

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

	Three Months Ended		Six Months Ended	
	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)
Revenues:				
Net product revenues	\$ 93,773	\$ 52,234	\$ 137,850	\$ 97,008
Revenue from collaborative agreements	-	-	-	-
Total revenues	93,773	52,234	137,850	97,008
Costs and Expenses:				
Cost of products sold	17,160	11,411	26,959	21,316
Amortization of product rights and intangible assets	2,809	2,501	5,617	5,003
Intangible impairment charge	30,035	-	30,035	-
Research and development	23,022	23,337	41,778	43,411
Selling, general and administrative	40,776	28,995	77,304	54,010
Total costs and expenses	113,802	66,244	181,693	123,740
Loss from operations	(20,029)	(14,010)	(43,843)	(26,732)
Interest and other income, net	(3,356)	(1,354)	(4,743)	(2,645)
Loss before provision for income tax	(23,385)	(15,364)	(48,586)	(29,377)
Provision for income tax	(222)	47	(225)	94
Net loss	\$ (23,607)	\$ (15,317)	\$ (48,811)	\$ (29,283)
Net loss per share, basic	\$ (0.41)	\$ (0.32)	\$ (0.86)	\$ (0.61)
Net loss per share, diluted	\$ (0.41)	\$ (0.32)	\$ (0.86)	\$ (0.61)
Weighted average shares outstanding, basic	56,958	48,240	56,677	48,175
Weighted average shares outstanding, diluted	56,958	48,240	56,677	48,175

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 the intangible impairment charge related to Pepcid that occurred in June 2010, and the effect of the convertible debt offering closed in June 2010. 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 2009. 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			Six Months Ended		
	June 30, 2010 (unaudited)	Non-GAAP Adjustments (unaudited)	June 30, 2010 - Non-GAAP as adjusted (unaudited)	June 30, 2010 (unaudited)	Non-GAAP Adjustments (unaudited)	June 30, 2010 - Non-GAAP as adjusted (unaudited)
Revenues:						
Net product revenues	\$ 93,773	-	\$ 93,773	\$ 137,850	-	\$ 137,850
Revenue from collaborative agreements	-	-	-	-	-	-
Total revenues	93,773	-	93,773	137,850	-	137,850
Costs and Expenses:						
Cost of products sold	17,160	-	17,160	26,959	-	26,959
Amortization of product rights and intangible assets	2,809	-	2,809	5,617	-	5,617
Intangible impairment charge	30,035	(30,035)	-	30,035	(30,035)	-
Research and development	23,022	-	23,022	41,778	-	41,778
Selling, general and administrative	40,776	-	40,776	77,304	-	77,304
Total costs and expenses	113,802	(30,035)	83,767	181,693	(30,035)	151,658
Income from operations	(20,029)	30,035	10,006	(43,843)	30,035	(13,808)
Interest and other income, net	(3,356)	1,987	(1,369)	(4,743)	1,987	(2,756)
Income (loss) before provision for income tax	(23,385)	32,022	8,637	(48,586)	32,022	(16,564)
Provision for income tax	(222)	-	(222)	(225)	-	(225)
Non-GAAP Net income (loss), as adjusted	\$ (23,607)	\$ 32,022	\$ 8,415	\$ (48,811)	\$ 32,022	\$ (16,789)
Non-GAAP Net income (loss) per share, basic	\$ (0.41)	\$ 0.56	\$ 0.15	\$ (0.86)	\$ 0.56	\$ (0.30)
Non-GAAP Net income (loss) per share, diluted	\$ (0.41)	\$ 0.56	\$ 0.13	\$ (0.86)	\$ 0.56	\$ (0.30)
Weighted average shares outstanding, basic	56,958	56,958	56,958	56,677	56,677	56,677
Weighted average shares outstanding, diluted	56,958	56,958	65,090	56,677	56,677	56,677

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

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Cash, cash equivalents	\$ 461,245	\$ 192,512
Accounts receivable, net	112,459	98,248
Inventory, net	30,929	24,341
Other assets	183,917	227,939
Total Assets	\$ 788,550	\$ 543,040
Liabilities and Stockholders' Equity		
Accounts payable and other liabilities	\$ 419,120	\$ 173,016
Total liabilities	419,120	173,016
Common stock	57	56
Additional paid-in-capital	614,148	565,932
Accumulated deficit	(244,775)	(195,964)
Total stockholders' equity	369,430	370,024
Total Liabilities and Stockholders' Equity	\$ 788,550	\$ 543,040