

**FOR IMMEDIATE RELEASE**

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**SALIX PHARMACEUTICALS ANNOUNCES PRICING OF  
ITS \$300 MILLION PUBLIC OFFERING OF  
CONVERTIBLE SENIOR NOTES DUE 2015**

**RALEIGH, NC, May 27, 2010** - Salix Pharmaceuticals, Ltd. (NASDAQ:SLXP) today announced that it has entered into an agreement to sell \$300 million aggregate principal amount of its 2.75% convertible senior notes due 2015. In addition, Salix has granted the underwriters an overallotment option to purchase up to an additional \$45 million aggregate principal amount of notes on the same terms and conditions.

The notes will be senior unsecured obligations of Salix and interest will be payable semi-annually at a rate of 2.75% per year. The notes will mature on May 15, 2015. The notes will be convertible subject to certain conditions at an initial conversion rate of 21.5592 shares of Salix common stock per \$1,000 principal amount of notes (representing an initial conversion price of approximately \$46.38 per share of Salix common stock), subject to adjustment in certain circumstances. This represents approximately a 30% premium to the last reported sale price of Salix's common stock on The NASDAQ Global Select Market on May 27, 2010. Salix will be entitled to settle any such conversion by delivery of cash, shares of Salix common stock or a combination of cash and shares. Holders of the notes may require Salix to purchase all or a portion of their notes at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued

and unpaid interest, in cash, upon the occurrence of certain fundamental changes involving Salix.

In connection with this offering, Salix entered into capped call transactions with certain underwriters in the offering or their respective affiliates. Subject to certain exceptions, the capped call transactions are expected to reduce potential dilution upon conversion of the notes, except to the extent that the volume-weighted average price per share of the Salix common stock, as measured under the terms of the capped call transactions at the time of exercise, exceeds the cap price of the capped call transactions. The capped call transactions have cap prices approximately 75% higher than the closing price of Salix common stock on May 27, 2010. In connection with hedging the capped call transactions, the counterparties or their respective affiliates expect to enter into various derivative transactions with respect to Salix common stock concurrently with and shortly after pricing of the notes. In addition, the counterparties or their respective affiliates may from time to time following pricing of the notes and prior to conversion or maturity of the notes enter into or unwind various derivatives and/or purchase or sell Salix common stock or other of our securities (including the notes) in secondary market transactions or instruments they may wish to use in connection with such hedging or modify or unwind such hedge positions. These activities could have the effect of increasing or preventing a decline in, or of having a negative effect on, the price of Salix common stock (including concurrently with or shortly after pricing of the notes or during any cash settlement averaging period related to a conversion of the notes), adversely affecting the value of the notes, and, potentially the value of the shares of Salix common stock and/or the amount of cash holders may receive upon conversion of the notes.

The net proceeds to Salix from this offering will be approximately \$290 million after deducting underwriting discounts and estimated offering expenses, but exclusive of any proceeds attributable to any possible exercise of the underwriters' overallotment option. Salix intends to use approximately \$38.6 million of the net proceeds from this offering to pay the cost of the capped call transactions and the remaining net proceeds for business development activities and other general corporate purposes, including commercialization of product candidates, clinical trials, research and development

expenses and general and administrative expenses. If the underwriters exercise their option to purchase additional notes to cover overallotments, Salix expects to use a portion of the net proceeds from the sale of the additional notes to enter into additional capped call transactions.

BofA Merrill Lynch and Jefferies & Company, Inc. acted as joint book-running managers for the offering.

Salix has filed a registration statement (including a preliminary prospectus) with the U.S. Securities and Exchange Commission (SEC) for the offering to which this communication relates. Before you invest, you should read the registration statement and accompanying preliminary prospectus for more complete information about Salix and this offering. You may get the preliminary prospectus for free by visiting IDEA on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, copies may be obtained by contacting: BofA Merrill Lynch, 4 World Financial Center, New York, NY 10080, Attn: Preliminary Prospectus Department, or via email at [prospectus.requests@ml.com](mailto:prospectus.requests@ml.com); or Jefferies & Company, Inc., 520 Madison Avenue, New York, NY 10022, Attn: Syndicate Prospectus Department, (888) 449-2342.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of these securities, in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

### **About Salix**

Salix Pharmaceuticals, Ltd., headquartered in Raleigh, North Carolina, develops and markets prescription pharmaceutical products for the treatment of gastrointestinal diseases. Salix's strategy is to in-license late-stage or marketed proprietary therapeutic drugs, complete any required development and regulatory submission of these products, and market them through the Company's gastroenterology specialty sales and marketing team.

Salix trades on The NASDAQ Global Select Market under the ticker symbol "SLXP."

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#### **Forward-Looking Statements**

*Please Note: This press release contains statements relating to the offering of notes and the capped call transactions that are forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are just predictions and are subject to risks and uncertainties that could cause the actual events or results to differ materially, including, but not limited to, the following: general economic conditions; our need to return to profitability; market acceptance for approved products; the unpredictability of the duration and results of regulatory review of New Drug Applications and Investigational NDAs; the cost, timing and results of clinical trials and other development activities involving pharmaceutical products; litigation and the possible impairment of, or inability to obtain, intellectual property rights and the costs of obtaining such rights from third parties; revenue recognition and other critical accounting policies and the need to acquire new products. The reader is referred to the documents that Salix files from time to time with the SEC.*

*Investors in Salix are cautioned not to place undue reliance on its forward-looking statements, which speak only as of the date such statements are made. Salix does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this press release, or to reflect the occurrence of unanticipated events.*