



99 Wood Avenue South, Suite 311  
Iselin, NJ 08830  
[www.pharmoscorp.com](http://www.pharmoscorp.com)

## FOR IMMEDIATE RELEASE

Contact - U.S.: Gale T. Smith  
732-452-9556  
Contact - Israel: Irit Kopelov  
08-940-9679

### Pharmos Corporation Reports 2002 Third Quarter and Nine Month Results

**Iselin, NJ, November 6, 2002** - Pharmos Corporation (Nasdaq: PARS and Nasdaq Europe: PHRM) today reported financial results for the third quarter and nine month periods ended September 30, 2002. During the third quarter, costs associated with important advances in the Company's product development programs contributed largely toward a 74% increase in total operating expenses, compared to the third quarter 2001. Of the \$4.1 million in net research & development expenses recorded in the third quarter, approximately \$3.1 million, net of grant funding, supported Pharmos' ongoing Phase III trial of dexamabinol for traumatic brain injury (TBI), in which to date more than 400 patients have been enrolled internationally and expansion into the U.S. awaits FDA approval.

"The development of our pipeline products is a top priority at Pharmos," said Haim Aviv, Ph.D., Pharmos Chairman and CEO. "While the ramp up of our ongoing Phase III study of dexamabinol for TBI continues, we will also be directing resources toward initiating patient enrollment in our second clinical study, the Phase II testing of dexamabinol to prevent post-surgical mild cognitive impairment." Pharmos recently added a senior director of clinical and regulatory affairs and a clinical research assistant to its New Jersey-based clinical staff to help accomplish the Company's drug development goals.

For the third quarter 2002, Pharmos reported a net loss of \$5,448,564, or \$.10 per share, compared to a net loss of \$1,997,046, or \$.04 per share, for the third quarter 2001. For the nine months ended September 30, 2002, Pharmos reported a net loss of \$13,767,656, or \$.24 per share, compared to a net loss of \$7,113,894, or \$.13 per share, for the comparable period in 2001. The increase in net loss is due primarily to both 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. The ophthalmic products generated a gross margin of \$3,029,852 through the nine months ended September 30, 2001. The Company reported cash, including short term restricted cash, of \$25.5 million at September 30, 2002.

Third quarter operating expenses were also impacted by a 57% increase in general and administrative costs, compared to the third quarter 2001, primarily due to increased professional fees and to costs in connection with the Company's annual meeting, conference sponsorship and other recognition building events. General and administrative costs for the nine months ended September 30, 2002 increased 3% compared to the same period in 2001.

Gad Riesenfeld, President and COO, and Robert Cook, Executive Vice President and CFO, will host a conference call to discuss the third quarter 2002 results at 12:00 noon Eastern Time

Thursday, November 7, 2002. A live webcast of the conference call will be available at <http://www.firstcallevents.com/service/ajwz369636364gf12.html> and will be archived for a limited time afterwards.

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  
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	<u>Sept. 30, 2002</u>	<u>Sept. 30, 2001</u>	<u>Sept. 30, 2002</u>	<u>Sept. 30, 2001</u>
Revenues				
Product sales	-	\$ 1,712,646	-	\$ 4,218,441
License fee	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Total Revenues		1,712,646		4,298,441
Cost of goods sold	<u>-</u>	<u>403,340</u>	<u>-</u>	<u>1,268,589</u>
Gross margin	<u>-</u>	<u>1,309,306</u>	<u>-</u>	<u>3,029,852</u>
Expenses				
Research & development, net	\$ 4,148,848	2,237,500	\$ 10,016,149	6,322,910
Selling, general & administrative	1,076,057	686,587	2,907,645	2,817,717
Depreciation & amortization	<u>170,063</u>	<u>169,524</u>	<u>516,787</u>	<u>492,811</u>
Total operating expenses	<u>5,394,968</u>	<u>3,093,611</u>	<u>13,440,581</u>	<u>9,633,438</u>
Loss from operations	(5,394,968)	(1,784,305)	(13,440,581)	(6,603,586)
Other income (expense)				
Interest income	127,496	194,396	442,276	742,684
Other income, net	5,346	18,419	3,148	24,561
Interest expense	<u>(186,438)</u>	<u>(425,556)</u>	<u>(772,499)</u>	<u>(1,277,553)</u>
Net loss	<u>(\$ 5,448,564)</u>	<u>(\$ 1,997,046)</u>	<u>(\$ 13,767,656)</u>	<u>(\$ 7,113,894)</u>
Net loss per share - basic and diluted	<u>(\$0.10)</u>	<u>(\$0.04)</u>	<u>(\$0.24)</u>	<u>(\$0.13)</u>
Weighted average shares outstanding - basic and diluted	<u>56,583,958</u>	<u>54,872,472</u>	<u>56,534,870</u>	<u>54,470,720</u>

Condensed Balance Sheets at  
(Unaudited)

	<u>Sept. 30, 2002</u>	<u>Dec. 31, 2001</u>
Cash and cash equivalents	\$ 23,698,765	\$ 35,269,114
Other receivables	735,752	690,067
Restricted cash	1,762,502	2,275,251
Prepaid expenses and other current assets	396,886	997,695
Total current assets	<u>26,593,905</u>	<u>39,232,127</u>
Fixed assets, net	1,904,031	1,918,281
Restricted cash and other assets	92,283	3,112,583
Total assets	<u>\$ 28,590,219</u>	<u>\$ 44,262,991</u>
Accounts payable	\$ 1,539,473	\$ 2,197,299
Accrued expenses	6,082,489	5,809,642
Accrued wages and other compensation	1,109,188	1,317,934
Convertible debentures, net	3,419,990	1,949,317
Total current liabilities	12,151,140	11,274,192
Other liability	10,000	-
Convertible debentures, net	-	5,847,951
Total liabilities	<u>12,161,140</u>	<u>17,122,143</u>
Total shareholders' equity	<u>16,429,079</u>	<u>27,140,848</u>
Total liabilities and shareholders' equity	<u>\$ 28,590,219</u>	<u>\$ 44,262,991</u>

###