

**SonoSite, Inc.**  
**Selected Financial Information**

**Condensed Consolidated Statements of Income**

(in thousands except per share data) (unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008 As Adjusted	2009	2008 As Adjusted
Revenue	\$ 69,728	\$ 70,162	\$ 227,389	\$ 243,524
Cost of revenue	21,433	22,753	69,466	73,715
Gross margin	48,295	47,409	157,923	169,809
Gross margin percentage	69.3%	67.6%	69.5%	69.7%
Operating expenses:				
Research and development	7,468	8,124	29,037	28,698
Sales, general and administrative	33,979	34,610	115,206	118,679
Total operating expenses	41,447	42,734	144,243	147,377
Operating income*	6,848	4,675	13,680	22,432
Other (loss) income, net **	(2,695)	5,500	(8,181)	(3,091)
Income before income taxes	4,153	10,175	5,499	19,341
Income tax provision	1,967	4,206	2,265	8,120
Net income	\$ 2,186	\$ 5,969	\$ 3,234	\$ 11,221
Net income per share:				
Basic	\$ 0.13	\$ 0.35	\$ 0.19	\$ 0.66
Diluted	\$ 0.12	\$ 0.34	\$ 0.18	\$ 0.64
Weighted average common and potential common shares outstanding:				
Basic	17,346	17,028	17,239	16,892
Diluted	17,832	17,511	17,698	17,486
Reconciliation of Non-GAAP net income:				
Income before income taxes	\$ 4,153	\$ 10,175	\$ 5,499	\$ 19,341
Adjustments to income before income taxes for:				
Patent royalty revenue	(652)	-	(652)	-
Acquisition of CardioDynamics:				
Acquisition costs, net of bargain purchase (gain)	(79)	-	389	-
Integration costs	1,591	-	4,301	-
Amortization of intangible assets	892	-	1,252	-
Operating loss	885	-	1,001	-
Loss (gain) on repurchase of convertible debt, net	239	(8,246)	(1,100)	(8,246)
Non-GAAP income before income taxes	\$ 7,029	\$ 1,929	\$ 10,690	\$ 11,095
Non-GAAP income tax provision	3,329	797	4,403	4,658
Non-GAAP net income	\$ 3,700	\$ 1,131	\$ 6,287	\$ 6,437
Non-GAAP net income per share:				
Basic	\$ 0.21	\$ 0.07	\$ 0.36	\$ 0.38
Diluted	\$ 0.21	\$ 0.06	\$ 0.36	\$ 0.37
Weighted average common and potential common shares outstanding:				
Basic	17,346	17,028	17,239	16,892
Diluted	17,832	17,511	17,698	17,486

\* includes acquisition and integration related charges of \$3.3 million in the fourth quarter and \$8.0 million for the year ended 2009 reduced by a bargain purchase gain of \$1.1 million in the year to date.

\*\* includes (gain) loss on repurchase of convertible debt, net of deferred financing costs

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**Condensed Consolidated Balance Sheets**

*(in thousands) (unaudited)*

	December 31, 2009	December 31, 2008 As Adjusted
Cash and cash equivalents	\$ 183,065	\$ 209,258
Short-term investment securities	74,682	69,882
Accounts receivable, net	71,347	66,094
Inventories	29,554	29,115
Deferred income taxes, current	7,861	13,372
Prepaid expenses and other current assets	11,019	6,623
Total current assets	377,528	394,344
Property and equipment, net	9,160	8,955
Investment securities	-	578
Deferred income taxes, net	775	793
Intangible assets, net	27,920	16,829
Other assets	4,425	5,383
Total assets	419,808	\$ 426,882
Accounts payable	\$ 6,175	\$ 6,189
Accrued expenses	25,605	31,921
Deferred revenue, current portion	5,504	2,755
Total current liabilities	37,284	40,865
Long-term debt, net	92,905	111,336
Deferred income taxes, net	2,722	9,871
Deferred revenue	18,081	1,367
Other non-current liabilities	13,670	12,383
Total liabilities	164,662	175,822
Shareholders' equity:		
Common stock and additional paid-in capital	291,514	285,928
Accumulated deficit	(32,802)	(36,036)
Accumulated other comprehensive income	(3,566)	1,168
Total shareholders' equity	255,146	251,060
Total liabilities and shareholders' equity	\$ 419,808	\$ 426,882

**SonoSite, Inc.**  
**Selected Financial Information**

**Condensed Consolidated Statements of Cash Flow**

*(in thousands) (unaudited)*

	Twelve Months Ended December 31,	
	2009	2008 As Adjusted
Operating activities:		
Net income	\$ 3,234	\$ 11,221
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,352	4,125
Stock-based compensation	6,632	8,709
Amortization of debt discount and debt issuance costs	5,015	8,305
Deferred income tax provision	303	3,552
Gain on convertible debt repurchase	(1,100)	(8,246)
Gain on purchase of CardioDynamics	(1,099)	-
Other adjustments	586	(170)
Changes in working capital	5,434	1,675
Net cash provided by operating activities	<u>24,357</u>	<u>29,171</u>
Investing activities:		
Investment securities, net	(3,824)	50,390
Purchases of property and equipment	(2,586)	(2,841)
Acquisition of CardioDynamics	(8,185)	-
Earn-out consideration associated with SonoMetric acquisition	(387)	(921)
Net cash (used in) provided by investing activities	<u>(14,982)</u>	<u>46,628</u>
Financing activities:		
Excess tax benefit from exercise of stock-based compensation	144	1,025
Shares retired for taxes	(1,342)	-
Retirement of convertible debt and related hedge transactions	(30,360)	(61,923)
Proceeds from exercise of stock options & employee stock purchase plan	1,769	4,551
Net cash used in financing activities	<u>(29,789)</u>	<u>(56,347)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,779)</u>	<u>1,105</u>
Net change in cash and cash equivalents	(26,193)	20,557
Cash and cash equivalents at beginning of period	209,258	188,701
Cash and cash equivalents at end of period	<u>\$ 183,065</u>	<u>\$ 209,258</u>