

SonoSite, Inc.
Selected Financial Information

Condensed Consolidated Statements of Operations

(in thousands except per share data) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 59,230	\$ 47,397	\$ 111,729	\$ 90,192
Cost of revenue	17,741	14,651	32,400	27,526
Gross margin	41,489	32,746	79,329	62,666
Gross margin percentage	70.0%	69.1%	71.0%	69.5%
Operating expenses:				
Research and development	6,937	6,511	13,134	12,654
Sales, general and administrative	29,209	24,765	58,458	50,790
Total operating expenses	36,146	31,276	71,592	63,444
Operating income	5,343	1,470	7,737	(778)
Other income (expense), net	(956)	1,272	(1,107)	2,574
Income before income taxes	4,387	2,742	6,630	1,796
Income tax provision	1,863	1,035	2,861	652
Net income	\$ 2,524	\$ 1,707	\$ 3,769	\$ 1,144
Net income per share:				
Basic	\$ 0.15	\$ 0.10	\$ 0.22	\$ 0.07
Diluted	\$ 0.14	\$ 0.10	\$ 0.22	\$ 0.07
Weighted average common and potential common shares outstanding:				
Basic	16,843	16,606	16,806	16,550
Diluted	17,456	17,112	17,429	17,061

Condensed Consolidated Balance Sheets

(in thousands) (unaudited)

	June 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 181,648	\$ 188,701
Short-term investment securities	130,935	119,873
Accounts receivable, net	60,100	60,954
Inventories	33,319	29,740
Deferred income taxes, current	9,647	13,138
Prepaid expenses and other current assets	6,888	7,759
Total current assets	422,537	420,165
Property and equipment, net	9,436	10,133
Investment securities	2,716	1,257
Deferred income taxes	13,767	12,959
Intangible assets, net	16,384	16,346
Other assets	10,613	9,521
Total assets	\$ 475,453	\$ 470,381
Accounts payable	\$ 4,273	\$ 8,868
Accrued expenses	21,977	24,431
Deferred revenue, current portion	3,294	3,502
Deferred tax liability, current	115	115
Total current liabilities	29,659	36,916
Long-term debt	225,000	225,000
Deferred tax liability	4,528	4,528
Other liabilities, net of current portion	12,768	11,075
Total liabilities	271,955	277,519
Shareholders' equity:		
Common stock and additional paid-in capital	242,857	236,325
Accumulated deficit	(41,124)	(44,893)
Accumulated other comprehensive income	1,765	1,430
Total shareholders' equity	203,498	192,862
Total liabilities and shareholders' equity	\$ 475,453	\$ 470,381

Condensed Consolidated Statements of Cash Flow

(in thousands) (unaudited)

	Six Months Ended June 30,	
	2008	2007
Operating activities:		
Net income	\$ 3,769	\$ 1,144
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,088	2,117
Stock-based compensation	3,467	3,783
Deferred income tax provision (benefit)	3,507	(112)
Other adjustments	(677)	(1,135)
Changes in working capital	(7,176)	5,441
Net cash provided by operating activities	4,978	11,238
Investing activities:		
Investment securities, net	(11,604)	(7,864)
Purchases of property and equipment	(1,255)	(1,830)
Earn-out consideration associated with SonoMetric acquisition	(921)	(654)
Net cash used in investing activities	(13,780)	(10,348)
Financing activities:		
Excess tax benefit from exercise of stock options	767	334
Proceeds from exercise of stock options & employee stock purchase plan	2,019	3,537
Net cash provided by financing activities	2,786	3,871
Effect of exchange rate changes on cash and cash equivalents	(1,037)	(466)
Net change in cash and cash equivalents	(7,053)	4,295
Cash and cash equivalents at beginning of period	188,701	45,673
Cash and cash equivalents at end of period	\$ 181,648	\$ 49,968