

April 22, 2010

First Quarter Report

as of March 31, 2010

Important events in Q1 2010

- Partner Novartis starts a further placebo-controlled phase II study with the vaccine candidate CAD106 in 120 Alzheimer's disease patients
- Change of Chairmanship in the Board of Directors
- Jakob Schlapbach (59) will resign as CFO during the year 2010 and will be proposed to become a member of the Board of Directors
- **Upcoming events:**
 - Presentation at the Vaccine Innovation, April 28-29, 2010 in Frankfurt, Germany
 - Presentation at the EAACI London 2010, June 5-9, 2010 in London, UK
 - Presentation at the Active Immunotherapeutics Forum, June 21-23, 2010 in Barcelona, Spain
- **Financial summary**

		Q1 2010	Q1 2009
Revenue	CHF million	0.3	0.3
Net operating costs	CHF million	(6.9)	(11.0)
Net loss	CHF million	(3.8)	(11.8)
		March 31, 2010	December 31, 2009
Cash, cash equivalents, financial assets and trade receivables	CHF million	47.9	60.5
Full-time employees	number	82	85

Partner Novartis starts a further placebo-controlled phase II study with the vaccine candidate CAD106 in 120 Alzheimer's disease patients

In March 2010 Novartis initiated a randomized, placebo-controlled, multicenter phase II clinical trial in ten North American and European countries to investigate the safety, tolerability, immunogenicity and effect on disease related markers of repeated injections of adjuvanted CAD106 in 120 mild Alzheimer's disease patients. CAD106 is an active immunotherapy in development for the treatment of patients with Alzheimer's disease and the subject of an exclusive license agreement between Novartis and Cytos Biotechnology.

CAD106 consists of two components, the virus-like particle Qb coupled with a fragment of the beta-amyloid peptide and is based on joint research between Novartis and Cytos Biotechnology. CAD106 treatment leads to the generation of antibodies against the beta-amyloid peptide and aims to prevent the formation of beta-amyloid containing plaques in the brains of Alzheimer's patients. Because the formation of these plaques is considered a hallmark of the disease, CAD106 offers the potential to advance the causal treatment of Alzheimer's disease.

Change of Chairmanship in the Board of Directors

As of the next Shareholders' meeting, taking place April 22, 2010, Dr. Thomas Hecht, presently vice-chairman, will become chairman of the Board of Directors, succeeding Dr. François L'Eplattenier who does not stand for re-election due to age.

Jakob Schlapbach (59) will resign as CFO during the year 2010 and will be proposed to become a member of the Board of Directors

In March 2010, Cytos Biotechnology announced that Jakob Schlapbach (59) wishes to make use of the possibility of early retirement and plans to resign from his operational role as CFO of Cytos Biotechnology Ltd during the year 2010. To secure his further valuable support and long years of experience, Jakob Schlapbach will be proposed at the forthcoming Annual General Meeting for the election to the Board of Directors. A search for a new CFO has been initiated.

Upcoming events

Presentation at Vaccine Innovation, April 28-29, 2010 in Frankfurt, Germany

Martin F. Bachmann, PhD, CSO of Cytos Biotechnology, will present: "Advances in research methodology for vaccination against typ II diabetes" on Wednesday, April 28, 2010, 2.30 pm at Marriott Courtyard Frankfurt Messe.

Presentation at the EAACI London 2010 (European Academy of Allergy and Clinical Immunology), June 5-9, 2010 in London, UK

Martin F. Bachmann, PhD, CSO of Cytos Biotechnology, will present: "Bacteriophage coupled Fel d1 a novel immunotherapy agent for cat allergy" on Tuesday, June 8, 2010, 10.30 am at the ExCeL London (Exhibition and Conference Centre London).

Presentation at the Active Immunotherapeutics Forum, June 21-23, 2010 in Barcelona, Spain

Martin F. Bachmann, PhD, CSO of Cytos Biotechnology, will talk about: "What are the recent advances in B cell and antibody approaches to active immunotherapy, and how are they being used to inform decisions in different disease areas?" on Wednesday, June 23, 2010, 9.30 am at the Fira Palace.

Financial results

Funds available for financing the operations amounted to CHF 47.9 million at March 31, 2010, and include cash, cash equivalents, financial assets and trade receivables from collaboration partners. They were thus CHF 12.6 million lower than end of December 2009. This net change is composed of payments from collaboration partners and financing of the ongoing operating, investing and financing activities including the buy back of CHF 8.3 million nominal value (11.9%) of the convertible bonds.

Revenues remained stable in the first quarter 2010 compared to the first quarter 2009, amounting to CHF 0.3 million.

Net operating costs in the first quarter 2010 amounted to CHF 6.9 million and were thus CHF 4.1 million lower than in the first quarter 2009. Research and development costs decreased in the first quarter 2010 by CHF 3.9 million to CHF 6.0 million due to less employee expenses because of the head count reduction in the 2nd quarter 2009 and decreased activities in pre-clinical and clinical trials. General and administrative costs and sales and marketing expenses combined amounted to CHF 1.0 million and were lower in the first quarter 2010 by CHF 0.1 million compared to the corresponding quarter in 2009.

Financial income increased in the first quarter 2010 by CHF 3.7 million to CHF 3.8 million, mainly due to the gain from buying back part of the issued convertible bonds. Financial expense in the first quarter 2010 was CHF 0.9 million and was thus CHF 0.3 million lower than in the first quarter 2009.

Net loss in the first quarter 2010 was CHF 3.8 million compared to a net loss of CHF 11.8 million in the same period in 2009. The decrease of net loss was influenced by less operating costs and higher net financial income in the first quarter 2010.

The gross cash burn for operating activities as calculated based on the Cash Flow Statement was CHF 2.2 million per month in the first three months 2010 compared to CHF 2.8 million per month in the first three months 2009.

Statutory financial figures

(in CHF million)	March 31, 2010	December 31, 2009
Total assets	113.1	121.9
Convertible bonds - 2012	48.8	57.1
Other liabilities	16.6	17.4
Shareholder's equity	47.7	47.4

Cytos Biotechnology Ltd and subsidiaries

Consolidated Balance Sheets as of			
in TCHF	Note	March 31, 2010	December 31, 2009
Non-current assets:			
Property and equipment, net	9	5,454	5,993
Investment in associates		48	48
Total non-current assets		5,502	6,041
Current assets:			
Prepayments and other assets		2,761	1,671
Trade and other receivables		301	3,021
Financial assets	8	37,000	37,000
Cash and cash equivalents	8	10,916	20,969
Total current assets		50,978	62,661
Total assets		56,480	68,702
Shareholders' equity:			
Share capital	4	527	527
Legal reserves		136	136
Additional paid-in capital		210,250	210,018
Convertible bond – equity component	10	7,061	7,645
Treasury shares		(10)	(6)
Accumulated deficit		(213,893)	(210,079)
Total shareholders' equity		4,071	8,241
Non-current liabilities:			
Accrued expenses		661	680
Convertible bond – liability component	10	44,829	51,864
Pension liabilities		910	910
Provisions		2,057	2,148
Total non-current liabilities		48,457	55,602
Current liabilities:			
Trade accounts payable		546	253
Other current liabilities		45	224
Accrued expenses		2,719	3,564
Deferred income		564	814
Provisions		78	4
Total current liabilities		3,952	4,859
Total shareholders' equity and liabilities		56,480	68,702

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

Cytos Biotechnology Ltd and subsidiaries

Consolidated Income Statements		Three months ended	Three months ended
in TCHF	Note	March 31, 2010	March 31, 2009
Revenue	5	250	250
Revenue		250	250
Research and development		(5,953)	(9,921)
Sales and marketing		(170)	(270)
General and administrative		(853)	(803)
Other income/(expenses), net		54	8
Net operating costs		(6,922)	(10,986)
Operating loss		(6,672)	(10,736)
Financial income		3,783	119
Financial expense		(924)	(1,166)
Loss before tax		(3,813)	(11,783)
Net loss		(3,813)	(11,783)
Consolidated Statements of Comprehensive Income			
in TCHF (except for share information)	Note	Three months ended March 31, 2010	Three months ended March 31, 2009
Net loss		(3,813)	(11,783)
Currency translation differences		(1)	(162)
Other comprehensive loss		(1)	(162)
Total comprehensive loss		(3,814)	(11,945)
Basic and diluted net loss per share in CHF	6	(0.72)	(2.24)
Weighted average number of shares used in computing basic and diluted net loss per share		5,269,146	5,268,422
<i>See accompanying notes which are an integral part of these consolidated condensed interim financial statements.</i>			

Cytos Biotechnology Ltd and subsidiaries

Consolidated Condensed Statements of Cash Flows in TCHF	Note	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash flow from operating activities:			
Net loss before tax		(3,813)	(11,783)
Depreciation and amortization		537	643
Share-based compensation	7	233	576
Other cash flow items		(2,876)	1,109
Changes in assets and liabilities		1,955	15,415
Net cash (used in)/provided by operating activities		(3,964)	5,960
Net cash (used in)/provided by investing activities		46	28,071
Net cash (used in)/provided by financing activities		(6,133)	(1,992)
Net effect of currency translation on cash		(2)	18
Net increase/(decrease) in cash and cash equivalents		(10,053)	32,057
Cash and cash equivalents, beginning of period		20,969	40,322
Cash and cash equivalents, end of period		10,916	72,379

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

Cytos Biotechnology Ltd and subsidiaries

Consolidated Statements 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, 2009	5,270,056	527	136	207,899	8,430	(42)	(185,058)	(32)	31,860
Total comprehensive loss	-	-	-	-	-	-	(11,783)	(162)	(11,945)
Share issuance costs	-	-	-	(3)	-	-	-	-	(3)
Net movement of treasury shares	-	-	-	(23)	-	18	-	-	(5)
Share-based compensation	-	-	-	576	-	-	-	-	576
March 31, 2009	5,270,056	527	136	208,449	8,430	(24)	(196,841)	(194)	20,483
January 1, 2010	5,270,056	527	136	210,018	7,645	(6)	(209,884)	(195)	8,241
Total comprehensive loss	-	-	-	-	-	-	(3,813)	(1)	(3,814)
Partial repurchase of convertible bonds	-	-	-	-	(584)	-	-	-	(584)
Net movement of treasury shares	-	-	-	(1)	-	(4)	-	-	(5)
Share-based compensation	-	-	-	233	-	-	-	-	233
March 31, 2010	5,270,056	527	136	210,250	7,061	(10)	(213,697)	(196)	4,071

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.

The consolidated condensed interim financial statements have been approved for issuance by the Audit Committee on April 16, 2010.

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, 2009.

These consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2009. For better readability, the amounts in the Group’s financial statements and notes are presented in thousand Swiss Francs (TCHF) unless stated otherwise.

3. Seasonality

Operating costs and revenue are not exposed to material seasonal variations. However, revenue from biotech companies may vary significantly throughout the year, since revenue is often linked to up-front, milestone and license payments as well as payments for delivery of drug substances, which occur sporadically.

4. Shareholders’ equity

In the course of the first three months of 2010, no options have been exercised.

5. Segment information

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. The operations of the Group are managed as a single operating segment. The Group derives its research and collaboration revenues from research and development collaborations with third parties.

Geographical segment

Research and collaboration revenues are attributable to individual countries and are based on the location of the customer, while the non-current 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. Therefore management does not allocate the expenses to the individual countries where the Group generated revenue.

The Group's geographic information is as follows:

in TCHF	Three months ended March 31, 2010				Three months ended March 31, 2009			
	CH	USA	Other	Total	CH	USA	Other	Total
Revenue	250	-	-	250	250	-	-	250
Unallocated expenses				(6,922)				(10,986)
Operating loss				(6,672)				(10,736)
Financial income/(expense), net				2,859				(1,047)
Net loss				(3,813)				(11,783)
Currency translation differences				(1)				(162)
Total comprehensive loss				(3,814)				(11,945)
Other information:				March 31, 2010				December 31, 2009
Assets				56,480				68,702
Liabilities				52,409				60,461
				Three months ended March 31, 2010				Three months ended March 31, 2009
Capital expenditure for property and equipment				2				117
Depreciation and amortization				537				643

Analysis of revenue by category:

in TCHF	Three months ended March 31, 2010	Three months ended March 31, 2009
Revenue from technology access and technology transfer	-	-
Revenue from research and development	-	-
Revenue from up-front fees, success and milestone payments	-	-
Revenue from royalties and licences	250	250
Total	250	250

Analysis of revenue by major customers:		
in TCHF	Three months ended March 31, 2010	Three months ended March 31, 2009
Major customer "A" CH	250	250
Major customer "B" USA	-	-
Other customers CH/USA/Other	-	-
Total	250	250

6. Net 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.

7. Share option plans

The Group granted regularly share options to employees, members of the board of directors and consultants. Usually the share options are equity-settled. The fair value of the options is determined at the grant date based on the market price using the Black-Scholes Model.

In November 2009, the board of directors approved a new share option plan ("SOP 2010"), according to which a total of 90,993 options were granted in January 2010, partly dependent on the increase of the conditional capital for share option plans at the forthcoming Annual General Meeting. 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 cliff vesting period of two years. In the case of a change of control the options become exercisable. The exercise price is CHF 14.05, corresponding to the average closing price of the shares during the first three trading days in the year 2010. 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.

The following table provides the conditions as well as the assumptions applied to the granted share options during 2010:

Share options, conditions and assumptions	SOP 2010
Nature of arrangement	Grant of share options
Grant date	07.01.2010
Number of options granted	90,993
Exercise price (CHF)	14.05
Share price at date of grant (CHF)	14.30
Contractual life (years)	5.0
Vesting period (years)	2.0
Settlement	Equity
Expected volatility (%)	51.2
Expected option life at grant date (years)	3.5
Risk-free interest rate p.a. (%)	1.304
Expected dividend	zero
Estimated fair value of option at grant date (CHF)	5.55
Expiry date	06.01.2015
Valuation model	Black-Scholes

Share-based compensation amounted to TCHF 233 and TCHF 576 for the first three months of 2010 and 2009, respectively.

8. Cash, cash equivalents and financial assets

In the first three months of 2010, fixed-term time deposits (with original maturities of 1 month to 12 months) in the amount of CHF 8 million were paid back to the Group and have been reinvested.

9. Property and equipment

In the first three months 2010, the Group invested TCHF 2 into equipment (three-months period 2009: TCHF 117, predominantly in laboratory equipment).

10. Non-current liabilities

In February 2007, the Company issued 2.875% p.a. convertible bonds ("Convertible Bond") with a nominal value of CHF 70 million, which is listed on the SIX Swiss Exchange under the symbol CYT07 (security number 2 906 073). The bonds mature on February 20, 2012, and are 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 Convertible Bond.

The fair value of the liability component, included in "non-current 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	13,668
Partial repurchase of convertible bonds	(10,911)
Gain on partial repurchase of convertible bonds	(10,026)
Reversal of equity component	1,368
Interest paid	(5,521)
Liability component at March 31, 2010	44,979
thereof short-term (included in "accrued expenses")	150

Interest expense of TCHF 923 and TCHF 1,166 for the Convertible Bond has been recognized as "Financial expense" for the first three months of 2010 and 2009, respectively.

On February 20, 2010, the annual interest payment of the Convertible Bond was due and amounted to TCHF 1,496 (2009: TCHF 2,013).

In the course of the first quarter 2010, Cytos bought back in the market outstanding convertible bonds (CYT 07). The nominal value of these bonds amounted to CHF 8.3 million and the average purchase price was 54.07% of the nominal value. These repurchases resulted in a financial gain of CHF 3.7 million.

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.

Stock exchange listings at SIX Swiss Exchange

Registered shares: Swiss Security No. 1 102 521, SIX:CYTN
Convertible bond 2012: Swiss Security No. 2 906 073, SIX: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)	5,270,056
Conditional capital	CHF 167,327
Authorized capital	CHF 200,000
Free float	92.7%

Contacts

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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, Pfizer 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 82 full-time employees. Cytos Biotechnology Ltd is listed on the SIX Swiss Exchange (SIX:CYTN).