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**FOR IMMEDIATE RELEASE**

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**CYPRESS BIOSCIENCE ANNOUNCES FOURTH QUARTER AND  
FISCAL YEAR END 1999 RESULTS**

*Growing Use of PROSORBA<sup>®</sup> in Rheumatoid Arthritis*

SAN DIEGO, CALIFORNIA – February 24, 2000 - Cypress Bioscience, Inc. (NASDAQ:CYPB) announced today its financial results for the fourth quarter and year ended December 31, 1999. The Company reported a quarterly net loss of approximately \$831,000 or \$0.02 per share (basic and diluted) in 1999, versus a net loss of approximately \$2.2 million or \$0.05 per share (basic and diluted) for the comparable period in 1998. For the year ended December 31, 1999, the Company had a net loss applicable to common stockholders of approximately \$7.8 million or \$0.17 per share (basic and diluted), versus a net loss of approximately \$11.2 million or \$0.29 per share (basic and diluted) for the same period in 1998. During 1999, Cypress recognized a gain on the sale of assets of approximately \$2.4 million of which \$1.7 million was recognized in the fourth quarter. Excluding the effect of this gain the net loss would have been \$10.2 million or \$0.23 per share (basic and diluted) for the year ended December 31, 1999. During 1998 Cypress recorded a non-recurring imputed dividend against income. Excluding the affect of the imputed dividend the loss would have been approximately \$9.1 million or \$0.23 per share (basic and diluted) for the year ended December 31, 1998.

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. In April 1999, the Company and Fresenius launched the 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). The PROSORBA column had been previously approved for Idiopathic Thrombocytopenic Purpura, a rare hematologic disorder.

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. During 1999 Cypress recorded a total gain on the sale of approximately \$2.4 million recognized in two portions. The first portion was related to Fresenius' purchase of inventory from the Company that resulted in a gain to Cypress of \$693,000 recognized in the second quarter of 1999. After final adjustments related to the sale price of the facility were determined in the fourth quarter, an additional gain of approximately \$1.7 million was recognized.

The PROSORBA column sales for the fourth quarter of 1999 increased to slightly over \$1.0 million compared to \$782,000 in 1998. The increase in PROSORBA column sales was attributed to sales of the product for use in RA. Sales of the PROSORBA column for RA have increased in each quarter since PROSORBA column's launch, totaling \$87,000, \$512,000 and \$739,000 in the second, third and fourth quarters of 1999, respectively. These increases have been offset, in part, by declining sales for the ITP application, which posted sales of \$498,000, \$375,000 and \$296,000 in the second, third, and fourth quarters, respectively. These declines are related to the shift of all sales and marketing efforts to the treatment of RA. Under the terms of the agreement with Fresenius, Cypress recorded operating revenues in the second, third and fourth quarters of 1999 based on its pro rata share of the sale of the PROSORBA column by FHI. However, during 1998, Cypress recorded total PROSORBA column sales. Therefore, the revenue numbers are not directly comparable from 1999 to 1998.

"The awareness of the Column and its role in treating difficult patients has led to significant new interest from the rheumatology community in the fourth quarter," commented Sabrina Martucci Johnson, PROSORBA Product Director. "Sixty new RA patients were treated with the PROSORBA column in the fourth quarter, similar to the 57 patients treated in the third quarter. The number of new patients identified for treatment with the PROSORBA column has continued to double, from less than 50 in the second quarter, to more than 100 in the third quarter, and more than 200 in the fourth quarter. Likewise, the number of rheumatologists prescribing the PROSORBA column has more than doubled this quarter. As physician familiarity with the PROSORBA column increases, and as patients surface who have failed or who are not candidates for drug therapy, we expect that the PROSORBA column will become established in a significant position within the treatment paradigm for difficult RA cases."

Operating revenues for the quarter and year ended December 31, 1999 totaled \$575,000 and \$1.9 million, respectively, compared to \$848,000 and \$2.7 million for the same periods of 1998. The decrease in revenue is primarily attributable to the change in the manner in which Cypress records revenues from PROSORBA column sales following the signing of the Fresenius agreement, as described earlier. A portion of the decrease is also related to grant income recorded in the quarter and year ended December 31, 1998 of \$66,000 and \$308,000, respectively, while no grant income was recognized in 1999.

Total operating expenses for the quarter and year ended December 31, 1999 were approximately \$3.2 million and \$12.4 million in 1999, respectively, compared to approximately \$3.1 million and \$12.1 million for the

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same periods in 1998. The Company expects to continue operating at a loss through 2000 while it incurs additional costs relating to expanding the PROSORBA column sales.

Research and development expenses decreased from \$4.3 million in 1998 to \$1.9 million for the comparable period in 1999 due primarily to costs related to the FDA application process for the use of the PROSORBA column for treating RA. The decrease in research and development expenses is offset, in part, by the launch of a mandatory FDA follow-up clinical trial. The increase in sales and marketing expense from \$2.4 million in 1998 to \$5.9 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 in general and administrative expenses from \$3.3 million in 1998 to \$3.7 million in 1999 was primarily the result of business development activities.

The Company's cash, cash equivalents, and short-term investments balance at December 31, 1999 was \$11.6 million, compared to \$5.6 million at December 31, 1998. The net increase in cash is due to the proceeds from the sale of assets to Fresenius, proceeds from a term loan of \$3 million, proceeds from the exercise of previously issued warrants of \$5.2 million, and is partially offset by cash used in operations.

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.

"The results of a survey of treated patients, also released today, confirm the efficacy of the PROSORBA column in patients who have failed multiple drugs, including the new "TNF blockers" such as Enbrel<sup>®</sup>, manufactured by Immunex {IMNX}, and Remicade<sup>®</sup>, marketed by Johnson and Johnson (JNJ)," said R. Michael Gendreau, M.D., Ph.D. Executive Vice President, Chief Scientific Officer and Chief Medical Officer, Cypress. "While the initial rate of market penetration has been slower than originally anticipated, we have made significant progress in simplifying the treatment process for both the rheumatologist and their patients. Based on these programs, we expect to see accelerated growth in 2000."

### **Cypress Holds Conference Call**

Cypress Bioscience, Inc. will hold a conference call on Thursday, March 2, 2000 at 4:00 p.m. EST. To join the call, dial (877) 679-9049 toll free, or +(612) 556-2803 for international calls.

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## **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 March 1999, the Company entered into an agreement that granted Fresenius AG and Fresenius Hemotechnology, Inc. an exclusive license to manufacture and distribute the PROSORBA column in the U.S., Europe and certain other territories. In April 1999, Cypress and Fresenius launched sale of the PROSORBA column for the treatment of moderate to severe rheumatoid arthritis. The PROSORBA column was previously cleared by the FDA in 1987 for use in Idiopathic Thrombocytopenic Purpura (ITP), an immune bleeding disorder. In addition, Cypress 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 Web site at [www.cypressbio.com](http://www.cypressbio.com).

*Except for historical information contained herein, this news release contains forward-looking statements regarding Cypress Bioscience Inc. 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 rheumatoid arthritis; whether the Company will be successful in collaborating with Fresenius; whether the final survey data related to the clinical use of the ProSORBA Column as a treatment for rheumatoid arthritis will confirm the preliminary data; and the Company's ability to develop and receive regulatory clearance 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.*

(See following table)

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

**Statements of Operations**

	Quarters ended December 31,		Years ended December 31,	
	1999	1998	1999	1998
	(Unaudited)	(Unaudited)		
Revenue	\$ 575	\$ 848	\$ 1,872	\$ 2,683
Expenses	(3,170)	(3,105)	(12,405)	(12,128)
Interest income, net	46	80	336	300
Gain on sale of production facility	1,718	-	2,412	-
Net loss	(831)	(2,177)	(7,785)	(9,145)
Undeclared, imputed dividend on preferred stock	-	-	-	(2,078)
Net loss applicable to common stockholders	<u>\$ (831)</u>	<u>\$(2,177)</u>	<u>\$ (7,785)</u>	<u>\$(11,223)</u>
Net loss per share applicable to common stockholders - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.17)</u>	<u>\$ (0.29)</u>
Weighted average number of shares outstanding - basic and diluted	<u>46,207</u>	<u>40,060</u>	<u>45,044</u>	<u>39,235</u>

**Balance Sheets**

	December 31,	December 31,
	1999	1998
Assets		
Cash, cash equivalents and short-term investments	\$11,570	\$5,620
Other current assets	942	1,854
Non-current assets	320	1,842
Total assets	<u>12,832</u>	<u>\$9,316</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 2,449	\$1,905
Long-term liabilities	2,638	566
Stockholders' equity	<u>7,745</u>	<u>6,845</u>

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Total liabilities and stockholders' equity

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\$12,832

\$9,316

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