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## FOR IMMEDIATE RELEASE

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### Pharmos Corporation Reports 2002 Second Quarter and Six Month Results

**Iselin, NJ, August 5, 2002** - Pharmos Corporation (Nasdaq: PARS and Nasdaq Europe: PHRM) today reported financial results for the second quarter and six month periods ended June 30, 2002. During the second quarter, net research and development expenses rose 14% compared to the respective period in 2001 as the Company continued to advance important clinical and pre-clinical development programs. Nearly \$2 million in research and development expenses were recorded, net of grant funding, in connection with Pharmos' pivotal Phase III trial of dexanabiol for traumatic brain injury (TBI), where efforts have largely been focused on increasing enrollment rate and supporting trial initiation in the United States.

"Patient enrollment in the European leg of dexanabiol's Phase III TBI trial continually improved over the last four months, and is now almost 50% higher than it was at the end of March," said Haim Aviv, Ph.D., Pharmos Chairman and CEO. "Preparation of the IND filing to commence enrollment in the U.S. is proceeding smoothly; data have been generated and the final reports should be ready for submission to the FDA by the beginning of the fourth quarter." Austrian centers recently joined the study, bringing the total number of participating centers to 62. Total enrollment of 860 patients is expected to be completed in 2003.

For the second quarter 2002, Pharmos reported a net loss of \$3,351,023, or \$.06 per share, compared to a net loss of \$2,366,745, or \$.04 per share, for the comparable period in 2001. For the six months ended June 30, 2002, Pharmos reported a net loss of \$8,319,092, or \$.15 per share, compared to a net loss of \$5,116,848, or \$.09 per share, for the comparable period in 2001. The increase in net loss is due primarily to higher research and development expenses and the absence of revenues. Pharmos has recorded no revenues since the third quarter 2001 as a result of the sale of its ophthalmic business, which included two marketed products, to Bausch & Lomb in the fourth quarter 2001. In early June 2002, Pharmos was awarded a grant of up to roughly US\$ 2.8 million by the Office of the Chief Scientist (OCS) of Israel's Ministry of Industry and Trade primarily to help fund the Company's 2002 development of dexanabiol for TBI, thereby defraying related expenses. Approximately \$1.2 million in OCS grant money reduced net research and development expenses during the first half 2002, of which approximately \$0.9 million was recorded in the second quarter. The Company reported cash, including short term restricted cash, of \$28.6 million at June 30, 2002.

"In other areas of development, we are excited by the expansion of our pipeline in targeting post-surgical cognitive impairment in patients undergoing heart surgery, one of the most frequent major surgical procedures performed worldwide," said Gad Riesenfeld, Ph.D., President and COO. "As mortality from the surgery has been reduced over the years, the medical needs are

now focused largely on the incidence of cognitive decline experienced by many patients after surgery, a condition for which no approved preventive medication is currently available.” Pharmos announced in late July 2002 its intention to begin patient enrollment in a Phase IIa clinical study of dexanabinol on coronary artery bypass graft (CABG) patients as a preventive agent against mild cognitive impairment. Preclinical testing of other compounds from the Company’s library of synthetic cannabinoid compounds continues, with an initial focus on various neuro-inflammatory disorders including pain, stroke and multiple sclerosis.

Gad Riesenfeld, President and COO, and Robert Cook, Executive Vice President and CFO, will host a conference call to discuss the second quarter 2002 results at 12:00 noon Eastern Time on August 5, 2002. A live webcast of the conference call will be available in the Investor Relations section of Pharmos’ website at [www.pharmoscorp.com](http://www.pharmoscorp.com) and will be archived for a limited time afterwards.

Pharmos discovers, develops, and commercializes novel therapeutics to treat a range of neurological disorders such as traumatic brain injury, post-surgical cognitive impairment, stroke, pain, multiple sclerosis, and other CNS and peripheral neuro-inflammatory indications.

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		For the Six Months Ended	
	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Revenues				
Product sales	-	\$ 1,480,737	-	\$ 2,505,795
License fee	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Total Revenues		1,480,737		2,585,795
Cost of goods sold	<u>-</u>	<u>453,908</u>	<u>-</u>	<u>865,249</u>
Gross margin	<u>-</u>	<u>1,026,829</u>	<u>-</u>	<u>1,720,546</u>
Expenses				
R&D, net	\$ 2,183,508	1,914,812	\$ 5,867,301	4,085,410
Selling, general & administrative	938,205	1,110,604	1,831,588	2,131,130
Depreciation & amortization	<u>171,812</u>	<u>164,066</u>	<u>346,724</u>	<u>323,287</u>
Total operating expenses	<u>3,293,525</u>	<u>3,189,482</u>	<u>8,045,613</u>	<u>6,539,827</u>
Loss from operations	(3,293,525)	(2,162,653)	(8,045,613)	(4,819,281)
Other income (expense)				
Interest income	144,799	226,208	314,780	548,288
Other (expense) income, net	(13,525)	(4,315)	(2,198)	6,142
Interest expense	<u>(188,772)</u>	<u>(425,985)</u>	<u>(586,061)</u>	<u>(851,997)</u>
Net loss	<u>(\$ 3,351,023)</u>	<u>(\$ 2,366,745)</u>	<u>(\$ 8,319,092)</u>	<u>(\$ 5,116,848)</u>
Net loss per share - basic and diluted	<u>(\$0.06)</u>	<u>(\$0.04)</u>	<u>(\$0.15)</u>	<u>(\$0.09)</u>
Weighted average shares outstanding - basic and diluted	<u>56,575,168</u>	<u>54,356,721</u>	<u>56,509,919</u>	<u>54,265,381</u>

Condensed Balance Sheets at

	<u>June 30, 2002</u>	<u>December 31, 2001</u>
Cash and cash equivalents	\$ 26,855,683	\$ 35,269,114
Other receivables	1,481,401	690,067
Restricted cash	1,762,230	2,275,251
Prepaid expenses and other current assets	<u>363,713</u>	<u>997,695</u>
Total current assets	<u>30,463,027</u>	<u>39,232,127</u>
Fixed assets, net	1,940,186	1,918,281
Restricted cash	60,272	3,090,550
Other assets	<u>22,033</u>	<u>22,033</u>
Total assets	<u>\$ 32,485,518</u>	<u>\$ 44,262,991</u>
Accounts payable	\$ 448,680	\$ 2,197,299
Accrued expenses	5,739,061	5,809,642
Accrued wages and other compensation	1,142,806	1,317,934
Convertible debentures, net	<u>3,393,320</u>	<u>1,949,317</u>
Total current liabilities	10,723,867	11,274,192
Other liability	10,000	-
Convertible debentures, net	<u>-</u>	<u>5,847,951</u>
Total liabilities	<u>10,733,867</u>	<u>17,122,143</u>
Total shareholders' equity	<u>21,751,651</u>	<u>27,140,848</u>
Total liabilities and shareholders' equity	<u>\$ 32,485,518</u>	<u>\$ 44,262,991</u>

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