

ADOLOR CORPORATION: 2002 Annual Report

INNOVATION IN PAIN MANAGEMENT

2002 - A year that demonstrated a continuum of progress in the development of alvimopan.

Bruce A. Peacock
President and Chief Executive Officer



Dear Stockholders:

In May 2002 I joined Adolor as President and Chief Executive Officer succeeding John Farrar, a Company founder and Adolor's first Chief Executive Officer. John's vision and leadership drove Adolor from an idea for a new company to a vital functioning organization with several product candidates in clinical testing. I thank John for his confidence and support. I would also like to thank Alan Maycock, Ph.D., who retired in July of 2002, for his seven years of insight and dedication as Adolor's first Vice President of Discovery Research.

When I arrived, the management team and I developed the following goals for the second half of 2002:

- Complete accrual in clinical study 302, and advance accrual in studies 308 and 313 for Adolor's lead product candidate, alvimopan. All three studies are evaluating the use of alvimopan in treating postoperative ileus affecting patients receiving opioids and undergoing abdominal surgery.
- Complete accrual and announce topline results from our clinical study 304 studying the use of alvimopan in patients taking opioids on a chronic basis and suffering from bowel dysfunction.
- Collaborate effectively with our new corporate partner for alvimopan, GlaxoSmithKline.
- Work closely with our alvimopan manufacturing suppliers to be prepared for potential regulatory inspection of their facilities.
- Drive advancement of our discovery efforts in identifying novel pain compounds, in particular, in our kappa receptor program.

With focus and effort we were able to mark achievement against these goals. Accrual in study 304 was completed in September. Results announced in November demonstrated a dose dependent, statistically significant difference in the proportion of patients who had a bowel movement within eight hours of each dose in patients receiving alvimopan when compared to patients receiving placebo. Accrual in study 302 was completed in December 2002, and by year-end, a majority of the required patients were enrolled in both study 308 and study 313.

In April 2002 we entered into a collaboration with GlaxoSmithKline for the worldwide development and commercialization of alvimopan for certain indications. Under the terms of the agreement, GlaxoSmithKline paid Adolor a signing fee of \$50 million, and Adolor can earn up to \$220 million in additional payments over the term of the agreement, depending on achievement of regulatory filing and approval milestones. We are delighted to have an experienced partner in GlaxoSmithKline and we are combining forces with them to focus in achieving our joint project goals for alvimopan.

We have strengthened our quality assurance and commercial manufacturing organizations, and are working closely with our manufacturing partners to prepare for regulatory review. Because it is our lead compound, it is inevitable that both internal and external focus and attention will be directed to alvimopan, however, the progress achieved by our discovery research and development groups in other areas should not be overlooked. In 2002, they significantly advanced our programs in support of our founding mission to develop new and better pharmaceutical products for the treatment of many of the debilitating pain conditions which negatively impact the lives of patients and their families around the world.

While we are proud of what we accomplished in 2002, we still have much to achieve. In 2003 we will strive to continue our positive momentum, and our goals for the year include:

- Completing accrual in studies 308 and 313, and announcing results from those two studies and study 302.
- Filing a new drug application for alvimopan with the FDA for use in postoperative ileus.
- Initiating alvimopan clinical studies outside the United States.
- Advancing our novel pain treatment programs, including initiation of further clinical studies with our compounds directed to the kappa receptors.
- Evaluating in-licensing opportunities to add to our product portfolio.

Our alvimopan efforts will be carried out in collaboration with GlaxoSmithKline. Throughout 2003 we will continue our active program to keep our investors informed of the status of our efforts to accomplish these goals.

We would not be able to accomplish our goals without the dedication and commitment of all of our employees and the strong leadership of our management team. The organization was strengthened by key additions and promotions during the past year. Michael R. Dougherty joined us in November as Senior Vice President, Commercial Operations and Martha E. Manning was appointed Senior Vice President, General Counsel and Secretary in July, joining David Jackson, M.D., Senior Vice President Research and Development and Peter J. Schied, Senior Vice President and Chief Financial Officer as members of the Management Executive Committee. Wei Du, Ph.D. joined us as Vice President, Biometrics, George Maurer as Senior Director, Commercial Manufacturing, Amy Romero-Gasman as Senior Director, Marketing and David Stephon as Senior Director, Quality Assurance. Deanne Dulik Garver, Ph.D. expanded her Adolor responsibilities to include both discovery research and development and assumed a new position as Vice President, Preclinical Research and Development in August. Carrie Frey was promoted this past August to Vice President, Project Management.

We appreciate the support of our stockholders and thank you for your continuing commitment to Adolor.



Bruce A. Peacock
President and Chief Executive Officer

ALVIMOPAN: POSTOPERATIVE ILEUS (POI)

ADOLOR

Adolor's name, meaning "without pain," is derived from the Latin roots of "a" meaning "without" and "dolor" meaning "pain," "grief" or "anguish." Our name was born from our vision to significantly improve pain management by discovering, developing and commercializing novel proprietary pharmaceutical products.

Over 100 million patients experience acute or chronic pain annually in the United States. Doctors are now evaluating pain as a serious condition that is separate from illness, many calling pain "the fifth vital sign." Since 1999, all U.S. hospitals and health care facilities have been required to assess the adequacy of pain treatment for each patient on a daily basis to achieve accreditation by the Joint Commission on Accreditation of Healthcare Organizations. Despite these measures, pain is still frequently under treated.

Morphine and other opioids are potent analgesics that work by stimulating mu opioid receptors in the brain. These receptors, however, are also located elsewhere in the body, including the wall of the gastrointestinal tract. Stimulation of gastrointestinal opioid receptors commonly results in unwanted effects, including severe constipation, hard stools, straining, incomplete evacuation, bloating, abdominal distension, increased gastroesophageal reflux and delayed recovery of bowel function after surgery.

Alvimopan, Adolor's lead product candidate, is an orally administered mu opioid antagonist, that is being developed for use in the management of the unwanted effects of opioids in the gastrointestinal tract. Alvimopan is a versatile small molecule with multiple potential applications. Currently alvimopan is under investigation for potential use in the management of the unwanted G.I. effects that patients experience in conjunction with opioid therapy: postoperative ileus and opioid bowel dysfunction.

ADOLOR'S POTENTIAL FIRST-IN-CLASS DRUG UNDER INVESTIGATION FOR POSTOPERATIVE ILEUS

There are approximately 1.9 million patients in the United States who undergo major abdominal surgery annually, most of whom suffer from a temporary bowel problem known as postoperative ileus. This is a common post-surgical condition that is exacerbated by the pain drugs generally prescribed during and after surgery. POI, often defined as a general impairment of gastrointestinal motility, is characterized by an inability to eat, pass gas or move bowels, and increased patient discomfort due to bloating and abdominal distension. Other symptoms may include increased risk of nausea, vomiting or abdominal cramps.

OPIOIDS

Since virtually all patients receive morphine or other narcotic analgesics for pain relief after major surgery, current postoperative pain management may actually be slowing recovery of normal bowel function, delaying the time at which patients may resume eating and drinking, delaying hospital discharge and leading to an increase in the cost of medical care. The standard treatment for POI is disappointing and uncomfortable for patients. It is predominately supportive, using nasogastric suction, along with intravenous hydration and electrolyte replacement. Despite the sizable number of patients affected, no reliable effective intervention is available. There are currently no FDA approved drugs for POI.

"It's important to manage postoperative ileus as aggressively as you can because it hurts and it costs. In other words, patients with postoperative ileus are very uncomfortable and are disappointed that they can't go home."

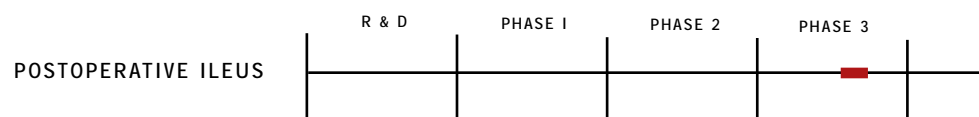
Adolor proprietary market research, physician comment

SIGNIFICANT POTENTIAL MARKET OPPORTUNITY

During a recent survey conducted by Adolor, the company heard from many physicians who expressed the importance of managing POI aggressively because of its significant cost to the patient, both in dollars and in discomfort. It's a condition that surgeons, patients, hospitals and payers such as insurance companies all have a vested interest in treating. The potential of alvimopan to address POI poses an exciting opportunity to engage in a mutually beneficial partnership with healthcare providers and patients.

Alvimopan is under investigation to manage the condition of POI without compromising the pain relief of opioid drugs. Results from Phase 2 clinical studies have shown that bowel function returned more rapidly, solid foods were tolerated sooner, opioid pain relief was not compromised and patients were discharged from the hospital earlier. Adolor is targeting completion of its Phase 3 double blind, placebo controlled studies of alvimopan to manage POI in the first half of 2003, and if the results are positive, is targeting the filing of a new drug application for alvimopan later in 2003.

ALVIMOPAN/POI DEVELOPMENT STATUS



ALVIMOPAN: OPIOID BOWEL DYSFUNCTION (OBD)

ADOLOR'S POTENTIAL FIRST-IN-CLASS DRUG UNDER INVESTIGATION FOR OPIOID BOWEL DYSFUNCTION

Opioids are a widely used and effective treatment for acute and chronic pain. Each year 190 million prescriptions for opioids are written by physicians in the United States. Of these, more than 20 million are written for use for 14 or more days. However, inadequate treatment of pain is still often identified as a major healthcare concern and can often be due, in part, to the gastrointestinal side effects of opioid therapy. Opioid bowel dysfunction is characterized by some or all of the following: constipation, hard stools, straining, incomplete evacuation, bloating, abdominal distension and increased gastroesophageal reflux. The discomfort associated with OBD can be so severe as to cause some patients to discontinue or reduce the use of opioids and therefore reduce the degree of pain relief. Even low doses of opioids can often cause OBD.

THE PROVIDER AND PATIENT'S VIEW

"As a primary care provider, I see a full spectrum of patients who are using opioids to manage their pain. They are a broad and diverse group: from the 30-year-old weekend athlete who has a torn meniscus and is taking an opioid for 10-14 days duration, to the patient who is taking opioids for the duration of his life to manage the pain from cancer or arthritis. Many of them are experiencing severe changes in bowel activity. Four out of ten of all of my patients on opioids are at times miserable, and describe the intractable constipation and nausea as life altering. The negative G.I. response that the body has to opioid narcotics is a composite of symptoms these patients experience constantly that disrupts normal daily functioning. The insult of these severe G.I. upsets is enormous, and causes anxiety and a fixation that results in a fear to take the pain medication they need. My patients who suffer with OBD wake up each morning thinking about a bowel movement. Most of my patients concur that one bad episode is enough to cause physical and emotional distress."

Dr. Daniel M. Paulson, Chief, Group Practice A; McGuire Veterans Administration Medical Center, Richmond, Virginia. Dr. Paulson is a Principal Investigator in clinical trials of the Company's product candidates and has been compensated by the Company for those services.

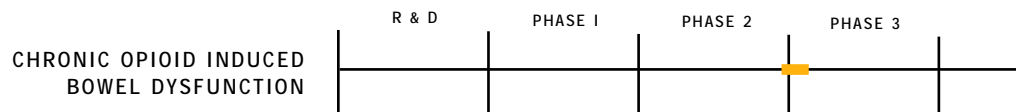
SIGNIFICANT POTENTIAL MARKET OPPORTUNITY

Based on market research we estimate that more than 2.7 million patients in the United States receive chronic morphine or other narcotic analgesics for pain. Adolor sees significant market potential for alvimopan in the treatment of opioid bowel dysfunction. Laxative and stool lubricant or softener medications currently are used in an attempt to treat OBD in patients receiving chronic narcotic analgesic therapy, but they have proven to have their limitations. Clinical trials and interviews with medical caregivers indicate that as many as 40% of patients receiving chronic narcotic analgesics experience moderate to severe OBD, and physicians report dissatisfaction with present treatments and a strong interest in the availability of a more effective solution.

PROMISING CLINICAL RESULTS

In November 2002, Adolor announced that topline results from a Phase 3 clinical trial demonstrated a dose dependent, statistically significant difference in the proportion of patients who had a bowel movement within eight hours of each dose in patients receiving alvimopan when compared to patients receiving placebo. In this study, alvimopan was generally well tolerated. Additional clinical studies will be required before filing any regulatory approval application. Prior to initiating the additional Phase 3 clinical studies that will be required, we are planning with our collaboration partner, GlaxoSmithKline, additional studies for chronic OBD investigating longer duration of patient exposure and different dosing strategies.

ALVIMOPAN/OBD DEVELOPMENT STATUS



PAIN: A UNIVERSAL HUMAN EXPERIENCE

Over 100 million patients experience acute or chronic pain annually in the United States. Pain is commonly classified into three broad categories based upon its presumed cause and sensory characteristics: somatic pain, visceral pain and neuropathic pain. Because pain of any type impairs the sufferer's ability to carry out a productive life, pain in general and chronic pain in particular are serious health and economic problems.

PROBLEMS WITH CURRENT PAIN MEDICATIONS

Currently available analgesics have a variety of limitations. Narcotic analgesics such as morphine, prescribed for acute pain relief, produce a wide range of adverse side effects. Non-narcotic analgesics (such as nonsteroidal anti-inflammatory drugs) commonly used for the treatment of mild to moderate pain can also produce side effects that limit their tolerability for many patients.

A COMPLETELY NEW APPROACH YIELDS POTENTIAL FIRST-IN-CLASS DRUGS

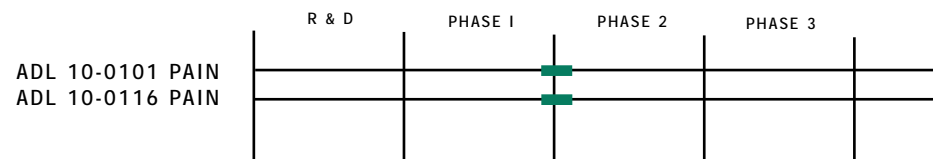
Adolor is employing cutting-edge biological, chemical and analytical approaches to develop novel analgesics. Adolor's proprietary technology in cloned human opioid receptors facilitates the analgesic drug discovery process.

Current opioid or narcotic-related pain relievers stimulate receptors in the brain by stopping the sensation of pain after the nerves at the site of the injury send the pain signal to the brain. Certain of Adolor's drug candidates may have the potential to relieve the pain sensation at the source – in the peripheral nerves at the site of the injury. Stimulation of one of the three known classes of opioid receptors (mu, delta and kappa) in the peripheral nervous system is believed to have the ability to stop the sensation of pain before it reaches the brain. Adolor is studying compounds that selectively target peripheral kappa opioid receptors with the potential to decrease the hyperalgesia (enhanced pain sensibility) that accompanies inflammatory pain or the pain from the distension of visceral organs.

Significant pain reduction was observed in a small proof-of-concept Phase 2 study that evaluated Adolor's initial kappa opioid receptor agonist, ADL 10-0101, in the treatment of visceral pain. Results from this study were published in the January 2003 issue of the journal *Pain*. Other pilot efficacy studies were conducted with ADL 10-0101 in which analgesic effects were not observed. Following those studies Adolor conducted a study to determine the maximum tolerated dose of ADL 10-0101. With this new information early Phase 2 studies are currently being planned to explore a higher dose of ADL 10-0101 in standard pain models.

Phase 1 safety studies with a second kappa analgesic compound, ADL 10-0116, have been completed. ADL 10-0101 is administered intravenously whereas ADL 10-0116 is being developed as an oral product. These studies identified the maximally tolerated dose. Early Phase 2 studies are currently being planned to evaluate the effectiveness of ADL 10-0116 using standard pain models.

KAPPA PAIN DEVELOPMENT STATUS



COMMON STOCK LISTING

Our Common Stock is traded on the Nasdaq National Market ® under the symbol ADLR.

FORWARD-LOOKING STATEMENTS

Forward-looking statements can be identified by words such as “goals” “targets” “plans” and others. Our forward-looking statements are subject to risks and uncertainties, known and unknown, that could cause actual results and developments to differ materially from those expressed or implied in such statements. Further information about these and other relevant risks and uncertainties may be found in Adolor’s filings with the Securities and Exchange Commission, available in its EDGAR database at <http://www.sec.gov> and from Adolor. Given the uncertainties affecting pharmaceutical companies in the development stage, you are cautioned not to place undue reliance on any such forward-looking statements, any of which may turn out to be wrong due to inaccurate assumptions, unknown risks, uncertainties or other factors. Adolor undertakes no obligation to publicly update or revise the statements made herein or the risk factors that may relate thereto.

FORM 10-K

A copy of Adolor’s Annual Report on Form 10-K for fiscal year ended December 31, 2002 is included with this Annual Report. A copy of Adolor’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available without charge. Please contact: Adolor Corporation, Investor Relations, 700 Pennsylvania Drive, Exton, PA 19341.

ANNUAL MEETING

The annual meeting of stockholders will be held at 9:00 a.m. on Tuesday, May 13, 2003, at the Desmond Hotel and Conference Center, Malvern PA.

REGISTRAR AND TRANSFER AGENT

StockTrans, Inc.
44 West Lancaster Avenue
Ardmore, PA 19003

INVESTOR RELATIONS

Information about Adolor Corporation is available on the Company’s web site at www.adolor.com.

COMPANY COUNSEL

Dechert LLP
Philadelphia, PA

AUDITORS

KPMG LLP
Philadelphia, PA

BOARD OF DIRECTORS

Ellen Feeney (1)
Paul Goddard, Ph.D. (1) (3)
David Madden (1) (3)
Claude Nash, Ph.D. (2)
Robert Nelsen (2)
Bruce A. Peacock (3)

(1) Audit Committee
(2) Compensation Committee
(3) Nominating Committee

OFFICERS

Bruce A. Peacock
President and Chief Executive Officer

Michael R. Dougherty
Senior Vice President, Commercial Operations

David Jackson, M.D.
Senior Vice President, Research and Development

Martha E. Manning, Esquire
Senior Vice President, General Counsel and Secretary

Peter J. Schied
Senior Vice President and Chief Financial Officer

Wei Du, Ph.D.
Vice President, Biometrics

Carrie Frey
Vice President, Project Management

Deanne Dulick Garver, Ph.D.
Vice President, Preclinical Research and Development

Linda Y. Harver, J.D.
Vice President, Regulatory Affairs

Gwen A. Melincoff
Vice President, Business Development

William K. Schmidt, Ph.D.
Vice President, Scientific Affairs

Bruce Wallin, M.D.
Vice President, Clinical Research and Development

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