

A close-up photograph of an Erlenmeyer flask containing a vibrant green liquid. The flask is positioned on the left side of the page, with its neck extending upwards. The background is a light, textured green. A large, semi-transparent white circle is partially visible behind the flask.

Q3

THIRD QUARTER
REPORT 2007



LETTER TO SHAREHOLDERS

Dr. Douglas Squires

Interim Chairman and
Chief Executive Officer

Dear Fellow Shareholders,

For the three months ended September 30, 2007, Biovail Corporation generated solid revenues in the face of significant challenges, and executed against its stated financial and operational objectives. Biovail has remained focused on cost containment, and on driving a series of fundamental changes designed to improve bottom-line performance and achieve a more efficient infrastructure.

Biovail's efforts with respect to cost containment in the past 12 months have resulted in significant overall reductions to expenditures, and the Company will continue to proactively identify and move forward with additional initiatives to contain and wherever possible, eliminate discretionary expenses. These efforts will help enable Biovail to maintain its healthy investment in the Company's product-development pipeline.

At the centre of the Company's research-and-development focus is BVF-033, Biovail's novel salt formulation of bupropion. On October 24, 2007, the Company announced that it submitted a Complete Response to the United States Food and Drug Administration (FDA) that addresses all the issues that were raised in the Non-Approval Letter received last July for BVF-033. Further to an August meeting with the FDA, and based on FDA feedback, the

submission included new analyses of the data included in the original NDA for BVF-033, but did not include results from any new studies. Biovail believes the data package provided is sufficient to support the product's approval.

Late-stage partnership discussions continue for the commercialization of BVF-033, and Biovail expects to have a partner in place for the product's anticipated launch in the first quarter of 2008.

It is important to note that BVF-033 remains a key component for other downstream pipeline products, including BVF-045 – a combination product that incorporates BVF-033 with an undisclosed anti-depressant agent. Strides have been made with respect to developing intellectual-property protection for this product, and Biovail anticipates the submission of patent applications in the coming months that could further add to the value of this product and its attractiveness to potential partners.

FINANCIAL PERFORMANCE

Total revenues for the three months ended September 30, 2007, were \$188.9 million, compared with \$282.3 million for the third quarter of 2006. Total revenues for the nine months ended September 30, 2007 were 16% lower at \$638.9 million, versus \$760.1 million for the corresponding period in 2006.

In accordance with United States Generally Accepted Accounting Principles (GAAP), Biovail reported net income in the third quarter of 2007 of \$65.9 million, compared with a net loss of \$60.1 million for the prior-year period. For the nine months ended September 30, 2007, net income was \$227.5 million, compared with \$93.7 million for the corresponding period in 2006.

For the third quarter of 2007, Biovail reported earnings per share (EPS) of \$0.41, compared with a GAAP net loss per share of \$0.37. In the first nine months of 2007, GAAP EPS were \$1.41, versus EPS of \$0.59 for the first nine months of 2006.

GAAP net income and EPS figures for the third quarter of 2007 were negatively impacted by a \$2.1-million legal settlement and a \$0.4-million equity loss related to an investment in Western Life Sciences Venture Fund (WLS), and partially offset by \$0.9 million in cost recoveries, primarily related to the December 2006 restructuring of the Company's U.S. operations. These charges negatively impacted net income and EPS in the third quarter of 2007 by \$2.1 million and \$0.01, respectively. GAAP net income and EPS figures for the third quarter of 2006 include charges that negatively impacted net income and EPS by \$190.0 million and \$1.19, respectively.

PRODUCTS

Product revenues for the third quarter of 2007 were \$178.3 million, down 34% over the \$270 million recorded for the comparable period in 2006. This decline primarily reflects lower revenues for Wellbutrin XL® as a result of generic competition for the 300mg dosage strength of the product.

Third-quarter 2007 revenues for Wellbutrin XL® were \$53.5 million, compared with \$123.3 million in the corresponding period in 2006. The decline primarily reflects lower sales and gross margins associated with Wellbutrin XL® revenues, which remain in the lowest tier of pricing as per the supply-and-distribution agreement with GSK. Under the terms of a comprehensive settlement agreement entered into in March 2007 with a number of generic pharmaceutical companies, a generic version of the 150mg strength of Wellbutrin XL®

could be launched on May 30, 2008 – and potentially earlier, under specific circumstances, including an adverse decision of Biovail's appeal of the non-infringement Summary Judgment previously granted to Anchen Pharmaceuticals, Inc., and/or when new prescriptions for BVF-033 exceed 35% of prescription volume for Wellbutrin XL® 150mg.

For the three months ended September 30, 2007, revenues for Ultram® ER were \$13.8 million, compared with \$18.6 million for the same period in 2006, which reflects lower inventory levels at OMI for the product, and the back-order of certain lots, which were shipped in October 2007, and partly offset by an increase in Biovail's supply price from 27.5% to 37.5% of marketing partner Ortho-McNeil Inc.'s net selling price. In the third quarter of 2007, Ultram® ER captured 6.2% of total prescription volume for the tramadol market, including generics.

With respect to Biovail's Zovirax® franchise, revenues were up 12% to \$31 million in the third quarter of 2007, compared with \$27.8 million in the prior-year period; the increases reflect the timing of wholesaler inventory purchase and the implementation of price increases in 2007. For the three months ended September 30, 2007, Zovirax® Ointment and Zovirax® Cream held a combined 73.8% share of the topical herpes market.

PRODUCT DEVELOPMENT PIPELINE AND REGULATORY UPDATE

As previously stated, research and development and the Company's high-priority product-development programs are the lynchpins to its strategy to drive long-term sustainable growth.

In addition to BVF-033, significant progress has been made with respect to the ongoing development of Biovail's pain-management franchise. The latest milestone was reached November 1, 2007, when Biovail's once-daily tramadol formulation, Ralivia™, which received Notice of Compliance from the Therapeutic Products Directorate (TPD) on August 31, 2007, was officially launched in Canada. Ralivia™, which is the same product as Ultram® ER, is the only once-daily tramadol formulation available in Canada that has also been approved by the FDA, and the only one

with 21 months of U.S. patient experience, during which time approximately 1.6 million prescriptions have been written.

Preliminary data from Biovail's Phase III safety study for BVF-146, a combination product that incorporates once-daily tramadol with an undisclosed NSAID, are being actively reviewed. The Company continues to discuss risk and cost-sharing opportunities for this product with potential partners. As with most of the combination products in Biovail's pipeline, the Company's objective is to engage a partner prior to the initiation of the large, expensive Phase III efficacy studies required to support FDA approval of BVF-146.

And in keeping with Biovail's ongoing commitment to driving organic growth through an unyielding focus on research and development, on November 6, the Company announced that subsidiary, Biovail Laboratories International SRL, entered into an agreement with Pharma Pass II, LLC for two development-stage products – BVF-068, a product for the treatment of a central nervous system (CNS) disorder and BVF-247, a novel formulation of a cardiovascular agent. These two products target large global markets, and have the potential to address safety issues inherent in the currently marketed formulations, an increasingly important focus of our pipeline efforts.

In early August, Biovail announced that it had entered into a license-and-development agreement with an undisclosed, privately held, drug-development company for the global rights to BVF-324, a novel product for the treatment of a prevalent sexual dysfunction – a multi-billion-dollar global market where a huge clinical need exists for novel treatment options. Earlier in the Fall, Biovail met with the FDA to discuss the development program for this product. That meeting resulted in a number of issues being raised by the FDA that impact the development path for this product. Biovail is currently evaluating the FDA's feedback, and the product's path forward in the U.S. However, Biovail believes that a significant opportunity exists for this product in a number of countries in Europe, and is currently assessing the development requirements in these markets.

Turning briefly to other products under

development, Biovail has continued to make progress on several undisclosed feasibility programs within its pipeline, and on four undisclosed abbreviated new drug application (ANDA) programs, which include three first-to-file opportunities. The Company remains on track to file one ANDA before the end of 2007, and three – all first-to-file opportunities – in 2008.

LOOKING AHEAD

In the face of significant challenges, Biovail remains a strong company. From every member of the executive team to every employee on the manufacturing floor, we are all committed to making Biovail a better company. We recognize that to maximize the Company's potential, we need to continue to allocate our capital wisely, and to maintain our significant investment in R&D and our development pipeline.

Our pipeline is heavily skewed to programs that go beyond convenience and compliance benefits, as we increasingly target enhancements to safety and/or efficacy in our development efforts. We have bolstered our pipeline in 2007 with several new products, both from our internal R&D efforts and through development agreements with third parties.

Although the majority of our pipeline programs will not reach the marketplace until the 2010 timeframe, the ongoing cash-flow generation of our business model, in addition to our strong balance sheet, provides us with the flexibility to pursue a number of growth initiatives. To this end, we are actively exploring a number of external growth opportunities that would both supplement our near-term financial outlook and/or be additive to our drug-delivery technology portfolio.

As always, Biovail's primary objective is to create shareholder value.

On behalf of all Biovail employees, I would like to thank shareholders for their continued support.



Dr. Douglas Squires
Interim Chairman and
Chief Executive Officer

Consolidated Balance Sheets

In accordance with United States generally accepted accounting principles
(All dollar amounts are expressed in thousands of U.S. dollars)
(Unaudited)

	September 30	December 31
	2007	2006
ASSETS		
Current		
Cash and cash equivalents	\$411,906	\$834,540
Marketable securities	4,567	-
Accounts receivable	96,399	129,247
Inventories	90,398	78,781
Prepaid expenses and other current assets	11,742	15,056
	615,012	1,057,624
Marketable securities	29,143	5,677
Long-term investments	26,900	56,442
Property, plant and equipment, net	235,233	211,979
Intangible assets, net	654,822	697,645
Goodwill	100,294	100,294
Other long-term assets, net	50,310	62,781
	\$1,711,714	\$2,192,442
LIABILITIES		
Current		
Accounts payable	\$43,185	\$44,988
Dividends payable	-	80,222
Accrued liabilities	79,873	115,619
Accrued contract costs	45,065	54,800
Income taxes payable	8,606	41,596
Deferred revenue	51,709	61,916
Current portion of long-term obligations	-	11,146
	228,438	410,287
Deferred revenue	59,245	73,621
Income taxes payable	37,750	-
Long-term obligations	-	399,379
Other long-term liabilities	7,031	6,898
	332,464	890,185
SHAREHOLDERS' EQUITY		
Common shares, no par value, unlimited shares authorized, 161,023,729 and 160,444,070 issued and outstanding at September 30, 2007 and December 31, 2006, respectively	1,488,147	1,476,930
Additional paid-in capital	23,723	14,952
Deficit	(186,141)	(232,733)
Accumulated other comprehensive income	53,521	43,108
	1,379,250	1,302,257
	\$1,711,714	\$2,192,442

Consolidated Statements of Income (Loss)

In accordance with United States generally accepted accounting principles
(All dollar amounts are expressed in thousands of U.S. dollars, except per share data) (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
REVENUE				
Product sales	\$178,321	\$270,015	\$607,089	\$725,281
Research and development	6,237	5,691	18,456	14,551
Royalty and other	4,332	6,596	13,377	20,242
	188,890	282,302	638,922	760,074
EXPENSES				
Cost of goods sold	50,458	55,809	161,408	161,569
Research and development	30,674	26,350	88,843	67,080
Selling, general and administrative	33,660	50,168	129,583	173,388
Amortization	11,979	14,824	35,942	44,473
Legal settlement	2,062	-	2,062	-
Restructuring costs (recovery)	(820)	-	712	-
Contract costs (recovery)	(123)	46,800	(1,735)	51,300
Asset impairments, net of gain on disposal	-	143,000	-	143,000
	127,890	336,951	416,815	640,810
Operating income (loss)	61,000	(54,649)	222,107	119,264
Interest income	3,789	7,577	19,620	18,889
Interest expense	(245)	(8,951)	(9,375)	(26,460)
Gain on disposal of investment	-	-	15,716	-
Loss on early extinguishment of debt	-	-	(12,463)	-
Foreign exchange gain (loss)	5,255	(135)	5,730	(522)
Equity loss	(432)	(205)	(1,325)	(473)
Income (loss) from continuing operations before provision for income taxes	69,367	(56,363)	240,010	110,698
Provision for income taxes	3,500	3,700	12,500	13,200
Income (loss) from continuing operations	65,867	(60,063)	227,510	97,498
Loss from discontinued operation	-	-	-	(3,848)
Net income (loss)	\$65,867	\$(60,063)	\$227,510	\$93,650
Basic and diluted earnings (loss) per share				
Income (loss) from continuing operations	\$0.41	(0.37)	\$1.41	0.61
Loss from discontinued operation	-	-	-	(0.02)
Net income (loss)	\$0.41	(0.37)	\$1.41	0.59
Weighted average number of common shares outstanding (000s)				
Basic	161,020	160,232	160,777	159,990
Diluted	161,020	160,232	160,824	160,015

Consolidated Statements of Cash Flows

In accordance with United States generally accepted accounting principles
(All dollar amounts are expressed in thousands of U.S. dollars) (Unaudited)

	Nine Months Ended September 30	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$227,510	\$93,650
Adjustments to reconcile net income to net cash provided by continuing operating activities		
Depreciation and amortization	67,481	70,413
Amortization and write-down of deferred financing costs	4,691	1,769
Amortization and write-down of discounts on long-term obligations	962	1,090
Stock-based compensation	8,771	12,640
Accrued contract costs	(9,735)	51,300
Gain on disposal of investment	(15,716)	-
Premium paid on early extinguishment of debt	7,854	-
Equity loss	1,325	473
Asset impairments	-	147,000
Gain on disposal of intangible assets	-	(4,000)
Loss from discontinued operation	-	3,848
Receipt of leasehold inducements	-	835
Other	2,816	1,250
Changes in operating assets and liabilities:		
Accounts receivable	32,453	(66,853)
Inventories	(6,641)	8,219
Deposits and prepaid expenses	3,314	86
Accounts payable	(968)	(20,935)
Accrued liabilities	(37,143)	14,706
Income taxes payable	(871)	297
Deferred revenue	(24,583)	(28,908)
Net cash provided by continuing operating activities	261,520	286,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of investment, net of costs	37,769	-
Additions to marketable securities	(32,270)	(3,196)
Additions to property, plant and equipment, net	(23,640)	(38,700)
Proceeds from sales and maturities of marketable securities	1,599	4,854
Proceeds on disposal of intangible assets	-	4,000
Acquisition of long-term investment	-	(329)
Net cash used in continuing investing activities	(16,542)	(33,371)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of Senior Subordinated Notes	(406,756)	(1,098)
Dividends paid	(261,140)	(60,032)
Repayments of other long-term obligations	(11,250)	(18,255)
Issuance of common shares	11,217	11,981
Repayment of deferred compensation obligation, net	(283)	(175)
Financing costs paid	-	(1,275)
Net cash used in continuing financing activities	(668,212)	(68,854)
CASH FLOWS FROM DISCONTINUED OPERATION		
Net cash used in discontinued operation	-	(558)
Effect of exchange rate changes on cash and cash equivalents	600	114
Net increase (decrease) in cash and cash equivalents	(422,634)	184,211
Cash and cash equivalents, beginning of period	834,540	445,289
Cash and cash equivalents, end of period	\$411,906	\$629,500

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In addition, the Company has filed trademark applications for many of its other trademarks in the U.S. and Canada and has implemented on an ongoing basis a trademark protection program for new trademarks.

To the extent any statements made in this report contain information that is not historical, these statements and information are forward-looking. As such, they are subject to risks and uncertainties as they relate to, among other things, our objectives, goals, targets, strategies, intentions, plans, beliefs, estimates and outlook, including, without limitation, the Company's beliefs concerning future cash flows, the timing and potential success of any research-and-development activities and/or business development initiatives, our success in our interactions with, filing applications for and ultimately receiving approval for new products from the Food and Drug Administration in the United States, the Therapeutic Products Directorate in Canada or other regulators, and other matters referred to above. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Biovail believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risk and uncertainties, and undue reliance should not be placed on such statements. For additional information about these and other risks and uncertainties, the material factors or assumptions underlying such information and statements, and about the material factors that may cause actual results to vary from those expressed or implied in such information and statements, please consult the Company's filings with the Securities and Exchange Commission and the Canadian Securities Administrators, in particular the Company's Annual Report on Form 20-F/A, under risk factors, and our quarterly financial reporting on Form 6-K for the periods ended March 31, 2007, June 30, 2007 and September 30, 2007. The Company undertakes no obligation to update or revise any forward-looking statement or information.

HOW TO REACH US FOR MORE INFORMATION

For additional copies of this report, the annual report on Form 20-F/A 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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