



Q1

First Quarter Report

Biovail Corporation 2001 Interim Report



Dear fellow shareholders:

I am pleased to report that Biovail has started the year 2001 with record first quarter financial results. These results reflect a major product line acquisition along with a number of additional milestones as the Company continues to evolve into a major fully-integrated North American pharmaceutical operation.

Cardizem® acquisition

At the beginning of the quarter, Biovail acquired the North American rights to the entire Cardizem® line of diltiazem products from Aventis Pharmaceuticals Inc. Cardizem® is a market leading brand of calcium channel blockers for the treatment of hypertension and angina. Total U.S. sales of calcium channel blockers in 2000 exceeded \$3.5 billion. Cardizem® CD was the best selling diltiazem product in the U.S. last year with over 13 million prescriptions. Other products in the line include Cardizem®, Cardizem® SR and Cardizem® injectables. The acquisition of this significant product line is expected to add over \$150 million in incremental revenue in 2001.

The acquisition of the Cardizem® line also allows Biovail to add value to its new improved once-daily diltiazem product, currently undergoing studies to support superior marketing claims. This new product, which has already received FDA approval, will likely be launched as Cardizem® XL. This new product will offer measurable therapeutic advantages. Biovail expects to launch Cardizem® XL mid 2002.

U.S. sales operations

The integration of DJ Pharma, the U.S. sales operation acquired by Biovail in 2000, was completed during the quarter. The Company's new U.S. sales operation, renamed Biovail Pharmaceuticals, will be based in Raleigh, North Carolina. Biovail is currently investigating several product acquisition opportunities that would enable the Company to further leverage the U.S. sales organization and enjoy a higher level of product revenues from the sale of products directly prompted by Biovail.

Biovail intends to add approximately 500 sales professionals to the current team of 300 to increase the Company's presence in the lucrative U.S. market and support new product launches and the ongoing expansion of the Company's product development portfolio. Funding of this expansion will be undertaken through marketing and/or strategic arrangements.

Product sales

Sales continued to grow in the first quarter of 2001. Sales revenue for the quarter was more than double first quarter 2000 sales revenue. U.S. sales of Tiazac® by the Company's marketing partner, Forest Laboratories, increased and now hold market share in excess of 20% of total once-daily diltiazem prescriptions, up from 17% for the same period last year.

Crystaal, Biovail's Canadian marketing division also had an excellent first quarter, showing significant gains over the first three months of last year. This was driven by continued market penetration by numerous products in Crystaal's portfolio, including Tiazac®, Celexa, Retavase and Cardizem® CD. This strong performance is expected to continue throughout the year and will be bolstered by the anticipated inclusion of Monocor on major provincial drug formularies.

New products

The first quarter of 2001 saw a number of major new product announcements. In February, Biovail received FDA approval for its generic version of Procardia XL 30mg. Teva Pharmaceuticals, Biovail's U.S. generic marketing partner, announced an immediate launch of the new product. Total brand sales for this treatment for hypertension and angina in 30mg and 60mg dosage strengths were \$299 million. Biovail has already received approval for its 60mg Procardia XL product.

Nutravail, an operating unit of Biovail specializing in nutraceuticals launched a new product during the quarter – a soft, chewable calcium tablet marketed under WalMart's Spring Valley brand.

Product pipeline

Biovail's product pipeline remains strong, with several major products in late stage development.

Three Abbreviated New Drug Applications (ANDA's) were filed with the FDA in the quarter. These include generic controlled-release versions of Procardia XL 90mg, Adalat CC 90mg and Tegretol 400mg. The first two products are indicated for angina and hypertension, while the third, Tegretol, is indicated for the treatment of epilepsy. Total annual brand sales of these products exceed \$220 million.

Other products under late stage development include once-daily controlled-release versions of Buspirone, a treatment for anxiety and depression with annual branded sales of \$675 million and Tramadol, a chronic pain medication with branded sales of \$500 million, both of which are currently undergoing Phase III clinical trials. Also under development are once-daily controlled-release versions of Metformin and Bupropion. Biovail's partner, H. Lundbeck A/S, has also initiated Phase III clinical trials on a second-generation modified release formulation of citalopram (Celexa) for the Canadian marketplace.

Substantial progress continues to be made on products utilizing Biovail's proprietary FlashDose technology. Development is on track for a novel FlashDose version of Paxil. This leading antidepressant currently has annual U.S. sales of \$1.7 billion and continues to show rapid growth. Biovail anticipates filing this product with the FDA by the end of 2001.

The Company is also working on a FlashDose version of the sleep disorder medication Ambien – a \$1 billion plus product.

In total, Biovail currently has five controlled-release products and eight FlashDose products in various stages of development, representing over \$10 billion in current branded product sales.

Manufacturing and CRD

In January, Biovail assumed control of its new Dorado, Puerto Rico manufacturing facility acquired from Ortho McNeil. Integration of manufacturing with Biovail's Carolina, Puerto Rico plant will be implemented over the next 18 to 24 months. The Dorado facility is capable of producing 15 billion units per year without expansion. Plans include modifying the new facility for the manufacture of FlashDose products for world markets.

The Company's Contract Research Division completed a significant expansion in the first quarter. The expansion includes additional state-of-the-art laboratory space and a new clinical facility to support advanced clinical trials for New Drug Application (NDA) submissions.

Record results

Biovail reported record financial reports for the three months ended March 31, 2001. Total revenue for the period increased 135% to \$119.2 million, compared with \$50.8 million for the same period last year. Operating income for the first quarter was \$44.4 million, a 177% increase over the \$16.0 million reported for the first quarter 2000. Earnings before interest, taxes, depreciation and amortization for the three month period ended March 31, 2001 increased 168% to \$57.8 million, compared to \$21.6 million for the same period last year.

Net income for the first quarter was \$29.2 million, compared to first quarter 2000 net income, excluding certain charges, of \$15.0 million. Earnings per share on a diluted basis for the first quarter 2001 were \$0.20, an 82% increase over earnings per share on a diluted basis of \$0.11, excluding certain charges, for the first three months of 2000. Items excluded from first quarter 2000 financial results are the cumulative effect of a change in accounting principle and an extraordinary item related to the early retirement of the Company's U.S. Dollar Senior Notes.

On behalf of the Board of Directors, I would like to express my appreciation to Biovail's employees and to our shareholders for their continued commitment and support.

A handwritten signature in black ink, appearing to read 'Eugene Melnyk', with a large, sweeping flourish at the end.

Eugene Melnyk

Chairman of the Board

Consolidated Balance Sheets

In accordance with U.S. generally accepted accounting principles

	March 31 2001	December 31 2000
Assets		
Current		
Cash and cash equivalents	\$ 49,566	\$ 125,144
Accounts receivable	87,178	105,850
Inventories	31,845	24,108
Deposits and prepaid expenses	10,727	5,347
	<u>179,316</u>	<u>260,449</u>
Long-term investments	1,674	1,561
Property, plant and equipment, net	62,025	52,541
Goodwill, net	100,168	103,105
Intangible assets, net	659,545	667,431
Other assets, net	22,014	22,180
	<u>\$ 1,024,742</u>	<u>\$ 1,107,267</u>
Liabilities		
Current		
Accounts payable	\$ 28,871	\$ 34,683
Accrued liabilities	46,896	35,452
Income taxes payable	6,151	6,711
Deferred revenue	29,632	26,334
Current portion of long-term obligations	136,500	182,564
	<u>248,050</u>	<u>285,744</u>
Deferred revenue	26,700	27,900
Long-term obligations	177,021	256,180
Convertible Subordinated Preferred Equivalent Debentures	299,985	299,985
	<u>751,756</u>	<u>869,809</u>
Shareholders' Equity		
Common shares, no par value, unlimited shares authorized, 132,142,000 and 131,461,000 issued and outstanding at March 31, 2001 and December 31, 2000, respectively	500,648	492,733
Warrants	7,912	7,912
Deficit	(232,653)	(261,819)
Accumulated other comprehensive loss	(2,921)	(1,368)
	<u>272,986</u>	<u>237,458</u>
	<u>\$ 1,024,742</u>	<u>\$ 1,107,267</u>

Consolidated Statements of Income (Loss)

In accordance with U.S. generally accepted accounting principles

Three Months Ended March 31

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

	2001	2000
Revenue		
Product sales	\$ 111,927	\$ 35,853
Research and development	1,566	11,651
Royalty and licensing	5,734	3,278
	<u>119,227</u>	<u>50,782</u>
Expenses		
Cost of goods sold	26,554	11,035
Research and development	11,407	11,766
Selling, general and administrative	36,878	11,936
	<u>74,839</u>	<u>34,737</u>
Operating income	44,388	16,045
Interest expense, net	(12,472)	(266)
	<u>31,916</u>	<u>15,779</u>
Income before income taxes	31,916	15,779
Provision for income taxes	2,750	813
	<u>29,166</u>	<u>14,966</u>
Income before extraordinary item and cumulative effect of change in accounting principle	29,166	14,966
Extraordinary item	-	(20,039)
	<u>29,166</u>	<u>(5,073)</u>
Income (loss) before cumulative effect of change in accounting principle	29,166	(5,073)
Cumulative effect of change in accounting principle	-	(43,500)
	<u>29,166</u>	<u>(48,573)</u>
Net income (loss)	\$ 29,166	\$ (48,573)
Basic earnings (loss) per share		
Income before extraordinary item and cumulative effect of change in accounting principle	\$ 0.22	\$ 0.12
Extraordinary item	-	(0.16)
Cumulative effect of change in accounting principle	-	(0.35)
	<u>0.22</u>	<u>(0.39)</u>
Net income (loss)	\$ 0.22	\$ (0.39)
Diluted earnings (loss) per share		
Income before extraordinary item and cumulative effect of change in accounting principle	\$ 0.20	\$ 0.11
Extraordinary item	-	(0.15)
Cumulative effect of change in accounting principle	-	(0.31)
	<u>0.20</u>	<u>(0.35)</u>
Net income (loss)	\$ 0.20	\$ (0.35)
Weighted average number of common shares outstanding (000s)		
Basic	131,773	125,584
Diluted	148,084	140,522

Consolidated Statements of Cash Flows

In accordance with U.S. generally accepted accounting principles

Three Months Ended March 31

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

2001

2000

Cash flows from operating activities

Net income (loss)	\$ 29,166	\$ (48,573)
Depreciation and amortization	13,403	5,540
Amortization of discount on long-term obligations	3,954	–
Deferred income taxes	1,450	–
Compensation cost for employee stock options	500	–
Extraordinary item	–	20,039
Cumulative effect of change in accounting principle	–	43,500
	<u>48,473</u>	<u>20,506</u>
Change in non-cash operating items	16,857	(22,518)
Cash provided by (used in) operating activities	65,330	(2,012)

Cash flows from investing activities

Additions to property, plant and equipment, net	(12,987)	(3,929)
Additions to intangible assets	(14,002)	–
Reduction in intangible assets	8,750	261
Acquisition of long-term investments	(42)	(2,285)
Maturity of short-term investments, net	–	46,346
Proceeds from sale of assets held for disposal	–	17,000
	<u>(18,281)</u>	<u>57,393</u>
Cash provided by (used in) investing activities	(18,281)	57,393

Cash flows from financing activities

Issuance of common shares	7,415	102,298
Repayments under revolving term credit facility	(76,095)	–
Reduction in other long-term obligations	(53,820)	(10,651)
Issuance of Convertible Subordinated Preferred Equivalent Debentures, net of financing costs	–	290,312
Repurchase of U.S. Dollar Senior Notes	–	(141,017)
Collection of warrant subscription receivable	–	1,282
	<u>(122,500)</u>	<u>242,224</u>
Effect of exchange rate changes on cash and cash equivalents	(127)	(21)
Increase (decrease) in cash and cash equivalents	(75,578)	297,584
Cash and cash equivalents, beginning of period	125,144	178,086
	<u>\$ 49,566</u>	<u>\$ 475,670</u>

Presentation for the three months ended March 31, 2001 and 2000, reflects the retroactive adoption of SAB 101, and the reclassification of certain figures.

Shareholder Information

Head office

Biovail Corporation
2488 Dunwin Drive
Mississauga, Ontario
Canada L5L 1J9

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.

The Annual Meeting of Shareholders

The annual meeting of shareholders will be held at:

2:00 p.m.

Monday, June 25, 2001

Metro Toronto Convention Centre

Room 206 DF

255 Front Street West

Toronto, Ontario M5V 2W6



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Corporate Information

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

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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 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.

Financial Statements prepared in accordance with Canadian Generally Accepted Accounting Principles are made available to all shareholders.