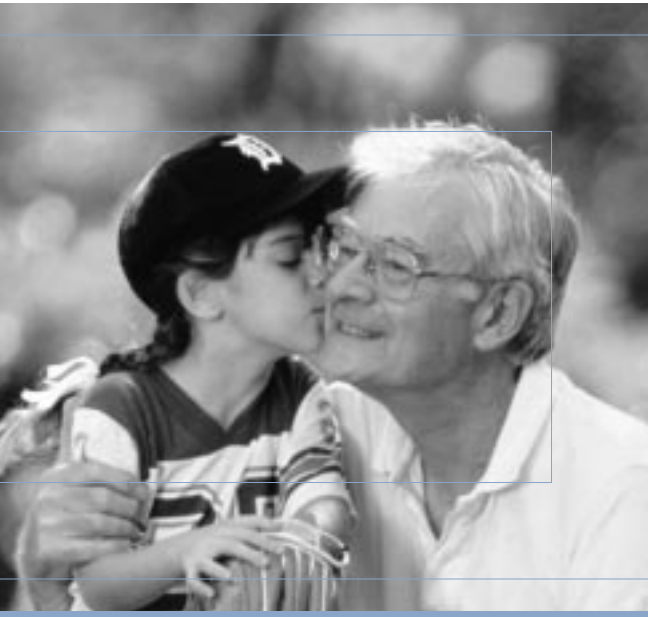
interim report 2000

second quarter report



BIOVAIL
CORPORATION

dear fellow shareholders

I am pleased to report that Biovail continued its impressive performance in the second quarter of 2000 and can again report record results for the quarter and the first half of the year. These results reflect continued growth in sales as well as significant new milestones being attained.

Current Products

Tiazac®, Biovail's once-daily diltiazem formulation continues its strong sales performance in the United States. Tiazac® has achieved an approximate 20% share of the diltiazem market, and sales appear unaffected by the entry of generic versions of Cardizem CD and Dilacor. Further strategies are being developed by the Company and its U.S. marketing partner, Forest Laboratories, to grow the Tiazac® franchise. At this time, no generic versions of Tiazac® have been approved and competition is not anticipated until at least 2001.

Sales of the Company's generic versions of Cardizem CD, Trental and Verelan are meeting or exceeding the expectations of Biovail and its U.S. marketing partner Teva Pharmaceuticals. In addition, two new products launched earlier this year in the United States – the generic version of the non-steroidal anti-inflammatory Voltaren XR and the generic version of the 30mg dosage strength of the anti-hypertensive Adalat CC – are performing well. The 60mg strength of Biovail's generic Adalat CC has been approved and will be launched later this year.

New Products

Earlier this year, the Company reported the United Kingdom launch of Nurofen Meltlets (ibuprofen) by Boots Healthcare International, the first commercial launch of a product using Biovail's patented Flash Dose® technology.

Late in the quarter, Biovail announced the successful completion of development work on a novel controlled-release formulation of the leading SSRI anti-depressant Celexa (citalopram). H. Lundbeck, Biovail's partner and the developer of the original formulation of Celexa, has initiated Phase III clinical trials of the new formulation in Canada. Celexa is currently the best selling anti-depressant in eight countries.

Biovail's new controlled-release formulation has a unique pharmacokinetic profile and is designed to improve patient tolerability and compliance.

The Company's generic once-daily controlled-release version of Procardia XL, a nifedipine product used to treat angina and hypertension, recently received tentative approval from the FDA. Current annual sales in the United States of Procardia XL are approximately $522 million. Biovail plans to launch its generic version through Teva Pharmaceuticals later this year.

Crystaal

Crystaal, the Company's Canadian sales and marketing operation also performed well during the quarter and the first half of this year. Sales of Tiazac® and in-licensed anti-depressant Celexa have exceeded expectations. Crystaal currently markets six products, including the recently launched Monocor, a beta blocker for the treatment of hypertension in-licensed from Wyeth-Ayerst. In addition, four other products are in various stages of development and other in-licensing opportunities are presently under investigation.

Product Pipeline

Numerous products are continuing to progress through Biovail's ANDA and NDA drug development pipelines. A once-daily controlled-release formulation of Buspirone is currently in Phase III clinical trials. Work is also progressing on several other NDA products developed in cooperation with Intelligent Polymers. In addition, the Company is furthering the development of six controlled-release ANDA products, as well as eight NDA and ANDA products using Flash Dose® technology.

Company Developments

There are two additional exciting developments to report in the second quarter of 2000. The first is the addition of two new senior executives to our management team. I am pleased to welcome Brian H. Crombie as Senior Vice President and Chief Financial Officer of Biovail and Michel P. Chouinard as Vice President and General Manager of Crystaal. Both these individuals bring considerable expertise and experience to their respective positions and will be instrumental in our continued progress.

Secondly, the Company announced the formation of a new internal division called Biovail Ventures. The mandate of this new division is to investigate and identify independent drug development opportunities for the Company and to make investments (on a minority basis), in return for rights to complementary technologies and products, as well as commercialization, manufacturing and distribution rights. Several opportunities in this area are already being investigated.

Financial Results

As of January 1, 2000, Biovail began to report its financial results in accordance with U.S. GAAP, and to report its earnings per share on a diluted basis.

Biovail once again reported record financial results for the second quarter and six months ended June 30, 2000. Revenue for the quarter and first half increased by 71% and 70% respectively to $60.4 million and $107.3 million, compared to 1999 second quarter revenue of $35.4 million and first half revenue of $63.0 million. Operating income for the second quarter was $21.4 million, a 50% increase over the second quarter 1999, and operating income for the first half was $35.6 million, a 42% increase over the same period in 1999. Net income for the second quarter 2000 was $22.3 million, or $0.31 a share on a diluted basis, a 106% increase over net income of $10.9 million, or $0.21 a share on diluted basis, for the second quarter of 1999. Income before extraordinary item for the first half of 2000 was $35.5 million, or $0.50 a share on a diluted basis. This represents a 94% increase over 1999 first half income before extraordinary item of $18.3 million, or $0.35 a share on a diluted basis.

On behalf of the Board, I would like to thank the Company's employees for their contribution, and our shareholders for their ongoing support of our efforts.

(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)

(Unaudited)	June 30, 2000	December 31, 1999
ASSETS		
Current		
Cash and cash equivalents	**$ 447,453**	$ 178,086
Short-term investments	**61,675**	65,893
Accounts receivable	**81,986**	60,571
Inventories	**23,891**	12,701
Assets held for disposal	**–**	20,000
Deposits and prepaid expenses	**3,075**	3,172
	618,080	340,423
Long-term investments	**1,654**	12
Property, plant and equipment, net	**46,407**	45,300
Other assets, net	**87,543**	86,478
	$ 753,684	$ 472,213
LIABILITIES		
Current		
Accounts payable	**$ 22,813**	$ 22,685
Accrued liabilities	**24,543**	31,107
Income taxes payable	**4,945**	3,585
Customer prepayments	**9,922**	4,962
Deferred tax liability	**336**	336
Current portion of long-term debt	**1,298**	12,016
	63,857	74,691
Deferred tax liability	**4,531**	4,698
Convertible Subordinated Preferred Equivalent Debentures	**300,000**	–
Long-term debt	**–**	125,488
	368,388	204,877
SHAREHOLDERS' EQUITY		
Common shares, no par value, unlimited shares authorized, 64,797,000 and 62,196,000 issued and outstanding at June 30, 2000 and December 31, 1999, respectively	**476,363**	373,962
Warrants	**8,244**	8,244
Warrant subscription receivable	**–**	(2,287)
Deficit	**(98,399)**	(113,843)
Accumulated other comprehensive income (loss)	**(912)**	1,260
	385,296	267,336
	$ 753,684	$ 472,213

consolidated statements of income

in accordance with U.S. GAAP

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

(Unaudited)	Three Months Ended June 30, 2000	1999
Revenue		
Product sales	**$ 42,362**	$ 24,979
Research and development	**15,495**	7,878
Royalty and licensing	**2,585**	2,550
	60,442	35,407
Expenses		
Cost of goods sold	**13,538**	7,848
Research and development	**13,942**	6,459
Selling, general and administrative	**11,559**	6,798
	39,039	21,105
Operating income	**21,403**	14,302
Interest income (expense), net	**2,383**	(2,657)
Income before income taxes	**23,786**	11,645
Provision for income taxes	**1,444**	775
Income before extraordinary item	**22,342**	10,870
Extraordinary item - Premium paid on early extinguishment of U.S. Dollar Senior Notes	**–**	–
Net income	**$ 22,342**	$ 10,870
Basic earnings (loss) per share		
Income before extraordinary item	**$ 0.34**	$ 0.22
Extraordinary item	**–**	–
Net income	**$ 0.34**	$ 0.22
Diluted earnings (loss) per share		
Income before extraordinary item	**$ 0.31**	$ 0.21
Extraordinary item	**–**	–
Net income	**$ 0.31**	$ 0.21
Weighted average number of common shares outstanding		
Basic	**64,765,000**	49,068,000
Diluted	**71,559,000**	52,680,000

consolidated statements of income

in accordance with U.S. GAAP

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

(Unaudited)	Six Months Ended June 30, 2000	1999
Revenue		
Product sales	**$ 75,993**	$ 37,541
Research and development	**25,996**	13,955
Royalty and licensing	**5,313**	11,502
	107,302	62,998
Expenses		
Cost of goods sold	**24,573**	12,887
Research and development	**25,708**	11,783
Selling, general and administrative	**21,398**	13,266
	71,679	37,936
Operating income	**35,623**	25,062
Interest income (expense), net	**2,117**	(5,449)
Income before income taxes	**37,740**	19,613
Provision for income taxes	**2,257**	1,308
Income before extraordinary item	**35,483**	18,305
Extraordinary item - Premium paid on early extinguishment of U.S. Dollar Senior Notes	**(20,039)**	–
Net income	**$ 15,444**	$ 18,305
Basic earnings (loss) per share		
Income before extraordinary item	**$ 0.56**	$ 0.37
Extraordinary item	**(0.31)**	–
Net income	**$ 0.24**	$ 0.37
Diluted earnings (loss) per share		
Income before extraordinary item	**$ 0.50**	$ 0.35
Extraordinary item	**(0.28)**	–
Net income	**$ 0.22**	$ 0.35
Weighted average number of common shares outstanding		
Basic	**63,775,000**	49,068,000
Diluted	**70,925,000**	52,680,000

consolidated statements of cash flows

in accordance with U.S. GAAP

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

(Unaudited)	Six Months Ended June 30, 2000	1999
Cash flows from operating activities		
Net income	**$ 15,444**	$ 18,305
Depreciation and amortization	**10,018**	3,154
Deferred income tax recovery	**(167)**	–
Extraordinary item - Premium paid on early extinguishment of U.S. Dollar Senior Notes	**20,039**	–
Compensation cost for employee stock options	**–**	900
	45,334	22,359
Change in non-cash operating items:		
Decrease (increase) in accounts receivable	**(22,041)**	6,497
Increase in inventories	**(11,517)**	(4,471)
Decrease (increase) in deposits and prepaid expenses	**97**	(145)
Decrease in accounts payable and accrued liabilities	**(7,961)**	(3,259)
Increase in income taxes payable	**1,320**	301
Increase in customer prepayments	**4,960**	11,610
	(35,142)	10,533
	10,192	32,892
Cash flows from investing activities		
Additions to property, plant and equipment, net	**(5,791)**	(2,785)
Maturity of short-term investments, net	**4,218**	–
Acquisition of long-term investments	**(2,285)**	–
Proceeds from assets held for disposal	**20,000**	–
Decrease in other assets	**261**	–
Acquisition of product rights	**–**	(1,811)
Repayment of executive stock purchase plan loans	**–**	31
	16,403	(4,565)
Cash flows from financing activities		
Issuance of common shares	**102,822**	2,088
Repurchase of common shares	**–**	(23,550)
Issuance of Convertible Subordinated Preferred Equivalent Debentures, net of financing costs	**289,410**	–
Repurchase of U.S. Dollar Senior Notes	**(141,017)**	–
Reduction in other long-term debt	**(10,657)**	(300)
Collection of warrant subscription receivable	**2,287**	1,397
	242,845	(20,365)
Effect of exchange rate changes on cash and cash equivalents	**(73)**	117
Increase in cash and cash equivalents	**269,367**	8,079
Cash and cash equivalents, beginning of period	**178,086**	78,279
Cash and cash equivalents, end of period	**$ 447,453**	$ 86,358

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.

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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

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.

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