

SonoSite, Inc.
Selected Financial Information

Condensed Consolidated Statements of Income

(in thousands except per share data) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008 As Adjusted	2009	2008 As Adjusted
Revenue	\$ 53,571	\$ 61,633	\$ 157,661	\$ 173,362
Cost of revenue	16,021	18,562	48,033	50,962
Gross margin	37,550	43,071	109,628	122,400
Gross margin percentage	70.1%	69.9%	69.5%	70.6%
Operating expenses:				
Research and development	6,497	7,440	21,569	20,574
Sales, general and administrative	28,874	28,254	81,682	86,712
Licensing income and litigation settlement with Zonare	-	(2,643)	(924)	(2,643)
Acquisition costs, net of bargain purchase (gain)	(110)	-	469	-
Total operating expenses	35,261	33,051	102,796	104,643
Operating income	* 2,289	10,020	6,832	17,757
Other loss, net	(3,013)	(3,655)	(5,486)	(8,591)
(Loss) income before income taxes	(724)	6,365	1,346	9,166
Income tax (benefit) provision	(484)	2,715	298	3,914
Net (loss) income	\$ (240)	\$ 3,650	\$ 1,048	\$ 5,252
Net (loss) income per share:				
Basic	\$ (0.01)	\$ 0.22	\$ 0.06	\$ 0.31
Diluted	\$ (0.01)	\$ 0.21	\$ 0.06	\$ 0.30
Weighted average common and potential common shares outstanding:				
Basic	17,308	16,927	17,203	16,858
Diluted	17,308	17,592	17,650	17,488
Reconciliation of Non-GAAP operating income:				
Operating income	\$ 2,289	\$ 10,020	\$ 6,832	\$ 17,757
Adjustments to operating income for:				
Acquisition costs, net of bargain purchase (gain)	(110)	-	469	-
CardioDynamics operations and integration costs	3,187	-	3,187	-
Non-GAAP operating income	\$ 5,366	\$ 10,020	\$ 10,488	\$ 17,757

*includes acquisition and integration related charges of \$4.2 million in third quarter and \$4.7 million for the nine months ended of 2009 reduced by a bargain purchase gain of \$1.1 million in both periods of 2009.

Condensed Consolidated Balance Sheets

(in thousands) (unaudited)

	September 30, 2009	December 31, 2008 As Adjusted
Cash and cash equivalents	\$ 211,035	\$ 209,258
Short-term investment securities	36,864	69,882
Accounts receivable, net	55,414	66,094
Inventories	35,309	29,115
Deferred income taxes, current	14,830	13,372
Prepaid expenses and other current assets	6,695	6,623
Total current assets	360,147	394,344
Property and equipment, net	9,393	8,955
Investment securities	-	578
Deferred income taxes	180	793
Intangible assets, net	28,841	16,829
Other assets	3,595	5,383
Total assets	\$ 402,156	\$ 426,882
Accounts payable	\$ 8,451	\$ 6,189
Accrued expenses	21,616	31,921
Deferred revenue	2,485	2,755
Total current liabilities	32,552	40,865
Long-term debt, net	95,462	111,336
Deferred income taxes, net	6,776	9,871
Other non-current liabilities	14,423	13,750
Total liabilities	149,213	175,822
Shareholders' equity:		
Common stock and additional paid-in capital	289,834	285,928
Accumulated deficit	(34,988)	(36,036)
Accumulated other comprehensive (loss) income	(1,903)	1,168
Total shareholders' equity	252,943	251,060
Total liabilities and shareholders' equity	\$ 402,156	\$ 426,882

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

	Nine Months Ended September 30,	
	2009	2008 As Adjusted
Operating activities:		
Net income	\$ 1,048	\$ 5,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,647	3,086
Stock-based compensation	5,201	5,209
Amortization of debt discount, debt issuance costs	3,792	6,581
Gain on bargain purchase acquisition	(1,078)	-
Gain on convertible debt repurchase	(1,339)	-
Non-cash gain on litigation settlement with Zonare	-	(643)
Changes in working capital and other adjustments	(2,360)	(1,487)
Net cash provided by operating activities	8,911	17,998
Investing activities:		
Investment securities, net	33,939	62,368
Acquisition of CardioDynamics, net of cash acquired	(8,185)	-
Purchases of property and equipment	(2,290)	(2,198)
Earn-out consideration associated with SonoMetric acquisition	(387)	(921)
Net cash provided by investing activities	23,077	59,249
Financing activities:		
Excess tax benefit from exercise of stock based compensation	-	961
Repurchase of convertible debt and related hedge transactions	(20,416)	-
Repayment of convertible debt	(5,250)	-
Shares retired for taxes	(1,285)	-
Proceeds from exercise of stock-based awards	1,419	3,526
Net cash (used in) provided by financing activities	(25,532)	4,487
Effect of exchange rate changes on cash and cash equivalents	(4,679)	1,262
Net change in cash and cash equivalents	1,777	82,996
Cash and cash equivalents at beginning of period	209,258	188,701
Cash and cash equivalents at end of period	\$ 211,035	\$ 271,697