



FOR IMMEDIATE RELEASE

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CYPRESS BIOSCIENCE ANNOUNCES THIRD QUARTER 1999 FINANCIAL RESULTS
PROSORBA® Column Sales for RA Increased Five Fold For Quarter

SAN DIEGO, CALIFORNIA – October 25, 1999 - Cypress Bioscience, Inc. (NASDAQ:CYPB) announced today its financial results for the third quarter of 1999. For the quarter, the Company reported a net loss of \$2.1 million, or \$0.05 per share, compared to a net loss of \$4.4 million or \$0.11 per share in 1998. Net loss for the nine months ended September 30, 1999 was \$7.0 million, or \$0.16 per share, compared to a net loss of \$9.0 million or \$0.23 per share for the same period in 1998. Included in expenses for the nine months ended September 30, 1998 was a one-time, non-cash charge for imputed dividend of \$2.1 million from the sale and issuance of Series A convertible preferred stock in September 1998 which raised \$4.6 million. Excluding the effect of the imputed dividend, the net loss would have been \$7.0 million or \$0.18 per share for the nine months ended September 30, 1998.

In April 1999, the Company launched sale of the PROSORBA column for the treatment of moderate to severe rheumatoid arthritis (RA) in adult patients with long standing disease who have failed or are intolerant to disease-modifying anti-rheumatic drugs (DMARDs). Additionally, in March 1999, the Company entered into an agreement with Fresenius Hemotechnology, Inc. (FHI), a U.S. subsidiary of Fresenius AG (Fresenius) of Bad Homburg, Germany. FHI is a leading provider of apheresis equipment and disposables. The agreement provides Fresenius with an exclusive license to manufacture and distribute the PROSORBA column in the U.S., Europe, Latin America, and subject to certain conditions, Japan and certain other countries.

PROSORBA column sales for the third quarter of 1999 totaled \$886,000 compared to \$603,000 in 1998. The increase in PROSORBA column sales was attributed to sales of the product for use in RA. PROSORBA column sales for RA increased to nearly \$500,000 during the third quarter of 1999 compared to \$100,000 in the second quarter. This more than offset a decline in ITP sales from the prior year and prior quarter. Under the terms of the agreement with Fresenius, Cypress recorded operating revenues in the second and third quarter of 1999 based on a pro rata share of the sale of PROSORBA columns by FHI calculated as a ratio of allowable expenses incurred by Cypress compared to allowable expenses incurred by Cypress and Fresenius.

As such, it is not directly comparable to revenues recorded in the prior period. During 1998, Cypress recorded total PROSORBA column sales. Operating revenues for the third quarter of 1999 were \$331,000 compared to \$642,000 for the same period in 1998. Operating revenues for the three months ended September 30, 1998 included \$39,000 of grant income.

“We recently launched several new marketing initiatives to increase awareness of the PROSORBA column for RA patients,” said Carl B. Bobkoski, Cypress’ President and Chief Operating Officer, “We see encouraging signs in many of the indicators of future sales such as calls into our reimbursement hotline. We believe that the growing pipeline of patients awaiting treatment combined with the new marketing initiatives will contribute further to future sales growth.”

In April 1999, Fresenius exercised its option to acquire the PROSORBA column manufacturing facility and related assets, located in Redmond, Washington, for \$5.2 million. The purchase price paid to Cypress consisted of cash of \$1.2 million and an offset of \$4.0 million from the previous draw down of an interest-free line of credit provided by Fresenius. In connection with this transaction, Fresenius purchased \$2.0 million of inventory from the Company that resulted in a gain to Cypress of \$693,000.

The purchase price of the manufacturing facility and related assets may result in a gain to Cypress. The potential gain was deferred since the company is responsible for reimbursing Fresenius for operating losses associated with this facility during 1999. The net book value of the property and equipment sold to Fresenius totaled \$1.4 million, and was recorded on the balance sheet as “Assets of Business Transferred”. The purchase price of the property and equipment sold totaled \$3.2 million, and was recorded as “Liabilities of Business Transferred”. When the obligation to Fresenius lapses at year end, the assets sold will be removed from the company’s balance sheet and the excess of the purchase price over the net book value of the assets sold plus reimbursement of certain operating costs will be recorded as a gain from sale of assets, if any.

Operating revenues for nine months ending September 30, 1999 were \$1.3 million, compared to operating revenues of \$1.8 million for the same period in 1998. Operating revenues for the nine months ended September 30, 1998 included \$243,000 of grant income. The decrease in operating revenues is also attributed to the change in the manner in which Cypress records revenues from PROSORBA column sales following the signing of the agreement with Fresenius, as discussed earlier.

Operating expenses for the nine months ended September 30, 1999 and 1998 were \$9.2 million and \$9.0 million, respectively. For the nine-month period, production expense decreased from \$1.4 million in 1998 to \$0.8 million in 1999. As a result of Fresenius’ purchase of the Redmond manufacturing plant, the company will not incur production costs for the PROSORBA column after April 1999. Accordingly, operating expenses for the nine months ended September 30, 1999 are not comparable to the prior period. Research and development expenses decreased from \$3.5 million in 1998 to \$1.5 million for the comparable period in 1999 due primarily to completion of Phase III clinical studies of the PROSORBA column for RA. The increase in sales and marketing expense from \$1.6 million in 1998 to \$3.9 million in 1999 resulted from the hiring of a sales force and other activities associated with the launch of the PROSORBA column for RA in April 1999. The increase to general and administrative expenses from \$2.5 million in 1998 to \$3.0 million in 1999 was primarily the result of business development activities.

In September 1999, the Company signed a \$5.0 million term loan with Transamerica Business Credit Corporation's Technology Finance Division. The funds will be used to support sales and marketing efforts for the PROSORBA column to treat RA. Cypress has drawn down \$2.0 million of this loan. Under the terms of the loan agreement, Cypress will draw down an additional \$1 million prior to the end of 1999. The remaining loan balance of \$2 million will be drawn down at the option of the Company and is subject to Cypress meeting certain financial criteria.

Upon signing of the Fresenius agreement, Cypress received a total of \$1.5 million from Fresenius consisting of the purchase of 297,530 shares of Cypress common stock for \$1.0 million, and \$500,000 for the purchase of a three-year warrant to buy 342,466 shares of common stock at \$7.50 per share. In March and April 1999, Cypress received proceeds of \$5.2 million from the exercise of warrants to purchase 2.6 million shares of common stock. At September 30, 1999, the Company had cash, cash equivalents, and short-term investments of \$12.9 million.

Cypress Holds Conference Call

Cypress Bioscience, Inc. will hold a conference call on October 25, 1999 at 10:00 a.m. EST. To join the call, dial 800-597-1247 toll free, or +703-925-2532 for international calls.

About Cypress Bioscience, Inc.

Cypress Bioscience, Inc. develops and markets medical devices and therapeutics for the treatment of certain types of immune disorders and is engaged in the development of novel therapeutic agents for the treatment of blood platelet disorders. In April 1999, Cypress and Fresenius launched sale of the PROSORBA column for use in the therapeutic reduction of the signs and symptoms of moderate to severe rheumatoid arthritis in adult patients with long standing disease who have failed or are intolerant to DMARDS. It was previously approved in 1987 for use in Idiopathic Thrombocytopenic Purpura (ITP), an immune bleeding disorder. In addition to Cypress's lead product, the PROSORBA column, the Company is developing Cyplex™ (Infusible Platelet Membranes), which is positioned to become an alternative for traditional platelet infusions. For more information about the PROSORBA column and Cypress, please visit the Company's website at www.cypressbio.com.

Except for historical information contained herein, this news release contains forward-looking statements regarding Cypress Bioscience, Inc.'s operating results or financial condition that involve risks and uncertainties, including, but not limited to, the Company's and Fresenius' ability to market successfully the PROSORBA column for use as a treatment for RA; whether the Company will be successful in collaborating with Fresenius; whether the Company will be able to satisfy the financial criteria to draw down the final \$2 million of its loan from Transamerica, and the Company's ability to develop and receive regulatory approval for Cyplex on a timely basis, if at all, as well as other risks detailed from time to time in the Company's SEC reports, including its Annual Report on Form 10-K for the year ended December 31, 1998 and its most recent Quarterly Report on Form 10-Q.

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(See following table)

CYPRESS BIOSCIENCE, INC.
Condensed Financial Data
(In thousands, except per share data)

Statements of Operations Data

	Quarter ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
	(unaudited)		(unaudited)	
Operating revenues	\$ 331	\$ 642	\$ 1,298	\$ 1,836
Operating expenses	2,571	2,984	9,235	9,023
Gain from sale of inventory	–	–	693	–
Other income, net	119	48	290	220
Imputed dividend on preferred stock	–	2,078	–	2,078
Net loss	<u>\$(2,121)</u>	<u>\$(4,372)</u>	<u>\$(6,954)</u>	<u>\$(9,045)</u>
Net loss per share – basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.11)</u>	<u>\$ (0.16)</u>	<u>\$ (0.23)</u>
Shares used in computing net loss per share – basic and diluted	<u>46,111</u>	<u>39,266</u>	<u>44,652</u>	<u>38,961</u>

Balance Sheet Data

	September 30, 1999	December 31, 1998
	(unaudited)	
Assets		
Cash, cash equivalents and short-term investments	\$ 12,910	\$ 5,620
Assets of business transferred	1,359	–
Other current assets	704	1,853
Non-current assets	366	1,843
Total assets	<u>\$ 15,339</u>	<u>\$ 9,316</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 1,631	\$ 1,905
Liabilities of business transferred	3,217	–
Long term liabilities	2,154	566
Stockholders' equity	8,337	6,845
Total liabilities and stockholders' equity	<u>\$ 15,339</u>	<u>\$ 9,316</u>

