



FOR IMMEDIATE RELEASE

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**CYPRESS BIOSCIENCE ANNOUNCES SECOND QUARTER
2002 RESULTS**

SAN DIEGO, CALIFORNIA – August 15, 2002 – Cypress Bioscience, Inc. (NASDAQ:CYPB) announced today its financial results for the second quarter of 2002. For the quarter ended June 30, 2002, the Company reported net loss of approximately \$ 1.6 million or \$0.12 per share, compared to a net loss of approximately \$930,000 or \$0.15 per share for the corresponding period of 2001. The Company's cash and short-term investments at June 30, 2002 totaled \$15.7 million compared to \$5.9 million at December 31, 2001. Working capital at June 30, 2002 totaled \$15.0 million compared to a deficit of \$2.1 million at December 31, 2001.

"We have made progress toward our development goals, including our Phase II trial evaluating milnacipran as a potential treatment for Fibromyalgia Syndrome," said Jay D. Kranzler, M.D., Ph.D., Chairman and CEO of Cypress Bioscience, Inc.

We had no revenue for the quarter ended June 30, 2002 and revenues of \$6.4 million for the six months ended June 30, 2002 compared to revenues of \$400,000 and \$800,000 for the quarter and six months ended June 30, 2001, respectively. From March 1999 through January 31, 2002, all of our revenue was recognized pursuant to the terms of our agreement with Fresenius, pursuant to which we licensed to Fresenius rights with respect to the PROSORBA column. The original license and distribution agreement was entered into in March 1999, referred to as the Original Fresenius Agreement. The agreement was amended in January 2001, referred to as the First Restructured Agreement and then again in February 2002, referred to as the Second Restructured Agreement.

The First Restructured Agreement entered into in January 2001 governed our relationship with Fresenius from January 2001 through January 2002. We received an upfront payment of approximately \$8.0 million under the First Restructured Agreement. Pursuant to the Second Restructured agreement with Fresenius, the Fresenius agreement was modified to clarify that the \$8.0 million was not refundable under any circumstances and therefore, the entire \$6.4 million that was the remaining deferred revenue as of December 31, 2001 was recognized as revenue in the first quarter of 2002. Revenues for 2001 consisted of the first year of amortization of the upfront payment of approximately \$8.0 million we received under the First Restructured Agreement. For the year 2001, this upfront payment was recognized as revenue on a straight-line basis over a five-year term and we recognized \$400,000 of revenue each quarter.

(more)

As a result of our modification of our agreement with Fresenius reflected in the Second Restructured Agreement, the 2002 and 2001 revenues are not comparable. In addition, we will not recognize any additional revenue under our agreement with Fresenius until at the earliest, January 30, 2008, when we may receive a one-time payment of \$1.0 million or \$2.0 million or no payment at all.

Total operating expenses for the quarter and six months ended June 30, 2002 approximated \$1.6 million and \$4 million, respectively, compared to \$1.4 million and 3.0 million for the corresponding periods in 2001. The increase in operating expenses was due to the commencement of a Phase II clinical trial for milnacipran, our drug candidate for the treatment of FMS, partially offset by lower general and administrative costs due to the focus of our efforts on the clinical trials and the development of milnacipran.

Interest and other income, net, for the quarter and six months ended June 30, 2002 were \$72,000 and \$ 98,000, respectively, compared to \$ 140,000 and \$272,000 for the comparable periods in 2001.

Interest expense for the quarter and six months ended June 30, 2002 were \$6,300 and \$28,000, respectively, compared to \$ 75,000 and \$174,000 for the comparable periods in 2001.

About Cypress Bioscience, Inc.

Cypress is committed to be the innovator and commercial leader in providing products for the diagnosis and treatment of patients with Functional Somatic Syndromes, such as Fibromyalgia Syndrome, or FMS, and other related chronic pain and central nervous system disorders. In January 2001, the Company began a strategic initiative focusing on FMS. In August 2001, Cypress licensed its first product for clinical development, milnacipran. Milnacipran, the first of a new class of agents known as NSRI's, or Norepinephrine Serotonin Reuptake Inhibitors, shares a pharmacological profile with the tricyclic antidepressants (TCAs), considered the most effective drugs for treatment of FMS, while appearing to lack the side effects associated with the latter. Milnacipran is currently being evaluated as a potential treatment for FMS in a Phase II clinical trial. For more information about Cypress, please visit the Company's web site at www.cypressbio.com. For more information about FMS, please visit www.FMSresource.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 we may not be able to successfully develop or market any products for the treatment of Functional Somatic Syndromes, such as FMS and other related chronic pain and central nervous system disorders; that our clinical development plan or timeline for milnacipran may be delayed, including our Phase II clinical trial; that we may encounter regulatory or other difficulties in the development of milnacipran for FMS; and that milnacipran may not significantly improve the treatment of FMS. 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.

(See following table)

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

Statement of Operations Data:

	Quarter ended June 30, 2002	2001	Six months ended June 30, 2002	2001
	(unaudited)		(unaudited)	
Operating revenues	\$ -	\$ 400	\$ 6,400	\$800
Operating expenses	1,633	1,395	3,972	3,008
Other income, net	66	65	70	98
Net loss	<u>\$ (1,567)</u>	<u>\$ (930)</u>	<u>\$2,498</u>	<u>\$ (2,110)</u>
Net loss per share – basic	<u>\$ (0.12)</u>	<u>\$ (0.15)</u>	<u>\$ 0.25</u>	<u>\$ (0.34)</u>
Shares used in computing net loss per share - basic	<u>13,180</u>	<u>6,204</u>	<u>9,936</u>	<u>6,156</u>
Net loss per share - diluted	<u>\$ (0.12)</u>	<u>\$ (0.15)</u>	<u>\$ 0.24</u>	<u>\$ (0.34)</u>
Shares used in computing net loss per share - diluted	<u>13,180</u>	<u>6,204</u>	<u>10,225</u>	<u>6,156</u>

Balance Sheet Data:

	June 30, 2002	December 31, 2001
	(unaudited)	
Assets		
Cash and equivalents	\$ 15,683	\$ 5,867
Restricted cash	-	605
Other current assets	79	76
Non-current assets	178	137
Total assets	<u>\$15,940</u>	<u>\$ 6,685</u>
Liabilities and stockholders' equity		
Deferred Revenue	\$ -	\$ 6,400
Other current liabilities	747	2,254
Long-term liabilities	58	-
Stockholders' equity	15,135	(1,969)
Total liabilities and stockholders' equity	<u>\$15,940</u>	<u>\$ 6,685</u>

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