

Biovail Corporation

THIRD QUARTER REPORT 2002

DEAR FELLOW SHAREHOLDERS:

I am pleased to report that Biovail experienced a very successful third quarter of 2002 as we engaged in a number of positive activities, all of which have contributed to the success of the quarter or bode well for upcoming quarters. We achieved solid product sales for the quarter and continued the expansion of our sales force capabilities. As well, we made notable advances in our corporate growth strategy in a number of areas, most significantly with the receipt of an approvable letter from the U.S. Food and Drug Administration (FDA) for Biovail's new Cardizem[®] product for the treatment of hypertension, and the FDA filing in August 2002 of our once-daily formulation of Wellbutrin[®] by our partner GlaxoSmithKline (GSK).

SALES FORCE EXPANSION

Part of Biovail's strategy has been to increase the size of our sales force presence in the United States. In terms of maximizing the opportunity for Teveten[®] and the expected fourth quarter launch of Teveten[®] HCT, we have entered into an agreement with Reliant Pharmaceuticals LLC, a privately held New Jersey-based pharmaceutical sales company. With the addition of Reliant's sales force to our own sales force, there are now more than 1,000 people currently detailing Teveten[®], and other Biovail products, in the U.S. The benefits that the Reliant sales organization brings to Biovail are a higher call-frequency rate and longer-term, well-established relationships with general practitioners.

PRODUCT SALES

United States

Late in the second quarter of 2002, Teveten[®] became our lead product in terms of promotion and detailing activities. We have successfully stopped the erosion of Teveten[®] market share that had been occurring prior to our acquiring the rights for this product from Solvay Pharmaceuticals. We're beginning to build brand awareness and product recognition, which will be critical to the long-term success for this product line. Teveten[®] prescriptions grew by 34% in the 12 week period ending September 30, 2002 compared to the 12 week period ending June 30, 2002. Also during the third quarter, we secured retail pharmacy orders for Teveten[®] that will increase U.S. distribution from approximately 20% to over 50%. This retail initiative, combined with our increased sales force power, should exponentially grow Teveten[®] prescription demand.

During the third quarter, Zoviarx[®] Ointment outperformed the topical prescription anti-herpes market. Zovirax[®] Ointment's market share has grown from 53% to 58% since Biovail began promotion at the beginning of 2002. However, due to an overall decline in the topical prescription anti-herpes market and aggressive promotional activity for oral anti-herpes therapy, we experienced weaker than expected Zovirax[®] prescription numbers. In dollar terms, we continue to anticipate growth for Zovirax[®] in excess of 30% for 2002.

Our co-promotion with GSK of Wellbutrin® SR continues very well and GSK sales of this product were in excess of \$1.4 billion as of August 30, 2002. As a result of our arrangement with GSK, we have earned \$10 million in co-promotion revenue related to Wellbutrin® SR for the third quarter in a row. With the August 2002 New Drug Application (NDA) filing for the once-daily version of Wellbutrin®, we look forward to GSK's expected launch for this product in the second half of 2003. Biovail will manufacture and supply to GSK all trade and sample supply requirements in anticipation of this important launch. The trade supply price is expected to be between 25-30% of GSK's annual global net sales.

During the third quarter, Biovail successfully transitioned Vasotec® from Merck, assuming the responsibility for the product in the United States in terms of sales and invoicing, distribution and medical questions responses. Merck will continue to manufacture Vasotec® for Biovail under contract.

Canada

Net product sales revenue for Biovail Pharmaceuticals Canada grew in excess of 40% over the third quarter. This dramatic year-over-year increase was driven largely by the growth of Tiazac®, Monocor® and Retevase®. Tiazac® reached a record 36.7% of the long-acting diltiazem market compared to a share of 29.8 % in September of 2001. Celexa's new script share of the anti-depressant market was 18.5% in September 2002, up from 15.9% in September of 2001.

PRODUCT PIPELINE

Cardizem®

During the third quarter, Biovail achieved significant milestones with respect to clinical development activities for our new Cardizem® product. This new product is a graded release formulation of diltiazem intended for evening dosing to provide better 24-hour control of diastolic and systolic blood pressure, in particular during the early morning rise in blood pressure.

During the third quarter, we completed the Phase III clinical trial to evaluate the efficacy and safety of the new Cardizem® product in the treatment of angina. We are extremely pleased with the favourable results of this study. This study demonstrated that the product, administered once daily in the evening, achieved statistically significant results in the treatment of angina in the morning hours. Detailed results of the angina study will be presented at the American College of Cardiology meeting in March 2003.

We recently completed a Phase IV clinical study comparing our product to the ACE inhibitor ramipril where both were dosed in the evening. We are very excited about the favourable results of this study which demonstrated that there was a clinically meaningful and highly statistically significant difference in favour of the new Cardizem® product in

controlling blood pressure in the early morning hours as well as over the 24 hour period following dosing. Two other Phase IV studies are progressing on schedule.

TRAMADOL EXTENDED RELEASE (ER)

Biovail presented the results of two Phase III clinical trials on the safety and efficacy of Biovail's once-daily tramadol at the American College of Hematology meeting in New Orleans in October. The tramadol ER clinical trials focused on the safety and efficacy of tramadol ER in the treatment of osteoarthritis. Tramadol ER produced statistically significant and clinically meaningful reductions in pain associated with osteoarthritis compared to placebo. Two additional Phase III clinical trials are progressing on schedule.

FINANCIAL RESULTS

Biovail recorded solid financial results for the third quarter and the first nine months of 2002. Total revenues for the third quarter of 2002 were \$208.9 million compared to \$152.2 million in the third quarter of 2001, representing an increase of 37%. Total revenues for the first nine months of 2002 were \$549.3 million, an increase of 36% over the same period of 2001.

Net income for the third quarter of 2002 was \$75 million, an increase of 127% over the same quarter of 2001 and diluted earnings per share increased 123% to \$0.49 from \$0.22 in the same period of 2001. For the nine months ended September 30, 2002, net income increased 79% to \$190.6 million and diluted earnings per share increased 66% to \$1.18 per share over the comparable period in 2001.

On behalf of the Board of Directors, I would like to extend my thanks to Biovail employees for their valuable contribution to this successful quarter, and to Biovail's shareholders for your continued support.



EUGENE N. MELNYK

Chief Executive Officer
Chairman of the Board

Consolidated Balance Sheets		
In accordance with U.S. generally accepted accounting principles		
<i>[All dollar amounts are expressed in thousands of U.S. dollars]</i>	September 30 2002	December 31 2001
	<i>[Unaudited]</i>	<i>[Audited]</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 145,051	\$ 434,891
Accounts receivable	138,081	96,556
Inventories	43,262	38,506
Deposits and prepaid expenses	8,732	6,643
	335,126	576,596
Long-term investments	80,491	2,355
Property, plant and equipment, net	118,278	85,581
Goodwill, net	102,212	96,477
Intangible assets, net	979,536	556,360
Other assets, net	43,330	14,114
	\$ 1,658,973	\$ 1,331,483
LIABILITIES		
Current		
Accounts payable	\$ 46,105	\$ 31,811
Accrued liabilities	94,349	59,989
Income taxes payable	29,342	17,318
Deferred revenue	14,069	27,030
Current portion of long-term obligations	33,453	12,592
	217,318	148,740
Deferred revenue	19,425	23,100
Long-term obligations	495,076	33,569
	731,819	205,409
SHAREHOLDERS' EQUITY		
Common shares, no par value, unlimited shares authorized, 156,370,906 and 157,496,407 issued and outstanding at September 30, 2002 and December 31, 2001	1,417,183	1,407,507
Stock options outstanding	6,711	5,067
Executive Stock Purchase Plan loans	(9,988)	(9,988)
Warrants outstanding	–	6,221
Deficit	(477,623)	(280,004)
Accumulated other comprehensive loss	(9,129)	(2,729)
	927,154	1,126,074
	\$ 1,658,973	\$ 1,331,483

Consolidated Statements of Income				
In accordance with U.S. generally accepted accounting principles				
<i>[All dollar amounts are expressed in thousands of U.S. dollars, except per share data] [Unaudited]</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
REVENUE				
Product sales	\$ 174,508	\$ 132,676	\$ 462,150	\$ 363,475
Research and development	7,653	6,588	19,168	10,117
Co-promotion, royalty and licensing	26,783	12,926	68,010	31,329
	208,944	152,190	549,328	404,921
EXPENSES				
Cost of goods sold	44,007	36,621	121,014	90,283
Research and development	14,626	12,018	39,547	36,863
Selling, general and administrative	44,922	26,422	123,240	77,675
Amortization	15,994	11,107	42,522	32,558
Write-down of assets	1,369	–	1,369	–
	120,918	86,168	327,692	237,379
Operating income	88,026	66,022	221,636	167,542
Interest income	298	504	2,859	1,661
Interest expense	(10,956)	(6,969)	(22,753)	(30,317)
Other income	3,309	–	3,243	–
Debt conversion premium	–	(22,731)	–	(22,731)
Income before provision for income taxes	80,677	36,826	204,985	116,155
Provision for income taxes	5,700	3,725	14,400	9,785
Net income	\$ 74,977	\$ 33,101	\$ 190,585	\$ 106,370
Earnings per share				
Basic	\$ 0.52	\$ 0.24	\$ 1.27	\$ 0.80
Diluted	\$ 0.49	\$ 0.22	\$ 1.18	\$ 0.71
Weighted average number of common shares outstanding (000s)				
Basic	145,367	137,011	150,252	133,713
Diluted	154,016	152,428	161,235	149,308
Prior year's figures reflect the reclassification of co-promotion revenue from product sales to co-promotion, royalty and licensing to conform to the presentation adopted in the current year.				

Consolidated Statements of Cash Flows		
In accordance with U.S. generally accepted accounting principles		
<i>[All dollar amounts expressed in thousands of U.S. dollars] [Unaudited]</i>	Nine Months Ended September 30	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 190,585	\$ 106,370
Add (deduct) items not involving cash		
Depreciation and amortization	50,385	40,571
Amortization of deferred financing costs	2,016	1,159
Amortization of discounts on long-term obligations	3,928	9,467
Compensation cost for employee stock options	1,499	1,499
Write-down of assets	1,369	-
Debt conversion premium	-	22,731
Interest paid through the issuance of common shares	-	1,238
Other	(3,243)	1,450
	246,539	184,485
Net change in non-cash operating items	(4,638)	(16,350)
Cash provided by operating activities	241,901	168,135
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(39,284)	(37,851)
Additions to intangible assets	(373,388)	(27,767)
Acquisitions of long-term investments	(85,451)	(238)
Proceeds on reduction in intangible assets	-	14,748
Cash used in investing activities	(498,123)	(51,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	5,528	14,913
Repurchase of common shares	(503,100)	(78,715)
Proceeds from the exercise of warrants	112,823	28,648
Issuance of Senior Subordinated Notes, net of financing costs	384,280	-
Advances (repayments) under revolving term credit facility, including financing costs	8,795	(32,320)
Repayments of other long-term obligations	(41,980)	(146,866)
Cash used in financing activities	(33,654)	(214,340)
Effect of exchange rate changes on cash and cash equivalents	36	(62)
Decrease in cash and cash equivalents	(289,840)	(97,375)
Cash and cash equivalents, beginning of period	434,891	125,144
Cash and cash equivalents, end of period	\$ 145,051	\$ 27,769

SHAREHOLDER INFORMATION

Biovail Corporation

7150 Mississauga Road
Mississauga, Ontario
Canada L5N 8M5

T: (905) 286-3000

F: (905) 286-3050

E: ir@biovail.com

W: www.biovail.com

How to Reach Us for More Information

For additional copies of this report, as well as the annual report on Form 20-F and the quarterly reports on Form 6-K as filed with the United States Securities and Exchange Commission, or for further information on Biovail, please contact Investor Relations.

CORPORATE INFORMATION

Trading Symbol

Common Shares: BVF

Registrars and Transfer Agents

CIBC Mellon Trust Company
Toronto, Canada
ChaseMellon Shareholder Services
New York, New York

The following words and logos are trademarks for the company and may be registered in Canada, the United States and certain other jurisdictions: Biovail, Cardizem[®], Tiazac[®], Viazem, CEFORM[®], FlashDose[®], Shearform[®], Teveten[®], Vasotec[®] and Vaseretic[®]. All other product names referred to in this document are the property of their respective owners.

To the extent any statements made in this report contain 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.