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and December 31, 2001	3
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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	September 30, 2002 ----	December 31, 2001 ----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,232	\$ 5,736
Short-term investments	21,575	--
Receivables, net	9,790	6,937
Inventories, net	4,096	2,563
Deferred taxes	155	141
Prepaid expenses and other	704	462
	-----	-----
Total current assets	41,552	15,839
	-----	-----
Non-current assets:		
Fixed assets, net	7,969	5,595
Drug licenses and related costs, net	10,731	10,276
Other	508	409
	-----	-----
Total non-current assets	19,208	16,280
	-----	-----
	\$ 60,760	\$ 32,119

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	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,189	\$ 4,820
Accrued expenses	4,227	2,490
Short-term borrowings	881	1,757
Current portion of long-term debt	191	--
Deferred income	229	496
	-----	-----
Total current liabilities	11,717	9,563
	-----	-----
Non-current liabilities:		
Taxes payable	1,995	1,827
Long-term debt	230	142
Other	164	163
	-----	-----
Total non-current liabilities	2,389	2,132
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$1.00 par value, authorized 2,000 shares, issued and outstanding, zero shares	--	--
Common stock, \$.02 par value, authorized 35,000 shares, issued and outstanding, 17,403 and 14,585 shares	348	292
Stock purchase warrants (to purchase 3,292 and 3,424 shares of common stock)	431	433
Additional paid-in capital	121,069	97,501
Accumulated deficit	(73,387)	(74,332)
Accumulated other comprehensive loss	(1,807)	(3,470)
	-----	-----
Total stockholders' equity	46,654	20,424
	-----	-----
	\$ 60,760	\$ 32,119
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OF COMPREHENSIVE INCOME

(in thousands, except per share data)

	For the Three Months Ended September 30,		
	-----	-----	-----
	2002	2001	2000
	----	----	----
Revenues:			
Net product sales	\$ 8,561	\$ 6,316	\$ 27,119
Research and development collaborations	103	--	--

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Total revenues	8,664	6,316	28
Cost of net product sales	3,672	2,708	12
Gross profit	4,992	3,608	16
Operating expenses:			
Selling and marketing	2,353	2,030	7
General and administrative	1,072	880	3
Research and development	625	468	1
Depreciation and amortization	250	223	
Total operating expenses	4,300	3,601	13
Gain on sale of drug licenses	--	113	
Income from operations	692	120	2
Other income (expenses):			
Interest income	101	30	
Interest expense	(48)	(61)	
Other	14	7	
Income before income taxes	759	96	2
Provision for foreign income taxes	468	245	1
Net income (loss)	\$ 291	\$ (149)	\$
Net income (loss) per common share:			
Basic	\$ 0.02	\$ (0.01)	\$
Diluted	\$ 0.01	\$ (0.01)	\$
Weighted average common shares outstanding:			
Basic	17,377	14,308	16
Diluted	20,706	14,308	19
Net income (loss)	\$ 291	\$ (149)	\$
Other comprehensive income (loss):			
Foreign currency translation gains (losses)	(183)	978	1
Comprehensive income	\$ 108	\$ 829	\$ 2

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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except per share data)

	\$.02 Par Value Common Stock		Stock Purchase Warrants	Additional Paid-in Capital	Accumul Defic
	Shares	Amount			
Balance at December 31, 2001	14,585	\$ 292	\$ 433	\$ 97,501	\$ (74,
Offering of common stock, net	2,500	50	--	22,058	
Exercise of stock options/warrants	304	6	(2)	1,368	
Equity based compensation	14	--	--	142	
Foreign currency translation adjustments, net	--	--	--	--	
Net income	--	--	--	--	
Balance at September 30, 2002	17,403	\$ 348	\$ 431	\$121,069	\$ (73,

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Nine Months End	
	2002	
Cash flows from operating activities:		
Net income	\$ 945	\$
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on sale of drug licenses	(592)	
Depreciation and amortization	734	
Equity-based compensation expense	142	

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Other non-cash items	1,383
(Increase) decrease in assets and increase (decrease) in liabilities:	
Receivables	(1,601)
Inventories	(1,152)
Prepaid expenses and other current assets	(303)
Other assets	(103)
Accounts payable and accrued expenses	920
Deferred income	(267)
Other liabilities	--

Net cash provided by (used in) operating activities	106

Cash flows from investing activities:	
Proceeds from sale of drug licenses	598
Proceeds from sale of investments	27,690
Purchase of investments	(49,240)
Additions to fixed assets	(2,221)
Additions to drug licenses and related costs, net	(406)

Net cash (used in) provided by investing activities	(23,579)

(Continued on following page)

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)

	For the Nine Months End	

(in thousands)	2002	

Cash flows from financing activities:		
Proceeds from offering of common stock, net	\$ 22,108	\$
Proceeds from exercise of stock options/warrants	1,374	
Repayment of borrowings	(2,804)	
Proceeds from borrowings	2,184	

Net cash provided by financing activities	22,862	

Effect of exchange rate changes on cash	107	

Net decrease in cash and cash equivalents	(504)	
Cash and cash equivalents at beginning of period	5,736	

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Cash and cash equivalents at end of period	\$ 5,232	\$
	=====	=

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The Company paid cash during the period for (in thousands):

Interest	\$ 152	\$
	=====	=
Income taxes	\$ 1,049	\$
	=====	=

SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING AND INVESTING ACTIVITIES

The Company has issued Common Stock in exchange for services as follows (in thousands):

Shares	14	\$
	=====	=
Amount	\$ 142	\$
	=====	=
Fixed asset and drug license purchases included in accounts payable	\$ 852	\$
	=====	=

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HISTORY AND OPERATIONS:

Bentley Pharmaceuticals, Inc. and its Subsidiaries is a U.S.-based international specialty pharmaceutical company focused on advanced drug delivery technologies and pharmaceutical products. We own U.S. and international patent and other proprietary rights to technologies that enhance or facilitate the absorption of drugs across biological membranes. We are developing products incorporating these technologies and seek to form strategic alliances with other pharmaceutical and biotechnology companies to facilitate the development and commercialization of our products. We currently have strategic alliances with Pfizer Inc and Auxilium Pharmaceuticals, Inc. and are in preliminary discussions with a number of pharmaceutical companies to form additional alliances. Bentley Pharmaceuticals is incorporated in the State of Delaware.

We also have a commercial presence in Spain, where we manufacture and market branded and generic pharmaceutical products primarily within four therapeutic areas: cardiovascular, gastrointestinal, neurological and infectious diseases.

We anticipated the opportunities that the emerging generic drug market in Spain presented and began taking measures over three years ago to enter the Spanish generic drug market. We created Laboratorios Davur, a wholly-owned subsidiary of our Spanish entity, Laboratorios Belmac, to register, market and distribute generic pharmaceutical products in Spain and began aligning our business model to be competitive in this arena, including hiring and training a

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new generic sales force, submission of generic-equivalent products to the Spanish Ministry of Health for approval and a marketing campaign designed to position our Spanish generic subsidiary as a leader in the Spanish generic drug market. In July 2000, we entered into a strategic alliance with Teva Pharmaceutical Industries, Ltd. ("Teva"), whereby we have received the right to register and market in Spain more than 75 of Teva's products. Teva also entered into a supply agreement with us pursuant to which Teva will manufacture the products and supply them to us for marketing and sale in Spain. Teva was also granted a right of first refusal to acquire Laboratorios Davur in the event that we decide to sell that subsidiary or its direct parent, Laboratorios Belmac. We also granted Teva the right to bid for Laboratorios Belmac in the event we decide to sell that subsidiary.

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BASIS OF CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated financial statements of Bentley Pharmaceuticals, at September 30, 2002 and 2001 included herein, have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with Accounting Principles Generally Accepted in the United States of America have been condensed or omitted in so far as such information was disclosed in our consolidated financial statements for the year ended December 31, 2001. These consolidated financial statements should be read in conjunction with the summary of significant accounting policies and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2001.

In the opinion of management, the accompanying unaudited consolidated financial statements for the period ended September 30, 2002 and 2001 are presented on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2001 and contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly Bentley's financial position as of September 30, 2002 and the results of our operations and our cash flows for the nine months ended September 30, 2002 and 2001. The results of operations for the nine months ended September 30, 2002 should not necessarily be considered indicative of the results to be expected for the year.

CASH AND CASH EQUIVALENTS:

Included in cash and cash equivalents at September 30, 2002 and December 31, 2001 are approximately \$3,091,000 and \$4,560,000, respectively, of short-term investments considered to be cash equivalents, as the original maturity dates of such investments were three months or less when purchased.

SHORT-TERM INVESTMENTS:

We have classified our marketable securities as "available-for-sale" and, accordingly, carry such securities at aggregate fair value. Fair value has been determined based on quoted market prices. Marketable securities at September 30, 2002 consist of approximately \$11,575,000 in Federal Home Loan Mortgage Corporation Notes and approximately \$10,000,000 in FNMA Discount Notes that mature within 30 days.

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INVENTORIES:

Inventories are stated at the lower of cost or market, cost being determined on the first in, first out ("FIFO") method, and are comprised of the following (in thousands):

	September 30, 2002	December 31, 2001
Raw materials	\$ 2,576	\$ 1,387
Finished goods	1,578	1,230
	4,154	2,617
Less allowance for slow moving inventory	(58)	(54)
	\$ 4,096	\$ 2,563

FIXED ASSETS:

Fixed assets consist of the following (in thousands):

	September 30, 2002	December 31, 2001
Land	\$ 871	\$ 790
Buildings and improvements	5,530	3,008
Equipment	3,462	3,168
Furniture and fixtures	860	610
Leasehold improvements	52	44
	10,775	7,702
Less-accumulated depreciation	(2,806)	(2,107)
	\$ 7,969	\$ 5,595

Depreciation expense of approximately \$80,000 and \$28,000 has been charged to operations as a component of Depreciation and amortization expense on the Consolidated Statements of Operations for the three months ended September 30, 2002 and 2001, respectively. We have included depreciation totaling approximately \$148,000 and \$79,000 in Cost of net product sales during the three months ended September 30, 2002 and 2001, respectively.

Depreciation expense of approximately \$194,000 and \$85,000 has been charged to operations as a component of Depreciation and amortization expense on the Consolidated Statements of Operations for the nine months ended September 30, 2002 and 2001, respectively. We have included depreciation totaling approximately \$399,000 and \$222,000 in Cost of net product sales during the nine months ended September 30, 2002 and 2001, respectively.

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STOCKHOLDERS' EQUITY:

On April 17, 2002, we completed an equity offering of 2,500,000 shares of our Common Stock at \$9.80 per share, and received net proceeds of approximately \$22,108,000, after deducting offering costs.

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On October 14, 2002, our Board of Directors extended the expiration date of our Class B warrants from December 31, 2002 to December 31, 2003. Two Class B warrants, together, entitle the holder to purchase one share of our Common Stock at a price of \$5.00 per share.

During the nine months ended September 30, 2002, stock options to purchase approximately 172,000 shares of our Common Stock were exercised, generating net proceeds to us of approximately \$714,000. Also, during this nine-month period, approximately 264,000 Class B Warrants were exercised to acquire approximately 132,000 shares of our Common Stock, generating net proceeds to us of approximately \$660,000.

A substantial amount of our business is conducted in Europe and is therefore influenced by the extent to which there are fluctuations in the dollar's value against other currencies, specifically the Euro. The exchange rate at September 30, 2002 and December 31, 2001 was 1.02 Euros and 1.12 Euros per U.S. dollar, respectively. Coincidentally, the weighted average exchange rate for the three months ended September 30, 2002 and 2001 was 1.02 Euros and 1.12 Euros per U.S. dollar, respectively. The weighted average exchange rate for the nine months ended September 30, 2002 and 2001 was 1.08 Euros and 1.12 Euros per U.S. dollar, respectively. The effect of foreign currency fluctuations on net assets for the nine months ended September 30, 2002 was an increase of \$1,663,000. The cumulative historical effect of foreign currency fluctuations on net assets as of September 30, 2002 is a decrease of \$1,807,000, as reflected in our Consolidated Balance Sheets as Accumulated other comprehensive loss.

SALE OF BIOLID(R):

In February 2002, we agreed to sell the trademark, registration rights and dossier for our pharmaceutical product, Biolid(R), to a third party for 601,000 Euros (approximately \$526,000). We received a deposit of 303,000 Euros (approximately \$265,000) from the purchaser in February 2002, which was reflected as Deferred income in the Consolidated Balance Sheet as of March 31, 2002. We received the balance of 298,000 Euros (approximately \$261,000) upon approval of the transfer of the rights to the purchaser by the Spanish Ministry of Health during the quarter ended June 30, 2002, which resulted in a second quarter pre-tax gain of approximately \$520,000.

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SALE OF LACTOLIOFIL(R):

In November 2001, we agreed to sell the trademark, registration rights and dossier for our pharmaceutical product, Lactoliofil(R), to a third party for 162,000 Euros (approximately \$145,000). We received a deposit of 81,000 Euros (approximately \$72,500) from the purchaser in November 2001, which was reflected as Deferred income in the Consolidated Balance Sheet as of December 31, 2001. We received a second payment of 81,000 Euros (approximately \$72,500) upon approval of the transfer of the rights to the purchaser by the Spanish Ministry of Health, which occurred during the quarter ended March 31, 2002. As a result, we recognized a pre-tax gain on this sale of approximately \$72,000 during the first quarter of 2002.

PROVISION FOR INCOME TAXES:

We recorded a provision for foreign income taxes totaling \$468,000 and \$1,951,000 for the three and nine months ended September 30, 2002, respectively, as a result of reporting taxable income for tax purposes in Spain, including the capital gains tax arising from the sale of Lactoliofil(R) and Biolid(R) drug

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licenses. These amounts represent 34% and 39%, respectively, of pre-tax income reported in Spain. No benefit has been recorded for U.S. losses, which totaled \$988,000 and \$3,191,000 for the three and nine months ended September 30, 2002, respectively. The provision for income taxes differs from the amount computed by applying the U.S. federal income tax rate of 34% to pretax income primarily as a result of the increase in the valuation allowance to offset domestic deferred tax assets and certain nondeductible expenses in Spain.

BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE:

Basic and diluted net income (loss) per common share is based on the weighted average number of shares of common stock outstanding during each period. The effect of our outstanding stock options and stock purchase warrants were considered in the diluted income per share calculations for the three and nine months ended September 30, 2002 and 2001.

The following is a reconciliation between basic and diluted net income per common share for the three months ended September 30, 2002 and the nine months ended September 30, 2002 and 2001. Dilutive securities issuable for the three and nine months ended September 30, 2002 include approximately 1,351,000 and 1,375,000 shares issuable as a result of Class B Warrants, respectively, and approximately 1,978,000 and 2,014,000 shares issuable as a result of various stock options and other warrants that are outstanding, respectively. Dilutive securities issuable for the nine months ended September 30, 2001 include approximately 439,000 shares issuable as a result of Class B Warrants and approximately 1,091,000 shares issuable as a result of various stock options and other warrants that are outstanding.

(in thousands, except per share data)

For the Three Months Ended September 30, 2002:

	Basic EPS -----	Effect of Dilutive Securities -----	Diluted EPS -----
Net Income	\$ 291	--	\$ 291
Number of Common Shares	17,377	3,329	20,706
Net Income Per Common Share	\$.02	\$ (.01)	\$.01

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For the Nine Months Ended September 30, 2002:

	Basic EPS -----	Effect of Dilutive Securities -----	Diluted EPS -----
Net Income	\$ 945	--	\$ 945
Number of Common Shares	16,288	3,389	19,677
Net Income Per Common Share	\$.06	\$ (.01)	\$.05

For the Nine Months Ended September 30, 2001:

	Basic EPS -----	Effect of Dilutive Securities -----	Diluted EPS -----
--	-----------------------	--	-------------------------

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Net Income	\$ 1,924	--	\$ 1,924
Number of Common Shares	14,064	1,530	15,594
Net Income Per Common Share	\$.14	\$ (.02)	\$.12

SUBSEQUENT EVENT:

On November 1, 2002, Bentley reported that the FDA approved the use of Auxilium Pharmaceuticals, Inc.'s testosterone replacement gel, Testim, which contains Bentley's patented CPE-215 drug delivery technology.

RECLASSIFICATIONS:

Certain prior period amounts have been reclassified to conform with the current period's presentation. Such reclassifications are not material to the consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS:

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 supersedes APB No. 16, Business Combinations, and SFAS No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises and requires that all business combinations be accounted for by a single method - the purchase method. SFAS No. 141 also provides guidance on the recognition of intangible assets identified in a business combination and requires enhanced financial statement disclosures. SFAS No. 142 adopts a more aggregate view of goodwill and bases the accounting for goodwill on the units of the combined entity into which an acquired entity is integrated. In addition, SFAS No. 142 concludes that goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. The adoption of SFAS No. 142 is required for fiscal years

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beginning after December 15, 2001 (the year 2002 for Bentley), except for the non-amortization and amortization provisions which are required for goodwill and intangible assets acquired after June 30, 2001. The adoption of SFAS No. 141 and SFAS No. 142 did not have a material impact on our financial position, results of operations or cash flows.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supersedes previous guidelines for financial accounting and reporting for the impairment or disposal of long-lived assets and for segments of a business to be disposed of. The adoption of SFAS No. 144, on January 1, 2002, did not have a material impact on our financial position, results of operations or cash flows.

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BENTLEY PHARMACEUTICALS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements in our Annual Report of Form 10-K for the year ended December 31, 2001. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management; as a result they are subject to an inherent degree of uncertainty. In applying those policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Our significant accounting policies include:

- o Inventories. Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method. Reserves for slow moving and obsolete inventories are provided based on historical experience and current product demand. We evaluate the adequacy of these reserves quarterly.
 - o Revenue recognition and accounts receivable. Revenue on product sales is recognized when persuasive evidence of an arrangement exists, the price is fixed and final delivery has occurred and there is a reasonable assurance of collection of the sales proceeds. We generally obtain purchase authorizations from our customers for a specified amount of product at a specified price and consider delivery to have occurred when the risk of ownership has transferred to the customer. We provide our customers with a limited right of return. Revenue is generally recognized at shipment and a reserve for sales returns is recorded. We have demonstrated the ability to make reasonable and reliable estimates of product returns in accordance with SFAS No. 48 and of allowances for doubtful accounts based on significant historical experience. Revenue from service sales is recognized when the service procedures have been completed or applicable milestones have been achieved. Revenue from research and development contracts is recognized over applicable contractual periods or as defined milestones are attained, as specified by each contract and as costs related to the contracts are incurred.
 - o Foreign currency translation. The financial position and results of operations of our foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of each foreign subsidiary are translated at the rate of exchange in effect at the end of the period. Revenues and expenses are translated at the average exchange rate for the period. Foreign currency translation gains and losses not impacting cash flows are credited to or charged against other comprehensive income (loss). Foreign currency translation gains and losses arising from cash transactions are credited to or charged against current earnings.
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- o Drug licenses and related costs. Drug licenses and related costs incurred in connection with acquiring licenses, patents and other proprietary rights related to our commercially developed products are capitalized. Capitalized drug licenses and related costs are being amortized on a straight-line basis over fifteen years from the dates of acquisition. Carrying values of

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such assets are reviewed quarterly and are adjusted for any diminution in value.

RESULTS OF OPERATIONS:

THREE MONTHS ENDED SEPTEMBER 30, 2002 VERSUS THREE MONTHS
ENDED SEPTEMBER 30, 2001

Net Product Sales. Net product sales increased by 36% from \$6,316,000 in the three months ended September 30, 2001 to \$8,561,000 in the three months ended September 30, 2002. The \$2,245,000 increase was primarily the result of our continuing efforts to increase sales in the generic drug market in Spain. We anticipated the opportunities in the emerging generic drug market in Spain and began taking measures over three years ago to enter the Spanish generic drug market. We began to register, manufacture and market generic pharmaceutical products in Spain and began aligning our business model to be competitive in this arena, including hiring and training a new generic products sales force, submission of generic-equivalent products to the Spanish Ministry of Health for approval and a marketing campaign designed to position ourselves as a leader in the Spanish generic drug market. We experienced an increase in net sales of 23% in local currency in Spain in the third quarter of 2002 compared to the same quarter of the prior year. A 10% increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months, had the effect of increasing revenues by approximately \$777,000 during the quarter ended September 30, 2002.

Research and Development Collaboration Revenues. Research and development collaboration revenues totaled \$103,000 in the three months ended September 30, 2002. We entered into a research collaboration whereby our collaborator agreed to fund a research and development program to combine Bentley's patented CPE-215 drug delivery technologies with certain proprietary compounds. Our collaborator advanced to us \$250,000 during the fourth quarter of 2001, which we recorded as Deferred income as of December 31, 2001, and we are recognizing it as revenue when the related costs are incurred. We have recognized \$227,000 of this revenue through September 30, 2002. The remaining \$23,000 is reflected on the Consolidated Balance Sheet as Deferred income as of September 30, 2002. We also recognized revenues totaling \$50,000 during the quarter ended September 30, 2002, related to a product license agreement with Auxilium Pharmaceuticals, Inc., which we have included in the Consolidated Statement of Operations as Research and development collaboration revenues.

Gross Profit. Gross profit increased by 38% from \$3,608,000 in the three months ended September 30, 2001 to \$4,992,000 in the three months ended September 30, 2002. The \$1,384,000 increase was the direct result of the growth in our net product sales during the period. Our gross margins on net product sales for the third quarter of 2002 remained constant at 57% compared to the same quarter of the prior year. We experienced an increase in gross profit of 27% in local currency in Spain in the third quarter of 2002 compared to the same quarter of

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the prior year. An increase in the weighted average value of the Euro, in relation to the U.S. Dollar over the past 12 months, had the effect of increasing gross profit by approximately \$415,000 during the quarter ended September 30, 2002. Sales of generic products accounted for approximately 42% of our net product sales during the quarter ended September 30, 2002, compared to

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35% in the third quarter of the prior year. Although we expect to continue to benefit from economies of scale in the future as we grow, gross margins may decrease as sales of generic products, with lower margins, become more significant in the future. Additionally, the Ministry of Health in Spain levies a tax on pharmaceutical companies for the purposes of funding rising healthcare costs in Spain. In the third quarter of 2002, this tax had the effect of reducing gross profit by approximately \$118,000 and gross margins by approximately 1 percentage point.

Selling and Marketing Expenses. Selling and marketing expenses increased by 16% from \$2,030,000 in the third quarter of 2001 to \$2,353,000 in the third quarter of 2002. The \$323,000 increase was instrumental in achieving a 36% increase in net product sales during the quarter, as a result of our successful sales and marketing programs. More than two-thirds of this \$323,000 increase was the result of the increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months, which had the effect of increasing selling and marketing expenses by \$221,000 in the third quarter of 2002. Selling and marketing expenses as a percentage of net product sales decreased to only 28% in the third quarter of 2002, compared to 32% of sales in the third quarter of 2001.

General and Administrative Expenses. General and administrative expenses increased by 22% from \$880,000 in the third quarter of 2001 to \$1,072,000 in the third quarter of 2002. The \$192,000 increase was the result of increased general and administrative activities required to support our revenue growth in the third quarter of 2002. General and administrative expenses as a percent of total revenues decreased to only 12% in the third quarter of 2002 compared to 14% of revenues in the third quarter of 2001. General and administrative expenses would have been approximately \$82,000 lower in the third quarter of 2002, absent the increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months.

Research and Development Expenses. Research and development expenses increased by 34% from \$468,000 in the third quarter of 2001 to \$625,000 in the third quarter of 2002. The \$157,000 increase was the result of an increase in our costs associated with our research and development collaboration as well as our Phase I/II Clinical Studies (treatment of nail fungal infections), pre-clinical programs underway in collaboration with universities and with product formulation and testing efforts being performed in the laboratory in our U.S. headquarters and at our facility in Zaragoza, Spain. We are using our U.S. laboratory to develop potential product applications using our drug delivery technologies. The expenditures in research and development reflect our focus on projects that are necessary for expansion of our portfolio of marketed products and clinical trials involving our drug delivery technologies. We expect that our future expenditures for research and development activities will continue to increase as a result of programs that are necessary to advance new applications of our technologies.

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Provision for Income Taxes. We generated additional U.S. federal net operating loss carry-forwards in the third quarter of 2002. However, since we are not assured of future profitable domestic operations, we have recorded a valuation allowance for any future tax benefit of such losses in the U.S. Therefore, no benefit has been recognized with respect to U.S. losses reported in the third quarter of 2002. We recorded a provision for foreign income taxes totaling \$468,000 (34% of Spanish pre-tax income) for the third quarter of 2002 compared to a provision for foreign income taxes of \$245,000 in the third quarter of the prior year. The provision for foreign income taxes would have

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been approximately \$44,000 lower than reported, absent the increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months.

Net Income. We reported income from operations of \$692,000 for the third quarter of 2002 compared to income from operations of \$120,000 in the third quarter of the prior year. The combination of income from operations of \$692,000 and the non-operating items, primarily the provision for foreign income taxes of \$468,000, resulted in net income of \$291,000, or \$.02 per basic common share (\$.01 per diluted common share) on 17,377,000 weighted average basic common shares outstanding (20,706,000 weighted average diluted common shares outstanding) for the third quarter of 2002, compared to a net loss in the third quarter of the prior year of \$149,000, or \$.01 per basic and diluted common share on 14,308,000 weighted average basic and diluted common shares outstanding.

Nine Months Ended September 30, 2002 versus Nine Months Ended September 30, 2001

Net Product Sales. Net product sales increased by 53% from \$18,255,000 in the nine months ended September 30, 2001 to \$27,942,000 in the nine months ended September 30, 2002. The \$9,687,000 increase was primarily the result of our continuing efforts to increase sales in the generic drug market in Spain. We anticipated the opportunities in the emerging generic drug market in Spain and began taking measures over three years ago to enter the Spanish generic drug market. We began to register, manufacture and market generic pharmaceutical products in Spain and began aligning our business model to be competitive in this arena, including hiring and training a new generic products sales force, submission of generic-equivalent products to the Spanish Ministry of Health for approval and a marketing campaign designed to position ourselves as a leader in the Spanish generic drug market. We experienced an increase in net sales of 48% in local currency in Spain in the nine months ended September 30, 2002 compared to the same period of the prior year. An increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months, had the effect of increasing revenues by approximately \$941,000 during the nine months ended September 30, 2002.

Research and Development Collaboration Revenues. Research and development collaboration revenues totaled \$278,000 in the nine months ended September 30, 2002. We entered into a research collaboration whereby our collaborator agreed to fund a research and development program to combine Bentley's patented CPE-215 drug delivery technologies with certain proprietary compounds. Our collaborator advanced to us \$250,000 during the fourth quarter of 2001, which we recorded as Deferred income as of December 31, 2001, and we are recognizing it as revenue when the related costs are incurred. We also recognized revenues totaling \$50,000 during the quarter ended September 30, 2002, related to a product license agreement with Auxilium Pharmaceuticals, Inc., which we have included in the Consolidated Statement of Operations as Research and development collaboration revenues.

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Gross Profit. Gross profit increased by 54% from \$10,411,000 in the nine months ended September 30, 2001 to \$16,008,000 in the nine months ended September 30, 2002. The \$5,597,000 increase was the direct result of the growth in our net product sales during the period. Our gross margins on net product sales for the first nine months of 2002 decreased slightly to 56% compared to 57% in the same period of the prior year. We experienced an increase in gross profit of 49% in local currency in Spain in the nine months ended September 30, 2002 compared to the same period of the prior year. An increase in the weighted average value of the Euro, in relation to the U.S. Dollar over the past 12

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months, had the effect of increasing gross profit by approximately \$503,000 during the nine months ended September 30, 2002. Sales of generic products accounted for approximately 42% of our net product sales during the nine months ended September 30, 2002, compared to 27% in the same period of the prior year. Although we expect to continue to benefit from economies of scale in the future as we grow, gross margins may decrease as sales of generic products, with lower margins, become more significant in the future. Additionally, the Ministry of Health in Spain levies a tax on pharmaceutical companies for the purposes of funding rising healthcare costs in Spain. In the first nine months of 2002, this tax had the effect of reducing gross profit by approximately \$387,000 and gross margins by approximately 1 percentage point.

Selling and Marketing Expenses. Selling and marketing expenses increased by 17% from \$6,472,000 in the first nine months of 2001 to \$7,571,000 in the first nine months of 2002. The \$1,099,000 increase was instrumental in achieving a 53% increase in net product sales during the period, as a result of our successful sales and marketing programs. The increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months had the effect of increasing selling and marketing expenses by \$252,000 in the nine months ended September 30, 2002. Selling and marketing expenses as a percentage of net product sales decreased to 27% in the first nine months of 2002 compared to 35% of sales in the first nine months of 2001.

General and Administrative Expenses. General and administrative expenses increased by 27% from \$2,743,000 in the first nine months of 2001 to \$3,481,000 in the first nine months of 2002. The \$738,000 increase was the result of increased general and administrative activities required to support our revenue growth in the first nine months of 2002. General and administrative expenses as a percent of total revenues decreased to only 12% in the first nine months of 2002, compared to 15% of revenues in the first nine months of 2001. General and administrative expenses would have been approximately \$102,000 lower in the nine months ended September 30, 2002, absent the increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months.

Research and Development Expenses. Research and development expenses increased by 46% from \$1,352,000 in the first nine months of 2001 to \$1,972,000 in the first nine months of 2002. The \$620,000 increase was the result of an increase in our costs associated with our research and development collaboration as well as our Phase I/II Clinical Studies (treatment of nail fungal

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infections), pre-clinical programs underway in collaboration with universities and with product formulation and testing efforts being performed in the laboratory in our U.S. headquarters and at our facility in Zaragoza, Spain. We are using our U.S. laboratory to develop potential product applications using our drug delivery technologies. The expenditures in research and development reflect our focus on projects that are necessary for expansion of our portfolio of marketed products and clinical trials involving our drug delivery technologies. We expect that our future expenditures for research and development activities will continue to increase as a result of programs that are necessary to advance new applications of our technologies.

Provision for Income Taxes. We generated additional U.S. federal net operating loss carry-forwards in the first nine months of 2002. However, since we are not assured of future profitable domestic operations, we have recorded a valuation allowance for any future tax benefit of such losses in the U.S. Therefore, no benefit has been recognized with respect to U.S. losses reported

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in the first nine months of 2002. We recorded a provision for foreign income taxes totaling \$1,951,000 (39% of Spanish pre-tax income) for the first nine months of 2002 compared to a provision for foreign income taxes of \$2,298,000 in the same period of the prior year. The provision for income taxes for the nine months ended September 30, 2002 included approximately \$1,741,000 as a result of reporting taxable income from operations in Spain and approximately \$210,000 as a result of capital gains taxes arising from the sale of Biolid(R) and Lactolifil(R) drug licenses, whereas the provision for income taxes in the first nine months of the prior year included approximately \$437,000 as a result of reporting taxable income from operations in Spain and approximately \$1,861,000 as a result of capital gains taxes arising from the sale of drug licenses. The provision for foreign income taxes would have been approximately \$77,000 lower than reported, absent the increase in the weighted average value of the Euro, in relation to the U.S. Dollar, over the past 12 months.

Net Income. Including the \$592,000 pre-tax gain on sale of the Biolid(R) and Lactolifil(R) drug licenses, we reported income from operations of \$2,842,000 for the first nine months of 2002 compared to income from operations of \$4,264,000 (including \$4,977,000 of pre-tax gain on sale of the Controlvas(R) drug license) in the first nine months of the prior year. Excluding the \$592,000 pre-tax gain from the sale of the Biolid(R) and Lactolifil(R) drug licenses, the income from operations for the nine months ended September 30, 2002 totaled \$2,250,000. The combination of income from operations of \$2,842,000 and the non-operating items, primarily the provision for foreign income taxes of \$1,951,000, resulted in net income of \$945,000, or \$.06 per basic common share (\$.05 per diluted common share) on 16,288,000 weighted average basic common shares outstanding (19,677,000 weighted average diluted common shares outstanding) for the first nine months of 2002, compared to net income in the first nine months of the prior year of \$1,924,000, or \$.14 per basic common share (\$.12 per diluted common share) on 14,064,000 weighted average basic common shares outstanding (15,594,000 weighted average diluted common shares outstanding).

LIQUIDITY AND CAPITAL RESOURCES:

Total assets increased from \$32,119,000 at December 31, 2001 to \$60,760,000 at September 30, 2002, while Stockholders' Equity increased from \$20,424,000 at December 31, 2001 to \$46,654,000 at September 30, 2002. The increase in Stockholders' Equity primarily reflects the net proceeds of \$22,108,000 from the April 2002 common stock offering, the exercise

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of stock options and warrants totaling \$1,374,000, the positive impact of the fluctuation of the Euro/US dollar exchange rate which totaled \$1,663,000 and year to date net income of \$945,000.

Working capital increased from \$6,276,000 at December 31, 2001 to \$29,835,000 at September 30, 2002, primarily as a result of proceeds from the April 2002 common stock offering and exercises of stock options and warrants, partially offset by additions to fixed assets.

Cash, cash equivalents and short-term investments increased from \$5,736,000 at December 31, 2001 to \$26,807,000 at September 30, 2002, primarily as a result of net proceeds received from the April 2002 common stock offering, the net proceeds of which totaled \$22,108,000, proceeds received from exercises of stock options and warrants totaling \$1,374,000 and cash provided by operating activities of \$106,000, partially offset by repayment of borrowings of \$620,000

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and additions to fixed assets totaling \$2,221,000. Included in cash and cash equivalents at September 30, 2002 are approximately \$3,091,000 of short-term investments considered to be cash equivalents.

Receivables increased from \$6,937,000 at December 31, 2001 to \$9,790,000 at September 30, 2002 as a direct result of the increase in net product sales. Receivables increased by approximately \$1,925,000 in local currency, but fluctuations in foreign currency exchange rates increased receivables reported in U.S. dollars by approximately \$2,833,000. We have not experienced any delinquent accounts on our receivables that have had a material effect on our financial position, results of operations or cash flows. Inventories increased from \$2,563,000 at December 31, 2001 to \$4,096,000 at September 30, 2002 as a result of raw materials purchases and strategic increases in finished goods inventories in anticipation of continuing demand for our generic products. Inventories increased by approximately \$1,153,000 in local currency, but fluctuations in foreign currency exchange rates increased inventories reported in U.S. dollars by approximately \$1,533,000.

The combined total of accounts payable and accrued expenses increased from \$7,310,000 at December 31, 2001 to \$10,416,000 at September 30, 2002, primarily due to accruals for taxes payable (approximately \$1,366,000), as well as for inventory purchases (approximately \$289,000), additions to drug licenses (approximately \$38,000) and reserves for potential sales returns (approximately \$21,000), as well as by the effect of fluctuations in foreign currency exchange rates (approximately \$958,000), partially offset by a decrease in the accrual for additions to fixed assets of \$235,000.

Short-term borrowings and current portion of long-term debt decreased from \$1,757,000 at December 31, 2001 to \$1,072,000 at September 30, 2002, as a result of net repayment of short-term borrowings partially offset by the effect of fluctuations in foreign currency exchange rates. The weighted average interest rate on our short-term borrowings and current portion of long-term debt is 5.0%.

Long-term debt, which totaled \$142,000 at December 31, 2001, increased to \$230,000 during the nine months ended September 30, 2002 as a result of long-term equipment financing. The weighted average interest rate (including imputed interest) on our long-term debt is 5.4%.

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Operating activities for the nine months ended September 30, 2002 provided net cash of \$106,000. Investing activities, primarily the purchase of short-term investments using the proceeds received from the April 2002 offering of common stock, as well as additions to machinery and equipment and capital improvements made to the manufacturing facility in Spain used net cash of \$23,579,000 during the nine months ended September 30, 2002. Financing activities, consisting primarily of net proceeds received from the April 2002 offering of common stock and the proceeds received from the exercise of stock options and warrants, partially offset by net repayment of borrowings, provided net cash of \$22,862,000 during the nine months ended September 30, 2002.

Seasonality. In the past, we have experienced lower sales in the third calendar quarter and higher sales in the fourth calendar quarter due to seasonality. As we market more pharmaceutical products whose sales are seasonal, seasonality of sales may become more significant.

Effect of Inflation and Changing Prices. Neither inflation nor changing prices has materially impacted our net product sales or income from operations

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for the periods presented.

Liquidity. Given our current liquidity and cash balances, and considering our future strategic plans (including our budgeted capital improvements and planned equipment purchases), we should have sufficient liquidity to fund operations for at least the next twenty-four months, which should be a sufficient time frame for us to advance our strategic objectives and generate sufficient net product sales and cash flow to support our operating cash flow needs. As mentioned above, we have cash, cash equivalents and short-term liquid investments totaling approximately \$26,807,000 as of September 30, 2002. These resources, combined with available lines of credit, should be adequate to satisfy our capital and operating requirements during at least the next twenty-four months. We also have outstanding at September 30, 2002 warrants, including our publicly traded Class B Warrants, to purchase approximately 3,292,000 shares of Common Stock. There can be no assurance that any of the warrants will be exercised prior to expiration; however, if all warrants that are currently outstanding are exercised, we would receive aggregate cash proceeds of approximately \$15,358,000. On October 14, 2002, our Board of Directors extended the expiration date of our Class B warrants from December 31, 2002 to December 31, 2003. Two Class B Redeemable Warrants, together, entitle a holder, until December 31, 2003, to purchase one share of Common Stock at a price of \$5.00 per share. There can be no assurance, however, that changes in our research and development plans, capital expenditures or other events affecting our net product sales or operating expenses will not result in the earlier depletion of our funds. We continue to explore alternative sources for financing our business activities. In appropriate situations, that will be strategically determined, we may seek financial assistance from other sources, including contribution by others to joint ventures and other collaborative or licensing arrangements for the development, testing, manufacturing and marketing of products under development.

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NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 supersedes APB No. 16, Business Combinations, and SFAS No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises and requires that all business combinations be accounted for by a single method - the purchase method. SFAS No. 141 also provides guidance on the recognition of intangible assets identified in a business combination and requires enhanced financial statement disclosures. SFAS No. 142 adopts a more aggregate view of goodwill and bases the accounting for goodwill on the units of the combined entity into which an acquired entity is integrated. In addition, SFAS No. 142 concludes that goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. The adoption of SFAS No. 142 is required for fiscal years beginning after December 15, 2001 (the year 2002 for Bentley), except for the non-amortization and amortization provisions which are required for goodwill and intangible assets acquired after June 30, 2001. The adoption of SFAS No. 141 and SFAS No. 142 did not have a material impact on our financial position, results of operations or cash flows.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No.

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144 supersedes previous guidelines for financial accounting and reporting for the impairment or disposal of long-lived assets and for segments of a business to be disposed of. The adoption of SFAS No. 144, on January 1, 2002, did not have a material impact on our financial position, results of operations or cash flows.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency. A substantial amount of our business is conducted in Europe and is therefore influenced by the extent to which there are fluctuations in the dollar's value against other currencies, specifically the Euro. The exchange rate at September 30, 2002 and December 31, 2001 was 1.02 Euros and 1.12 Euros per U.S. dollar, respectively. Coincidentally, the weighted average exchange rate for the three months ended September 30, 2002 and 2001 was 1.02 Euros and 1.12 Euros per U.S. dollar, respectively. The weighted average exchange rate for the nine months ended September 30, 2002 and 2001 was 1.08 Euros and 1.12 Euros per U.S. dollar, respectively. The effect of foreign currency fluctuations on net assets for the nine months ended September 30, 2002 was an increase of \$1,663,000. The cumulative historical effect of foreign currency fluctuations on net assets as of September 30, 2002 is a decrease of \$1,807,000, as reflected in our Consolidated Balance Sheets as Accumulated other comprehensive loss. Although exchange rates fluctuated significantly in recent years, we do not believe that the effect of foreign currency fluctuation is material to our results of operations as the expenses related to much of our foreign currency revenues are in the same currency as such revenues. However, the carrying value of assets and reported values can be materially impacted by foreign currency translation, as can the translated amounts of net product sales and expenses. Nonetheless, we do not plan to modify our business practices.

We have relied primarily upon financing activities to fund our operations in the United States. In the event that we are required to fund United States operations or cash needs with funds generated in Spain, currency rate fluctuations in the future could have a significant impact on us. However, at the present time, we do not anticipate altering our business plans and practices to compensate for future currency fluctuations.

Interest Rates. The weighted average interest rate on our short-term borrowings and current portion of long-term debt is 5.0% and the balance outstanding is \$1,072,000 as of September 30, 2002. A portion of our long-term borrowings is non-interest bearing and the balance outstanding on these borrowings at September 30, 2002 is \$236,000 including imputed interest (at 6.0%) of \$72,000. The balance of our long-term borrowings of \$59,000 bears interest at the rate of 2.9%. Consequently, the weighted average interest rate on our long-term borrowings is 5.4%. The effect of an increase in the interest rate of one hundred basis points (to 6.0% on short-term borrowings and to 6.4% on long-term borrowings) would have the effect of increasing interest expense by approximately \$14,000 annually.

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CONTROLS AND PROCEDURES

Bentley maintains disclosure controls and procedures that are designed

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to ensure that information required to be disclosed in Bentley's reports that are filed with the Securities and Exchange Commission is recorded, processed and reported within the time periods required for each report and that such information is reported to Bentley's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Within 90 days prior to the date of this report, Bentley carried out an evaluation, under the supervision and with the participation of Bentley's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Bentley's disclosure controls and procedures. Based on that evaluation, Bentley's Chief Executive Officer and Chief Financial Officer concluded that Bentley's disclosure controls and procedures are effective in timely alerting them to material information relating to Bentley (including its consolidated subsidiaries) which is required to be included in its publicly filed reports. There have been no significant changes in Bentley's internal controls or in other factors which could significantly affect internal controls since that evaluation.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this Quarterly Report on Form 10-Q, which are not historical facts contain forward looking information with respect to plans, projections or future performance of Bentley Pharmaceuticals, Inc. ("Bentley"), the occurrence of which involve certain risks and uncertainties that could cause our actual results to differ materially from those expected by Bentley, including but not limited to risks associated with identifying suitable drugs for combination with our drug delivery technologies, expanding generic and branded drug operations, development and commercialization of our products, relationships with our strategic partners, uncertainty of clinical trials results, regulatory approval process, product sales concentration, unpredictability of patent protection, technological changes, the effect of economic conditions, and other uncertainties detailed in Bentley's Annual Report on Form 10-K (SEC File No. 1-10581) for the year ended December 31, 2001.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Item 1. Legal Proceedings in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

99.1 Certification of the Chief Executive Officer

99.2 Certification of the Chief Financial Officer

(b) Reports on Form 8-K filed during the quarter ended September 30, 2002:

None.

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All other items required in Part II have been previously filed or are not applicable for the quarter ended September 30, 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BENTLEY PHARMACEUTICALS, INC.

Registrant

November 4, 2002

By: /s/ James R. Murphy

James R. Murphy
Chairman, President and Chief Executive Officer
(principal executive officer)

November 4, 2002

By: /s/ Michael D. Price

Michael D. Price
Vice President, Chief Financial Officer,
Treasurer and Secretary (principal financial
and accounting officer)

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FORM 10-Q

CERTIFICATION

I, James R. Murphy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bentley Pharmaceuticals, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in

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Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 4, 2002

/s/ James R. Murphy

James R. Murphy
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

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FORM 10-Q

CERTIFICATION

I, Michael D. Price, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bentley Pharmaceuticals, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

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3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 4, 2002

/s/ Michael D. Price

Michael D. Price
Vice President and Chief
Financial Officer
(Principal Financial Officer)