

July 22, 2010

Second Quarter Report

as of June 30, 2010

Important events in Q2 2010

- Placebo-controlled phase II study shows CYT003-QbG10 is safe and efficacious for the treatment of allergic asthma
- Cytos Biotechnology sells platform technology for the identification of monoclonal antibodies to Intercell for EUR 15 million
- Constitution of the Board of Directors after the Shareholder's Meeting 2010
- Harry Welten succeeds Jakob Schlapbach as CFO, Jakob Schlapbach elected to the Board of Directors
- Upcoming events:
 - Presentation at the European Respiratory Society 2010 Annual Congress, September 18-22, 2010 in Barcelona, Spain
 - Presentation at the Swiss Equity conference zurich, September 14/15, 2010 in Zurich, Switzerland
 - Presentation at the Modern Vaccines/Adjuvants Formulation 2010 Conference, October 13-15, 2010 in Cannes, France
 - Presentation at the Next Generation Vaccines Conference, October 21/22, 2010 in Vienna, Austria
- Financial summary

		YTD* 2010	YTD* 2009	Q2 2010	Q2 2009
Revenue	CHF million	21.4	6.6	21.2	6.3
Net operating costs	CHF million	(14.4)	(22.4)	(7.5)	(11.4)
Net income/(loss)	CHF million	11.2	(18.0)	15.0	(6.2)

		June 30, 2010	December 31, 2009
Cash, cash equivalents, financial assets and trade receivables	CHF million	56.6	60.5
Nominal value of the convertible bonds not held by Cytos Biotechnology Ltd	CHF million	41.1	57.1
Full-time employees	number	76	85

*YTD = year to date January 1 – June 30

Placebo-controlled phase II study shows CYT003-QbG10 is safe and efficacious for the treatment of allergic asthma

In May 2010, Cytos Biotechnology announced top line results from a double-blind, placebo-controlled, multicenter phase II study to assess clinical efficacy of CYT003-QbG10 in persistent allergic asthma bronchiale. The study enrolled 63 allergic asthma patients requiring long term treatment with inhaled corticosteroids. Patients received 7 injections of 900 µg QbG10 or placebo and were monitored over a period of 12 weeks.

During a run-in phase before start of treatment with QbG10 or placebo, the patients were converted to and stabilized on a standardized corticosteroid therapy with beclamethasone. Four weeks after starting treatment with QbG10 or placebo, the dose of corticosteroid was reduced by 50%. Then, when possible, four weeks later it was further reduced to zero. Both arms of the study followed this steroid reduction and there were no significant differences in steroid use at any time point. During the entire 12 week study period, daytime and nighttime asthma symptoms and use of a standardized relief medication (sultanol spray, a short-acting beta 2 agonist) were recorded in electronic patient diaries. In addition, lung function was assessed on each visit by spirometry which measures forced expiratory volume in one second (FEV₁).

All patient reported outcome parameters were significantly improved vs. placebo during each week from week 6 onwards to the end of the study at week 12 (ITT analysis, LOCF). At week 12, the average daytime and nighttime asthma symptom score had increased (i.e. disease worsened) by +29% for the placebo group, while it decreased (i.e. disease improved) by -33% for QbG10 treated subjects (p=0.01). Use of relief medication had increased on average by +106% for the placebo group, while it remained stable for the QbG10 group (-4%) (p=0.01). The average combined symptom and medication score worsened by +71% for the placebo group, while it improved by -17% in the QbG10 group (p=0.006). In summary, the withdrawal of corticosteroid as expected led to a worsening of the disease for placebo. In contrast for patients treated with QbG10 their condition improved. This improvement came despite the fact the patients either no longer used or strongly reduced their intake of corticosteroids.

A subgroup analysis of the patients who completely ceased inhaling corticosteroids after week 8 (22 on QbG10, 21 on placebo) allows a comparison of patient reported outcome after QbG10 treatment (i.e. during week 9 to 12) with beclamethasone therapy at baseline (i.e. the two weeks before QbG10 or placebo therapy were initiated). The substitution of beclamethasone by QbG10 led in these patients to a reduction of asthma symptoms by -37% (p=0.02), a reduction of sultanol intake by -30% (n.s.) and a reduction of the combined symptom and medication score by -34% (p=0.07). The corresponding values under placebo treatment were +6%, +58%, and +33%. This analysis suggests that treatment with QbG10 may result in a therapeutic effect that is as good, or even better than inhaled corticosteroid therapy.

Objective lung function measurement by spirometry reflected the strong improvement seen in the patient reported outcome parameters. Here, the forced expiratory volume in one second (FEV₁) was significantly improved vs. placebo at each weekly measurement from week 6 onwards until the end of the study at week 12 (ITT analyses, LOCF). At week 12, the FEV₁ had decreased for those on placebo by an average of 251 ml (-8.4%) while it remained stable for those on QbG10 treatment (-18.5 ml, -0.6%) (p=0.01).

Treatment was safe and well tolerated. Local injection site reactions of mostly mild to moderate intensity and two instances of headache were the only adverse events of suspected relationship with treatment that occurred in more than one patient.

Dr. Wolfgang Renner, CEO of Cytos commented the study results: "Asthma and allergies contribute greatly to the growing burden of chronic diseases that inflict our societies and have reached epidemic proportions worldwide; principally as a result of increased industrialization and urban living. Allergic asthma is a significant cause of morbidity and mortality, often affecting individuals early in their lives. With QbG10, we are within reach of a product with the potential to become the first causally acting and disease modifying therapy for allergic diseases addressing important unmet medical need.

QbG10 has shown to rapidly and strongly improve both objective and patient reported outcome measures of disease. The extent to which this has been achieved may position QbG10 as a new standard therapy for allergies and asthma. Achievement of this outstanding clinical result in the major disease area of asthma builds on our earlier success with this product candidate in allergic rhinitis and provides compelling evidence that Cytos' VLP platform can confer significant therapeutic benefit in chronic illnesses burdening the world's population."

Cytos Biotechnology sells platform technology for the identification of monoclonal antibodies to Intercell for EUR 15 million

In May 2010, Cytos Biotechnology announced that it has signed an agreement with Intercell (VSE:ICLL) to sell its platform technology for the identification of monoclonal antibodies. The technology is based on expression cloning of monoclonal antibodies from human B-cells and enables the identification of anti-infective antibodies to prevent and treat infectious diseases.

The primary applications of the monoclonal antibody discovery platform are in the field of infectious diseases, an area which is outside of Cytos' core business of chronic disease vaccine development. Therefore, Cytos Biotechnology elected to monetize this non-core asset.

Under the agreed terms Intercell pays EUR 15 million (corresponding to CHF 20.9 million) to Cytos. The first installment of EUR 10 million of the purchase price has been paid on June 7, 2010. The second installment of EUR 5 million is unconditional

and is due on January 31, 2011. The technology, which is a specific application of Cytos' broader discovery platform DELphi has been transferred to Intercell, including pre-clinical anti-infective monoclonal antibody candidates discovered by Cytos. The key scientists, who have successfully developed the technology at Cytos, have been transferred to Intercell.

Constitution of the Board of Directors after the Shareholders' Meeting 2010

In April 2010, Cytos Biotechnology announced that the Board of Directors is constituted as follows after the Shareholders' Meeting, which took place on April 22, 2010: Dr. Thomas Hecht, Chairman (previously: Vice-Chairman); Dr. Thorlef Spickschen, Vice-Chairman (previously: member); Dr. Wolfgang A. Renner, Delegate of the Board of Directors; Dr. Jean-Yves le Cotonnec; Sir Mark Richmond; Othmar Vock; Jakob Schlapbach (previously: CFO of Cytos Biotechnology Ltd).

Current members of the Nomination and Compensation Committee are: Dr. Thorlef Spickschen (Chairman of the Nomination and Compensation Committee); Dr. Thomas Hecht; Dr. Jean-Yves le Cotonnec.

Current members of the Audit Committee are: Othmar Vock (Chairman of the Audit Committee); Sir Mark Richmond; Jakob Schlapbach.

Harry Welten succeeds Jakob Schlapbach as CFO, Jakob Schlapbach elected to the Board of Directors

In April 2010, Cytos Biotechnology announced that the longtime chief financial officer Jakob Schlapbach wishes to make use of the option of early retirement from his operational role.

The Board appointed Mr. Harry Welten as his successor. Harry Welten has joined Cytos Biotechnology at June 1, 2010 and took over after a short familiarization phase the role of CFO of Jakob Schlapbach.

Harry Welten has many years of international professional and transaction experience. Recently Harry Welten was CFO during the merger of the company Nitec Pharma AG with the American firm Horizon Pharma AG. Previously, he served for nine years at the company Arpida AG as CFO and was responsible, among other things, for the listing on the SIX Swiss Exchange in 2005.

Upcoming events

Presentation at the European Respiratory Society 2010 Annual Congress, September 18-22, 2010 in Barcelona, Spain

Priv.-Doz. Dr. med. habil. Kai-Michael Beeh, principal investigator, will present abstract n° 7082 "TLR9 agonist CYT003-QbG10 is safe and efficacious in persistent allergic asthma: A double-blind, placebo-controlled phase II study" on Tuesday, September 21, 2010 at 10.45 am.

Presentation at the Swiss Equity conference zurich, September 14/15, 2010 in Zurich, Switzerland

Wolfgang A. Renner, PhD, CEO of Cytos Biotechnology, will present Cytos Biotechnology and its R&D portfolio on Tuesday, September 14, 2010, 10.45 am at the SIX Swiss Exchange, Convention Point in Zurich, Switzerland.

Presentation at the Modern Vaccines/Adjuvants Formulation 2010 Conference, October 13-15, 2010 in Cannes, France

Martin F. Bachmann, PhD, CSO of Cytos Biotechnology, will present: "Choosing the right TLR ligand for the desired antibody isotype" on Thursday, October 14, 2010 at the Hotel Novotel Cannes Montfleury in Cannes, France.

Presentation at the Next Generation Vaccines Conference, October 21/22, 2010 in Vienna, Austria

Martin F. Bachmann, PhD, CSO of Cytos Biotechnology, will present: "Vaccination against Type II diabetes and other chronic diseases" on Thursday, October 21, 2010, 11 am at the Hilton Vienna Hotel in Vienna, Austria.

Financial results

Three months period April 1 - June 30, 2010

Funds available for financing the operations amounted to CHF 56.6 million at June 30, 2010, and include cash, cash equivalents, financial assets and trade receivables from collaboration partners. They were thus CHF 8.7 million higher than at March 31, 2010. 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 7.7 million nominal value (11.0% of the original nominal value of CHF 70.0 million) of the convertible bonds.

Revenue in the 2nd quarter 2010 was CHF 21.2 million and is comprised mainly from the sale of the platform technology to Intercell AG (CHF 20.9 million). In the same quarter of the year 2009, revenue was CHF 6.3 million and derived mainly from deferred income in conjunction with the execution of commercial license agreements in December 2008 by Pfizer.

Net operating costs in the 2nd quarter 2010 amounted to CHF 7.5 million and were thus CHF 3.9 million lower than in the 2nd quarter 2009. Research and development costs decreased in the 2nd quarter 2010 by CHF 4.1 million to CHF 6.4 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 1.4 million and were higher in the 2nd quarter 2010 by CHF 0.4 million compared to the corresponding quarter in 2009.

Financial income increased in the 2nd quarter 2010 by CHF 2.6 million to CHF 2.7 million, mainly due to the gain of CHF 2.6 million from buying back part of the issued convertible bonds. Financial expense in the 2nd quarter 2010 was CHF 1.4 million and was thus CHF 0.2 million higher than in the 2nd quarter 2009, primarily as a result of exchange losses.

Net income in the 2nd quarter 2010 was CHF 15.0 million compared to a net loss of CHF 6.2 million in the same period in 2009. The reasons for this change were lower operating costs and higher revenues and financial income.

Six months period January 1 - June 30, 2010

In the first six months in 2010, revenue was CHF 21.4 million. The revenue derives mainly from the sale of the platform technology to Intercell AG and license income from a development collaboration. In the comparable period in 2009 revenue was CHF 6.6 million and derived mainly from deferred income in conjunction with the execution of commercial license agreements in December 2008 by Pfizer.

Net operating costs in the first six months 2010 were CHF 14.4 million, a decrease of CHF 8.0 million compared to the first six months 2009. The reason for the decrease was mainly due to lower employee expenses because of the head count reduction in the 2nd quarter 2009 and more focused activities in pre-clinical and clinical trials.

Financial income increased in the first six months 2010 by CHF 6.3 million to CHF 6.5 million, mainly due to the gain from buying back part of the issued convertible bonds. Financial expense remained stable in the first six months 2010 compared to the first six months 2009, amounting to CHF 2.3 million.

Year to date net income amounts to CHF 11.2 million in the first six months 2010, compared to a net loss of CHF 18.0 million in the first six months 2009. Higher revenues and lower operating costs in the first six months 2010 are the reasons for this change.

Gross cash burn for operating activities as calculated based on the Cash Flow Statement was CHF 2.2 million per month in the first six months 2010 compared to CHF 3.0 million per month in the first six months 2009.

Cytos Biotechnology Ltd and subsidiaries

Consolidated Balance Sheets as of			
in TCHF	Note	June 30, 2010	December 31, 2009
Non-current assets:			
Property and equipment, net	9	4,944	5,993
Investment in associates		48	48
Total non-current assets		4,992	6,041
Current assets:			
Prepayments and other assets		2,305	1,671
Trade and other receivables		6,889	3,021
Financial assets	8	28,000	37,000
Cash and cash equivalents	8	21,944	20,969
Total current assets		59,138	62,661
Total assets		64,130	68,702
Shareholders' equity:			
Share capital	4	527	527
Legal reserves		136	136
Additional paid-in capital		210,580	210,018
Convertible bond – equity component	10	6,401	7,645
Treasury shares		(18)	(6)
Accumulated deficit		(198,890)	(210,079)
Total shareholders' equity		18,736	8,241
Non-current liabilities:			
Accrued expenses		642	680
Convertible bond – liability component	10	38,191	51,864
Pension liabilities		1,019	910
Provisions		2,067	2,148
Total non-current liabilities		41,919	55,602
Current liabilities:			
Trade accounts payable		994	253
Other current liabilities		159	224
Accrued expenses		2,015	3,564
Deferred income		245	814
Provisions		62	4
Total current liabilities		3,475	4,859
Total shareholders' equity and liabilities		64,130	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 in TCHF	Note	Six months ended June 30, 2010	Six months ended June 30, 2009	Three months ended June 30, 2010	Three months ended June 30, 2009
Revenue	5/12	21,419	6,575	21,169	6,325
Revenue		21,419	6,575	21,169	6,325
Research and development		(12,322)	(20,386)*	(6,369)	(10,465)*
Sales and marketing		(370)	(508)*	(200)	(238)*
General and administrative		(2,039)	(1,577)*	(1,186)	(774)*
Other income/(expenses), net		343	60	289	52
Net operating costs		(14,388)	(22,411)	(7,466)	(11,425)
Operating income/(loss)		7,031	(15,836)	13,703	(5,100)
Financial income		6,466	203	2,683	84
Financial expense		(2,303)	(2,337)	(1,379)	(1,171)
Income/(loss) before tax		11,194	(17,970)	15,007	(6,187)
Net income/(loss)		11,194	(17,970)	15,007	(6,187)

* restated (see note 11)

Consolidated Statements of Comprehensive Income in TCHF (except for share information)	Note	Six months ended June 30, 2010	Six months ended June 30, 2009	Three months ended June 30, 2010	Three months ended June 30, 2009
Net income/(loss)		11,194	(17,970)	15,007	(6,187)
Currency translation differences		(5)	(161)	(4)	1
Other comprehensive income/(loss)		(5)	(161)	(4)	1
Total comprehensive income/(loss)		11,189	(18,131)	15,003	(6,186)

Basic net earnings/(loss) per share	6	2.12	(3.41)	2.85	(1.17)
Diluted net earnings/(loss) per share	6	2.12	(3.41)	2.79	(1.17)
Weighted average number of shares used in computing basic net earnings/(loss) per share		5,269,263	5,268,323	5,269,381	5,268,310
Weighted average number of shares used in computing diluted net earnings/(loss) per share		5,271,499	5,268,323	5,669,381	5,268,310

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

Cytos Biotechnology Ltd and subsidiaries

Consolidated Condensed Statements of Cash Flows		Six months ended	Six months ended
in TCHF	Note	June 30, 2010	June 30, 2009
Cash flow from operating activities:			
Net income/(loss) before tax		11,194	(17,970)
Depreciation and amortization		1,054	1,269
Share-based compensation	7	557	1,325
Other cash flow items		(4,186)	2,152
Changes in assets and liabilities		(5,441)	9,102
Net cash (used in)/provided by operating activities		3,178	(4,122)
Net cash (used in)/provided by investing activities		9,072	24,138
Net cash (used in)/provided by financing activities		(11,269)	(2,026)
Net effect of currency translation on cash		(6)	48
Net increase/(decrease) in cash and cash equivalents		975	18,038
Cash and cash equivalents, beginning of period		20,969	40,322
Cash and cash equivalents, end of period		21,944	58,360

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	-	-	-	-	-	-	(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
January 1, 2010	5,270,056	527	136	210,018	7,645	(6)	(209,884)	(195)	8,241
Total comprehensive income/(loss)	-	-	-	-	-	-	11,194	(5)	11,189
Partial repurchase of convertible bonds	-	-	-	-	(1,244)	-	-	-	(1,244)
Net movement of treasury shares	-	-	-	5	-	(12)	-	-	(7)
Share-based compensation	-	-	-	557	-	-	-	-	557
June 30, 2010	5,270,056	527	136	210,580	6,401	(18)	(198,690)	(200)	18,736

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.

During the second quarter 2010, the Company merged with the 100% owned subsidiary Cytos Biotherapeutics Ltd.

The consolidated condensed interim financial statements have been approved for issuance by the Audit Committee on July 13, 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 six months of 2010, no options have been exercised.

5. Segment and geographic 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	Six months ended June 30, 2010					Six months ended June 30, 2009			
	CH	AT	USA	Other	Total	CH	USA	Other	Total
Revenue	500	20,850	69	-	21,419	500	6,075	-	6,575
Unallocated expenses					(14,388)				(22,411)
Operating income/(loss)					7,031				(15,836)
Financial income/(expense), net					4,163				(2,134)
Net income/(loss)					11,194				(17,970)
Currency translation differences					(5)				(161)
Total comprehensive income/(loss)					11,189				(18,131)
Other information:					June 30, 2010				December 31, 2009
Assets					64,130				68,702
Liabilities					45,394				60,461
					Six months ended June 30, 2010				Six months ended June 30, 2009
Capital expenditure for property and equipment					14				122
Depreciation and amortization					1,054				1,269

Analysis of revenue by category:		
in TCHF	Six months ended June 30, 2010	Six months ended June 30, 2009
Revenue from technology access and technology transfer	69	6,000
Revenue from research and development	-	75
Revenue from sale of a platform technology	20,850	-
Revenue from royalties and licences	500	500
Total	21,419	6,575

Analysis of revenue by major customers:		
in TCHF	Six months ended June 30, 2010	Six months ended June 30, 2009
Major customer "A" CH	500	500
Major customer "B" USA	69	6,075
Major customer "C" AT	20,850	-
Other customers CH/USA/Other	-	-
Total	21,419	6,575

6. Earnings/(Loss) per share

Basic and diluted earnings/(loss) per share have been computed based upon the weighted average number of common shares outstanding. Basic earnings/(loss) per share excludes any dilutive effects of options, shares subject to repurchase, warrants, and convertible securities. When outstanding options to purchase shares of common stock and shares resulting from the conversion right of the bond holders are antidilutive, they are excluded from the computation of the dilutive earnings/(loss) per share calculation.

7. Share option plans

The Group regularly granted 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. These grants were partly dependent on the increase of the conditional capital for share options which was proposed to the 2010 Annual General Meeting. The meeting approved such increase on April 22, 2010. Additional 6,000 options were granted in June 2010. 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.

In April 2010, the board of directors approved a new share option plan (“SOP Sommer 2010”), according to which a total of 12,000 options were granted in June 2010. 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 12.30, corresponding to the average closing price of the shares during May 31 - June 2, 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 (a)	SOP 2010 (b)	SOP Sommer 2010
Nature of arrangement	Grant of share options	Grant of share options	Grant of share options
Grant date	07.01.2010	01.06.2010	03.06.2010
Number of options granted	90,993	6,000	12,000
Exercise price (CHF)	14.05	14.05	12.30
Share price at date of grant (CHF)	14.30	11.77	12.93
Contractual life (years)	5.0	5.0	5.0
Vesting period (years)	2.0	2.0	2.0
Settlement	Equity	Equity	Equity
Expected volatility (%)	51.2	50.0	50.0
Expected option life at grant date (years)	3.5	3.1	3.5
Risk-free interest rate p.a. (%)	1.304	0.858	0.905
Expected dividend	zero	zero	zero
Estimated fair value of option at grant date (CHF)	5.55	3.45	5.00
Expiry date	06.01.2015	06.01.2015	02.06.2015
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes

Share-based compensation amounted to TCHF 557 and TCHF 1,325 for the first six months of 2010 and 2009, respectively.

8. Cash, cash equivalents and financial assets

In the first six months of 2010, fixed-term time deposits (with original maturities of 1 month to 12 months) in the amount of CHF 17 million expired. Thereof, CHF 8 million have been reinvested.

9. Property and equipment

In the first six months 2010, the Group invested TCHF 14 into property and equipment (6-months period 2009: TCHF 122, predominantly for laboratory equipment). The Group owns no properties.

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	14,470
Partial repurchase of convertible bonds	(16,045)
Gain on partial repurchase of convertible bonds	(12,721)
Reversal of equity component	2,028
Interest paid	(5,521)
Liability component at June 30, 2010	38,612
thereof short-term (included in "accrued expenses")	421

Interest expense of TCHF 1,725 and TCHF 2,337 for the Convertible Bond has been recognized as "Financial expense" for the first six 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). These lower payments of TCHF 517 are due to the lower nominal value of the convertible bonds not held by the Company.

In the course of the first six months of 2010, Cytos bought back convertible bonds in the market. The nominal value of these bonds amounted to CHF 15.99 million and the average purchase price was 59.81% of the nominal value. These repurchases resulted in a financial gain of CHF 6.4 million.

11. Correction to the half-year income statement 2009 pursuant to IAS 8 due to incorrect presentation

In the half-year income statement 2009 an error occurred in the cost allocation of operating costs. The correction has no influence on reported operating result or net result, or on the balance sheet or cash flow statement. Neither is any correction required to “change in shareholders’ equity” or “net loss per share”. Corrections to the previous period are shown in detail in the following overview.

in TCHF	Six months ended June 30, 2009 (published)	IAS 8 reclassification cost allocation	Six months ended June 30, 2009 (restated)
Research and development	(19,837)	(549)	(20,386)
Sales and marketing	(641)	133	(508)
General and administrative	(1,993)	416	(1,577)

in TCHF	Three months ended June 30, 2009 (published)	IAS 8 reclassification cost allocation	Three months ended June 30, 2009 (restated)
Research and development	(9,916)	(549)	(10,465)
Sales and marketing	(371)	133	(238)
General and administrative	(1,190)	416	(774)

12. Revenue

Cytos Biotechnology is compensated with EUR 15 million by Intercell due to the sale of the platform technology for the identification of monoclonal antibodies. As per agreed terms, the first installment of EUR 10 million of the purchase price has been paid in the second quarter 2010. The second installment of EUR 5 million is unconditional and is due on January 31, 2011.

Allergen	a normally harmless substance that elicits a misdirected immune response.
Anaphylaxis	an acute and potentially life-threatening reaction of the immune system to specific stimuli (e.g. allergens). If untreated, it can result in shock, respiratory and cardiac failure, and death.
Desensitization	certain form of immunotherapy used in allergy treatment.
Disease-modifying	in contrast to symptomatic treatment, a disease-modifying treatment aims at addressing the cause of disease and modifying the disease progression.
Double-blind	a set-up often used in clinical trials where neither the doctor nor the patients know if placebo or the active drug is applied.
FEV₁	a lung function test, which measures forced expiratory volume in one second (FEV ₁).
Immunostimulatory	able to stimulate the immune system.
Immunotherapy / immunotherapeutic	a therapy / a medication aimed at activation of the immune system to modulate a certain disease process.
Inflammatory	substance evoking inflammation.
ITT analysis	an intention to treat (ITT) analysis is an analysis based on the initial treatment intent, not on the treatment eventually administered. It includes all randomized patients and is intended to avoid various misleading artifacts that can arise in intervention research.
LOCF	means "last observation carried forward". Missing values are replaced by the last observed value of this variable. If a patient deviated from the corticosteroid reduction paradigm, the last value measured under the correctly followed ICS reduction scheme was carried forward.
Persistent	refers to a defined classification of asthma disease severity. Patients in this foregoing study suffer daily from asthma symptoms if untreated.
Phase II	a clinical trial that examines a new drug candidate's safety and preliminary efficacy in the targeted population and involves approximately 50-300 people.
Placebo	Dummy medical treatment.
QbG10	the Immunodrug™ Qb filled with the synthetically produced immunostimulatory DNA sequence G10.

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 227,327
Authorized capital	CHF 250,000
Free float	92.7%

Contacts

Harry Welten, MBA
Chief Financial Officer
Phone: +41 44 733 46 46
E-mail: harry.welten@cytos.com



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