

LUMENIS LTD
US GAAP STATEMENT OF INCOME
U.S. dollars in thousand (except per share data)

	Year ended December 31	Year ended December 31
	2009	2008
	GAAP	GAAP
	Audited	Audited
Revenues		
Product	\$ 178,705	\$ 205,469
Service	47,391	50,996
Total revenues	<u>226,096</u>	<u>256,465</u>
Cost of revenues		
Product	88,002	113,158
Service	30,050	33,504
Total cost of revenues	<u>118,052</u>	<u>146,662</u>
Gross profit	<u>108,044</u>	<u>109,803</u>
Operating expenses:		
Research and development, net	13,781	19,602
Selling and marketing	68,333	84,590
General and administrative	20,309	29,499
Impairment of goodwill	-	22,637
Restructuring expenses	3,927	1,420
Total operating expenses	<u>106,350</u>	<u>157,748</u>
Operating profit (loss)	<u>1,694</u>	<u>(47,945)</u>
Financial expenses (income) , net	1,457	(1,664)
Tax (income) expenses	(2,452)	(2,065)
Net income (loss)	<u>2,689</u>	<u>(44,216)</u>
Basic and diluted net earnings (loss) per share:	<u>\$ 0.01</u>	<u>\$ (0.23)</u>
Weighted average number of shares used in computing basic net earnings (loss) per share	<u>208,706</u>	<u>196,067</u>
Weighted average number of shares used in computing diluted net earnings (loss) per share	<u>209,402</u>	<u>196,067</u>

LUMENIS LTD
RECONCILIATION BETWEEN GAAP TO NON-GAAP STATEMENT OF INCOME
U.S. dollars in thousand

	Year ended December 31, 2009		
	GAAP	Adjustments	Non-GAAP
Revenues			
Product	\$ 178,705	\$ -	\$ 178,705
Service	47,391	-	47,391
Total revenues	<u>226,096</u>	<u>-</u>	<u>226,096</u>
Cost of revenues			
Product	88,002	(60) (a)	87,942
Service	30,050	-	30,050
Total cost of revenues	<u>118,052</u>	<u>(60)</u>	<u>117,992</u>
Gross profit	<u>108,044</u>	<u>60</u>	<u>108,104</u>
Operating expenses:			
Research and development, net	13,781	(46) (a)	13,735
Selling and marketing	68,333	(202) (a)	68,131
General and administrative	20,309	(1,382) (a),(b)	18,927
Restructuring expenses	3,927	(3,927)	-
Total operating expenses	<u>106,350</u>	<u>(5,557)</u>	<u>100,793</u>
Operating profit	<u>1,694</u>	<u>5,617</u>	<u>7,311</u>
Financial expenses (income) , net	1,457	-	1,457
Tax (income) expenses	(2,452)	4,446 (c)	1,994
Net income	<u>2,689</u>	<u>1,171</u>	<u>3,860</u>
Basic and diluted net earnings per share:	<u>\$ 0.01</u>		<u>\$ 0.02</u>

(a) The effect of stock-based compensation.

(b) Amortization of intangible assets amounted to \$520 thousands.

(c) Income tax resulted from settlement of prior years tax dispute.

LUMENIS LTD
RECONCILIATION BETWEEN GAAP TO NON-GAAP STATEMENT OF INCOME
U.S. dollars in thousand

	Year ended December 31, 2008		
	GAAP	Adjustments	Non-GAAP
Revenues			
Product	\$ 205,469	\$ -	\$ 205,469
Service	50,996	-	50,996
Total revenues	256,465	-	256,465
Cost of revenues			
Product	113,158	(77) (a)	113,081
Service	33,504	-	33,504
Total cost of revenues	146,662	(77)	146,585
Gross profit	109,803	77	109,880
Operating expenses:			
Research and development, net	19,602	(75) (a)	19,527
Selling and marketing	84,590	(236) (a)	84,354
General and administrative	29,499	(2,688) (a),(b)	26,811
Impairment of goodwill	22,637	(22,637)	-
Restructuring expenses	1,420	(1,420)	-
Total operating expenses	157,748	(27,056)	130,692
Operating loss	(47,945)	27,133	(20,812)
Financial expenses (income) , net	(1,664)	-	(1,664)
Tax (income) expenses	(2,065)	4,361 (c)	2,296
Net loss	(44,216)	22,772	(21,444)
Basic and diluted net loss per share:	\$ (0.23)		\$ (0.11)

(a) The effect of stock-based compensation.

(b) Amortization of intangible assets amounted to \$944 thousands.

(c) Tax benefit resulted from the impairment of goodwill.

LUMENIS LTD
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousand

	December 31,	December 31,
	2009	2008
	Audited	Audited
ASSETS		
Cash, cash equivalents	\$ 26,261	\$ 20,419
Short-term bank deposits	15,088	-
Trade receivables	46,252	41,099
Other accounts receivable	10,566	11,167
Inventories	38,091	54,782
SEVERANCE PAY FUND	3,019	2,493
FINISHED GOODS USED IN OPERATIONS	3,124	3,350
PROPERTY AND EQUIPMENT, NET	6,146	7,641
GOODWILL AND OTHER INTANGIBLE ASSETS	50,362	50,882
OTHER ASSETS	7,208	7,062
<u>TOTAL ASSETS</u>	\$ 206,117	\$ 198,895
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Payments under restructured debt	\$ 9,734	\$ 23,646
Trade payables	18,547	18,776
Other accounts payable and accrued expenses	35,052	34,512
Deferred revenues and advance from customers	22,249	25,812
<u>Total</u> current liabilities	85,582	102,746
ACCRUED POST-EMPLOYMENT BENEFITS	7,745	7,867
OTHER LONG TERM LIABILITIES	14,627	10,579
LONG TERM DEFERRED REVENUES	5,752	3,790
LONG TERM RESTRUCTED DEBT	112,860	115,159
<u>TOTAL LIABILITIES</u>	226,566	240,141
SHAREHOLDERS' EQUITY (DEFICIENCY)	(20,449)	(41,246)
<u>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</u>	\$ 206,117	\$ 198,895

LUMENIS LTD.
Consolidated Statement of Cash Flows
U.S. dollars in thousand

	Year Ended December 31	Year Ended December 31
	2009	2008
	Audited	Audited
<u>Cash flow from operating activities:</u>		
Net income (loss)	2,689	(44,216)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activity:		
Depreciation and amortization	6,129	6,795
Impairment of goodwill	-	22,637
Compensation related to employees stock option plan	1,170	2,126
Interest payments and debt adjustment	(3,044)	(6,440)
Deferred income taxes, net	1,085	(4,188)
Decrease (increase) in trade receivables, net	(5,190)	15,230
Decrease (increase) in inventories	16,114	(3,744)
Increase in finished goods used in operations	(2,845)	(458)
Decrease in prepaid expenses and other receivables	879	1,520
Decrease in trade payables	(58)	(13,382)
Increase (decrease) in other accounts payables and accrued expenses (including non-current portion)	1,957	(8,299)
Increase (decrease) in accrued post-employment benefits, net	(841)	2,015
Net cash provided by (used in) operating activities	18,045	(30,404)
<u>Cash flow from investing activities:</u>		
Purchase of property and equipment	(1,912)	(2,881)
Net cash used by investing activities	(1,912)	(2,881)
<u>Cash flow from financing activities:</u>		
Issuance of share capital, net	14,867	31
Repayment of long-term bank loan	(10,148)	(5,000)
Net cash provided by (used in) financing activities	4,719	(4,969)
Foreign currency translation adjustment	78	250
Increase (decrease) in cash and cash equivalents and short-term bank deposits	20,930	(38,004)
Cash and cash equivalents and short-term bank deposits at the beginning of the year	20,419	58,423
Cash and cash equivalents and short-term bank deposits at the end of the year	\$ 41,349	\$ 20,419