

NEWS RELEASE

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SonoSite, Inc. Selected Financial Information

Condensed Consolidated Statements of Operations

(in thousands except per share data) (unaudited)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue	\$ 61,633	\$ 50,041	\$ 173,362	\$ 140,233
Cost of revenue	<u>18,562</u>	<u>15,292</u>	<u>50,962</u>	<u>42,818</u>
Gross margin	43,071	34,749	122,400	97,415
Gross margin percentage	69.9%	69.4%	70.6%	69.5%
Operating expenses:				
Research and development	7,440	6,984	20,574	19,638
Sales, general and administrative	28,254	28,105	86,712	78,895
Licensing income and litigation settlement	<u>(2,643)</u>	<u>-</u>	<u>(2,643)</u>	<u>-</u>
Total operating expenses	33,051	35,089	104,643	98,533
Operating income (loss)	10,020	(340)	17,757	(1,118)
Other income (expense), net	<u>(1,701)</u>	<u>2,469</u>	<u>(2,808)</u>	<u>5,043</u>
Income before income taxes	8,319	2,129	14,949	3,925
Income tax provision	<u>3,593</u>	<u>642</u>	<u>6,454</u>	<u>1,294</u>
Net income	\$ 4,726	\$ 1,487	\$ 8,495	\$ 2,631
Net income per share:				
Basic	\$ 0.28	\$ 0.09	\$ 0.50	\$ 0.16
Diluted	<u>\$ 0.27</u>	<u>\$ 0.09</u>	<u>\$ 0.49</u>	<u>\$ 0.15</u>
Weighted average common and potential common shares outstanding:				
Basic	16,927	16,657	16,858	16,586
Diluted	<u>17,592</u>	<u>17,188</u>	<u>17,488</u>	<u>17,101</u>

Condensed Consolidated Balance Sheets

(in thousands) (unaudited)

	Sept 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 271,697	\$ 188,701
Short-term investment securities	57,430	119,873
Accounts receivable, net	57,122	60,954
Inventories	29,354	29,740
Deferred income taxes, current	8,141	13,138
Prepaid expenses and other current assets	10,641	7,759
Total current assets	434,385	420,165
Property and equipment, net	9,344	10,133
Investment securities	1,340	1,257
Deferred income taxes	14,657	12,959
Intangible assets, net	16,745	16,346
Other assets	11,468	9,521
Total assets	\$ 487,939	\$ 470,381
Accounts payable	\$ 8,907	\$ 8,868
Accrued expenses	21,925	24,431
Deferred revenue, current portion	2,962	3,502
Deferred tax liability, current	115	115
Total current liabilities	33,909	36,916
Long-term debt	225,000	225,000
Deferred tax liability	4,645	4,528
Other liabilities, net of current portion	13,000	11,075
Total liabilities	276,554	277,519
Shareholders' equity:		
Common stock and additional paid-in capital	246,612	236,325
Accumulated deficit	(36,398)	(44,893)
Accumulated other comprehensive income	1,171	1,430
Total shareholders' equity	211,385	192,862
Total liabilities and shareholders' equity	\$ 487,939	\$ 470,381

Condensed Consolidated Statements of Cash Flow*(in thousands) (unaudited)*

	Nine Months Ended Sept 30,	
	<u>2008</u>	<u>2007</u>
Operating activities:		
Net income	\$ 8,495	\$ 2,631
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,086	3,157
Stock-based compensation	5,209	5,566
Deferred income tax provision	5,068	882
Other adjustments	(349)	(3,747)
Changes in working capital	(3,511)	4,996
Net cash provided by operating activities	<u>17,998</u>	<u>13,485</u>
Investing activities:		
Investment securities, net	62,368	(89,156)
Purchases of property and equipment	(2,198)	(2,762)
Acquisition of LumenVu	-	(3,498)
Earn-out consideration associated with SonoMetric acquisition	(921)	(654)
Net cash provided by (used in) investing activities	<u>59,249</u>	<u>(96,070)</u>
Financing activities:		
Excess tax benefit from exercise of stock based compensation	961	477
Proceeds from convertible debt and related hedge transaction	-	208,540
Proceeds from exercise of stock options & employee stock purchase plan	3,526	4,040
Net cash provided by financing activities	<u>4,487</u>	<u>213,057</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,262</u>	<u>(1,662)</u>
Net change in cash and cash equivalents	82,996	128,810
Cash and cash equivalents at beginning of period	188,701	45,673
Cash and cash equivalents at end of period	<u>\$ 271,697</u>	<u>\$ 174,483</u>