

**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,	
	2011	2010	2011	2010
Revenue	\$ 75,732	\$ 68,538	\$ 219,526	\$ 186,064
Cost of revenue	21,542	19,675	64,148	53,150
Gross margin	54,190	48,863	155,378	132,914
Operating expenses:				
Research and development	10,716	8,455	30,807	23,263
Sales, general and administrative	39,584	35,320	114,695	95,745
Total operating expenses	50,300	43,775	145,502	119,008
Operating income	3,890	5,088	9,876	13,906
Other loss, net	(3,313)	(3,799)	(8,789)	(8,498)
Income before income taxes	577	1,289	1,087	5,408
Income tax (benefit) provision	(143)	347	452	1,208
Net income	\$ 720	\$ 942	\$ 635	\$ 4,200
Net income per share:				
Basic	\$ 0.05	\$ 0.07	\$ 0.05	\$ 0.28
Diluted	\$ 0.05	\$ 0.07	\$ 0.04	\$ 0.27
Weighted average common and potential common shares outstanding:				
Basic	13,893	13,676	13,783	14,844
Diluted	14,323	14,147	14,285	15,347
<b>Reconciliation of Non-GAAP Measures:</b>				
<b>Reconciliation of Adjusted EBIT:</b>				
Operating income (EBIT)	\$ 3,890	\$ 5,088	\$ 9,876	\$ 13,906
Depreciation and amortization	2,460	2,528	7,692	5,818
EBITDA	6,350	7,616	17,568	19,724
Stock-based compensation	2,190	2,037	6,002	4,245
EBITDAS	\$ 8,540	\$ 9,653	\$ 23,570	\$ 23,969

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**Condensed Consolidated Balance Sheets**

(in thousands) (unaudited)

	As of	
	September 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 75,471	\$ 78,690
Accounts receivable, net	78,473	81,516
Inventories	47,878	37,126
Deferred tax assets, current	8,939	7,801
Prepaid expenses and other current assets	19,205	12,384
Total current assets	<u>229,966</u>	<u>217,517</u>
Property and equipment, net	9,848	9,133
Deferred tax assets, net	3,460	4,373
Investment in affiliate	8,000	8,000
Goodwill	37,243	37,786
Identifiable intangible assets, net	40,698	47,423
Other assets	3,200	4,823
Total assets	<u>\$ 332,415</u>	<u>\$ 329,055</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 12,829	\$ 10,597
Accrued expenses	23,532	32,535
Deferred revenue	6,929	6,042
Total current liabilities	43,290	49,174
Long-term debt, net	100,635	97,379
Deferred tax liability, net	2,768	1,811
Deferred revenue	13,072	15,236
Other non-current liabilities, net	11,821	12,565
Total liabilities	<u>\$ 171,586</u>	<u>\$ 176,165</u>
Commitments and contingencies		
Shareholders' Equity:		
Common stock and additional paid-in capital	309,951	299,005
Accumulated deficit	(148,340)	(148,975)
Accumulated other comprehensive (loss) income	(782)	2,860
Total shareholders' equity	<u>160,829</u>	<u>152,890</u>
Total liabilities and shareholders' equity	<u>\$ 332,415</u>	<u>\$ 329,055</u>

**SonoSite, Inc.**  
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**Condensed Consolidated Statements of Cash Flow**

(in thousands) (unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Operating activities:		
Net income	\$ 635	\$ 4,200
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,671	5,796
Stock-based compensation	6,002	4,245
Deferred income tax provision	(120)	(1,918)
Amortization of debt discount and debt issuance costs	3,831	3,663
Excess tax benefit from stock-based awards	(1,175)	(847)
Other	(426)	673
Changes in operating assets and liabilities:		
Changes in working capital	(20,560)	1,715
Net cash (used in) provided by operating activities	(4,142)	17,527
Investing activities:		
Purchases of investment securities	-	(79,921)
Proceeds from the sales/maturities of investment securities	-	154,698
Purchases of property and equipment	(3,276)	(1,455)
Investment in affiliate	-	(8,000)
Purchase of VisualSonics, Inc., net of cash acquired	-	(61,217)
Net cash (used in) provided by investing activities	(3,276)	4,105
Financing activities:		
Excess tax benefit from exercise stock-based awards	1,175	847
Minimum tax withholding on stock-based awards	(892)	(1,065)
Stock repurchases including transaction costs	-	(126,103)
Payment of contingent purchase consideration for LumenVu, Inc.	(300)	(425)
Proceeds from exercise of stock-based awards	5,141	4,263
Repayment of long-term debt	(298)	(8,871)
Net cash provided by (used in) financing activities	4,826	(131,354)
Effect of exchange rate changes on cash and cash equivalents	(627)	(1,594)
Net change in cash and cash equivalents	(3,219)	(111,316)
Cash and cash equivalents at beginning of year	78,690	183,065
Cash and cash equivalents at end of year	<u>\$ 75,471</u>	<u>\$ 71,749</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 3,267</u>	<u>\$ 7,184</u>
Cash paid for interest	<u>\$ 4,313</u>	<u>\$ 4,476</u>