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FOR IMMEDIATE RELEASE

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Pharmos Corporation Reports 2003 First Quarter Results Dexanabiol Clinical Operations Expand Despite Narrower Loss

Iselin, NJ, May 7, 2003 - Pharmos Corporation (Nasdaq: PARS and Nasdaq Europe: PHRM) today reported financial results for the first quarter ended March 31, 2003. Net loss decreased 9% to \$4,499,205, or \$.08 per share compared to a net loss of \$4,968,069, or \$.09 per share in the prior year first quarter. The decrease in net loss was due primarily to a net credit of \$786,000 recorded as other income in the 2003 first quarter to reflect the recovery of a non-cash beneficial conversion feature charge previously recorded against earnings related to convertible securities issued in 2000.

Operating expenses in the 2003 first quarter increased 7% to \$5,063,580 compared to the prior year first quarter, primarily due to increased costs in connection with the Company's Phase III clinical trial of dexanabiol for traumatic brain injury, in which the number of centers and patients involved has expanded. The increased operating costs were partially offset by a reduction in consulting and professional fees. During the first quarter 2003, Pharmos spent approximately \$3.3 million on dexanabiol-related development and less than \$500,000 on other research and development projects. Cash and cash equivalents totaled \$16,600,400 at March 31, 2003.

"We are entering into the homestretch of our pivotal trial of dexanabiol for head injury," said Haim Aviv, Ph.D., Pharmos Chairman and CEO. "With the initiation of our Phase IIa trial of dexanabiol for the treatment of cognitive impairment as a result of coronary artery bypass grafting procedures, we believe 2003 may be a pinnacle year in the development of dexanabiol as successful treatments for these life altering afflictions."

More than 580 patients have been enrolled to date in over 60 international centers participating in the Phase III clinical trial of dexanabiol for traumatic brain injury. Enrollment of U.S. patients will commence upon completion of contract negotiations with the participating centers and receipt of necessary approvals from the centers' respective institutional review boards.

In March 2003 Pharmos began testing the effectiveness of dexanabiol in reducing post-surgical cognitive impairment in a Phase IIa trial of up to 200 heart surgery patients in three centers in Israel. "Prevention of cognitive impairment in bypass surgery patients is an important unmet need with a large market potential," said Gad Riesenfeld, Ph.D., President and COO. "In addition, this trial may provide us with new information in the area of neuroprotection that will benefit our efforts to develop new products within our technology platform." Patient enrollment in both dexanabiol trials is expected to be completed around year-end 2003.

Pharmos discovers, develops, and commercializes novel therapeutics to treat a range of indications, in particular neurological and inflammation- based disorders. The Company's first

neuroprotective product is dexanabinol, a tricyclic dextrocannabinoid, currently undergoing clinical testing as a treatment for TBI and as a preventive agent against post-surgical cognitive impairment. Other dextrocannabinoid compounds and CB2 receptor agonist compounds from Pharmos' proprietary synthetic cannabinoid library are being studied in pre-clinical programs targeting stroke, pain, multiple sclerosis and other disorders.

Statements made in this press release related to the business outlook and future financial performance of the Company, to the prospective market penetration of its drug products, to the development and commercialization of the Company's pipeline products and to the Company's expectations in connection with any future event, condition, performance or other matter, are forward-looking and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in these statements. Additional economic, competitive, governmental, technological, marketing and other factors identified in Pharmos' filings with the Securities and Exchange Commission could affect such results.

(Tables attached)

Pharmos Corporation Financial Highlights

Condensed Statement of Operations For the Three Months Ended

	<u>March 31, 2003</u>	<u>March 31, 2002</u>
Revenues	-	-
Expenses		
Research & development, net of grants	\$ 4,039,065	\$ 3,683,793
Selling, general & administrative	852,899	893,383
Depreciation & amortization	<u>171,616</u>	<u>174,912</u>
Total operating expenses	<u>5,063,580</u>	<u>4,752,088</u>
Other income (expense), net	<u>564,375</u>	<u>(215,981)</u>
Net loss	\$ (<u>4,499,205</u>)	\$ (<u>4,968,069</u>)
Net loss per share applicable to common shareholders – basic and diluted	\$ (<u>0.08</u>)	\$ (<u>0.09</u>)
Weighted average shares outstanding – basic and diluted	<u>58,303,145</u>	<u>56,452,044</u>

Condensed Balance Sheets at

	March 31, 2003	December 31, 2002
Assets		
Cash and cash equivalents	\$ 16,600,400	\$ 19,579,287
Other receivables	709,751	698,800
Restricted cash	-	2,199,999
Prepaid expenses and other current assets	396,813	323,991
Total current assets	17,709,964	22,802,077
Fixed assets, net	1,634,712	1,792,322
Restricted cash	60,000	60,000
Other assets	32,283	32,283
Total assets	\$ 19,433,959	\$ 24,686,682
 Liabilities and Shareholders' Equity		
Accounts payable	\$ 3,768,723	\$ 3,742,460
Accrued expenses	2,853,440	3,241,581
Accrued wages and other compensation	996,309	999,647
Convertible debentures, net	-	3,446,658
Total current liabilities	7,618,472	11,430,346
Other liability	10,000	10,000
Total liabilities	7,628,472	11,440,346
 Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$.03 par value, 1,250,000 shares authorized, none issued and outstanding		
Common stock, \$.03 par value; 110,000,000 shares authorized, 61,624,687 and 56,560,660 issued and outstanding (excluding, \$426 (14,189 shares in 2003 and 2002), held in Treasury) in 2003 and 2002, respectively	1,848,741	1,696,820
Deferred compensation	(106,656)	(119,988)
Paid in capital	117,080,661	114,187,558
Accumulated deficit	(107,017,259)	(102,518,054)
Total shareholders' equity	11,805,487	13,246,336
Total liabilities and shareholders' equity	\$ 19,433,959	\$ 24,686,682