



MODEX THERAPEUTICS REPORTS SECOND QUARTER RESULTS

Lausanne, Switzerland, August 6, 2001 - Modex Therapeutics Ltd (SWX New Market: MDXN) today announced its financial results for the second quarter ended June 30, 2001.

Income

Income from operations for the quarter was CHF 362,000. This represented an increase of CHF 215,000 compared to the previous year due to an increase in income received from the funding of collaboration agreements relating to the BioDelivery technology, which amounted to CHF 86,000, together with income from sale of products of CHF 129,000 relating to the sales of EpiDexTM in Germany and Switzerland.

Operating Expenses

Total operating expenses for the quarter were CHF 5.3 million, which was an increase of CHF 1.3 million over the previous year. This rise relates to the increased development costs for EpiDexTM and the initial selling and marketing expenses related to EpiDexTM for Germany and Switzerland, together with the preparation for the launch of EpiDexTM in the European market.

Net loss

Net loss for the quarter amounted to CHF 4.4 million and year to date this amounts to CHF 7.4 million which is in line with the Company's forecast.

Strong Financial Position

At the end of June, cash and short-term investments amounted to CHF 63.5 million, which provides Modex with the financial resources for the future growth of the company.

“I am pleased to report strong progress at Modex during Q2” commented Dr Jacques Essinger, CEO of Modex. “In particular the following achievements were made in our clinical and organizational development:

1. Positive preliminary results from EpiDex™ Phase II clinical trial

In June, we announced preliminary results on the first 36 patients of the 80-patient Phase II clinical trial of EpiDex™, our skin replacement product.

This clinical trial is the first of its kind. It compares our tissue engineered autologous skin product, EpiDex™, to the surgical autograft, which is regarded as the gold standard for the treatment of recalcitrant chronic skin ulcers.

The preliminary results show that in terms of complete wound healing at 12 weeks, EpiDex™ is comparable to the surgical autograft for the very hard to heal recalcitrant chronic skin ulcers. In addition, for those wounds not closed after 12 weeks, patients who were treated with EpiDex™ had a significant reduction in the skin ulcer surface area, whereas patients treated with the surgical autograft showed no clear reduction in the skin ulcer surface area. EpiDex™ was also demonstrated to be well tolerated and safe.

We are excited by these positive preliminary results and look forward to publishing the final results from the 80 patients in October.

2. Switch to a larger device for the BioDelivery program

Following the positive results announced in March of the Phase I trial conducted for the delivery of the hormone Erythropoietin (EPO) using our proprietary encapsulated cell technology delivery system (BioDelivery program), and further tests conducted on the device in Q2, we decided to switch from the existing hollow fiber device to a larger device. The larger device, known as the flat sheet, can hold up to 10 times more cells than

the hollow fiber device and provides Modex with a broader delivery range with respect to its chosen programs.

Although the decision to work with a larger device results in a 12-month delay in the EPO BioDelivery program, we are convinced that the change will enlarge the potential therapeutic range and applications of the BioDelivery platform.

3. Chief Operating Officer appointed

We continue to strengthen our management team and recently appointed Mr Jim Hogan as Chief Operating Officer (COO). Jim has over 20 years of experience in the healthcare industry including 10 years in a multinational environment with Pfizer Europe and, more recently, as head of operations of three biotech start-up companies in Switzerland, Israel and USA.

As COO, Jim is responsible for all operational matters, including overseeing all development programs as well as the commercialization and production of EpiDexTM.

Jim's arrival at Modex allows me to focus on developing external opportunities to build our technology platform, as well as expanding the distribution capabilities for our existing products.

4. Board of Directors strengthened

At the Annual General Meeting, held on June 23, the shareholders approved the appointment of Mr Jean-Pierre Boucher to the Board of Directors.

Mr Boucher has over 30 years of experience in the pharmaceutical and medical device industry including 15 years experience as President of Stryker Europe where he was responsible for all European activities including research, manufacturing and distribution.

Mr Boucher's contribution will be extremely valuable as Modex commercializes its products in the European and US markets and continues to grow its internal programs.

Outlook

In October we will announce the final results of the EpiDexTM clinical trial. Once these results are finalized we will be in a position to accelerate our marketing launch of EpiDexTM.

In terms of Corporate Development, the recent strengthening of the management team will enable us to accelerate our growth of existing products, the expansion of our development programs and the process of evaluating opportunities to acquire new products or technologies.

I look forward to announcing the final clinical trial results of EpiDexTM in October”.

A leader in the field of T3R

Modex Therapeutics Ltd is a Swiss biotechnology company, based in Lausanne, with a focus on tissue repair, replacement and regeneration (T3R). T3R heralds a new era for healthcare, aiming at regenerating cells for the repair or replacement of deficient tissue. Modex currently focuses its development work on two cell-derived products and technologies:

***EpiDexTM** is a skin equivalent product in Phase II trials that is derived from stem and precursor cells found in the human hair follicle.*

***BioDelivery** proprietary technology uses immortalized fibroblastic cells to continuously deliver therapeutic proteins and has several candidates in various stages of development.*

The strategy of the company is to in-license advanced and promising T3R technologies, to drive them to a mature stage, and to realize the added value by licensing or selling the developed products to pharmaceutical, biotechnology or medical device companies. Modex Therapeutics (MDXN) has been listed on the SWX New Market since June 2000.

The full Q2 Report is available on the website www.mdxn.ch

Lausanne, August 6, 2001

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THE MODEX GROUP

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

For the six months ended June 30

	3 months June 30, 2001	3 months June 30, 2000	6 months June 30, 2001	6 months June 30, 2000
	CHF 000	CHF 000	CHF 000	CHF 000
Income				
Income from research collaborations	233	147	457	249
Income from sale of products	129	-	230	-
Total income	<u>362</u>	<u>147</u>	<u>687</u>	<u>249</u>
Operating Expenses				
Cost of sales	52	-	105	-
Selling and marketing	711	-	1,244	-
Research and development	3,001	2,375	5,250	3,552
General and administration	1,126	1,450	1,868	1,875
Depreciation and amortization	396	151	775	266
Total Operating Expenses	<u>5,286</u>	<u>3,976</u>	<u>9,242</u>	<u>5,693</u>
Net Operating Loss	(4,924)	(3,829)	(8,555)	(5,444)
Financial income	499	37	1,106	56
Net Loss for the period	(4,425) =====	(3,792) =====	(7,449) =====	(5,388) =====
Net loss per share	<u>(3.21)</u>	<u>(28.24)</u>	<u>(5.40)</u>	<u>(65.45)</u>

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CONSOLIDATED BALANCE SHEET

	June 30, 2001	December 31, 2000
	CHF 000	CHF 000
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	13,557	10,803
Short-term investments	50,000	60,000
Inventories	183	102
Trade accounts receivable	132	363
Other current assets	1,223	851
<i>Total Current Assets</i>	65,095	72,119
Long Term Assets		
Property, plant and equipment	2,464	2,226
Intangible assets	1,750	2,139
	69,309	76,484
	=====	=====
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Trade accounts payable	2,259	747
Accrued payables	244	1,331
<i>Total Current Liabilities</i>	2,503	2,078
Long term liability	777	972
Shareholders' Equity		
Share capital	13,805	13,805
Additional paid in capital	82,866	82,907
Treasury shares	(770)	(855)
Accumulated deficit	(29,872)	(22,423)
<i>Total Shareholders' Equity</i>	66,029	73,434
	69,309	76,484
	=====	=====

THE MODEX GROUP

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES (IN US\$ 000)

For the six months ended June 30

	3 months June 30, 2001	3 months June 30, 2000	6 months June 30, 2001	6 months June 30, 2000
	US\$ 000	US\$ 000	US\$ 000	US\$ 000
Income				
Income from research collaborations	130	82	255	139
Income from sale of products	72	-	129	-
Total income	<u>202</u>	<u>82</u>	<u>384</u>	<u>139</u>
Operating Expenses				
Cost of sales	29	-	59	-
Selling and marketing	397	-	695	-
Research and development	1,677	1,327	2,933	1,984
General and administration	629	810	1,043	1,047
Depreciation and amortization	221	84	433	149
Total Operating Expenses	<u>2,953</u>	<u>2,221</u>	<u>5,163</u>	<u>3,180</u>
Net Operating Loss	(2,751)	(2,139)	(4,779)	(3,041)
Financial income	<u>279</u>	<u>21</u>	<u>618</u>	<u>31</u>
Net Loss for the period	(2,472) =====	(2,118) =====	(4,161) =====	(3,010) =====
Net loss per share	(1.79) =====	(15.78) =====	(3.02) =====	(36.56) =====

Exchange rate used for translation to US\$: 1.74

THE MODEX GROUP

CONSOLIDATED BALANCE SHEET (IN US\$ 000)

	June 30, 2001	December 31, 2000
	US\$ 000	US\$ 000
A s s e t s		
Current Assets		
Cash and cash equivalents	7,574	6,035
Short-term investments	27,933	33,520
Inventories	102	57
Trade accounts receivable	74	203
Other current assets	683	475
	36,366	40,290
Long Term Assets		
Property, plant and equipment	1,377	1,244
Intangible assets	977	1,194
	38,720	42,728
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Liabilities and Shareholders' Equity		
Current Liabilities		
Trade accounts payable	1,262	417
Accrued payables	136	744
	1,398	1,161
<i>Total Current Liabilities</i>	1,398	1,161
Long term liability	434	543
Shareholders' Equity		
Share capital	7,712	7,712
Additional paid in capital	46,294	46,317
Treasury shares	(430)	(478)
Accumulated deficit	(16,688)	(12,527)
	36,888	41,024
<i>Total Shareholders' Equity</i>	36,888	41,024
	38,720	42,728
	38,720	42,728

Exchange rate used for translation to US\$: 1.74