

**LUMENIS LTD**  
**US GAAP CONSOLIDATED STATEMENTS OF OPERATIONS**  
**U.S. dollars in thousands (except share data)**

	Year ended December 31	Year ended December 31
	2010	2009
	GAAP	GAAP
	Audited	Audited
<b>Revenues</b>		
Products	189,149	178,705
Services	48,581	47,391
<b>Total revenues</b>	237,730	226,096
<b>Cost of revenues</b>		
Products	96,463	88,002
Services	28,207	30,050
<b>Total cost of revenues</b>	124,670	118,052
<b>Gross profit</b>	113,060	108,044
<b>Operating expenses:</b>		
Research and development	15,432	13,781
Selling and marketing	69,725	67,443
General and administrative	17,813	20,516
Legal settlements, net	(1,981)	683
Restructuring and other related costs	-	3,927
<b>Total operating expenses</b>	100,989	106,350
<b>Operating income</b>	12,071	1,694
<b>Financial expenses, net</b>	3,880	1,457
<b>Taxes on income (income tax benefit)</b>	2,446	(2,452)
<b>Net income</b>	5,745	2,689
<b>Basic and diluted net earnings per share:</b> \$	0.03	\$ 0.01
Weighted average number of shares (in thousands) used in computing basic net earnings per share	215,341	208,706
Weighted average number of shares (in thousands) used in computing diluted net earnings per share	219,719	209,402

**LUMENIS LTD**  
**RECONCILIATION BETWEEN GAAP TO NON-GAAP CONSOLIDATED**  
**STATEMENT OF OPERATIONS**

U.S. dollars in thousands (except per share data)

	Year ended December 31, 2010		
	GAAP	Adjustments	Non-GAAP
<b>Revenues</b>			
Products	\$ 189,149	\$ -	\$ 189,149
Services	48,581	-	48,581
<b>Total revenues</b>	<u>237,730</u>	<u>-</u>	<u>237,730</u>
<b>Cost of revenues</b>			
Products	96,463	(70) (a)	96,393
Services	28,207	-	28,207
<b>Total cost of revenues</b>	<u>124,670</u>	<u>(70)</u>	<u>124,600</u>
<b>Gross profit</b>	<u>113,060</u>	<u>70</u>	<u>113,130</u>
<b>Operating expenses:</b>			
Research and development	15,432	(123) (a)	15,309
Selling and marketing	69,725	(243) (a)	69,482
General and administrative	17,813	(578) (a),(b)	17,235
Legal settlements, net	(1,981)	1,981 (c)	-
<b>Total operating expenses</b>	<u>100,989</u>	<u>1,037</u>	<u>102,026</u>
<b>Operating income</b>	<u>12,071</u>	<u>(967)</u>	<u>11,104</u>
<b>Financial expenses, net</b>	3,880	(1,207) (d)	2,673
<b>Taxes on income</b>	2,446	-	2,446
<b>Net income</b>	<u>5,745</u>	<u>240</u>	<u>5,985</u>
<b>Basic and diluted net earnings per share:</b>	<u>\$ 0.03</u>		<u>\$ 0.03</u>

(a) The effect of stock-based compensation.

(b) Amortization of intangible assets amounted to \$145 thousands.

(c) Legal settlements net of associated legal fees

(d) Changes in the fair market value of embedded derivative

**LUMENIS LTD**  
**RECONCILIATION BETWEEN GAAP TO NON-GAAP CONSOLIDATED**  
**STATEMENT OF OPERATIONS**  
**U.S. dollars in thousands (except per share data)**

	Year ended December 31, 2009		
	GAAP	Adjustments	Non-GAAP
<b>Revenues</b>			
Products	\$ 178,705	\$ -	\$ 178,705
Services	47,391	-	47,391
<b>Total revenues</b>	226,096	-	226,096
<b>Cost of revenues</b>			
Products	88,002	(60) (a)	87,942
Services	30,050	-	30,050
<b>Total cost of revenues</b>	118,052	(60)	117,992
<b>Gross profit</b>	108,044	60	108,104
<b>Operating expenses:</b>			
Research and development	13,781	(46) (a)	13,735
Selling and marketing	67,443	(202) (a)	67,241
General and administrative	20,516	(1,382) (a),(b)	19,134
Legal settlements, net	683	(683) (d)	-
Restructuring and other related costs	3,927	(3,927)	-
<b>Total operating expenses</b>	106,350	(6,240)	100,110
<b>Operating income</b>	1,694	6,300	7,994
<b>Financial expenses, net</b>	1,457	-	1,457
<b>Taxes on income (income tax benefit)</b>	(2,452)	4,446 (c)	1,994
<b>Net income</b>	2,689	1,854	4,543
<b>Basic and diluted net earnings per share:</b>	\$ 0.01		\$ 0.02

(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.

(d) Legal settlements net of associated legal fees

**LUMENIS LTD**  
**CONSOLIDATED BALANCE SHEETS**  
U.S. dollars in thousands

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>Audited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	25,682	26,261
Short-term bank deposits	17,529	15,088
Trade receivables, net	47,532	40,915
Prepaid expenses and other receivables	9,435	10,566
Inventories	41,801	38,091
<b>Total current assets</b>	<b>141,979</b>	<b>130,921</b>
<b>LONG-TERM ASSETS</b>		
Long-term bank deposits	3,663	-
Finished goods used in operations, net	3,467	3,124
Property and equipment, net	5,472	6,146
Goodwill and other Intangible assets, net	50,217	50,362
Severance pay fund	3,494	3,019
Other assets	8,135	7,208
<b>Total long-term assets</b>	<b>74,448</b>	<b>69,859</b>
<b>TOTAL ASSETS</b>	<b>216,427</b>	<b>200,780</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>CURRENT LIABILITIES</b>		
Restructured debt	12,298	9,734
Trade payables	27,584	18,547
Other accounts payable and accrued expenses	41,515	36,514
Deferred revenues and customer advances	16,692	16,912
<b>Total current liabilities</b>	<b>98,089</b>	<b>81,707</b>
<b>LONG-TERM LIABILITIES</b>		
Accrued post-employment benefits	8,626	7,294
Other liabilities	15,884	13,616
Deferred revenues	6,319	5,752
Restructured debt	100,449	112,860
<b>Total long-term liabilities</b>	<b>131,278</b>	<b>139,522</b>
<b>TOTAL LIABILITIES</b>	<b>229,367</b>	<b>221,229</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>(12,940)</b>	<b>(20,449)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>216,427</b>	<b>200,780</b>

**LUMENIS LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**U.S. dollars in thousands**

	<b>Year Ended December 31</b>	<b>Year Ended December 31</b>
	<b>2010</b>	<b>2009</b>
	<b>Audited</b>	<b>Audited</b>
<b><u>Cash flow from operating activities:</u></b>		
Net income	5,745	2,689
Adjustments required to reconcile net income to net cash provided by operating activity:		
Depreciation and amortization	5,500	6,129
Compensation related to employees share option plan	869	1,170
Interest payments and debt adjustment	(2,169)	(3,044)
Deferred income taxes, net	844	1,085
Increase in trade receivables, net	(5,613)	(4,673)
Decrease (increase) in inventories	(2,780)	16,114
Increase in finished goods used in operations	(3,129)	(2,845)
Decrease in prepaid expenses and other receivables	1,404	879
Increase (decrease) in trade payables	9,280	(58)
Increase in other accounts payables and accrued expenses, other long term liabilities and other (including short and long-term deferred revenues)	5,151	1,537
Increase (decrease) in accrued post-employment benefits, net	230	(938)
<b>Net cash provided by operating activities</b>	<b>15,332</b>	<b>18,045</b>
<b><u>Cash flow from investing activities:</u></b>		
Purchase of property and equipment	(2,109)	(1,912)
<b>Net cash used by investing activities</b>	<b>(2,109)</b>	<b>(1,912)</b>
<b><u>Cash flow from financing activities:</u></b>		
Issuance of share capital, net	-	14,867
Repayment of long-term bank loan	(8,000)	(10,148)
<b>Net cash provided by (used in) financing activities</b>	<b>(8,000)</b>	<b>4,719</b>
<b>Foreign currency translation adjustment</b>	<b>302</b>	<b>78</b>
<b>Increase in cash and cash equivalents and short term and long term bank deposits</b>	<b>5,525</b>	<b>20,930</b>
<b>Cash and cash equivalents and short term bank deposits at the beginning of the year</b>	<b>41,349</b>	<b>20,419</b>
<b>Cash and cash equivalents and short and long term bank deposits at the end of the year</b>	<b>46,874</b>	<b>41,349</b>