months Ended March 31, 2010

Revenues and Cost of Sales. Revenue and cost of sales for the three months ended March 31, 2011 and 2010 were comprised of the following:

	Three months ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands)			
Total revenue	$ 209	$ 209	$	%
Cost of sales	98	100	(2)	(2%)
Gross profit	$ 111	$ 109	$ (2)	(2%)

The revenue and cost of sales for Agera remained flat comparing the three months ended March 31, 2011 and 2010. Our revenue from continuing operations is from the operations of Agera which we acquired on August 10, 2006. Agera markets and sells a complete line of advanced skin care systems based on a wide array of proprietary formulations, trademarks and peptide technology. As a percentage of revenue, Agera cost of sales were approximately 47% for the three months ended March 31, 2011 and 48% for the three months ended March 31, 2010.

Selling General and Administrative Expense. Selling, general and administrative expense for the three months ended March 31, 2011 and 2010 were comprised of the following:

	Three months ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands)			
Compensation and related expense	$ 1,264	$ 951	$ 313	33%
External services consulting	236	237	(1)	(%)
Facilities and related expense and other	854	832	22	3%
Total selling, general and administrative expense	$ 2,354	$ 2,020	$ 334	17%

Selling, general and administrative expense increased primarily due to an increase in compensation and related expense related to an increase of $0.6 million for stock compensation expense offset by a decrease of $0.3 million in payroll expenses, due primarily to no bonuses accrued in 2011 and decreased payroll taxes.

Table of Contents

Research and Development Expense. Research and development expense for the three months ended March 31, 2011 and 2010 were comprised of the following:

	Three months ended March 31,		Increase (Decrease)	
	2011	2010	$	%
	(in thousands)			
Compensation and related expense	$ 524	$ 364	$ 160	44%
External services consulting	622	397	225	57%
Lab costs and related expense	277	223	54	24%
Facilities and related expense	194	209	(15)	(7%)
Total research and development expense	$ 1,617	$ 1,193	$ 424	36%

Research and development expense increased primarily due to an increase in compensation and related expense related to an increase of $0.1 million for stock compensation expense, $0.1 million for increase headcount and $0.2 million for increased consulting fees. The increase of $0.2 million for external services related primarily to the histology study. Research and development costs are composed primarily of costs related to our efforts to gain FDA approval for our Fibrocell Therapy for specific dermal applications in the United States, as well as costs related to other potential indications for our Fibrocell Therapy, such as acne scars and burn scars. Also, research and development expense includes costs to develop manufacturing, cell collection and logistical process improvements. Research and development costs primarily include personnel and laboratory costs related to these FDA trials and certain consulting costs. The total inception (December 28, 1995) to date cost of research and development as of August 31, 2009 for the Predecessor Company was $56.3 million and total inception (September 1, 2009) to date cost of research and development as of March 31, 2011, for the Successor Company was $8.9 million.

The FDA approval process is extremely complicated and is dependent upon our study protocols and the results of our studies. In the event that the FDA requires additional studies for our product candidate or requires changes in our study protocols or in the event that the results of the studies are not consistent with our expectations, the process will be more expensive and time consuming. Due to the complexities of the FDA approval process, we are unable to predict what the cost of obtaining approval for our dermal product candidate will be.

Interest Income (Expense). Interest expense for the three months ended March 31, 2011 increased by $0.1 million, or 38%, from the three months ended March 31, 2010 due to higher debt balances. Our interest expense is related to the notes we issued in connection with our bankruptcy plan. We have been accreting the interest to principal at the rate of 15% per annum due to contractual terms.

Change in Revaluation of Warrant and Derivative Liability. During the three months ended March 31, 2011, we recorded a non-cash expense of $6.3 million and $6.6 million for warrant expense and derivative revaluation expense, respectively, in our statements of operations due to an increase in the fair value of the warrant liability and derivative liability related to the preferred stock series A, B and D financing. This increase in fair value was primarily due to an increase in the price per share of our common stock on March 31, 2011 as compared to December 31, 2010. During the three months ended March 31, 2010, we recorded a non-cash expense of $1.4 million for warrant expense in our statements of operations due to an increase in the fair value of the warrant liability for warrants to purchase preferred stock that were liability-classified.

Net loss attributable to common shareholders. Net loss attributable to common shareholders decreased approximately $12.3 million to a net loss of $17.1 million for the three months ended March 31, 2011, as compared to a net loss of $4.7 million for the three months ended March 31, 2010 primarily due to an increase in the fair value of the warrant liability and derivative liability related to the preferred stock series A, B and D financing.

29

Table of Contents

Liquidity and Capital Resources

The following table summarizes our cash flows from operating, investing and financing activities for the three months ended March 31, 2011 and 2010:

	Three Months Ended March 31,	
	2011	2010
	(in thousands)	
Statement of Cash Flows Data:		
Total cash provided by (used in):		
Operating activities	$ (3,155)	$ (2,319)
Investing activities	(17)	(26)
Financing activities	5,613	3,449

Operating Activities. Cash used in operating activities during the three months ended March 31, 2011 amounted to $3.1 million, an increase of $0.8 million over the three months ended March 31, 2010. The increase in our cash used in operating activities over the prior year is primarily due to an increase in net losses (adjusted for non-cash items) of $0.1 million, in addition to operating cash outflows from changes in operating assets and liabilities.

Investing Activities. Minimal or no cash was used in investing activities during the three months ended March 31, 2011 and during the three months ended March 31, 2010.

Financing Activities. There were $5.6 million cash proceeds from financing activities during the three months ended March 31, 2011, as compared to $3.4 million received from financing activities during the three months ended March 31, 2010. During the three months ended March 31, 2011, we raised cash from the issuance of preferred stock and warrants. During the three months ended March 31, 2010, we raised cash from the issuance of common stock and warrants.

Working Capital

As of March 31, 2011, we had cash and cash equivalents of $3.3 million and working capital of $2.8 million. The Company has raised approximately $6.1 million less fees as the result of the issuance of Series D Preferred Stock and warrants in the period from January 1, 2011 through March 1, 2011. As of May 9, 2011, the Company had cash and cash equivalents of approximately $2.0 million and current liabilities of approximately $1.1 million. The Company s current monthly cash run-rate is approximately $1.0 million. The Company is in the process of purchasing manufacturing equipment and incurring marketing expenditures over the next couple of months to prepare the Company for launch post a possible FDA approval. Thus, the Company will need to access the capital markets in the near future in order to fund future operations. There is no guarantee that any such required financing will be available on terms satisfactory to the Company or available at all. These matters create uncertainty relating to its ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of assets or liabilities that might result from the outcome of these uncertainties.

Debt

The Company s outstanding long-term debt at March 31, 2011 and December 31, 2010 consists of $7.6 million and $7.3 million, respectively, of Unsecured Promissory Notes (New Notes). Unpaid interest has been accreted to the principal at a rate of 15%. The New Notes have the following features: (1) 12.5% interest payable quarterly in cash or, at the Company s option, 15% payable in kind by capitalizing such unpaid amount and adding it to the principal as of the date it was due; (2) maturing June 1, 2012; (3) at any time prior to the maturity date, the Company may redeem any portion of the outstanding principal of the New Notes in Cash at 125% of the stated face value of the New Notes. There is a mandatory redemption feature that requires the Company to redeem all outstanding new notes if: (1) the Company successfully completes a capital campaign raising in excess of $10 million during a six month period; or (2) the Successor Company is acquired by, or sell a majority stake to, an outside party.

30

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates or interest rates.

Foreign Exchange Rate Risk

We do not believe that we have significant foreign exchange rate risk at March 31, 2011.

We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

There were no material changes from the risk factors previously disclosed in the Annual Report on Form 10-K filed on March 30, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

All information regarding the financings we completed during the three months ended March 31, 2011, have been previously disclosed in current reports we have filed on Form 8-K.

Item 3. Defaults Upon Senior Securities.

None

Item 4. (Removed and Reserved)

Item 5. Other Information.

None

Item 6. Exhibits

(a) Exhibits

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
*31.1	Certification pursuant to Rule 13a-14(a) and 15d-14(a), required under Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification pursuant to Rule 13a-14(a) and 15d-14(a), required under Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* -Filed herewith

Table of Contents

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fibrocell Science, Inc.

By: /s/ Declan Daly
Declan Daly
Chief Financial Officer

Date: May 13, 2011