

BIOVAIL

CORPORATION INTERNATIONAL



INTERIM REPORT 1999

FIRST QUARTER

DEAR FELLOW SHAREHOLDER

I am pleased to report that the first quarter of 1999 has been an excellent one for Biovail. The company has begun the year once again posting record quarterly financial results. Many factors contributed to these results, which continue to build on our achievements of last year. In addition to steady progress in our core business operations and increasing sales across our portfolio, the first quarter was marked by a significant international licensing agreement and several exciting milestones in our Canadian marketing endeavours.

TIAZAC® EXPANSION

In 1998, Biovail achieved record production and shipment levels of Tiazac®, the Company's once-daily diltiazem medication. This was driven by steady market growth in the US for the hypertension indication, as well FDA approval for the treatment of angina and the introduction of a 420mg dosage - making Tiazac® the only 420mg once daily diltiazem product available in the large US market.

In the first quarter of this year, Tiazac®'s potential in Canada was bolstered tremendously by its inclusion in the Ontario Drug Benefit Formulary (ODBF). Crystaal, Biovail's Canadian marketing division, had restricted access to Ontario, which represents 42% of the Cdn. \$123 million diltiazem market in Canada. With the ODBF listing, market share is expected to grow significantly.

CITALOPRAM JOINT DEVELOPMENT AND CO-PROMOTION

In January, Biovail announced an exciting agreement to develop a novel controlled release formulation of the leading anti-depressant Citalopram. As part of a multi-faceted deal concluded with Citalopram's innovator, H. Lundbeck A/S of Denmark, Biovail will develop, manufacture and supply a controlled release version of Citalopram for commercialization by Lundbeck and its licensees. The deal also calls for Crystaal to co-promote with Lundbeck the current version of Citalopram in Canada.

Clinical depression affects countless people around the world, including one in ten Americans, and is associated with greater levels of physical and social impairment than other chronic conditions, including heart disease.

Citalopram, a selective serotonin reuptake inhibitor, is marketed in more than 60 countries under the brand names Celexa, Cipramil and Seropram. The worldwide annual market for this class of anti-depressants is estimated to be in excess of \$7 billion, with an annual growth rate of 17%.

Citalopram has been shown to have an improved side effect profile and lower incidence of drug interactions compared to many other serotonin reuptake inhibitors. It is currently the best selling anti-depressant in 13 countries, including eight in Europe, where its sales are growing at the rate of 28% annually.

CRYSTAAL PORTFOLIO EXPANSION

The first quarter of 1999 has been an extremely busy one for Crystaal, the Company's Canadian marketing operation. In February, Health Canada's Therapeutic Products Programme approved the marketing of Celexa (Citalopram) for the symptomatic relief of depression. Under the terms of the recently completed agreement, Crystaal will co-promote Celexa in collaboration with Lundbeck Canada. Crystaal will concentrate its efforts on primary care physicians, where their strong sales network is already well established. The Canadian anti-depressant market is valued at approximately US\$300 million annually. In addition, it is estimated that only a third of the 20-25% of Canadians who suffer from depression presently receive appropriate treatment.

Also in the first quarter, Crystaal received marketing approval in Canada for Brexidol, a unique product for the treatment of mild to severe pain, including sports injuries, post-operative pain, primary dysmenorrhea, dental pain and headache. Brexidol, utilizes the Nobel Prize winning Host-Guest chemistry system, in-licensed from Chiesi Farmaceutici S.p.a.

Brexidol will compete in the Canadian pain and anti-inflammatory product market, valued at approximately US\$150 million annually. The product has been marketed in Europe for nearly 10 years and has established an excellent safety and efficacy record in over 20 million patients.

The addition of Celexa and Brexidol further enhances Crystaal's already impressive portfolio of exciting products, which also includes: Tiazac®, Retavase, d-methylphenidate and Corlopam.

RECORD FINANCIAL RESULTS

Biovail marked the start of 1999 with record first quarter financial results. Revenues for the first quarter of 1999 were \$28.2 million, a 29% increase over 1998 first quarter revenues of \$21.9 million. Operating income for the first quarter was \$11.6 million, a 38% improvement over 1998 first quarter figures of \$8.4 million. Net income for the first quarter of 1999 was \$8.3 million, or \$0.34 per share, compared to net income of \$7.8 million, or \$0.29 share, realized in the first quarter of 1998.

With this extremely positive start to 1999, and the continued progress in our sales and product development activities, the Company is well positioned for another excellent year.

On behalf of the Board, I would like to thank all of our employees for their dedication and hard work, and our shareholders for their continued support of our Company.

(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)

	March 31, 1999 <i>(Unaudited)</i>	December 31, 1998 <i>(Audited)</i>
A S S E T S		
Current		
Cash and short-term deposits	\$ 79,256	\$ 78,279
Accounts receivable	41,383	42,768
Inventories	13,760	10,542
Executive loans	2,975	2,924
Deposits and prepaids	3,254	3,357
	140,628	137,870
Long-term investments	10,055	10,055
Capital	24,818	23,677
Other, net	27,769	28,317
	\$ 203,270	\$ 199,919
L I A B I L I T I E S		
Current		
Accounts payable	\$ 7,319	\$ 12,244
Accrued liabilities	8,147	4,129
Income taxes payable	594	1,004
Customer prepayments	13,956	4,516
Current portion of long-term debt	733	653
	30,749	22,546
Long-term debt	125,836	126,182
	156,585	148,728
S H A R E H O L D E R S ' E Q U I T Y		
Share capital	20,939	19,428
Warrants	8,244	8,244
Retained earnings	18,345	24,748
Cumulative translation adjustment	(843)	(1,229)
	46,685	51,191
	\$ 203,270	\$ 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 March 31,	
	1999	1998
Revenue		
Product Sales	\$ 12,562	\$ 11,467
Research and development	6,717	7,844
Royalty and licensing	8,952	2,578
	28,231	21,889
Expenses		
Cost of goods sold	5,039	5,142
Research and development	5,324	4,029
Selling, general and administrative	6,245	4,311
	16,608	13,482
Operating income	11,623	8,407
Interest income (expense), net	(2,792)	(68)
Income before income taxes	8,831	8,339
Provision for income taxes	533	491
Net income	\$ 8,298	\$ 7,848
Earnings per share	\$ 0.34	\$ 0.29
Weighted average number of common shares outstanding	24,603,400	26,736,000

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 data are expressed in thousands of U.S. dollars)

<i>(Unaudited)</i>	Three Months Ended March 31,	
	1999	1998
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	\$ 8,298	\$ 7,848
Depreciation and amortization	1,489	1,164
	9,787	9,012
Changes in non-cash operating items:		
(Increase) decrease accounts receivable	1,466	(3,191)
(Increase) decrease inventory	(3,030)	(2,332)
(Increase) decrease deposits & prepaid expenses	103	(78)
Increase (decrease) accounts payable & accrued liabilities	(383)	339
Increase (decrease) income taxes payable	(386)	135
Increase (decrease) customer prepayments	9,440	4,511
	7,210	(616)
	16,997	8,396
Investing		
Additions to fixed assets, net	(1,611)	(1,207)
Executive stock purchase plan loans	(52)	213
Acquisition of royalty interest	-	(15,000)
Long-term investments	-	(7,500)
	(1,663)	(23,494)
Financing		
Acquisition of share capital	(14,933)	-
Issuance of share capital	1,424	3,660
Reduction in other long-term debt	(300)	(597)
Repayment of other long-term debt	-	15,000
	(13,809)	18,063
Effect of exchange rate changes on cash	(548)	8
Increase (decrease) in cash	977	2,973
Cash, and short term deposits, beginning of period	78,279	8,275
Cash, and short term deposits, end of period	\$ 79,256	\$ 11,248

c o r p o r a t e i n f o r m a t i o n

B O A R D O F D I R E C T O R S

Eugene Melnyk

Chairman of the Board

Biovail Corporation International

Bruce Brydon

Chief Executive Officer

Biovail Corporation International

Robert Podruzny

President and Chief Operating Officer

Biovail Corporation International

Kenneth Cancellara, Q.C.

Senior Vice President

General Counsel and Secretary

Biovail Corporation International

Rolf Reininghaus

Senior Vice President

Biovail Corporation International

President

Crystaal Division of Biovail Corporation International

Wilfred Bristow

Senior Vice President

Nesbitt Burns Inc.

Roger Rowan

President and Chief Operating Officer

Watt Charmichael Inc.

Robert Vujea

President

R&D Chemical Corporation

A U D I T O R S

Deloitte & Touche,
Chartered Accountants
Toronto, Canada

S T O C K L I S T I N G

New York Stock Exchange
Toronto Stock Exchange
Symbol: BVF

**R E G I S T R A R S A N D
T R A N S F E R A G E N T S**

CIBC Mellon Trust Company
Toronto, Ontario

ChaseMellon
Shareholder Services
New York, USA

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

Head office

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2488 Dunwin Drive
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The Annual Meeting of Shareholders

*The annual meeting of shareholders will be held
at 10:00 a.m. Thursday, July 22, 1999
at the Royal York Hotel, Territories Room,
100 Front Street, Toronto, Ontario.*

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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