

# INTERNAL REGULATIONS

of

## **Cytos Biotechnology AG**

(hereinafter the “Company” or “Cytos”)

### **1. Basis and Applicability**

- 1.1. The Board of Directors issued these Internal Regulations **Basis** (hereinafter the „Regulations“) in its meeting of 20 September, 2002. They are based on Articles 716 and 716b of the Swiss Code of Obligations (hereinafter the „CO“) and on Articles 24 (2) of the Company’s Articles of Incorporation (hereinafter the “Articles”).
- 1.2. The present Regulations establish the duties and responsibilities of the executive bodies of the Company, consisting of: **Managing Bodies**
- the Board of Directors (hereinafter the „Board“);
  - the Chairman of the Board (hereinafter the „Chairman“);
  - the Delegate of the Board (hereinafter the „Delegate" or the "CEO“);
  - the Executive Board (hereinafter the “Executive Board”).

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- 1.3. The Regulations are valid for Cytos as well as for all companies which are controlled by Cytos. **Scope of Applicability**
- 2. Tasks and Responsibilities of the Board**
- 2.1. The Board is a body consisting of minimum of three and a maximum of nine members. Its members may not act alone on behalf of the Company and may not give instructions on their own, except where the Articles, the present Regulations or a resolution of the Board provide otherwise. **The Board as a body**
- 2.2. The Board shall constitute itself each year after the annual general meeting of shareholders. In particular, it shall appoint its Chairman and Vice Chairman and a Delegate. The Board appoints a secretary, who may or may not be a member of the Board. **Organization within the Board**
- 2.3. The Board may form one or several Committees which consist of members of the Board. The Committees are in charge of certain specific duties of the Board. Insofar as these Committees have the power to pass resolutions, the duty of the Board to supervise the Committees is reduced. Such Committees must report to the Board on a regular basis, at least once a year. **Committees in general**
- 2.4. The Audit Committee: s. Exhibit 1 **Audit Committee**
- 2.5. The Nomination and Compensation Committee: s. Exhibit 2 **Nomination and Compensation Committee**
- 2.6. The Board has the following functions: **Functions**
- 2.6.1. The ultimate management of the Company and the handing out of the necessary instructions.
- 2.6.2. Establishment and amendment of the strategy of the Company as well as passing of resolutions about the taking up or **Strategy**

suspension of business activities.

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| 2.6.3.  | Establishment and alteration of the organization.   | <b>Organization</b>                                      |
| 2.6.4.  | Based on proposals of the Nomination and Compensation Committee the appointment and dismissal of members of the Executive Board and of other signatories of Cytos.  | <b>Appointments</b>                                      |
| 2.6.5.  | Establishing the finance and investment policy.   | <b>Investment Policy</b>                                 |
| 2.6.6.  | Adoption of the annual budget and approval of deviations from it.   | <b>Annual Budget</b>                                     |
| 2.6.7.  | Based on proposals of Audit Committee approval of the financial planning and establishment of principles of accounting and financial control as well as establishment of a system for internal control and risk management .  | <b>Finance and Accounting</b>                            |
| 2.6.8.  | Determination of the business year of the Company.  | <b>Business Year</b>                                     |
| 2.6.9.  | Supervision of the members of the Executive Board, especially with respect to compliance with laws, the Articles, internal directives and instructions. The Chairman is responsible for the supervision of the Delegate pursuant to para. 3.2.  | <b>Control</b>   |
| 2.6.10. | Preparation of the annual report and General Meetings, as well as the execution of its decisions.   | <b>Preparation of General Meetings and annual report</b> |
| 2.6.11. | Notification of the judge in case of bankruptcy.  | <b>Article 725 (2) CO</b>                                |
| 2.6.12. | Decisions in connection with a capital increase pursuant to Articles 651a (including decision to delete outdated provisions of the Articles), 652e, 652g, 653g and 653i CO, decisions pursuant to Article 634a (1) CO (contributions on shares not fully paid up) and 651 (4) CO (increase of share capital in the case of authorized capital). | <b>Capital Increase/ Contributions</b>                   |
| 2.6.13. | Approval of mass redundancies as set out in Article 335d  | <b>Mass Dismissal</b>                                    |

CO or similar foreign prescriptions.

- 2.6.14. Approval of those affairs for which the Delegate has to seek approval by the Board or for which the Delegate voluntarily seeks approval (para. 4.7). **Approval**
- 2.7. The members of the Board shall accomplish their duties with all the required diligence and shall safeguard the interests of the Company in good faith. Furthermore, the members of the Board and all members of corporate Management convened to a Board meeting shall treat all matters brought to their attention on a strictly confidential basis. **Duties of Diligence and Confidentiality**
- 2.8. The Board decides how the share register shall be organized and who is responsible to keep the share register up to date. It decides on the printing and delivery of shares and share certificates. **Share Register**
- 2.9. The Board issues guidelines to ensure an effective flow of information within the Company and supervises compliance with those guidelines. **Flow of Information**
- 2.10. The Board may issue further guidelines if considered necessary. **Additional Guidelines**
- 2.11. The Board has the power to make decisions on all matters which are not by law, Articles of Incorporation or internal guidelines, vested in General Meetings or in any other body. **Additional Competence**
- 3. Delegation of functions to the Chairman**
- 3.1. The Chairman has the following functions: **Functions**
- 3.1.1. Chairing the meeting of the Board and the General Meetings. **Chair of Board and Shareholders' Meetings**
- 3.1.2. Representation of the Board to the public, public authorities and the shareholders. In respect of the representations to the public, the Chairman shall as a general rule consult the **Representation**

Delegate in advance.

- 3.1.3. The supervision of the carrying out of measures which the Board has enacted. **General Supervision**
- 3.2. The Chairman is the supervisor of the Delegate and supervises his activities. **Supervision of Delegate**
- 3.3. Unless delegated to a share registrar the Chairman decides on the registration of Nominees pursuant to article 5 (3) of the Articles. The Chairman shall report once a year to the Board about the modifications in the Share Register. **Nominee Registration**
- 4. Delegation of all other managing and other functions to the Delegate and the Executive Board**
- 4.1. The Executive Board consists of the Delegate and those persons which the Board appoints. **Senior Management**
- 4.2. All executive functions within the Company not reserved to the Board pursuant to para. 2 or to the Chairman pursuant to para. 3 hereinabove are herewith delegated to the Delegate and the Executive Board (subject to a further delegation pursuant to para. 4.9. hereinafter). **Delegation**
- 4.3. The Delegate chairs the Executive Board and is responsible for its organization. **Chair and Organization of Management**
- 4.4. The Delegate issues business regulations which regulate the distribution of the competences and duties between the Delegate and the Executive Board.
- 4.5. The Delegate is responsible for the preparation and execution of all affairs for which the Board is competent. **Preparation of Board Meetings**
- 4.6. The Delegate represents the Company to the public. Para. 3.1.2. is also applicable. **Representation**
- 4.7. The Delegate may put matters, which pursuant to para. 4.2. fall within the power of the Delegate or the Executive

Board, to the Board for approval. **Board**

The following transactions require the approval of the Board:

- 4.7.1. Purchase and sale of real estate, subsidiaries or businesses. **Real Estate/ Subsidiaries/ Businesses**
- 4.7.2. Filing of law suits with an exposure of more than CHF 250,000. **Law Suits**
- 4.7.3. Borrowing of more than CHF 1 million. **Borrowing**
- 4.7.4. Granting of a loan or taking on contingent liabilities in respect of independent third parties with an exposure of more than CHF 250,000. **Loans/Contingent Liabilities**
- 4.7.5. All transactions between the Company and the Delegate or members of the Executive Board. **Self Dealing**
- 4.7.6. Contracts with third parties the scope of which does not fall under the regular business activities of the Company.
- 4.8. The Delegate is responsible for the Company's compliance with its obligation to disclose price sensitive facts (Ad-hoc publicity). The Delegate shall consult in advance with the Chairman where the circumstances permit it. The other members of the Board shall be informed at the latest when the disclosure is made. **Ad-hoc Publicity**
- 4.9. The Executive Board may further delegate its functions to lower levels of the Company without prior approval of the Board. The Board has to be informed at its next Board Meeting about such further delegation. **Further Delegation**

## **5. Reporting**

- 5.1. The Boards receives financial quarterly reports containing the latest developments and the financial statements according to IFRS as well as the information according to the **Regular Reporting**

guidelines according to para. 2.9..

- 5.2. The Delegate shall inform the Board at each meeting of all **at Board Meetings** current matters, important events and deviations from the budget.
- 5.3. Extraordinary incidents have to be reported to the members **in Emergency** of the Board immediately in writing; in an emergency case **Cases** the Chairman has to be informed in writing or orally.
- 5.4. The Delegate furthermore shall report at the request of the **on Request** Chairman on any other issue.

## **6. Signature Rights**

- 6.1. The Members of the Board have joint signature rights by **Members of the Board and Delegate** two.
- 6.2. All other authorized signatories and proxies shall have joint **Authorized Signatory, Proxy** signature rights.

## **7. Board Meetings**

- 7.1. The Chairman, Vice-Chairman, if appointed or the Delegate invites the members of the Board in writing (or by tele-fax) to Board meetings, attaching a copy of the agenda and the necessary supporting material. The invitation must be sent at least 7 days prior to the Board meeting, except in emergencies. **Invitation**

Each member of the Board can request in writing from the Chairman to schedule a Board meeting. Upon such request, the Chairman, or in his absence the Vice-Chairman, calls a meeting of the Board within [7] Business Days.

- 7.2. The Board shall meet as often as the business requires, but **Number of meetings** at least 4 times per year.
- 7.3. In urgent cases or when no member of the Board objects, **Other Form of** meetings can be held in the form of telephone or video con-

ferences. It is in the Chairman's sole discretion to decide **meetings** whether a meeting is deemed urgent.

Decisions can also be taken by circular letter (including E- **Circular letter** Mail), provided that no member of the Board requests a meeting on the issue.

7.4. Minutes and decisions held and made in telephone confer- **Minutes**  
ence are to be drawn up. All the minutes are to be signed by the Chairman and the Secretary and must be approved at the following meeting.

7.5. Valid decisions can only be taken if a majority of all members are present.

7.6. Para. 7.5 above does not apply to decisions made in accor- **Ascertainment**  
dance with para. 2.6.12, which may be passed by one member of the Board.

7.7. Resolutions are taken by the simple majority of the Board **Decisions**  
members present. In case of an even number of votes, the Delegate has (on top of his regular vote in the meeting) the casting vote.

These principles also apply in respect of telephone conferences or circular decisions, as long as no member of the Board objects.

7.8. Each member of the Board and each member of the Execu- **Abstaining from a**  
tive Board shall inform the Chairman (or in case of the **vote**  
Chairman being conflicted, the Vice-Chairman) forthwith if a conflict of interest arises; in particular if a personal interest of himself or of a relative or a business associate with which he is affiliated is at stake in the decision to be taken.

The Chairman, or Vice-Chairman, shall request a decision by the Board regarding the seriousness of the conflict of interest. The Board shall decide without participation of the person concerned. The Board may decide to exclude such a

member from the deliberation and/or decision to be taken.

**8. Entering Into Force, Changes to the Business Regulations**

- 8.1. These Regulations enter into force immediately. **Entering into force**
- 8.2. These Regulations can be modified or amended by Board **Modifications** resolution.

Schlieren, 12 March 2009

amended with circular resolution dated March 12, 2004, amended with board resolutions dated 23 August 2004, 3 March 2005, 29 March 2007 and 12 March 2009.