



Advanced Polymer Systems Reports First Quarter 2001 Results

May 3, 2001

Royalty Income from Dermik's Carac Commences

REDWOOD CITY, Calif. (May 3, 2001) – Advanced Polymer Systems (Nasdaq NM: APOS), a specialty pharmaceutical company focused on the development of ethical pharmaceuticals utilizing its proprietary drug delivery systems, today reported financial results for the three months ended March 31, 2001 and highlighted progress in the first quarter.

Highlights of the 2001 first quarter included:

- » A second prescription formulation (Carac™) utilizing the Company's technology was successfully launched by marketing partner, Dermik Laboratories, an Aventis company. Royalties from Carac make immediate contribution to income stream.
- » Royalty stream continues from sales of Retin-A® Micro™, which was launched in 1997.
- » The Company had \$21 million cash at March 31, 2001.
- » Scaled-up manufacturing and toxicology studies are in progress for the Company's Biochronomer™ systems in preparation for Phase I clinical studies.
- » Feasibility studies utilizing the Company's technology have been initiated with several pharmaceutical companies.

Michael O'Connell, president and CEO, commented, "We have refocused Advanced Polymer Systems as a specialty pharmaceutical company, devoting our resources to the development of ethical pharmaceutical products with longer life cycles and higher margins. We are very pleased with the level of royalties generated by Carac following its recent introduction in March 2001. Our cash position, together with royalties from Carac and Retin-A Micro, should provide us with sufficient resources to develop our bioerodible injectable and implantable delivery systems for partnership arrangements."

"Our Biochronomer™ systems were specifically designed for the release of drugs into various sites such as under the skin, in muscle, or in the peritoneal cavity and we believe that they offer potential for use in a broad array of pharmaceutical products. Opportunities include pain management and the delivery of proteins, peptides and DNA for applications associated with surgical therapeutics. We are confident that our near-complete pre-clinical studies will provide key data to facilitate partnership arrangements and to bring innovative new pharmaceutical products to market," concluded Mr. O'Connell.

Q1 Results

The Company reported total revenues for the first quarter of 2001 of \$971,000, compared with \$730,000 for the same period in the prior year. The increase in revenues was primarily attributable to the commencement of royalties on sales of Carac, a newly approved topical treatment for pre-cancerous skin lesions, by the Company's marketing partner Dermik Laboratories, an Aventis company.

Research and development expense for the first quarter of 2001 was \$1,378,000, compared with \$554,000 for the first quarter 2000, an increase of \$824,000 due mainly to expenses associated with ongoing toxicology and feasibility studies. The company expects that its investment in R&D will increase during 2001 as progress is made with a number of feasibility and new product development programs.

The net loss from continuing operations for the first quarter of 2001 was \$963,000, compared with a net loss from continuing operations of \$807,000 for the first quarter of 2000.

Earnings Conference Call Information

Advanced Polymer Systems will host a conference call to discuss first quarter results today, beginning at 11:00 a.m. Eastern Time. To participate in the live call via telephone, please call (888) 740-0194. A telephone replay will be available for 48 hours following the conclusion of the call by dialing (800) 633-8284, and entering reservation number 18749208. The conference call will be broadcast live over the Internet at www.appharma.com. A replay will be available on the Company's Website for 30 days.

About Advanced Polymer Systems

Advanced Polymer Systems is a specialty pharmaceutical company focused on the development of ethical (prescription) pharmaceuticals utilizing its proprietary polymer-based drug delivery systems. The Company's primary focus is the development and commercialization of its bioerodible injectable and implantable systems under the trade name Biochronomerä. Initial targeted areas of application for the Company's drug delivery technology include pain management, inflammation, oncology and ophthalmology applications. The Company's product development programs are funded by royalties from topical products currently marketed by pharmaceutical partners and proceeds from the divestiture of its cosmeceutical product lines. For further information visit the Company's Website at www.appharma.com.

Forward-looking Statements

Except for historical information, this news release contains certain forward-looking statements that involve risks and uncertainties, including among others, uncertainty associated with timely development, approval, launch and acceptance of new products, establishment of new corporate alliances

and progress in research and development programs. Other risks and uncertainties associated with the Company's business and prospects are identified in the Company's filings with the Securities and Exchange Commission. The Company does not undertake to revise these forward-looking statements to reflect events or circumstances occurring in the future.

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Advanced Polymer Systems
Income Statement Highlights
(in thousands, except per share data)
(Unaudited)

Three Months Ended

March 31 March 31

2001 2000

Royalties and License Fees	\$675	\$426
Product Revenues	<u>296</u>	<u>304</u>
Total Revenues	971	730
Cost of Sales	93	124
Operating Expenses:		
Research & Development	1,378	554
Selling, General & Administrative	<u>813</u>	<u>768</u>
Total Operating Expenses	2,191	1,322
Operating Loss	(1,313)	(716)
Interest Income (Expense), Net	348	(53)
Other, Net	<u>2</u>	<u>2</u>
Loss Before Income Taxes	(963)	(767)
Income Tax Expense	<u>0</u>	<u>40</u>
Loss from Continuing Operations	(963)	(807)
(Loss)Income from Discontinued Operations,	<u>(158)</u>	<u>1,027</u>
Net (Loss)/Income	<u>(\$1,121)</u>	<u>\$220</u>
Basic and Diluted (Loss)/Earnings Per Common Share:		
Loss from Continuing Operations	<u>(0.05)</u>	<u>(0.04)</u>
Net (Loss)/Income	<u>(0.06)</u>	<u>0.01</u>