

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to

Section 13 or 15(d) of

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): May 4, 2004

STEMCELLS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-19871

(Commission File Number)

94-3078125

(I.R.S. Employer
Identification Number)

**3155 Porter Drive
Palo Alto, California 94304**

(Address, of principal executive offices, including zip code)

(650) 475-3100

(Registrant's Telephone number including area code)

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Item 7. Financial Statements, Pro Forma Financial Information And Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits – The following exhibit is furnished as part of this Report.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated May 4, 2004.

Item 12. Results of Operations and Financial Condition.

On May 4, 2004, StemCells, Inc. (the “Company”) issued a press release reporting the Company’s financial results for the first quarter of fiscal year 2004 (the “Press Release”). The Press Release is being furnished as Exhibit 99.1 to this Report.

The information being furnished under this Item 12 shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities and Exchange Act of 1934, except as shall be expressly set forth by specific reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STEMCELLS, INC.

By: /s/ Martin McGlynn

Martin McGlynn
President and Chief Executive Officer

Date: May 4, 2004

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated May 4, 2004.

StemCells, Inc. (Ticker: STEM, Exchange: NASDAQ)
News Release -- May 4, 2004

STEMCELLS ANNOUNCES FIRST QUARTER 2004 FINANCIAL RESULTS

PALO ALTO, Calif., May 4, 2004 - StemCells, Inc. (NASDAQ: STEM) today reported its financial results for the first quarter ended March 31, 2004.

The Company reported a loss of \$2,770,000, or \$0.07 per share, for the quarter ended March 31, 2004, compared to a loss before deemed dividends of \$2,409,000, or \$0.09 per share, for the quarter ended March 31, 2003. For the first quarter in 2003, net loss applicable to common shareholders after deemed dividends to preferred shareholders was \$2,729,000 or \$0.10 per share. There were no deemed dividends for the same period in 2004, as all of the Company's previously outstanding cumulative convertible preferred stock was converted to the Company's common stock prior to the end of 2003. Total revenue for the first quarter of 2004 and 2003 was \$93,000 and \$59,000 respectively. Revenue for 2004 and 2003 was primarily from grants and licensing agreements. Cash and cash equivalents were \$10,346,000 at the end of March 31, 2004, compared with \$1,549,000 at the end of March 31, 2003.

The increase in net loss from 2003 to 2004 for the quarter reported was primarily attributable to the expenditures required for toxicology studies, supplies, personnel and other external services in preparation for submitting our first IND (Investigational New Drug filing) to the FDA, to evaluate the safety and efficacy of our human neural stem cells as a treatment for Batten disease.

Martin McGlynn, President and CEO commented, "In our press release on 2003 results issued in early April, I discussed our projected goal of filing the Company's first IND in the first quarter of 2005 for the treatment of Batten disease, a rare but fatal neurodegenerative disease. I am pleased to report that we remain on track to achieve that goal. As our financial results for the first quarter of this year indicate, we are increasing expenditures on IND-enabling activities so that we may begin clinical testing of our human neural stem cells next year."

ABOUT STEMCELLS INC.

StemCells, Inc. is a biotechnology company focused on the discovery, development and commercialization of stem cell-based therapies to treat diseases of the nervous system, liver, and pancreas. The Company's stem cell programs seek to repair or repopulate neural or other tissue that has been damaged or lost as a result of disease or injury. Further information about the Company is available on its web site at www.stemcellsinc.com.

APART FROM STATEMENTS OF HISTORICAL FACTS, THE TEXT OF THIS PRESS RELEASE CONSTITUTES FORWARD-LOOKING STATEMENTS REGARDING, AMONG OTHER THINGS, THE FUTURE BUSINESS OPERATIONS OF STEMCELLS, INC. ("THE COMPANY"). THE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS NEWS RELEASE. STEMCELLS DOES NOT UNDERTAKE TO UPDATE ANY OF THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES THAT OCCUR AFTER THE DATE HEREOF. SUCH STATEMENTS REFLECT MANAGEMENT'S CURRENT VIEWS AND ARE BASED ON CERTAIN ASSUMPTIONS THAT MAY OR MAY NOT ULTIMATELY PROVE VALID. THE COMPANY'S ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE CONTEMPLATED IN THE FORWARD-LOOKING STATEMENTS DUE TO RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS SUBJECT, INCLUDING UNCERTAINTIES REGARDING THE COMPANY'S ABILITY TO OBTAIN THE CAPITAL RESOURCES NEEDED TO CONTINUE ITS CURRENT RESEARCH AND

DEVELOPMENT OPERATIONS AND TO CONDUCT THE RESEARCH, PRECLINICAL DEVELOPMENT AND CLINICAL TRIALS NECESSARY FOR REGULATORY APPROVALS; THE FACT THAT THE COMPANY'S STEM CELL TECHNOLOGY IS AT THE PRE-CLINICAL STAGE AND HAS NOT YET LED TO THE DEVELOPMENT OF ANY PROPOSED PRODUCT; THE UNCERTAINTY WHETHER THE COMPANY WILL BE ABLE TO FILE AN IND IN THE TIME IT PROJECTS AND WHETHER THE FDA WILL PERMIT IT TO PROCEED TO CLINICAL TESTING; THE UNCERTAINTY WHETHER THE COMPANY WILL ACHIEVE REVENUES FROM PRODUCT SALES OR BECOME PROFITABLE; UNCERTAINTIES REGARDING THE COMPANY'S OBLIGATIONS IN REGARD TO ITS FORMER ENCAPSULATED CELL THERAPY FACILITIES IN RHODE ISLAND; AND OTHER FACTORS THAT ARE DESCRIBED IN EXHIBIT 99 TO THE COMPANY'S ANNUAL REPORT ON FORM 10-K ENTITLED "CAUTIONARY FACTORS RELEVANT TO FORWARD-LOOKING STATEMENTS."

Corporate Contact:
StemCells, Inc.
Martin McGlynn, President & CEO
650-475-3100, ext 108

Media / Investor Relations Contact:
The Investor Relations Group
Janet Vasquez / Jane Lin
212-825-3210

-more-

StemCells, Inc.

 Condensed Consolidated Statement of Operations
 (unaudited)
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Three months
 ended March
 31, 2004 2003

Revenue from
 grants and
 Licensing
 agreements \$
 93 \$ 59

Operating
 Expenses
 Research and
 development
 1,868 1,340

General &
 administrative
 864 816 Wind-
 down related
 to former
 corporate
 headquarters
 130 253 -----

----- Total
 operating
 expenses
 2,862 2,409

Loss from
 operations
 (2,769)

(2,350) Other
 income
 (expense) (1)
 (59) -----

 ---- Net loss
 (2,770)
 (2,409)
 Deemed
 dividend 320

 Net loss
 applicable to
 common
 shareholders
 \$ (2,770) \$

(2,729) Net
 loss per
 share
 applicable to
 common

shareholders;
 basic and
 diluted \$
 (0.07) \$
 (0.10)

Weighted
 average
 shares -
 basic and
 diluted

41,010,068
 26,943,019

STEMCELLS
 INC.
 CONDENSED
 CONSOLIDATED
 BALANCE
 SHEETS March
 31 December

31, 2004	
2003 -----	
----- (IN	
THOUSANDS)	
(unaudited)	
(a) Assets	
Current	
assets: Cash	
& cash	
equivalents	
10,346	
\$13,082	
Other	
current	
assets 265	
325 -----	

Total	
current	
assets	
10,611	
13,407	
Property,	
plant &	
equipment,	
net 3,408	
3,611 Other	
assets, net	
2,743 2,768	

--- Total	
assets	
\$16,762	
\$19,786	
Liabilities	
and	
stockholders	
equity	
Current	
liabilities	
\$2,406	
\$2,522 Non-	
current	
liabilities	
6,050 6,300	
Stockholders'	
equity 8,306	
10,964 -----	

Total	
liabilities,	
redeemable	
preferred	
stock and	
stockholders'	
equity	
\$16,762	
\$19,786 -----	

(a) Derived from audited financial statements included in StemCells' annual report on form 10-K/A filed with the SEC.