



FOR IMMEDIATE RELEASE

CONTACT : Jay D. Kranzler, M.D., Ph.D., Chief Executive Officer, Chairman of the Board
Sabrina Martucci Johnson, V.P., Sales and Marketing
Manda Hall, Investor Relations Administrator
Cypress Bioscience, Inc.
(858) 452-2323

Media Contact: Mark Corbae, Corbae and Company Inc. (858) 546-2898

**CYPRESS BIOSCIENCE ANNOUNCES THIRD QUARTER 2000
FINANCIAL RESULTS**

***PROSORBA[®] Column Third Quarter Sales
Grow by 30% over Previous Quarter***

SAN DIEGO, CALIFORNIA – November 3, 2000 - Cypress Bioscience, Inc. (NASDAQ:CYPB) announced today its financial results for the third quarter of 2000. For the quarter, the Company reported a net loss of \$1.9 million, or \$0.04 per share, compared to a net loss of \$2.1 million, or \$0.05 per share, for the same period in 1999. Net loss for the nine months ended September 30, 2000 was \$6.9 million, or \$0.14 per share, compared to a net loss of \$7.0 million, or \$0.16 per share, for the same period in 1999.

Sales of the PROSORBA column were \$3.0 million in the third quarter of 2000 versus \$2.3 million in the second quarter of 2000 and \$1.3 million in the first quarter of 2000. Of the \$3.0 million PROSORBA column sales in the third quarter, approximately \$2.9 million were purchased for use in the rheumatoid arthritis ("RA") indication, versus \$2.1 million in the second quarter of 2000. The increase in the third quarter is attributed to the purchase of 2,000 PROSORBA columns by Fresenius Medical Care North America (FMCNA), a subsidiary of Fresenius Medical Care AG, and one of the leading providers of apheresis services to hospitals in the United States. The purchase was double last quarter's purchase of 1,000 columns by FMCNA and reflects FMCNA's continued commitment to expand the availability of treatment in the rheumatologist's office, offering many benefits to the patient including convenience and continued care by their rheumatologist throughout the 12-week treatment course. In addition, Fresenius Hemotechnology Inc. (FHT), the primary party to the partnership with Cypress and a leading producer of apheresis equipment and disposables, hired six additional sales representatives to accelerate the adoption of PROSORBA as an in-office procedure.

Dr. Jay D. Kranzler, Cypress' Chairman of the Board and Chief Executive Officer commented, "We are pleased with Fresenius' continued commitment to the PROSORBA column, indicated both by the large purchase of Columns by FMCNA, and the commitment of human resources by FHT. However, the purchase by FMCNA this quarter was unusual, and we expect FMCNA to purchase only 1,000 columns in the fourth quarter of 2000. In addition, we believe that the purchases that FMCNA has made in 2000 will meet their treatment needs until at least mid-year 2001. As a result, we are projecting sales for the fourth quarter of 2000 between \$2 million and \$2.5 million, based on 1,000 PROSORBA columns being purchased by FMCNA, combined with our typical run rate."

Prior to obtaining approval to market the PROSORBA column for the RA indication in March 1999, the PROSORBA column was approved for idiopathic thrombocytopenia purpura ("ITP"). The portion of PROSORBA columns sales related to RA have increased while sales for the ITP indication have continued to decrease. For the third quarter 2000, RA sales represented over 95% of the total PROSORBA column revenue. This decline in ITP sales is related to the shift of all available sales and marketing resources away from hematology to the rheumatology application and we expect sales for the ITP indication to continue to decline.

In March 1999, the Company entered into an agreement with Fresenius Hemotechnology Inc. (FHT), a U.S. subsidiary of Fresenius AG (Fresenius) of Bad Homburg, Germany. FHT 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.

After March 1999, sales of the PROSORBA column are booked as revenue by FHT, based on the terms of the Fresenius partnership agreement. Allowable expenses incurred related to the PROSORBA column are reimbursed to the party incurring such expenses. Profits from the product after expense reimbursement are divided between Cypress and Fresenius with at least 50% of such profits allocated to Cypress. Prior to April 1999, Cypress recorded sales of the PROSORBA column as product revenue. As a result, total revenue reported by Cypress for the nine months ended September 30, 2000 is not comparable to the same period of 1999. For the quarter and nine months ended September 30, 2000, Cypress recorded revenue from the Fresenius arrangement of \$889,000 and \$2.3 million, respectively, compared to \$331,000 and \$710,000 for the same periods in 1999. The increase in revenue from the Fresenius agreement in 2000 is a result of the increased sales of the PROSORBA column as previously described, which in turn led to an increase in revenue allocated to Cypress from the Fresenius arrangement.

Operating expenses for the quarter and nine month period ended September 30, 2000 were \$2.8 million and \$9.3 million, respectively, compared to \$2.6 million and \$9.2 million for the same time periods in 1999. As a result of Fresenius' purchase of the Company's manufacturing plant in April 1999, the Company does not include manufacturing costs in production expenses for the PROSORBA column after April 1999. Therefore, operating expenses for the periods in 2000 are not directly comparable to the periods in 1999. For the quarter ended September 30, 2000 operating expenses increased by approximately \$199,000 over the same period of 1999. However, total operating expenses for the nine month period ended September

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30, 2000 were relatively consistent to amounts reported in the same period of 1999, due to decreases in production expense and general and administrative expenses, offset primary by an increase in sales and marketing expenses.

Production expenses were \$150,000 and \$330,000 for the quarter and nine months ended September 30, 2000, respectively, compared to \$47,000 and \$837,000 for the comparable periods in 1999. Production costs for the quarters ended September 30, 2000 and 1999 consist entirely of royalty expenses based on net sales of the PROSORBA column. The increase of 220% for the quarter ended September 30, 2000 from the same period of 1999 is a result of the increase in PROSORBA column sales in 2000 from 1999. Production costs decreased by \$507,000 during the nine months ended September 30, 2000 due to Fresenius' acquisition of the PROSORBA column manufacturing facility in April 1999. As a result, the Company did not record production costs associated with manufacturing the PROSORBA column during the period of January through April of 2000, as it had during the same period of 1999.

Sales and marketing expenses were \$1.2 million and \$4.8 million for the quarter and nine months ended September 30, 2000, respectively, compared to \$1.5 million and \$3.9 million for the same periods of 1999. The decrease of \$262,000 for the quarter ended September 30, 2000 from the same period of 1999 is due to turnover among sales representatives. Furthermore, compensation of the new sales and marketing employees is based more on sales results than that of those previously employed, and resulted in less salary expense for the third quarter. As a result of the turnover, expenses for the quarter were less than expected. For the nine months ended September 30, 2000 sales and marketing expenses increased by \$896,000 over the same period in 1999. The increase is due to sales and marketing efforts associated with the PROSORBA column for the RA indication, which were launched in April 1999. As a result, the quarter and nine months ended September 30, 2000 reflect RA marketing expenses in each month, while the same periods in 1999 do not.

Research and development expenses were \$393,000 and \$1.7 million for the quarter and nine months ended September 30, 2000, respectively, compared to \$373,000 and \$1.5 million for the corresponding periods of 1999. The Company initiated mandatory post approval trials for the treatment of RA using the PROSORBA column in 2000. During the quarter ended September 30, 2000 the Company paid a retention bonus to its Executive Vice President of Research and Development that was offset by the Company's management of costs primarily related to the mandatory post approval trials. As a result, the expenses reported for the quarter ended September 30, 2000 are consistent with that reported for the same period of 2000. The increase of \$161,000 for the nine months ended September 30, 2000 over the same period of 1999 is due to costs incurred for an investigator recruitment meeting jointly sponsored by Fresenius and Cypress, and the above mentioned retention bonus, which were partially offset by the absence of costs associated with the FDA clearance process which were incurred during the first quarter of 1999.

General and administrative expenses were \$1.0 million and \$2.5 million for the quarter and nine months ended September 30, 2000, respectively, compared to \$672,000 and \$3.0 million for the comparable periods of 1999. The increase of \$338,000 in the third quarter 2000 from that reported in the same period of 1999 is primarily due to retention bonuses paid out to the Company's Chief Executive Officer and Chief Operating Officer. The decrease in expenses for the nine months ended September 30, 2000 is related to a

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decrease in business development activity in 2000 compared to 1999, offset by the retention bonuses previously mentioned. The business development activity in 1999 included costs associated with negotiating the Company's agreement with Fresenius.

The Company's cash and cash equivalents at September 30, 2000 totaled approximately \$9.0 million, compared to approximately \$11.6 million at December 31, 1999. The net decrease in cash is due to cash used in operations and principal payment on debt, partially offset by the proceeds from the exercise of stock options and warrants.

Cypress Holds Conference Call

Cypress Bioscience, Inc. will hold a conference call on Friday, November 17, 2000 at 4:30 p.m. EST. To join the call, dial (877) 679-9049 toll free, or (952) 556-2803 for international calls.

About Cypress Bioscience, Inc.

Cypress Bioscience, Inc. markets the PROSORBA column for treatment of RA and ITP, and is engaged in the development of Cyplex™ for the treatment of immune 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 the sale of the PROSORBA column for the treatment of moderate to severe RA in the United States. European approval for the column was obtained in March 2000. The PROSORBA column was previously cleared by the FDA in 1987 for use in 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.

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 RA; whether the Company will achieve projected sales for the fourth quarter; 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 RA will confirm the preliminary data; whether the sales of the PROSORBA column for the RA indication will continue to increase, whether FMCNA will purchase any additional PROSORBA columns; 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/A for the year ended December 31, 1999 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 Data

	Quarter ended September 30,		Nine months ended September 30,	
	2000	1999	2000	1999
	(unaudited)		(unaudited)	
Operating revenues	\$ 889	\$ 331	\$2,304	\$ 1,298
Operating expenses	2,770	2,571	9,272	9,234
Gain from sale of assets	-	-	-	694
Other income, net	22	119	79	288
Net loss	<u>\$ (1,859)</u>	<u>\$ (2,121)</u>	<u>\$ (6,889)</u>	<u>\$ (6,954)</u>
Net loss per share – basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>	<u>\$ (0.14)</u>	<u>\$ (0.16)</u>
Shares used in computing net loss per share - basic and diluted	<u>48,718</u>	<u>46,111</u>	<u>48,330</u>	<u>44,652</u>

Balance Sheet Data

	September 30,	December 31,
	2000	1999
	(unaudited)	
Assets		
Cash, cash equivalents and short-term investments	\$8,956	\$11,570
Other current assets	626	921
Non-current assets	195	340
Total assets	<u>\$9,777</u>	<u>\$12,831</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$3,174	\$ 2,416
Long term liabilities	982	2,670
Stockholders' equity	5,621	7,745
Total liabilities and stockholders' equity	<u>\$9,777</u>	<u>\$12,831</u>

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