

Salix Pharmaceuticals, Ltd.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)

| | Three Months Ended | | Twelve Months Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2007 | December 31, 2006 | December 31, 2007 | December 31, 2006 |
| Revenues: | | | | |
| Net product revenues | \$ 39,062 | \$ 62,619 | \$ 232,880 | \$ 208,533 |
| Revenue from collaborative agreements | 400 | - | 2,912 | - |
| Total revenues | 39,462 | 62,619 | 235,792 | 208,533 |
| Costs and Expenses: | | | | |
| Cost of products sold | 16,895 | 12,249 | 55,024 | 41,443 |
| Fees and costs related to license agreements | 200 | 200 | 1,850 | 1,296 |
| Amortization of product rights and intangible assets | 2,272 | 1,356 | 8,627 | 4,907 |
| Research and development | 15,142 | 15,808 | 71,947 | 47,917 |
| Selling, general and administrative | 22,390 | 19,147 | 86,492 | 82,636 |
| Total costs and expenses | 56,899 | 48,760 | 223,940 | 178,199 |
| Income from operations | (17,437) | 13,859 | 11,852 | 30,334 |
| Interest and other income, net | 681 | 743 | 3,326 | 2,552 |
| Income tax expense | 2,273 | 717 | 6,953 | 1,376 |
| Net income | \$ (19,029) | \$ 13,885 | \$ 8,225 | \$ 31,510 |
| Net income per share, basic | \$ (0.40) | \$ 0.30 | \$ 0.17 | \$ 0.68 |
| Net income per share, diluted | \$ (0.40) | \$ 0.29 | \$ 0.17 | \$ 0.65 |
| Weighted average shares outstanding, basic | 47,605 | 46,942 | 47,329 | 46,634 |
| Weighted average shares outstanding, diluted | 47,605 | 48,607 | 48,678 | 48,369 |

Reconciliation of GAAP Amounts to Non-GAAP Amounts:
(In thousands, except per share data)

We are disclosing our non-GAAP Condensed Consolidated Statements of Operations, as adjusted, to eliminate the impact of generic balsalazide charges that we incurred in 2007. We believe these non-GAAP measures might provide investors additional relevant information, in part for purposes of historical comparison. In addition, we use these non-GAAP measures to analyze our performance in more detail and with better historical comparability since there were not comparable events in 2006. However, you should be aware that non-GAAP measures are not superior to nor a substitute for the comparable GAAP measures. A reconciliation of our non-GAAP measures to the comparable GAAP measures follows.

| | Three Months Ended | | | Twelve Months Ended | | |
|---|----------------------|------------------------------------|--|----------------------|------------------------------------|--|
| | December 31, 2007 | Non-GAAP Generic Adjustments | December 31, 2007 - Non-GAAP as adjusted | December 31, 2007 | Non-GAAP Generic Adjustments | December 31, 2007 - Non-GAAP as adjusted |
| Revenues: | | | | | | |
| Net product revenues | \$ 39,062 | \$ 32,446 | \$ 71,508 | \$ 232,880 | \$ 32,446 | \$ 265,326 |
| Revenue from collaborative agreements | 400 | - | 400 | 2,912 | - | 2,912 |
| Total revenues | 39,462 | 32,446 | 71,908 | 235,792 | 32,446 | 268,238 |
| Costs and Expenses: | | | | | | |
| Cost of products sold | 16,895 | (1,925) | 14,970 | 55,024 | (1,925) | 53,099 |
| Fees and costs related to license agreements | 200 | - | 200 | 1,850 | - | 1,850 |
| Amortization of product rights and intangible assets | 2,272 | - | 2,272 | 8,627 | - | 8,627 |
| Research and development | 15,142 | - | 15,142 | 71,947 | - | 71,947 |
| Selling, general and administrative | 22,390 | (368) | 22,022 | 86,492 | (368) | 86,124 |
| Total costs and expenses | 56,899 | (2,293) | 54,606 | 223,940 | (2,293) | 221,647 |
| Income from operations | (17,437) | 34,739 | 17,302 | 11,852 | 34,739 | 46,591 |
| Interest and other income, net | 681 | - | 681 | 3,326 | - | 3,326 |
| Income tax expense | 2,273 | - | 2,273 | 6,953 | - | 6,953 |
| Non-GAAP Net income, as adjusted | \$ (19,029) | \$ 34,739 | \$ 15,710 | \$ 8,225 | \$ 34,739 | \$ 42,964 |
| Non-GAAP Net income per share, basic | \$ (0.40) | \$ 0.73 | \$ 0.33 | \$ 0.17 | \$ 0.73 | \$ 0.91 |
| Non-GAAP Net income per share, diluted | \$ (0.40) | \$ 0.71 | \$ 0.32 | \$ 0.17 | \$ 0.71 | \$ 0.88 |
| * Weighted average shares outstanding, basic | 47,605 | 47,605 | 47,605 | 47,329 | 47,329 | 47,329 |
| * Weighted average shares outstanding, diluted | 47,605 | 48,729 | 48,729 | 48,678 | 48,678 | 48,678 |

Salix Pharmaceuticals, Ltd.
Condensed Consolidated Balance Sheets
(In thousands)

| | December 31, 2007 | December 31, 2006 |
|---|----------------------|----------------------|
| Assets | | |
| Cash, cash equivalents and investments | \$ 111,272 | \$ 76,465 |
| Accounts receivable, net | 52,208 | 61,730 |
| Inventory, net | 17,676 | 25,123 |
| Other assets | 216,310 | 158,805 |
| Total Assets | \$ 397,466 | \$ 323,123 |
| Liabilities and Stockholders' Equity | | |
| Accounts payable and other liabilities | \$ 104,896 | \$ 45,572 |
| Total liabilities | 104,896 | 45,572 |
| Common stock | 47 | 47 |
| Additional paid-in-capital | 397,261 | 390,467 |
| Accumulated deficit | (104,738) | (112,963) |
| Total stockholders' equity | 292,570 | 277,551 |
| Total Liabilities and Stockholders' Equity | \$ 397,466 | \$ 323,123 |