

interim report 2000

first quarter report



→ *dear fellow shareholders*

The first quarter of 2000 has seen Biovail Corporation continue the excellent performance achieved throughout 1999. The Company reported record first quarter financial results, with total revenues 70% greater than the first quarter 1999, driven by product sales 168% better than the first three months of last year. In addition, I am pleased to report a number of significant achievements in the first quarter, including new product launches, in-licensing agreements and exciting progress in our product pipeline.

Record product sales

Biovail recorded \$33.6 million from product sales in the first quarter of 2000, a substantial increase from the \$12.6 million in sales recorded in the same period of last year. The increase is due to continuing strong sales of Tiazac® in the U.S., where it currently maintains a 17% share of the diltiazem market; continued penetration of Tiazac® and other in-licensed products marketed by the Company's Crystaal division in Canada; and the recent U.S. launches of generic versions of Adalat CC, Cardizem CD and Voltaren XR through our U.S. marketing partner Teva Pharmaceuticals.

New product launches

In the first quarter, Biovail successfully launched two significant new generic products. The Company's generic version of Voltaren XR, a treatment for osteoarthritis and rheumatoid arthritis with annual U.S. branded sales of \$98 million, received FDA approval in February, and was immediately launched in the U.S. market by Teva Pharmaceuticals Industries Ltd. Teva also launched Biovail's generic Adalat CC in a 30mg dosage strength. At present, the 30mg dosage accounts for approximately 30% of total Adalat CC sales of \$357 million. In addition, the launch in the U.K. of Nurofen Meltlets, a new form of ibuprofen developed using Biovail's patented Flash Dose® technology, marked a significant milestone. Nurofen Meltlets are marketed in the U.K. by Boots Healthcare. Boots' Nurofen is currently the U.K.'s best selling pain relief medication.

Crystaal portfolio growth

Crystaal, Biovail's successful Canadian sales and marketing operation, significantly increased its portfolio in the first quarter with the in-licensing of three new products. Ampligen, a medication used in the treatment of chronic fatigue syndrome, was in-licensed from Hemispherx Biopharma Inc. and is currently awaiting final marketing approval. Fibrostat, a treatment for scars due to burns and surgery, was in-licensed from Procyon Biopharma. Fibrostat is in late Phase II trials. Monacor, a beta-blocker indicated for mild to moderate hypertension was in-licensed from Wyeth-Ayerst Laboratories and is expected to be launched in the second quarter. These join the five products currently marketed in Canada by Crystaal, including Tiazac® and four selected in-licensed products.

Manufacturing expansion

Biovail's existing manufacturing operations in Manitoba, Canada and Puerto Rico are operating at peak efficiency to meet the demand for the Company's products. To ensure that the Company will continue to meet its future requirements, Biovail announced the acquisition of the Dorado, Puerto Rico manufacturing facility from McNeil Pharmaceuticals Corp., a division of Johnson & Johnson Inc., in the quarter. The Dorado plant is an FDA-approved cGMP facility currently occupying 120,000 sq. ft. with room for expansion.

Pipeline progress

Significant progress was made in Biovail's product pipeline in the first quarter of 2000, highlighted by two exciting developments. In March, FDA approval was received for Biovail's NDA for a novel once-daily controlled-release formulation of Diltiazem Hcl. In January, the Company initiated Phase III clinical trials of its novel once-daily controlled-release formulation of Buspirone, a successful medication used to treat generalized anxiety disorders. Buspirone is currently only available as a three-times-daily immediate-release product. Also in Biovail's NDA pipeline, development of a controlled-release formulation of the antidepressant Celexa is proceeding on schedule and other products, at various stages of development, are progressing favourably. The Company's controlled-release generic pipeline includes three products awaiting final FDA approval and several others under development.

Other developments

Additional developments during the first quarter of 2000 included the successful completion of two financing programs that raised gross proceeds of approximately \$400 million.

Approximately \$100 million was raised from an equity offering, and \$300 million from the issuance of convertible preferred debentures. Approximately \$141 million of these proceeds were used to retire the Company's 10 7/8% U.S. Dollar Senior Notes.

Finally, Biovail completed the sale of its Irish manufacturing operations, acquired in the acquisition of Fuisz Technologies Ltd., to Stada Arzneimittel AG for \$20 million.

Record financial results

Effective January 1, 2000, Biovail changed its accounting reporting convention to U.S. GAAP from Canadian GAAP. In addition, the Company began reporting its earnings per share on a diluted basis.

Biovail reported record financial results for the first quarter of 2000. Revenue for the first quarter increased by 70% to \$46.9 million, compared to \$27.6 million for the first quarter of last year. Operating income for the quarter was \$14.2 million, a 32% improvement over the \$10.8 million reported in first quarter 1999. Diluted earnings per share before extraordinary item increased by 27% to \$0.19 per share over first quarter 1999 diluted earnings per share of \$0.15.

This excellent start to the new year, both financially and in terms of Company progress, clearly positions Biovail for an outstanding 2000.

On behalf of the Board, I offer my gratitude to the employees of Biovail for all of their efforts and to you, our shareholders, for your continued support.

(signed) Eugene Melnyk

Eugene Melnyk

Chairman of the Board

→ **consolidated balance sheets**

in accordance with U.S. GAAP

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

<i>(Unaudited)</i>	March 31, 2000	December 31, 1999
ASSETS		
Current		
Cash and cash equivalents	\$ 475,670	\$ 178,086
Short-term investments	19,547	65,893
Accounts receivable	75,577	60,571
Inventories	18,130	12,701
Assets held for disposal	–	20,000
Deposits and prepaid expenses	1,984	3,172
	590,908	340,423
Long-term investments	3,190	12
Property, plant and equipment, net	47,193	45,300
Other assets, net	89,878	86,478
	\$ 731,169	\$ 472,213
LIABILITIES		
Current		
Accounts payable	\$ 26,521	\$ 22,685
Accrued liabilities	26,813	31,107
Income taxes payable	3,412	3,585
Customer prepayments	4,473	4,962
Deferred tax liability	336	336
Current portion of long-term debt	1,318	12,016
	62,873	74,691
Deferred tax liability	4,614	4,698
Convertible subordinated preferred equivalent debentures	300,000	–
Long-term debt	–	125,488
	367,487	204,877
SHAREHOLDERS' EQUITY		
Common shares, no par value, unlimited shares authorized, 64,731,000 and 62,196,000 issued and outstanding at March 31, 2000 and December 31, 1999, respectively	475,470	373,962
Warrants	8,244	8,244
Warrant subscription receivable	(1,005)	(2,287)
Deficit	(120,741)	(113,843)
Accumulated other comprehensive income	1,714	1,260
	363,682	267,336
	\$ 731,169	\$ 472,213

➔ **consolidated statements of income (loss)**

in accordance with U.S. GAAP

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

<i>(Unaudited)</i>	Three Months Ended March 31,	
	2000	1999
Revenue		
Product sales	\$ 33,631	\$ 12,562
Research and development	10,501	6,077
Royalty and licensing	2,728	8,952
	<u>46,860</u>	<u>27,591</u>
Expenses		
Cost of goods sold	11,035	5,039
Research and development	11,766	5,324
Selling, general and administrative	9,839	6,468
	<u>32,640</u>	<u>16,831</u>
Operating income	14,220	10,760
Interest expense, net	(266)	(2,792)
	<u>13,954</u>	<u>7,968</u>
Income before income taxes	13,954	7,968
Provision for income taxes	813	533
	<u>13,141</u>	<u>7,435</u>
Income before extraordinary item	13,141	7,435
Extraordinary item - Premium paid on early extinguishment of U.S. Dollar Senior Notes	(20,039)	—
	<u>\$ (6,898)</u>	<u>\$ 7,435</u>
Net income (loss)		
Basic earnings (loss) per share		
Income before extraordinary item	\$ 0.21	\$ 0.15
Extraordinary item	(0.32)	—
Net income (loss)	<u>\$ (0.11)</u>	<u>\$ 0.15</u>
Diluted earnings (loss) per share		
Income before extraordinary item	\$ 0.19	\$ 0.15
Extraordinary item	(0.29)	—
Net income (loss)	<u>\$ (0.10)</u>	<u>\$ 0.15</u>
Weighted average number of common shares outstanding		
Basic	<u>62,792,000</u>	49,207,000
Diluted	<u>70,261,000</u>	<u>50,388,000</u>

→ **consolidated statements of cash flows**

in accordance with U.S. GAAP

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

<i>(Unaudited)</i>	Three Months Ended March 31,	
	2000	1999
Cash flows from operating activities		
Net income (loss)	\$ (6,898)	\$ 7,435
Depreciation and amortization	5,540	1,489
Deferred income tax provision	(84)	-
Extraordinary item - Premium paid on early extinguishment of U.S. Dollar Senior Notes	20,039	-
Compensation cost for employee stock options	-	281
	<u>18,597</u>	<u>9,205</u>
Change in non-cash operating items:		
Decrease (increase) in accounts receivable	(12,340)	1,466
Increase in inventories	(5,550)	(3,030)
Decrease in deposits and prepaid expenses	1,188	45
Decrease in accounts payable and accrued liabilities	(3,241)	(383)
Decrease in income taxes payable	(177)	(386)
Increase (decrease) in customer prepayments	(489)	9,440
	<u>(20,609)</u>	<u>7,152</u>
	<u>(2,012)</u>	<u>16,357</u>
Cash flows from investing activities		
Additions to property, plant and equipment, net	(3,929)	(1,611)
Maturity of short-term investments, net	46,346	-
Acquisition of long-term investments	(2,285)	-
Proceeds from assets held for disposal	17,000	-
Decrease in other assets	261	-
Advance of executive stock purchase plan loans	-	(52)
	<u>57,393</u>	<u>(1,663)</u>
Cash flows from financing activities		
Issuance of share capital	102,298	1,424
Repurchase of share capital	-	(14,933)
Issuance of convertible subordinated preferred equivalent debentures, net of financing costs	290,312	-
Repurchase of U.S. Dollar Senior Notes	(141,017)	-
Reduction in other long-term debt	(10,651)	(300)
Collection of warrant subscription receivable	1,282	640
	<u>242,224</u>	<u>(13,169)</u>
Effect of exchange rate changes on cash	<u>(21)</u>	<u>(548)</u>
Increase in cash and cash equivalents	297,584	977
Cash and cash equivalents, beginning of period	<u>178,086</u>	<u>78,279</u>
Cash and cash equivalents, end of period	<u>\$ 475,670</u>	<u>\$ 79,256</u>

→ *corporate information*

Board of Directors

Eugene N. Melnyk

Chairman of the Board, Biovail Corporation

Bruce D. Brydon

Chief Executive Officer, Biovail Corporation

Robert A. Podruzny

President and Chief Operating Officer,
Biovail Corporation

Kenneth C. Cancellara, Q.C.

Senior Vice President, General Counsel
and Secretary, Biovail Corporation

Rolf K. Reininghaus

Senior Vice President, Corporate and
Strategic Development, Biovail Corporation

Wilfred Bristow

Vice President, Nesbitt Burns Inc.

Roger Rowan

President and Chief Operating Officer,
Watt Carmichael Inc.

Robert Vujea

President, R&D Chemical Corporation

Trading Symbols

Common Shares: BVF

Common Share

Warrants: BVF_w

Convertible

Subordinated

Preferred

Equivalent

Debentures: BVF_p

Registrars and

Transfer Agents

CIBC Mellon Trust Company

Toronto, Canada

ChaseMellon Shareholder

Services

New York, New York

The Annual Meeting of Shareholders

The annual meeting of shareholders will be held at 10:00 a.m.
Monday, June 26, 2000 at the Royal York Hotel,
Territories Room, 100 Front Street, Toronto, Ontario.

→ **shareholder information**

Head office

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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.

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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 TTP 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.

