

First Quarter Report

as of March 31, 2008

April 24, 2008

Highlights Q1 2008

- 1) **Initiation of two placebo-controlled phase II studies for the hypertension vaccine CYT006-AngQb with a total of 140 hypertensive patients.**
- 2) **Initiation of a next phase IIa study with the vaccine CYT004-MelQbG10 for the treatment of malignant melanoma.**
- 3) **Upcoming event**
 - Company presentation at the Merrill Lynch Pan European, Biotech & Medical Devices 1-1 Forum 2008
- 4) **Financial summary**

		Q1 2008	Q1 2007
Net revenue	CHF mio	0.3	0.2
Net operating costs	CHF mio	10.5	8.8
Net income/(loss)	CHF mio	(10.2)	(5.7)

		March 31, 2008	Dec. 31, 2007
Cash & financial assets	CHF mio	96.5	109.0
Full-time employees	number	132	130

1) Initiation of two placebo-controlled phase II studies with the hypertension vaccine CYT006-AngQb in a total of 140 hypertensive patients

Based on the positive efficacy results obtained for the hypertension vaccine CYT006-AngQb in a first phase IIa clinical trial, Cytos Biotechnology decided to initiate two next phase II studies with a total of 140 hypertensive patients, which will investigate an improved treatment regimen and higher doses of the vaccine candidate.

One of the studies, which has begun in mid March 2008, is a randomized, double-blind, placebo-controlled, multicentre phase II study. It will include 60 patients with mild to moderate hypertension and is designed to investigate the safety, tolerability and exploratory efficacy of an improved treatment regimen of CYT006-AngQb at a fixed dose or placebo. For efficacy evaluation, the change in blood pressure from baseline to post-treatment will be assessed in individual subjects by 24-hour ambulatory blood pressure monitoring. First results of this study are expected in the first half of 2009.

The other study is also a randomized, double-blind, placebo-controlled, multicentre phase II study and will enrol 80 hypertensive patients. It is designed to investigate the safety, tolerability and exploratory efficacy of an improved treatment regimen applying ascending doses of CYT006-AngQb or placebo. Efficacy will be evaluated as described above. This second study has been submitted to the corresponding health authorities and is currently awaiting final approval. Study start is anticipated in the second quarter of 2008.

2) Initiation of a next phase IIa study with the vaccine CYT004-MelQbG10 for the treatment of malignant melanoma

End of March 2008, Cytos Biotechnology has initiated a phase IIa clinical study with the Immunodrug™ CYT004-MelQbG10, a therapeutic vaccine to treat malignant melanoma. The decision for study initiation is based on first promising results obtained from prior studies, where the vaccine candidate was shown to be safe, well tolerated and achieved a good T cell immunogenicity.

The present study is an open-label clinical trial designed to assess the safety, tolerability and T cell immunogenicity of different treatment regimens of CYT004-MelQbG10, which will also apply immunostimulating adjuvants to further enhance the tumor-specific T cell response. The study will include 20 patients with malignant melanoma at the disease stages III and IV. In addition, different routes of administration will be compared. First results of the study are expected in late 2009.

3) Upcoming event

Company presentation at the Merrill Lynch Pan European, Biotech & Medical Devices 1-1 Forum 2008.

CEO Wolfgang A. Renner, PhD, will present the Company and its Immunodrug™ R & D programs at this conference taking place at the Merrill Lynch Financial Centre in London, UK, from May 13–15, 2008.

4) Financial Results

Cash and financial assets decreased in the first quarter 2008 by CHF 12.6 million to CHF 96.5 million as of March 31, 2008, primarily due to ongoing operating activities and the interest payment for the convertible bond.

Revenues slightly increased from CHF 0.2 million in the first quarter 2007 to CHF 0.3 million in the first quarter 2008.

Net operating costs in the first quarter 2008 amounted to CHF 10.5 million and were thus CHF 1.7 million higher than in the first quarter 2007, in which an income of CHF 1.0 million out of the sale of property was recognized.

Research and development costs increased by CHF 0.8 million to CHF 9.4 million due to extended activities in product development, while sales and marketing and general and administrative costs decreased by 9%.

As a consequence of the issuance of the convertible bond in the first quarter 2007, financial expense in the first quarter 2008 increased by CHF 0.7 million to CHF 1.1 million. Investment of these funds resulted in increased financial income of CHF 0.8 million.

Net loss increased from CHF 5.7 million in the first quarter 2007 by CHF 4.5 million to CHF 10.2 million in the first quarter 2008. In 2007, non-cash deferred taxes from the issuance of the convertible bond of CHF 3.0 million were recognized. Excluding the impact of this one-time effect, the increase to net loss would have only been CHF 1.5 million.

The gross cash burn for operating activities as calculated based on the Cash Flow Statement was CHF 3.6 million per month in the first three months 2008, compared to CHF 4.2 million per month in the first three months 2007.

5) Glossary

Adjuvant	Pharmaceutical compound that enhances an immune response.
Ambulatory blood pressure monitoring	Blood pressure measured by numerous readings over a 24-hour period or longer. Provides accurate and reliable information about a person's blood pressure.
Disease stage III, IV	Clinical staging (stage I-IV) of malignant melanoma is defined according to AJCC 2001 (American Joint Committee on Cancer). Stage IV defines the most severe form of the disease.
Double-blind	Set-up often used in clinical trials where neither the doctor nor the patient knows if placebo or the active drug substance is used.
Hypertension	Also high blood pressure; medical condition where the blood pressure is chronically elevated.
Malignant melanoma	The most fatal kind of skin cancer.
Open-label	Set-up used in clinical trials where the doctor and the patient know what kind of treatment is administered.
Phase IIa/phase II	Clinical trial that examines a new drug candidate's safety and exploratory efficacy in patients and may involve between 20 (IIa) and 500 (II) people.
Placebo	Dummy medical treatment.
Randomized	Random assignation of clinical trial participants to different treatment groups.
Regimen	Describes the schedule and composition according to which a drug is administered.
T cell immunogenicity	T cells are immune cells playing an important role in protection from pathogens and cancer. Immunogenicity describes here the ability of a substance to evoke an immune response by T cells.

Cytos Biotechnology Ltd and subsidiaries

Consolidated Balance Sheet as of in TCHF	Note	March 31, 2008	December 31, 2007
Current assets:			
Cash and cash equivalents		15,487	43,043
Financial assets	7	81,000	66,000
Trade and other receivables		2,287	1,694
Prepayments		3,674	1,888
Total current assets		102,448	112,625
Long-term assets:			
Property and equipment, net	8	10,135	10,643
Pension assets		254	254
Investment in associates		37	37
Total long-term assets		10,426	10,934
Total assets		112,874	123,559
Current liabilities:			
Trade accounts payable		1,384	1,159
Other current liabilities		423	535
Accrued expenses and deferred revenue		4,349	6,278
Provisions		36	42
Total current liabilities		6,192	8,014
Long-term liabilities:			
Accrued expenses		841	863
Convertible bond - liability component	9	59,022	58,401
Provisions		1,937	1,847
Total long-term liabilities		61,800	61,111
Shareholders' equity:			
Share capital	3	526	526
Legal reserves		136	136
Additional paid-in capital		205,316	204,707
Convertible bond - equity component	9	8,430	8,430
Treasury shares		(13)	(101)
Accumulated deficit		(169,513)	(159,264)
Total shareholders' equity		44,882	54,434
Total liabilities and shareholders' equity		112,874	123,559
<i>See accompanying notes which are an integral part of these consolidated condensed interim financial statements.</i>			

Cytos Biotechnology Ltd and subsidiaries

Consolidated Income Statement in TCHF (except for share information)	Note	Three months ended March 31, 2008	Three months ended March 31, 2007
Research and collaboration revenues	4	260	197
Total revenues		260	197
Research and development		(9,419)	(8,668)
Sales and marketing		(178)	(215)
General and administrative		(879)	(944)
Other income/(expenses), net		11	1,069
Net operating costs		(10,465)	(8,758)
Operating income/(loss)		(10,205)	(8,561)
Financial income		1,082	318
Financial expense		(1,123)	(464)
Income/(loss) before tax		(10,246)	(8,707)
Deferred tax income convertible bond		-	2,992
Net loss		(10,246)	(5,715)
Basic and diluted net loss per share	5	(1.95)	(1.10)
Weighted average number of shares used in computing basic and diluted net loss per share		5,260,545	5,196,316
<i>See accompanying notes which are an integral part of these consolidated condensed interim financial statements.</i>			

Cytos Biotechnology Ltd and subsidiaries

Consolidated Statement of Cash Flows		Three months ended	Three months ended
in TCHF	Note	March 31, 2008	March 31, 2007
Cash flow from operating activities:			
Income/(loss) before tax		(10,246)	(8,707)
Depreciation and amortization		708	703
Share option compensation cost	6	561	664
Outflow for cash settled options		-	(422)
Other financial cash flow items		263	(953)
Changes in assets and liabilities		(1,924)	(3,589)
Net cash (used in)/provided by operating activities		(10,638)	(12,304)
Net cash (used in)/provided by investing activities		(14,198)	(44,867)
Net cash (used in)/provided by financing activities		(2,582)	68,528
Net effect of currency translation on cash		(138)	7
Net increase/(decrease) in cash and cash equivalents		(27,556)	11,364
Cash and cash equivalents, beginning of period		43,043	9,149
Cash and cash equivalents, end of period		15,487	20,513
<i>See accompanying notes which are an integral part of these consolidated condensed interim financial statements.</i>			

Cytos Biotechnology Ltd and subsidiaries

Consolidated Statement of Change in Shareholders' Equity

in TCHF (except for share information)

	Numbers of shares	Share capital	Legal reserves	Additional paid-in capital	Convertible bond - equity component	Treasury shares	Accumulated deficit	Cumulative translation adjustments	Total
January 1, 2007	5,174,188	517	136	197,684	-	(46)	(152,174)	(217)	45,900
Net income/(expense) recognized directly in equity	-	-	-	-	-	-	-	-	-
Income/(Loss) for the year	-	-	-	-	-	-	(5,715)	-	(5,715)
Total recognized income/(loss)									(5,715)
Issuance of share capital	27,930	3	-	1,705	-	-	-	-	1,708
Issuance of convertible bond - equity component	-	-	-	-	11,788	-	-	-	11,788
Transaction costs - convertible bond (allocation to equity)	-	-	-	-	(367)	-	-	-	(367)
Deferred tax - convertible bond	-	-	-	-	(2,992)	-	-	-	(2,992)
Net movement of treasury shares	-	-	-	79	-	(63)	-	-	16
Share option compensation cost	-	-	-	570	-	-	-	-	570
March 31, 2007	5,202,118	520	136	200,038	8,429	(109)	(157,889)	(217)	50,908
January 1, 2008	5,261,375	526	136	204,707	8,430	(101)	(159,049)	(215)	54,434
Net income/(expense) recognized directly in equity	-	-	-	-	-	-	-	(3)	(3)
Income/(Loss) for the year	-	-	-	-	-	-	(10,246)	-	(10,246)
Total recognized income/(loss)									(10,249)
Issuance of share capital	360	-	-	17	-	-	-	-	17
Net movement of treasury	-	-	-	(22)	-	88	-	-	66
Share option compensation cost	-	-	-	614	-	-	-	-	614
March 31, 2008	5,261,735	526	136	205,316	8,430	(13)	(169,295)	(218)	44,882

See accompanying notes which are an integral part of these consolidated condensed interim financial statements.

1) Organization

Cytos Biotechnology Ltd (the "Company"), a public Swiss biotechnology company, and its subsidiaries (together the "Group") specialize in the discovery, development and commercialization of a new class of biopharmaceutical products – the Immunodrugs™. Immunodrugs™ are intended for use in the treatment and prevention of chronic diseases and aim at activating the patient's immune system to induce specific antibody and targeted T cell responses to modulate chronic disease processes.

2) Basis of preparation

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2007.

These consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2007.

For better readability the amounts in the Group's financial statements and notes are presented in thousand Swiss Francs (TCHF) unless stated otherwise.

3) Shareholders' equity

On February 7, 2008, the board of directors registered an increase of the share capital of the Company by CHF 8,718.70 and by 87,187 shares up to CHF 526,137.50 and 5,261,375 shares with a nominal value of CHF 0.10 each at the Commercial Register in the Canton of Zurich. This increase is a consequence of exercised options by employees and consultants in 2007.

In the course of the first three months of 2008, 360 options have been exercised by employees, which resulted in an additional capital increase as of March 31, 2008 by CHF 36.00 and by 360 shares with a nominal value of CHF 0.10 each.

The total net proceeds (exercise price times number of options exercised) for the issuance of share capital in the first three months of 2008 amounted to CHF 17,017.20.

4) Segment and geographic information

Primary reporting format – business segment

The Group operates in one segment focusing on the discovery, development and prospective commercialization of a new class of biopharmaceutical products that are intended for use in the treatment and prevention of chronic diseases. The Group's executive board reviews the profit or loss of the Group on an aggregated basis and manages the operations of the Group as a single operating segment. The Group currently derives its research and collaboration revenues from research and development collaborations with third parties.

Secondary reporting format – geographical segment

Research and collaboration revenues are attributable to individual countries and are based on the location of the customer, while the long-term assets and the liabilities are based on the location of the Group. All operating costs including research and development, sales and marketing, general and administrative, other operating income and expenses are generated in Switzerland. Management does not allocate the expenses to the individual countries where the company generated revenues.

The Group's geographic information is as follows:

in TCHF	January 1 – March 31, 2008				January 1 – March 31, 2007			
	CH	USA	Other	Total	CH	USA	Other	Total
Research and collaboration revenue	252	8	–	260	187	10	–	197
Segment result	252	8	–	260	187	10	–	197
Unallocated expenses				(10,465)				(8,758)
Operating income/(loss)				(10,205)				(8,561)
Financial income/(expenses), net				(41)				(146)
Deferred tax income convertible bond				–				2,992
Net income/(loss)				(10,246)				(5,715)
Other information				March 31, 2008				March 31, 2007
Assets				112,874				118,702
Liabilities				(67,992)				(67,794)
				January 1 – March 31, 2008				January 1 – March 31, 2007
Capital expenditure				201				337
Depreciation				708				703

5) Earnings/(Loss) per share

Basic and diluted net loss per share have been computed based upon the weighted average number of common shares outstanding. Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase, warrants, and convertible securities. Neither outstanding options to purchase shares of common stock nor shares resulting from the conversion right of the bond holders were included in the computation of the dilutive net loss per share as the effect would have been anti-dilutive.

6) Share option plans

The Company regularly grants share options to employees. Usually the share options are equity-settled; one plan is cash-settled. For equity settled plans, the fair value of the options is determined at the grant date based on the market price using the Black-Scholes Model. For cash settled plans, the fair value of the options is determined each period.

In November 2007, the board of directors approved a new share option plan ("SOP 2008"), according to which a total of 106,204 options were granted on January 8, 2008. Each option entitles the holder to purchase one share of the Company within five years after the grant date. Options can only be exercised after a vesting period of two years. In the case of a change of control the options become exercisable. The exercise price is CHF 79.35, corresponding to the average closing price of the shares during the first three trading days in the year 2008. Management is convinced this represents the best estimate of the fair value of the underlying common stock. This option plan is classified as equity settled.

For these share options the following assumptions were used applying the Black-Scholes Option Pricing Model:

Share option conditions and assumptions	SOP 2008
Nature of arrangement	Grant of share options
Grant date	08.01.2008
Number of options granted	106,204
Exercise price (CHF)	79.35
Share price at date of grant (CHF)	76.00
Contractual life (years)	5.0
Vesting period (years)	2.0
Settlement	Equity
Expected volatility (%)	46.5
Expected option life at grant date (years)	3.5
Risk-free interest rate p.a. (%)	2.89
Expected dividend	zero
Estimated fair value at grant date (CHF)	21.45
Expiry date	07.01.2013
Valuation model	Black-Scholes

For all share options granted the Group expensed TCHF 561 and TCHF 1,086 for the first three months of 2008 and 2007, respectively.

7) Financial assets and liabilities

In the first three months of 2008, fixed-term time deposits in the amount of CHF 76 million were paid back to the Group. Thereof CHF 71 million have been reinvested according to the Group's financial plan.

8) Property and equipment

In the first three months of 2008, the Group invested TCHF 201 into property and equipment.

9) Long-term liabilities

In February 2007, the Company issued a 2.875% p.a. convertible bond with a nominal value of CHF 70 million. The bond matures in 5 years on February 20, 2012, and is convertible into the Company's shares at a conversion price of CHF 175. The values of the liability component and the equity conversion component were determined at issuance of the bond.

The fair value of the liability component, included in long-term liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity.

Transaction costs associated with the issuance have been allocated proportionately to the liability and equity components.

The convertible bond recognized in the balance sheet is calculated as follows:	TCHF
Nominal value of convertible bond issued in February 2007	70,000
Equity component	(11,788)
Transaction costs allocated to liability component	(1,811)
Liability component on initial recognition	56,401
Interest expense	1,123
Interest paid	2,013
Liability component at March 31, 2008	59,237
thereof short term (included in "accrued expenses")	215

Interest expense of TCHF 1,123 for the convertible bond has been recognized as "Financial expense" for the first three months of 2008.

On February 20, 2008, the interest payment of the convertible bond was due and amounted to TCHF 2,013.

Disclaimer

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this Quarterly Report, including but not limited to, statements, estimates and projections of future trends and of the anticipated future performance of Cytos Biotechnology Ltd and its subsidiaries (together "the Group") constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievement of the Group, or industry results, to differ materially from any future results, performance or achievement implied by such forward-looking statements. The forward-looking statements are based on the Group's current beliefs and assumptions regarding a large number of factors affecting its business. Such beliefs and assumptions are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. There can be no assurance that: (i) the Group has correctly measured or identified all of the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group's analysis is based is complete or accurate, (iii) the Group's analysis is correct or (iv) the Group's strategy, which is based in part on this analysis, will be successful. Factors which affect the Group's business include, but are not limited to, (i) general market, governmental and regulatory trends, (ii) competitive pressures, (iii) technological developments, (iv) effectiveness and safety of the Group's technology and therapeutics, (v) uncertainty regarding outcome of clinical trials and regulatory approval process, (vi) management changes, (vii) changes in the market in which the Group operates and (viii) changes in the financial position or credit-worthiness of the Group's customers and partners.

Shareholder Information

Stock exchange listings at SWX Swiss Exchange

Registered shares: Swiss Security No.: 1 102 521, SWX:CYTN
Convertible bond 2012: Swiss Security No.: 2 906 073, SWX:CYT07

Share register

Aktienregister Cytos Biotechnology Ltd
c/o Nimbus AG
Postfach, CH-8866 Ziegelbrücke

Capital structure

Number of registered shares (nominal value CHF 0.10)	5,261,735
Conditional capital	CHF 168,159
Authorized capital	CHF 200,000
Free float	92%

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Cytos Biotechnology Ltd is a public Swiss biotechnology company that specializes in the discovery, development and commercialization of a new class of biopharmaceutical products – the Immunodrugs™. Immunodrugs™ are intended for use in the treatment and prevention of common chronic diseases, which afflict millions of people worldwide. Immunodrugs™ are designed to instruct the patient's immune system to produce desired therapeutic antibody or T cell responses that modulate chronic disease processes. Taking advantage of the high flexibility of its Immunodrug™ platform, Cytos Biotechnology has built a diversified pipeline of Immunodrug™ candidates in various disease areas, of which six are currently in clinical development. The Immunodrug™ candidates are developed both in-house and together with Novartis and Pfizer Animal Health. Founded in 1995 as a spin-off from the Swiss Federal Institute of Technology (ETH) in Zurich, the Company is located in Schlieren (Zurich). Currently, the Company has 132 employees. Cytos Biotechnology Ltd has been listed on the SWX Swiss Exchange (SWX:CYTN) since October 2002.