



FOR IMMEDIATE RELEASE

CONTACT : Jay D. Kranzler, M.D., Ph.D., Chief Executive Officer, Chairman of the Board
Manda Hall, Investor Relations Administrator
Cypress Bioscience, Inc.
(858) 452-2323

**CYPRESS BIOSCIENCE ANNOUNCES SECOND QUARTER
2001 RESULTS**

SAN DIEGO, CALIFORNIA – August 13, 2001 – Cypress Bioscience, Inc. (NASDAQ:CYPB) announced today its financial results for the second quarter of 2001. For the quarter ended June 30, 2001, the Company reported a net loss of approximately \$930,000 or \$0.15 per share, compared to a net loss of approximately \$2.0 million or \$0.34 per share for the corresponding period of 2000. The Company's cash and short-term investments at June 30, 2001 totaled \$10.2 million compared to \$7.1 million at December 31, 2000.

“Cypress continues to make progress on its initiative to advance the development of novel drugs to treat patients with fibromyalgia syndrome (FMS). Early this year, we implemented a program to identify drug candidates with the potential to help FMS patients with a near-term goal of completing a licensing deal for one of these compounds,” said Jay D. Kranzler, M.D., Ph.D., Cypress' Chief Executive Officer and Chairman of the Board, “We are now beginning to build our product portfolio with the in-licensing of milnacipran, a drug that we believe offers strong potential for treating FMS. We plan on beginning Phase II clinical trials with this compound in FMS early next year.”

FMS affects between two to four percent of the world's population and is the second most diagnosed rheumatological disorder after osteoarthritis. In August 2001, Cypress signed a license agreement with Pierre Fabre Medicament, the pharmaceutical division of bioMérieux Pierre Fabre of Paris, France. The agreement provides Cypress with an exclusive license to develop and sell any product with the compound, milnacipran, as an active ingredient, for the treatment of FMS and related chronic pain syndromes in the United States and Canada. The agreement also gives Cypress an option to expand the license to include other indications.

Cypress developed and obtained U.S. regulatory approval for the PROSORBA[®] column, a medical device for the treatment of rheumatoid arthritis that is being sold in the U.S., Europe and Canada. In January 2001, Cypress restructured its PROSORBA column partnership agreement with Fresenius AG of Bad Homburg, Germany and its U.S. subsidiary, Fresenius HemoCare, Inc. (Fresenius). Under the revised agreement, Fresenius is responsible for all PROSORBA column activities and expenses worldwide. Cypress received an upfront payment of approximately \$8.0 million for certain assets and a partial prepayment of royalties related to the

PROSORBA column. The Company has the potential to receive future royalties on sales above certain thresholds. The restructured agreement eliminates the profit and expense sharing arrangement with Fresenius for PROSORBA column sales and substitutes royalty provisions.

The decrease in net loss for the quarter and six month period ended June 30, 2001 compared to the same periods in 2000 are primarily the result of the new revenue arrangement and the elimination of PROSORBA related expenses, including the transfer of Cypress employees associated with PROSORBA activities to Fresenius. The increase in cash and short-term investments was primarily due to the upfront payment received as a result of the restructured agreement with Fresenius, partially offset by cash used in operations and repayments made on a note payable for capital expenditures. The restricted cash amount represents funds set aside for future payments on the note payable.

Total revenues for the quarter and six months ended June 30, 2001 totaled \$400,000 and \$800,000, respectively, compared to \$848,000 and \$1.4 million for the same period of 2000. Total revenues for the second quarter and six months of 2001 consisted of amortization of the upfront payment of \$8.0 million that Cypress received under the restructured agreement with Fresenius. This upfront payment is being recognized as revenues on a straight-line basis over a five-year term. The unamortized amount of the upfront payment is recorded as deferred revenues. In contrast, total revenues for the first quarter of 2000 consisted of reimbursement to Cypress by Fresenius of allowable expenses and its share of profits from the sale of the PROSORBA column under the original agreement. As a result, revenues for the 2000 and 2001 periods are not directly comparable.

Total operating expenses for the quarter and six month period ended June 30, 2001 were \$1.4 million and \$3.0 million, respectively, compared to \$2.9 million and \$6.5 million for the same time periods in 2000. The decrease in operating expenses was primarily due to the assumption of expenses associated with the PROSORBA column by Fresenius beginning January 2001.

About Cypress Bioscience, Inc.

Cypress is committed to be the innovator and commercial leader in providing products that improve the diagnosis and treatment of patients with FMS. In January 2001, the Company began a strategic initiative into the treatment of FMS. In April 2001, Cypress announced the formation of a research collaboration with Georgetown University Medical School to develop technologies and products related to FMS. For more information about Cypress, please visit the company's Web site at www.cypressbio.com.

This press release, as well as Cypress' SEC filings and web site at <http://www.cypressbio.com>, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could vary materially from those described as a result of a number of factors, including those set forth in Cypress Annual Report on Form 10-K and any subsequent SEC filings. In addition, there is the risk that Cypress may not be able to successfully develop or market any products for the treatment of FMS under the Pierre Fabre agreement or at all; that the clinical development plan or timeline for milnacipran may not be shortened; that we may not be able to obtain appropriate regulatory approvals to begin Phase II clinical trials of milnacipran early next year; that Cypress will not be successful in identifying or developing products under the Georgetown agreement; that Fresenius may not be able to successfully market the PROSORBA column; that the sales of the PROSORBA column may decrease; and that Cypress may not receive any future royalties under its revised agreement with Fresenius. Cypress undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances after the date of this press release, except as required by law.

###

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

Statement of Operations Data:

	Quarter ended June 30, 2001 2000		Six months ended June 30, 2001 2000	
	(unaudited)		(unaudited)	
Operating revenues	\$ 400	\$ 848	\$ 800	\$1,415
Operating expenses	1,395	2,937	3,008	6,502
Other income, net	65	40	98	57
Net loss	<u>\$(930)</u>	<u>\$(2,049)</u>	<u>\$(2,110)</u>	<u>\$(5,030)</u>
Net loss per share – basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.34)</u>	<u>\$ (0.34)</u>	<u>\$ (0.84)</u>
Shares used in computing net loss per share	<u>6,204</u>	<u>6,081</u>	<u>6,156</u>	<u>6,017</u>

Balance Sheet Data:

	June 30, 2001	December 31, 2000
	(unaudited)	
Assets		
Cash and equivalents	\$10,170	\$ 7,102
Restricted cash	1,367	-
Other current assets	124	647
Non-current assets	180	142
Total assets	<u>\$11,841</u>	<u>\$ 7,891</u>
Liabilities and stockholders' equity		
Current liabilities	\$ 3,761	\$ 3,228
Deferred revenue from Fresenius – long-term	5,600	-
Other long-term liabilities	-	564
Stockholders' equity	2,480	4,099
Total liabilities and stockholders' equity	<u>\$11,841</u>	<u>\$ 7,891</u>