



POZEN INC.

2000 Annual Report

Committed to Building a Portfolio of Products with Significant Commercial Potential

POZEN Inc. is a pharmaceutical development company committed to building a portfolio of products with significant commercial potential in select therapeutic areas. The company's in-house drug development experts have participated collectively in the development and approval of over 40 drugs during the past 35 years. POZEN's initial focus is migraine, where it has built a robust portfolio of four product candidates through a combination of innovation and in-licensing. Its lead product candidate, MT 100, is intended to be a first-line oral treatment. MT 300 is being developed for relief of severe migraine. MT 400 is designed to provide fast and longer-lasting relief for migraine sufferers, while MT 500 is a product candidate for the prophylactic treatment of migraine. This portfolio serves distinct segments of the migraine market.

FORWARD-LOOKING STATEMENTS

Statements included in this report that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. You should be aware that actual results could differ materially from those contained in the forward-looking statements, which are based on management's current expectations and are subject to a number of risks and uncertainties, including, but not limited to, the company's failure to successfully commercialize MT 100 and its other products; additional costs and delays in the development of MT 100 and the company's other products; inability to enter into or maintain, and the risks resulting from its dependence upon, collaboration or contractual arrangements necessary for the development, manufacture, commercialization, marketing, sales and distribution of its products; competitive factors; the company's inability to protect its patents or proprietary rights and obtain necessary rights to third-party patents and intellectual property to operate its business; the company's inability to operate its business without infringing the patents and proprietary rights of others; general economic conditions; the failure of the company's products to gain market acceptance; the company's inability to obtain any additional required financing; technological changes; government regulation; changes in industry practice; and one-time events, including those discussed herein and in the company's Form 10-K for the fiscal year ended December 31, 2000. The company does not intend to update any of these factors or to publicly announce the results of any revisions to these forward-looking statements.

POZEN PRODUCT PORTFOLIO STAGES OF DEVELOPMENT

Product	Phase 1	Phase 2	Phase 3
MT 100 - <i>First-line treatment for migraine</i>			
MT 300 - <i>For severe migraine treatment</i>			
MT 500 - <i>For migraine prevention</i>			
MT 400 - <i>For migraine treatment</i>			



Allow me to welcome you as stockholders of POZEN Inc. In 1996, POZEN's founders—veterans of the pharmaceutical, contract research organization, and biotechnology industries—conceived of a better way to bring pharmaceutical products to market. The traditional process was plodding, inefficient and very costly, so we developed a business model to reduce both time-to-market and development costs.

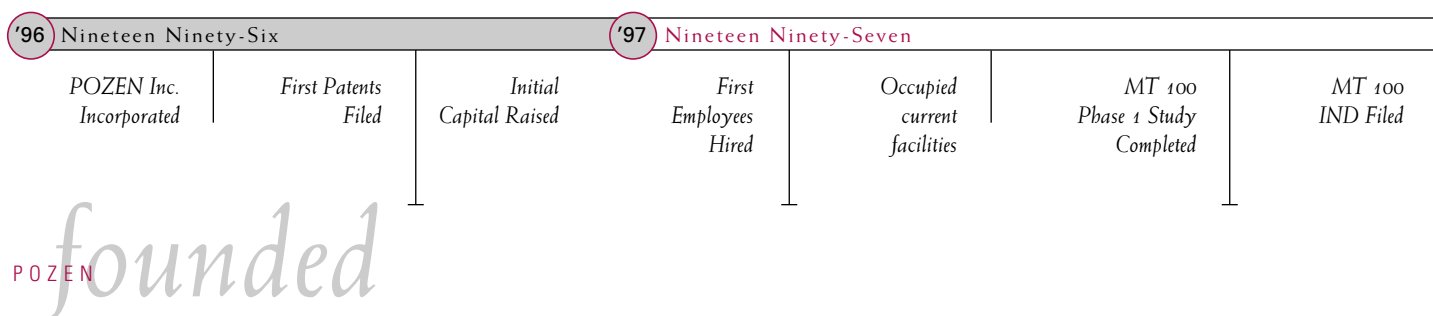
Our business model employs the lessons learned over decades of experience. We concentrate only on the development phase of a drug's life, thus avoiding the high risks and high costs of both discovery research and building a sales and marketing organization. We plan to commercialize our products through partners and generate revenues from upfront and milestone payments and, eventually, royalties on product sales.

We created a license-back model to acquire and develop therapeutic products with significant commercial potential. Under this model, POZEN acquires products and develops them through Phase 3 at our expense, while offering the discovering company an option to reacquire the product.

In the first four years of our existence, we've introduced four products into clinical development, secured patents on several innovative product concepts, and in-licensed a high-potential product from a major pharmaceutical partner. And, we enrolled over 7,500 patients in 16 clinical trials.

Our current product pipeline exclusively serves the migraine market, where global prescription sales are expected to exceed \$2 billion this year and approach \$4 billion in 2005. Despite this impressive size, roughly half of the 27 million people in the United States, who suffer from more than 600 million migraine attacks annually, are untreated with prescription therapy. Thus, we believe that the growth opportunity in this market is substantial.

At POZEN, we've assembled a portfolio of migraine product candidates because not all migraine patients or attacks are the same. Our most advanced product candidate, MT 100, is designed to be the first-line, oral treatment for the majority of migraine patients. Through Phase 3 testing, over 6,000 patients have participated in clinical trials, nearly 3,000 of whom have been treated with MT 100. The data indicate that



MT 100 consistently provided rapid and sustained migraine relief and was well tolerated. Based on this profile, MT 100 was preferred as first-line therapy by 65% of physicians and 71% of migraine sufferers who participated in recent marketing research studies.

Early in 2001, the Food and Drug Administration denied our request for a full waiver of carcinogenicity testing for MT 100. However, the FDA has agreed to consult with us and we hope this issue can be resolved in a manner that allows us to hit our original goal of submitting the New Drug Application this year.

Our Investigational Drug Application for MT 400, our proprietary product concept that combines a triptan drug with a long-acting, non-steroidal, anti-inflammatory drug, was approved in late 2000. MT 400 is designed to provide sustained pain relief superior to current products. More than 900 patients were recently treated in a Phase 2 clinical study, which was completed months ahead of schedule.

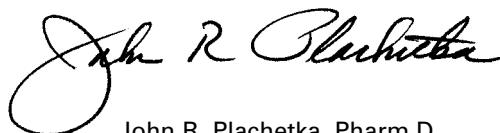
Our other late stage product candidate, MT 300, will enter Phase 3 testing this year for relief of severe migraine attacks.

Finally, we will begin a tolerance study in the second quarter with MT 500, our product candidate for the prophylactic treatment of migraine, before commencing the Phase 2 proof-of-concept trial later this year.

We believe that 2001 will be another exciting year for POZEN. Securing a marketing partner for MT 100 is a priority this year. Our other major goals include commencing Phase 3 trials for MT 300 and initiating the proof-of-concept trial for MT 500. As a result of our IPO last year, we believe that we have sufficient cash to fund the development of our product candidates for at least the next two years.

Thank you for your support as we work to make our goals a reality.

Sincerely,



John R. Plachetka, Pharm.D.
Chairman, President and
Chief Executive Officer
March 2001

'98 Nineteen Ninety-Eight

MT 100 Phase 2
completed

MT 300
Phase 2 trial
completed

MT 400
Pilot Study
completed

'99 Nineteen Ninety-Nine

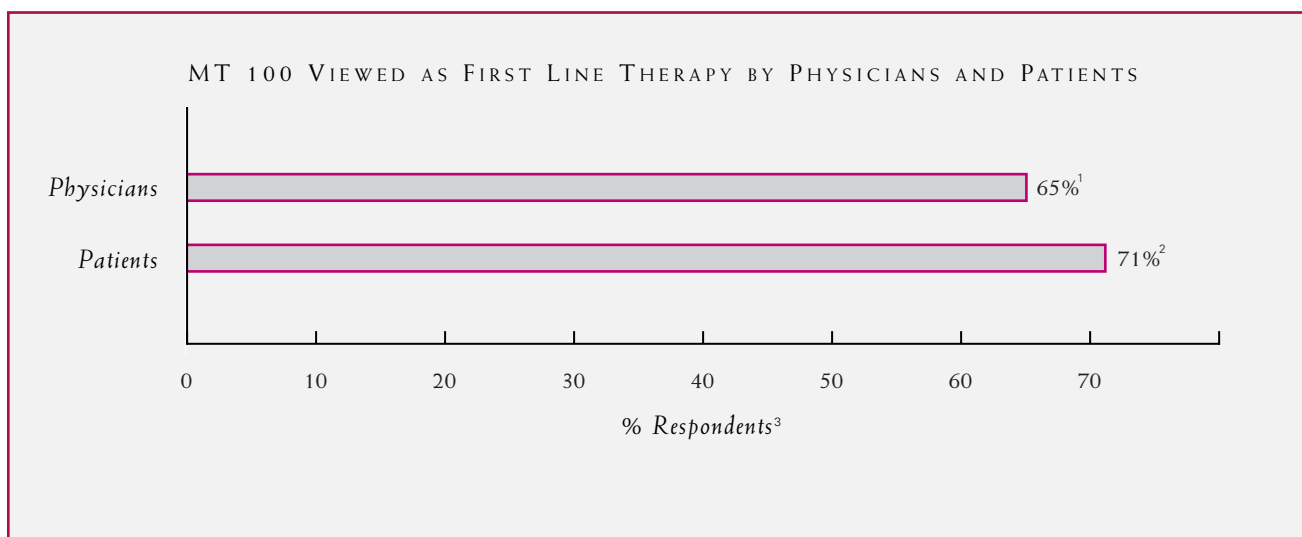
MT 500 acquired from
Roche through POZEN's
license-back model

MT 100 Phase 3
trials commenced



HIGHLIGHTS

- Global migraine market expected to reach \$3.8 billion in 2005
- Large portfolio of products in development targeting multibillion-dollar migraine market
- Lead product candidate MT 100 planned Phase 3 trials completed in clinic
- Data from trials show that MT 100 consistently provides rapid and sustained migraine relief and is well tolerated



- Marketing research studies suggest MT 100 is perceived as first-line therapy by most physicians and patients^{1,2}
- MT 300 Phase 3 to start in 2001
- MT 400 IND approved
- Initial MT 400 Phase 2 trials commenced in late 2000; completed in early 2001, months ahead of schedule

¹: Johnston, Zabor, McManus Inc., "Migraine Market Assessment Physician Quantitative Study," Study 6562, February 2001.

²: Johnston, Zabor, McManus Inc., "Migraine Market Assessment Patient Summary," Study 6561, March 2000.

³: Respondent base: those respondents who indicated that they would use MT 100

'00 Two-Thousand

First Patents
Issued

POZEN listed on Nasdaq
following IPO

MT 400 IND submitted
and approved

MT 400 Phase 2 trial
commenced

MT 100 Phase 3
trials completed



the potential

MIGRAINE MARKET POTENTIAL

- Sales of prescription migraine products in the United States in 2000 were approximately \$1.3 billion¹, which accounted for an estimated 60% of the global market (\$2.2 billion)³.
- By 2005 the global market is expected to reach \$3.8 billion³ without including any MT 100 sales.
- Despite this already significant size, POZEN believes that the prescription market is substantially underdeveloped because:
 - Based on MT 100's attractive first-line profile and the characteristics of the migraine market, POZEN believes that the introduction of MT 100 should lead to a meaningful increase beyond the current 48% of migraine sufferers seeking physician treatment (Fig. 1)
 - MT 100's profile should also lead to higher levels of prescription treatments than the 64% currently used by diagnosed patients⁵ (Fig. 2)
 - POZEN believes that the combination of these two trends could accelerate growth in the global prescription migraine market well beyond the current projection of \$3.8 billion³ for 2005

1: IMS Health, "Retail & Provider Perspective", US sales in 2000

2: Lipton et al, "American Migraine Study II: Prevalence, Burden and Health Care Utilization for Migraine in the United States," 42nd Annual Scientific Meeting of the American Headache Society, June 2000, pp 203-204.

3: Datamonitor, "Market Dynamics 2000: Migraine" pg 198

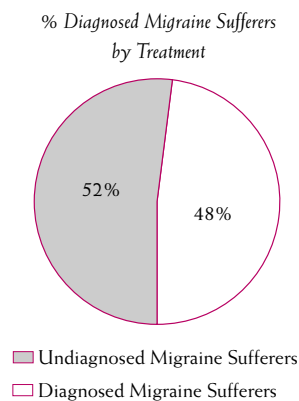
4: Johnston, Zabor, McManus Inc., "Migraine Market Assessment Patient Summary," Study 6564, March 2000.

5: Johnston, Zabor, McManus Inc., "Migraine Treatments: Market Potential/Positioning Study," Study 6563, February 2001.

6: Treatments are defined as prescription plus OTC treatments used by diagnosed patients

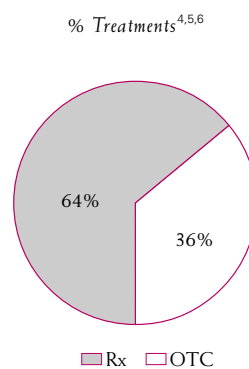
MARKET EXPANSION: OTC TO RX CONVERSION POTENTIAL

Only 48% of U.S. migraine sufferers are currently diagnosed by physicians²



(Fig. 1)

Only 64% of treatments for diagnosed patients in the U.S. are prescription therapy⁴



(Fig. 2)

'01 Two-Thousand and One

MT 400 Phase 2 trial completed

Commence Phase 3 trials for MT 300

Initiate proof-of-concept trial for MT 500

Secure marketing partner for MT 100

the future

BOARD OF DIRECTORS

John R. Plachetka, Pharm.D.
Chairman, President and Chief Executive Officer
POZEN Inc.

Peter J. Wise, M.D.
Vice Chairman
POZEN Inc.

Jacques F. Rejeange
President
Florham Consulting S.A.

Bruce A. Tomason
President
Apollo Capital Corporation

Ted G. Wood
President
The United Operating Companies

CORPORATE HEADQUARTERS

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www.pozen.com

STOCK TRANSFER AGENT AND REGISTRAR

StockTrans, Inc.
44 West Lancaster Ave.
Ardmore, Pennsylvania 19003

INDEPENDENT ACCOUNTANTS

Ernst & Young LLP
Suite 700
3200 Beechleaf Court
Raleigh, North Carolina 27604

COMMON STOCK LISTING

Ticker Symbol: POZN
The Nasdaq National Market®

ANNUAL MEETING

Wednesday, April 25, 2001
10:00 am Local Time
POZEN Inc.
6330 Quadrangle Drive
Suite 240
Chapel Hill, North Carolina 27514
(919) 490-0012

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, as filed with the Securities and the Exchange Commission, is available without charge to stockholders upon written request to:

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The Pharmaceutical Development Company

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