

BIOVAIL

CORPORATION INTERNATIONAL



INTERIM REPORT 1999

SECOND QUARTER

D E A R F E L L O W S H A R E H O L D E R

I am pleased to report that 1999 continues to be an excellent year for Biovail Corporation, as we once again achieved record second quarter and year-to-date financial results. These results are accompanied by significant progress in all aspects of our operations. This sets the stage for continued significant growth throughout the remainder of 1999 and well into the future.

T I A Z A C ®

The steady penetration of Tiazac®, Biovail's once-daily diltiazem product, continued in the U.S. market, bolstered by the first quarter introduction of a 420mg dosage strength. By the second quarter of this year, Tiazac® had achieved a 16% share of the U.S. diltiazem market.

G E N E R I C V E R E L A N A N D A D A L A T C C

Towards the end of the second quarter, Biovail announced the launch by our U.S. marketing partner, Teva Pharmaceuticals, of a generic version of Verelan, a calcium channel blocker used in the treatment of hypertension.

Also, towards the end of the quarter, the Company received tentative approval from the U.S. FDA for the 30mg and 60mg formulations of its generic version of AdalatCC. Upon launch, Biovail will be entitled to 180 days of marketing exclusivity for the 60mg dosage as the first generic formulation filed. The launch of the 30mg dosage will follow the expiration of a similar period of exclusivity held by another company. Total branded sales in the U.S. of AdalatCC in 1998 were estimated at \$357 million, with the 30mg dosage accounting for 30% and the 60mg dosage accounting for 45%. Upon launch, Biovail's generic version of AdalatCC will be marketed by Teva Pharmaceuticals.

C R Y S T A A L E X P A N S I O N

Crystaal, Biovail's Canadian sales and marketing division, continued its impressive growth in the second quarter. Sales of Tiazac® continued to grow, with the impact of the product's first quarter inclusion in the Ontario Drug Benefit Formulary.

Along with Tiazac®, Crystaal's portfolio includes the clot dissolving agent Retavase; Brexidol, a unique pain control product with a variety of indications including sports injuries, post-operative pain and dysmenorrhea; and the recently-launched antidepressant Celexa, currently being co-promoted with Lundbeck Canada. Sales activities continue to be extremely encouraging.

In the second quarter, Crystaal's portfolio was strengthened by the addition of Cardiac STATus™, a rapid point-of-care diagnostic test developed to assist in the early identification of patients with acute myocardial infarction (heart attacks). Each year, approximately 750,000 Canadians visit emergency rooms complaining of chest pains. In the busy, often over-stressed ER environment, early detection of heart attack is pivotal in determining treatment and ultimately increasing survival. Under the terms of the agreement with Spectral Diagnostics Inc., Crystaal will be the exclusive distributor of Cardiac STATus™ in Canada. This product is a natural complement to Crystaal's Retavase marketing effort and positions the Company to take a leading role in the expanding \$50 million a year Canadian Acute Coronary Syndromes market.

In addition, Crystaal has two products in final development phase for Canadian regulatory submissions. These are Corlopam, in-licensed from Elan Corporation and used for the in-hospital treatment of hypertension; and d-methylphenidate, a chiral version of Ritalin, an attention deficit disorder treatment licensed from Celgene Corporation.

PRODUCT PIPELINES

Product development continues on schedule on the Company's ANDA pipeline. Six products are currently awaiting FDA approval in the U.S., including generic versions of Cardizem CD, Procardia XL, Dilacor and Voltaren. Four products are awaiting approval in Canada, including generic versions of Cardizem CD, Trental and Verelan.

Excellent progress is also continuing in the NDA pipeline with the products being developed by Intelligent Polymers, as well as the development of a controlled release version of the best-selling antidepressant Celexa.

CONTRACT RESEARCH AND MANUFACTURING

Other areas of the Company also continue to grow significantly. Biovail's Contract Research Division reported a 200% increase in second quarter revenue, and a 100% revenue increase in the first six months compared to last year. The clinic has recently been expanded to accommodate the increased activity from its third party clients as well as contract work from Biovail and Intelligent Polymers.

Manufacturing capacity is also being expanded in both Puerto Rico and Manitoba in preparation for expected product approvals.

RECORD FINANCIALS

Biovail reported record second quarter and first half financial results for 1999. Revenue for the second quarter and first half increased by 43% and 37% respectively to \$36.2 million and \$64.4 million, compared to second quarter 1998 revenue of \$25.3 million and first half 1998 revenue of \$47.1 million. Operating income for the second quarter was \$15.5 million and for the first half of 1999 was \$27.1 million, representing increases of 53% and 46% respectively over the same periods in 1998. Net income for the second quarter was \$12.1 million, or \$0.49 per share, compared to net income of \$9.5 million, or \$0.36 per share, earned in the second quarter of 1998. For the first half of 1999, net income was \$20.4 million, or \$0.83 per share, compared to \$17.4 million, or \$0.65 per share, in the first half of 1998.

These excellent second quarter results, in combination with ongoing exciting developments, keep Biovail solidly on track for another record setting year.

On behalf of the Board, I would like to thank our shareholders for their support, and everyone who has contributed to Biovail's continuing success.

(signed) Eugene Melnyk

Eugene Melnyk

Chairman of the Board

c o n s o l i d a t e d b a l a n c e
s h e e t s

(All dollar amounts are expressed in thousands of U.S. dollars)

	June 30, 1999	December 31, 1998
	<i>(Unaudited)</i>	<i>(Audited)</i>
A S S E T S		
Current		
Cash and short-term deposits	\$ 86,358	\$ 78,279
Accounts receivable	36,521	42,768
Inventories	15,199	10,542
Executive stock purchase plan loans	3,025	2,924
Deposits and prepaid expenses	3,264	3,357
	144,367	137,870
Long-term investments	10,055	10,055
Capital assets, net	25,464	23,677
Other assets, net	29,072	28,317
	\$ 208,958	\$ 199,919
L I A B I L I T I E S		
Current		
Accounts payable	\$ 7,300	\$ 12,244
Accrued liabilities	5,561	4,129
Income taxes payable	1,293	1,004
Customer prepayments	16,126	4,516
Current portion of long-term debt	751	653
	31,031	22,546
Long-term debt	125,856	126,182
	156,887	148,728
S H A R E H O L D E R S ' E Q U I T Y		
Share capital	21,019	19,428
Warrants	8,244	8,244
Retained earnings	22,059	24,748
Cumulative translation adjustment	749	(1,229)
	52,071	51,191
	\$ 208,958	\$ 199,919

c o n s o l i d a t e d s t a t e m e n t s
o f i n c o m e

*(All dollar amounts except per share data are expressed
in thousands of U.S. dollars)*

<i>(Unaudited)</i>	Three Months Ended June 30,	
	1999	1998
Revenue	36,164	25,255
Expenses		
Cost of goods sold	7,848	6,867
Research and development	6,459	4,103
Selling, general and administrative	6,359	4,143
	20,666	15,113
Operating income	15,498	10,142
Interest expense, net	(2,657)	(89)
Income before income taxes	12,841	10,053
Provision for income taxes	775	510
Net income	\$ 12,066	\$ 9,543
Earnings per share	\$ 0.49	\$ 0.36
Weighted average number of common shares outstanding	24,534,000	26,849,900

S E G M E N T E D I N F O R M A T I O N

Revenue from external customers

Product sales	\$ 24,979	\$ 17,296
Research and development	8,635	4,109
Royalty and licensing	2,550	3,850
	\$ 36,164	\$ 25,255

Segment operating income (loss)

Product sales	\$ 12,687	\$ 7,219
Research and development	1,633	(410)
Royalty and licensing	2,524	3,871
Unallocated	(1,346)	(538)
	\$ 15,498	\$ 10,142

c o n s o l i d a t e d s t a t e m e n t s
o f i n c o m e

*(All dollar amounts except per share data are expressed
in thousands of U.S. dollars)*

<i>(Unaudited)</i>	Six Months Ended June 30,	
	1999	1998
Revenue	64,395	47,144
Expenses		
Cost of goods sold	12,887	12,009
Research and development	11,783	8,132
Selling, general and administrative	12,604	8,454
	37,274	28,595
Operating income	27,121	18,549
Interest expense, net	(5,449)	(157)
Income before income taxes	21,672	18,392
Provision for income taxes	1,308	1,001
Net income	\$ 20,364	\$ 17,391
Earnings per share	\$ 0.83	\$ 0.65
Weighted average number of common shares outstanding	24,534,000	26,849,900

S E G M E N T E D I N F O R M A T I O N

Revenue from external customers		
Product sales	\$ 37,541	\$ 28,763
Research and development	15,352	11,953
Royalty and licensing	11,502	6,428
	\$ 64,395	\$ 47,144
Segment operating income (loss)		
Product sales	\$ 15,834	\$ 10,837
Research and development	2,575	2,957
Royalty and licensing	11,277	6,294
Unallocated	(2,565)	(1,539)
	\$ 27,121	\$ 18,549

c o n s o l i d a t e d s t a t e m e n t s
o f c a s h f l o w s

(All dollar amounts are expressed in thousands of U.S. dollars)

<i>(Unaudited)</i>	Six Months Ended June 30,	
	1999	1998
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	\$ 20,364	\$ 17,391
Depreciation and amortization	3,154	2,346
	23,518	19,737
Changes in non-cash operating items:		
Decrease in accounts receivable	6,497	4,311
Increase in inventories	(4,471)	(1,893)
Decrease (increase) in deposits and prepaid expenses	93	(249)
Decrease in accounts payable and accrued liabilities	(3,259)	(880)
Increase in income taxes payable	301	437
Increase in customer prepayments	11,610	5,240
	10,771	6,966
	34,289	26,703
Investing		
Additions to capital assets, net	(2,785)	(2,235)
Executive stock purchase plan loans	31	116
Acquisition of product rights	(1,811)	-
Acquisition of royalty interest	-	(15,000)
Increase in other assets	-	(170)
Acquisition of long-term investments	-	(7,500)
	(4,565)	(24,789)
Financing		
Acquisition of share capital	(23,550)	-
Issuance of share capital	2,088	3,858
Reduction in other long-term debt	(300)	(7,840)
Increase in other long-term debt	-	14,706
	(21,762)	10,724
Effect of exchange rate changes on cash	117	(31)
Increase in cash	8,079	12,607
Cash and short-term deposits, beginning of period	78,279	8,275
Cash and short-term deposits, end of period	\$ 86,358	\$ 20,882

shareholder information

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How to Reach Us for More Information

For additional copies of this report, the annual report on form 20-F as filed with the United States Securities and Exchange Commission, for quarterly reports or for further information, please contact Investor Relations or visit our web site.

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corporate information

STOCK LISTING

New York Stock Exchange
Toronto Stock Exchange
Symbol: BVF

REGISTRARS AND

TRANSFER AGENTS

CIBC Mellon Trust Company
Toronto, Ontario

ChaseMellon

Shareholder Services

New York, USA

To the extent any statements made in this report contains information that is not historical, these statements are essentially forward-looking. As such, they are subject to risks and uncertainties, including the difficulty of predicting FDA and TPP approvals, acceptance and demand for new pharmaceutical products, the impact of competitive products and pricing, new product development and launch, reliance on key strategic alliances, availability of raw materials, the regulatory environment, fluctuations in operating results and other risks detailed from time to time in the Company's filings with the U.S. Securities and Exchange Commission and Canadian securities authorities.

BIOVAIL

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