

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,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue	\$ 70,162	\$ 64,835	\$ 243,524	\$ 205,068
Cost of revenue	22,753	19,687	73,715	62,505
Gross margin	47,409	45,148	169,809	142,563
Gross margin percentage	67.6%	69.6%	69.7%	69.5%
Operating expenses:				
Research and development	8,124	6,234	28,698	25,872
Sales, general and administrative	34,610	33,345	118,679	112,240
Total operating expenses	42,734	39,579	147,377	138,112
Operating income	4,675	5,569	22,432	4,451
Other income, net	14,460	1,522	11,651	6,565
Income before income taxes	19,135	7,091	34,083	11,016
Income tax provision	7,044	2,838	13,497	4,132
Net income	\$ 12,091	\$ 4,253	\$ 20,586	\$ 6,884
Net income per share:				
Basic	\$ 0.71	\$ 0.25	\$ 1.22	\$ 0.41
Diluted	\$ 0.69	\$ 0.25	\$ 1.18	\$ 0.40
Weighted average common and potential common shares outstanding:				
Basic	17,028	16,723	16,892	16,621
Diluted	17,511	17,350	17,486	17,168

Condensed Consolidated Balance Sheets

(in thousands) (unaudited)

	December 31, 2008	December 31, 2007
Cash and cash equivalents	\$ 209,258	\$ 188,701
Short-term investment securities	69,882	119,873
Accounts receivable, net	66,094	60,954
Inventories	29,115	29,740
Deferred income taxes, current	9,355	13,023
Prepaid expenses and other current assets	6,623	7,759
Total current assets	390,327	420,050
Property and equipment, net	8,955	10,133
Investment securities	578	1,257
Deferred income taxes	6,134	8,431
Intangible assets, net	16,829	16,346
Other assets	6,464	9,521
Total assets	\$ 429,287	\$ 465,738
Accounts payable	\$ 6,189	\$ 8,868
Accrued expenses	31,921	24,431
Deferred revenue	2,755	3,502
Total current liabilities	40,865	36,801
Long-term debt	144,745	225,000
Other non-current liabilities	13,750	11,075
Total liabilities	199,360	272,876
Shareholders' equity:		
Common stock and additional paid-in capital	253,066	236,325
Accumulated deficit	(24,307)	(44,893)
Accumulated other comprehensive income	1,168	1,430
Total shareholders' equity	229,927	192,862
Total liabilities and shareholders' equity	\$ 429,287	\$ 465,738

Condensed Consolidated Statements of Cash Flow

(in thousands) (unaudited)

	Twelve Months Ended December 31,	
	<u>2008</u>	<u>2007</u>
Operating activities:		
Net income	\$ 20,586	\$ 6,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,125	4,290
Stock-based compensation	8,709	6,809
Deferred income tax provision	8,929	1,933
Gain on convertible debt repurchase	(15,684)	-
Other adjustments	831	(653)
Changes in working capital	1,675	(3,037)
Net cash provided by operating activities	<u>29,171</u>	<u>16,226</u>
Investing activities:		
Investment securities, net	50,390	(78,611)
Purchases of property and equipment	(2,841)	(3,341)
Acquisition of LumenVu	-	(3,498)
Earn-out consideration associated with SonoMetric acquisition	(921)	(654)
Net cash provided by (used in) investing activities	<u>46,628</u>	<u>(86,104)</u>
Financing activities:		
Excess tax benefit from exercise of stock based compensation	1,025	630
Purchase of treasury stock	-	(133)
Proceeds from (repurchase of) convertible debt and related hedge transactions	(61,923)	208,540
Proceeds from exercise of stock options & employee stock purchase plan	4,551	5,597
Net cash (used in) provided by financing activities	<u>(56,347)</u>	<u>214,634</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,105</u>	<u>(1,728)</u>
Net change in cash and cash equivalents	20,557	143,028
Cash and cash equivalents at beginning of period	188,701	45,673
Cash and cash equivalents at end of period	<u>\$ 209,258</u>	<u>\$ 188,701</u>