

July 23, 2009

Second Quarter Report

as of June 30, 2009

Important events in Q2 2009

- Cytos Biotechnology reported biochemical findings from a phase IIa study with the hypertension vaccine CYT006-AngQb
- Initiation of a combined phase I/IIa study with a novel anti-interleukin-1 beta vaccine in patients with type II diabetes mellitus
- Initiation of a phase IIa study with the immunotherapy CYT003-QbG10 in patients with allergic asthma bronchiale
- **Upcoming event:**
Presentation of Cytos Biotechnology at the World Vaccine Congress, October 5-8, 2009 in Lyon, France
- **Financial summary**

		YTD* 2009	YTD* 2008	Q2 2009	Q2 2008
Revenue	CHF million	6.6	5.5	6.3	5.2
Net operating costs	CHF million	(22.4)	(20.5)	(11.4)	(10.1)
Net loss	CHF million	(18.0)	(15.7)	(6.2)	(5.4)
		June 30, 2009	December 31, 2008		
Cash, cash equivalents, financial assets and trade receivables	CHF million	77.9	98.0		
Full-time employees	number	117	132		

*YTD = year to date January 1 – June 30

Cytos Biotechnology reported biochemical findings from a phase IIa study with the hypertension vaccine CYT006-AngQb

In June 2009, Cytos Biotechnology announced results from a biochemical analysis of a phase IIa study (study 02) with the vaccine candidate CYT006-AngQb for the treatment of hypertension. In a first phase IIa study (study 01), CYT006-AngQb has demonstrated a significant reduction of the day-time ambulatory blood pressure of -9 / -4 mmHg (systolic/diastolic) vs. placebo (The Lancet 2008, 371:821). In study 02, an accelerated treatment regimen with injections at weeks 0, 2, 4, 6, and 10 was tested, while in study 01 the vaccine was given at weeks 0, 4, and 12. This modification was anticipated to induce higher antibody titers and, thereby, a stronger blood pressure reduction. While first study results communicated on March 17, 2009, showed on average a 5-fold higher antibody titer in study 02 than in study 01, the blood pressure reductions in study 02 were much lower than in study 01; they amounted to -2.3 / -0.4 mmHg (systolic/diastolic). In order to understand this discrepancy, the biochemical properties of the induced antibody responses were analyzed in detail. The main findings are as follows:

- Antibody affinities (i.e. the strength by which the antibodies bind angiotensin II) determined by different biochemical methods were significantly lower in study 02 than in study 01 ($p < 0.001$).
- The amount of angiotensin II sequestered in the blood of vaccinated individuals was on average 33% lower in study 02 than in study 01.
- The individual changes in day-time ambulatory blood pressure correlated with the individual antibody affinities ($p = 0.10$) and, in particular, with measures for the off-rate, which describes how long angiotensin II is bound to the antibodies ($p = 0.006$). This means that patients whose antibodies had a higher affinity and which bound angiotensin II for a longer period of time showed a larger blood pressure reduction. No such correlation was detected between individual antibody titers and blood pressure reductions ($p = 0.47$).

A hypothesis which would be compatible with the above findings is that an accelerated treatment regimen like in study 02 leads to the induction of antibody responses with higher titers but lower affinities, thereby creating a lower capacity for sequestering angiotensin II in the blood, and ultimately leading to a smaller blood pressure reduction. Cytos Biotechnology will prospectively test this hypothesis in study 03, which is currently ongoing and which will be un-blinded in Q3, 2009. Study 03 uses the same treatment regimen as study 02, but higher doses of the vaccine.

Understanding of how the treatment parameters dose and regimen are affecting pharmacodynamic responses like antibody titers, affinities and effects on blood pressure is crucial for the development of a novel therapy like CYT006-AngQb. A positive validation of the above hypothesis in study 03 would therefore guide the next development step of this vaccine candidate which would then focus on the induction and subsequent boosting of high affinity antibodies.

Initiation of a combined phase I/IIa study with a novel anti-interleukin-1 beta vaccine in patients with type II diabetes mellitus

In June 2009, Cytos Biotechnology announced that it has initiated a combined phase I/IIa clinical study with CYT013-IL1bQb in type II diabetes mellitus. CYT013-IL1bQb is a novel therapeutic vaccine candidate targeting interleukin-1 beta (IL-1 beta), an inflammatory cytokine which has been implicated in the pathogenesis of type II diabetes.

The study is a two-stage, randomized, double-blind, placebo-controlled, multicentre study designed to evaluate the safety, tolerability and preliminary efficacy of CYT013-IL1bQb in patients with type II diabetes mellitus. The phase I stage with up to 32 patients will evaluate ascending dose regimens of CYT013-IL1bQb. Thereafter, the following phase IIa stage is planned to include 90 patients and to compare a selected dose regimen of CYT013-IL1bQb in its effect to placebo.

CYT013-IL1bQb consists of modified IL-1 beta molecules coupled to the virus-like particle Qb. IL-1 beta has been implicated in the pathogenesis of type II diabetes through the destruction of pancreatic islet cells that produce insulin¹. The vaccine aims at inducing antibodies against IL-1 beta with the goal to decrease inflammation and reduce disease progression. Early clinical studies by independent groups have shown that blockade of IL-1 beta with a monoclonal antibody and a receptor antagonist had beneficial treatment effects in type II diabetes patients^{1,2}. The findings suggest that blockade of IL-1 beta has potential to modify type II diabetes by preserving insulin producing cells and not just control disease symptoms as common anti-diabetic drugs do. CYT013-IL1bQb represents an active immunization approach expected to induce a long-lasting effect over several months so that convenient dosing schedules and only low amounts of vaccine (in the 100 microgram range per injection) are foreseen for individual patients.

1) *New England Journal of Medicine*, 2007, 356:1517. Interleukin-1-receptor antagonist in type 2 diabetes mellitus.

2) *Xoma*, Press Release September 8, 2008.

Initiation of a phase IIa study with CYT003-QbG10 monotherapy in patients with allergic asthma bronchiale

In April 2009, Cytos Biotechnology announced that it has initiated a phase IIa clinical study with CYT003-QbG10, an immunotherapeutic product for the allergen-independent treatment of allergy and asthma. The study is a randomized, double-blind, placebo-controlled, multicentre study to evaluate the safety, tolerability and exploratory efficacy of CYT003-QbG10 in 60 patients with persistent allergic asthma bronchiale. First results are expected to be available in H1 2010.

CYT003-QbG10 is based on Cytos Biotechnology's modified Immunodrug™ platform, which encompasses the virus-like particle Qb filled with the immunostimulatory DNA sequence G10. CYT003-QbG10 is designed as a disease-modifying treatment and aims to alter the immunological milieu and the allergic immune cell responses to ameliorate disease symptoms. In contrast to conventional immunotherapy approaches, which are all based on allergen components, CYT003-QbG10 is free of allergen and is thought to act through an allergen-independent mechanism. The use of an allergen-independent agent would not only simplify treatment for multiple allergies but may also allow application in patients with severe allergies and asthma for whom conventional immunotherapy approaches are not recommended as exposure to allergens may cause serious side-effects. In a recent phase II study CYT003-QbG10 showed a beneficial treatment effect in a subgroup of patients with allergic asthma, thus providing a rationale for further development of CYT003-QbG10 in this important indication with high unmet medical need.

Upcoming event

Presentation of Cytos Biotechnology at the World Vaccine Congress, October 5-8, 2009 in Lyon, France

PhD Martin F. Bachmann, CSO of Cytos Biotechnology, will present: "Pursuing in parallel Immunodrug™ programs addressing important chronic disease indications" on Wednesday, October 7, 2009, at 2.10 pm.

The World Vaccine Congress Lyon is Europe's largest event addressing the research and development and commercial manufacture of vaccines across the therapeutic and prophylactic landscape.

Financial results

Three months period April 1 - June 30, 2009

On June 30, 2009, cash, cash equivalents, financial assets and trade receivables from collaboration partners amounted to CHF 77.9 million, CHF 10.0 million less than on March 31, 2009. The funds were used for financing the ongoing operating activities.

Revenue in the 2nd quarter 2009 was CHF 6.3 million and stems mainly from deferred income in conjunction with the execution of commercial license agreements in December 2008 by Pfizer. In the same quarter of the year 2008, revenue was CHF 5.2 million based mostly on a compensation from Novartis due to the progress made with the Alzheimer's vaccine candidate CAD106.

Net operating costs in the 2nd quarter 2009 amounted to CHF 11.4 million and were thus CHF 1.3 million higher than in the 2nd quarter 2008. Research and development costs increased in the 2nd quarter 2009 by CHF 0.9 million to CHF 9.9 million due to increased activities in pre-clinical and clinical trials. General and administrative costs and sales and marketing expenses combined amounted to CHF 1.6 million and were higher in the 2nd quarter 2009 by CHF 0.2 million compared to the corresponding quarter in 2008.

Financial income decreased in the 2nd quarter 2009 by CHF 0.4 million to CHF 0.1 million, due to a lower average amount of financial assets invested in the money market and lower interest rates. Financial expense in the 2nd quarter 2009 was CHF 1.2 million and slightly higher than in the 2nd quarter 2008.

Net loss in the 2nd quarter 2009 was CHF 6.2 million compared to a net loss of CHF 5.4 million in the same period in 2008. Higher revenues in the 2nd quarter 2009 were offset by higher net operating costs and lower interest income.

Six months period January 1 - June 30, 2009

In the first six months in 2009, revenue was CHF 6.6 million. The revenue stems mainly from deferred income in conjunction with the execution of commercial license agreements in December 2008 by Pfizer and license income from a development collaboration. In the comparable period in 2008, revenue was CHF 5.5 million, based mostly on a compensation from Novartis due to the progress made with the Alzheimer's vaccine candidate CAD106.

Net operating costs in the first six months 2009 were CHF 22.4 million, an increase of CHF 1.9 million compared to 2008. The reason for the increase was mainly due to higher activities in pre-clinical and clinical trials.

During the first six months 2009, the average amount of financial assets invested and the interest rates were lower than in the same period 2008 and therefore resulted in a financial income of CHF 0.2 million, a decrease of CHF 1.4 million compared to the same period in 2008. Financial expense in the first six months 2009 was CHF 2.3 million and slightly higher than in the first six months 2008.

Year to date net loss amounts to CHF 18.0 million in 2009, compared to a net loss of CHF 15.7 million in the first six months 2008. Higher revenues in the first six months 2009 were offset by higher net operating costs and lower financial income.

Gross cash burn for operating activities as calculated based on the Cash Flow Statement was CHF 3.0 million per month in the first six months 2009, below the guidance of CHF 3.3 - 3.7 million per month given by management at the beginning of the year and also lower than the comparable figure in 2008, which was CHF 3.6 million per month.

Cytos Biotechnology Ltd and subsidiaries

Consolidated Balance Sheets as of			
in TCHF	Note	June 30, 2009	December 31, 2008
Non-current assets:			
Property and equipment, net	9	7,222	8,383
Investment in associates		42	235
Trade and other receivables		–	2,500
Total non-current assets		7,264	11,118
Current assets:			
Prepayments and other assets		2,264	2,603
Trade and other receivables		2,877	15,712
Financial assets	8	17,000	41,000
Cash and cash equivalents	8	58,360	40,322
Total current assets		80,501	99,637
Total assets		87,765	110,755
Shareholders' equity:			
Share capital	4	527	527
Legal reserves		136	136
Additional paid-in capital		209,195	207,899
Convertible bond – equity component	10	8,430	8,430
Treasury shares		(26)	(42)
Accumulated deficit		(203,221)	(185,090)
Total shareholders' equity		15,041	31,860
Non-current liabilities:			
Accrued expenses		721	772
Convertible bond – liability component	10	62,225	60,887
Pension liabilities	11	503	924
Provisions		2,069	1,979
Total non-current liabilities		65,518	64,562
Current liabilities:			
Trade accounts payable		1,225	800
Other current liabilities		138	294
Accrued expenses		3,630	4,500
Deferred income		2,195	8,704
Provisions		18	35
Total current liabilities		7,206	14,333
Total shareholders' equity and liabilities		87,765	110,755

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

Cytos Biotechnology Ltd and subsidiaries

Consolidated Income Statements		Six months ended	Six months ended	Three months ended	Three months ended
in TCHF	Note	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue	5	6,575	5,507	6,325	5,247
Revenue		6,575	5,507	6,325	5,247
Research and development		(19,837)	(18,462)	(9,916)	(9,043)
Sales and marketing		(641)	(424)	(371)	(247)
General and administrative		(1,993)	(1,984)	(1,190)	(1,104)
Other income/(expenses), net		60	352	52	341
Net operating costs		(22,411)	(20,518)	(11,425)	(10,053)
Operating loss		(15,836)	(15,011)	(5,100)	(4,806)
Financial income		203	1,565	84	483
Financial expense		(2,337)	(2,246)	(1,171)	(1,124)
Loss before tax		(17,970)	(15,692)	(6,187)	(5,447)
Net loss		(17,970)	(15,692)	(6,187)	(5,447)
Consolidated Statements of Comprehensive Income					
in TCHF (except for share information)	Note	Six months ended	Six months ended	Three months ended	Three months ended
		June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Net loss		(17,970)	(15,692)	(6,187)	(5,447)
Currency translation differences		(161)	(4)	1	(1)
Other comprehensive loss		(161)	(4)	1	(1)
Total comprehensive loss		(18,131)	(15,696)	(6,186)	(5,448)
Basic and diluted net loss per share	6	(3.41)	(2.98)	(1.17)	(1.03)
Weighted average number of shares used in computing basic and diluted net loss per share		5,268,323	5,261,868	5,268,310	5,263,114
<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		Six months ended	Six months ended
in TCHF	Note	June 30, 2009	June 30, 2008
Cash flow from operating activities:			
Net loss before tax		(17,970)	(15,692)
Depreciation and amortization		1,269	1,406
Share-based compensation	7	1,325	1,252
Outflow for cash settled options		-	(27)
Other financial cash flow items		2,152	668
Changes in assets and liabilities		9,102	(9,358)
Net cash (used in)/provided by operating activities		(4,122)	(21,751)
Net cash (used in)/provided by investing activities		24,138	(9,830)
Net cash (used in)/provided by financing activities		(2,026)	(1,753)
Net effect of currency translation on cash		48	110
Net increase/(decrease) in cash and cash equivalents		18,038	(33,224)
Cash and cash equivalents, beginning of period		40,322	43,043
Cash and cash equivalents, end of period		58,360	9,819

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, 2008	5,261,375	526	136	204,707	8,430	(101)	(159,049)	(215)	54,434
Total comprehensive loss	-	-	-	-	-	-	(15,692)	(4)	(15,696)
Issuance of share capital	5,928	1	-	307	-	-	-	-	308
Net movement of treasury shares	-	-	-	(22)	-	(3)	-	-	(25)
Share-based compensation	-	-	-	1,225	-	-	-	-	1,225
June 30, 2008	5,267,303	527	136	206,217	8,430	(104)	(174,741)	(219)	40,246
January 1, 2009	5,270,056	527	136	207,899	8,430	(42)	(185,058)	(32)	31,860
Total comprehensive loss	-	-	-	-	-	-	(17,970)	(161)	(18,131)
Share issuance costs	-	-	-	(11)	-	-	-	-	(11)
Net movement of treasury shares	-	-	-	(18)	-	16	-	-	(2)
Share-based compensation	-	-	-	1,325	-	-	-	-	1,325
June 30, 2009	5,270,056	527	136	209,195	8,430	(26)	(203,028)	(193)	15,041

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 July 16, 2009.

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, 2008.

The International Accounting Standards Board (IASB) revised or introduced various International Financial Reporting Standards (IFRS) effective on January 1, 2009. The following revised or new standards or interpretations are relevant for the Group and are reflected within this interim report and had an impact on disclosure aspects of the reporting:

- IAS 1 (Revised): Presentation of statement of comprehensive income
- IFRS 8: Consideration of additional segment disclosures

As required by the IASB, additional disclosures will be presented in the annual financial statement.

These consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2008. 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

On March 4, 2009, the board of directors registered at the Commercial Register of the Canton of Zurich an increase of the share capital of the Company by CHF 868.10 and by 8,681 shares up to CHF 527,005.60 and 5,270,056 shares with a nominal value of CHF 0.10 each. This increase is a result of options exercised by employees in 2008. In the course of the first six months of 2009, no options have been exercised.

5. 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. 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.

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 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 revenues.

The Group's geographic information is as follows:

in TCHF	Six months ended June 30, 2009				Six months ended June 30, 2008			
	CH	USA	Other	Total	CH	USA	Other	Total
Revenue	500	6,075	-	6,575	5,499	8	-	5,507
Segment result	500	6,075	-	6,575	5,499	8	-	5,507
Unallocated expenses				(22,411)				(20,518)
Operating loss				(15,836)				(15,011)
Financial income/(expense), net				(2,134)				(681)
Net loss				(17,970)				(15,692)
Currency translation differences				(161)				(4)
Total comprehensive loss				(18,131)				(15,696)
Other information:				June 30, 2009				December 31, 2008
Assets				87,765				110,755
Liabilities				72,724				78,895
				June 30, 2009				June 30, 2008
Capital expenditure for property and equipment				122				370
Depreciation				1,269				1,406

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 2008, the board of directors approved a new share option plan ("SOP 2009"), according to which a total of 116,491 options were granted in January 2009. 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 33.42, corresponding to the average closing price of the shares during the first three trading days in the year 2009. 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.

In November 2008, the board of directors decided to grant – in place of a cash bonus – share options to the members of the Executive Board ("EB SOP 2009"). According to the EB SOP 2009, 42,000 options were granted in January 2009. 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 blocking period of two years. In the case of a change of control the options become exercisable. The exercise price is CHF 33.42, corresponding to the average closing price of the shares during the first three trading days in the year 2009. 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.

In April 2009, the board of directors approved a new share option plan ("SOP Spring 2009"), according to which a total of 84,872 options were granted in the second quarter 2009. 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 12.38, corresponding to the average closing price of the shares during the last three trading days in April 2009. 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 2009:

Share options, conditions and assumptions	SOP 2009/EB SOP 2009	SOP Spring 2009
Nature of arrangement	Grant of share options	Grant of share options
Grant date	08.01.2009	01.05.2009
Number of options granted	158,491	84,872
Exercise price (CHF)	33.42	12.38
Share price at date of grant (CHF)	35.10	12.90
Contractual life (years)	5.0	5.0
Vesting period (years)	2.0	2.0
Settlement	Equity	Equity
Expected volatility (%)	48.4	50.0
Expected option life at grant date (years)	3.5	3.5
Risk-free interest rate p.a. (%)	1.462	1.309
Expected dividend	zero	zero
Estimated fair value of option at grant date (CHF)	13.35	5.01
Expiry date	07.01.2014	30.04.2014
Valuation model	Black-Scholes	Black-Scholes

Share-based compensation amounted to TCHF 1,325 and TCHF 1,115 for the first six months of 2009 and 2008, respectively. As a result of plan modifications due to the company restructuring, additional share-based compensation in the amount of TCHF 282 had to be expensed in the second quarter 2009.

8. Cash, cash equivalents and financial assets

In the first six months of 2009, fixed-term time deposits (with original maturities of 1 month to 12 months) in the amount of CHF 61 million were paid back to the Group. Thereof, CHF 17 million have been reinvested.

9. Property and equipment

In the first half-year 2009, the Group invested TCHF 122 into property and equipment, predominantly for laboratory equipment (6-months period 2008: TCHF 370).

10. Non-current liabilities

In February 2007, the Company issued a 2.875% p.a. 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 bond matures 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 "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	10,566
Interest paid	(4,025)
Liability component at June 30, 2009	62,942
thereof short-term (included in "accrued expenses")	717

Interest expense of TCHF 2,337 and TCHF 2,246 for the convertible bond has been recognized as "Financial expense" for the first six months of 2009 and 2008, respectively.

On February 20, 2009, the annual interest payment of the convertible bond was due and amounted to TCHF 2,013.

11. Retirement plan

The decrease in net pension liabilities from December 31, 2008, in the amount of CHF 0.4 million is a result of an actuarial calculation performed as of June 30, 2009. This new calculation was necessary due to the reduction of 48 FTEs in the context of the restructuring already announced in first quarter 2009. The related curtailment gain from the restructuring was CHF 0.6 million.

12. Revenue

In conjunction with the execution of commercial license agreements in December 2008 by Pfizer, revenue is recognized on a percentage of completion basis. For the first six months 2009 approximately 80% of the transfer of manufacturing technology was completed and thus the appropriate amount was recorded as revenue.

Affinity	a measure which describes how strong an antibody binds to its target molecule.
Allergen	a normally harmless substance that elicits a misdirected immune response.
Ambulatory blood pressure	blood pressure measured by numerous readings over a 24-hour period or longer. Provides accurate and reliable information about a person's blood pressure.
Angiotensin II	a small peptide that is part of the renin-angiotensin system (RAS). Induces narrowing of blood vessels and other effects to raise blood pressure.
Antibody	class of blood proteins generated by the immune system to neutralize foreign materials such as bacteria or viruses. Can also be directed against the body's own disease-associated molecules.
Diastolic blood pressure	lowest pressure within the arterial blood stream occurring with each heart beat.
Immunostimulatory	substance able to stimulate the immune system.
Inflammatory	substance evoking inflammation.
Insulin	natural hormone made by pancreatic islet cells. It regulates blood glucose levels.
Monotherapy	treatment with one drug as opposed to combination therapy. Here the term refers to treatment with QbG10 alone (i.e. CYT003-QbG10) in contrast to an earlier regimen where QbG10 was combined to allergen extract (i.e. CYT005-AllQbG10).
Off-Rate	describes the rate at which an antibody-target complex dissociates.
Pathogenesis	the development of a disease; includes the origin of the disease and the events leading to that disease.
Persistent	refers to a defined classification of asthma disease severity. Patients in this foregoing study suffer daily from asthma symptoms if untreated.
Placebo	dummy medical treatment.
Systolic blood pressure	the highest pressure within the arterial blood stream occurring with each heart beat.
Titer	a relative measure for the amount of antibodies that bind to a target molecule.
Type II diabetes	most common form of diabetes.

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