



**PRESS RELEASE**

**February 13, 2006**

## **Syneron Reports 51% Growth in Revenue in 2005 with 87% Gross Profit Margins**

### **Company updates investors on strategic initiatives and new products**

**Yokneam, Israel – February 13, 2006** – Syneron Medical Ltd. (NASDAQ: ELOS) today reported net income of \$12 million for the fourth quarter of 2005, a 46% increase over the comparable quarter of 2004, representing a net profit margin of 51% for Q4 2005, compared to a net margin of 47% reported in the last quarter of 2004. Fully diluted EPS was \$0.43 per diluted share, up 43% on fully diluted EPS for Q4 2004. The Company's revenues for the fourth quarter of 2005 rose 36% from the previous year to \$23.7 million. Gross profit margin for Q4 2005 was 87% the same gross margin reported for Q4/2004.

Revenues for fiscal year 2005 rose to \$87.4 million (51% increase) from the \$57.9 million recorded for fiscal year 2004. Net income for the twelve months on a US GAAP basis was \$41.1 million, compared to net income of \$27.3 million reported in 2004. Earnings per diluted share on a US GAAP basis was \$1.48. The US GAAP-based income includes \$3.5 million of expenses for the secondary offering in March 2005 and the Thermage settlement in June 2005.

On a normalized proforma basis, net income was \$44.6 million and EPS per diluted share was \$1.61, compared to \$1.14 per diluted share for FY 2004. Syneron believes that excluding these one-off expenses represents a better indication of the underlying trends in the Company's operations.

R&D costs rose from \$3.1 million in 2004 to \$5 million in 2005, reflecting the enlarged pipeline of new R&D projects, in addition to R&D work on new applications for Syneron's core elos<sup>TM</sup> products. SG&A costs as a percentage of revenue were reduced during the year, from 39% in 2004 to 33% for 2005.

Operating income rose to \$38.7 million on a US GAAP basis from \$25.6 million in 2004. On a normalized basis, excluding the one-off charges, operating income grew 65% to \$42.2 million, representing an operating margin of 48%, compared to 44% in 2004.

Syneron's financial position remains strong. During 2005, Syneron generated cash of \$31.3 million from operations and \$11.7 million from the exercise of options, for a total cash position on December 31, 2005 of \$134.1 million and Shareholders' equity of \$145.2 million. At the end of December 2005, trade receivables totaled \$20.8 million. The rise in receivables during 2005 had reflected the growth in sales during the year and, particularly, the higher sales to medical and aesthetic spa chains which typically pay with



**PRESS RELEASE**

**February 13, 2006**

extended credit terms. As of February 10, 2006, Syneron had collected \$8.3 million of the outstanding short-term receivables.

Commenting on the results, Syneron CEO, David Schlachet said, "We are very pleased with our ability to execute our unique business model and with our extremely high profitability. Although we have seen a slow down in our rate of growth in the 4<sup>th</sup> quarter, we are confident in our ability to continue Syneron's growth in 2006 and beyond, while maintaining our unique profitability structure." Mr. Schlachet continued, "In its first five years, Syneron has demonstrated its ability to grow at a very high rate taking advantage of its proprietary elōs™ technology. With 51% growth in revenues in 2005, we estimate that our global market share has risen to approximately 15% with an installed world wide base of more than 4,000 units."

Remarking on Syneron's future plans Mr. Schlachet continued, "Now that Syneron has become a more mature company our strategic objective is to strengthen our position as a market leader by building the long-term plans of the company and the infrastructure to support it. Syneron is investing in enhancing its distribution channels and in the marketing and promotion of its products and technology.

- We have significantly strengthened and increased our North American sales force, as well as our international distributor network.
- We are establishing direct sales management specializing in selling to medical spas and other institutional buyers.
- We are placing regional sales managers in Europe and the Asia-Pacific territory to work more directly with the local distributors.
- We are increasing the number of logistics and service centers in Europe and the Asia-Pacific region to meet the needs of our expanding global customer base.
- We are opening a new division to address the very large and growing market of cosmetic and beauty salons and non-medical spas outside the US. The new division will have its own distribution channels in Europe, Canada, and the Asia Pacific region.
- We are establishing a new division dedicated to the development and commercialization of aesthetic products for consumer home use."

Commenting on Syneron's strategic initiatives and technology development plans in 2006 Dr. Shimon Eckhouse Chairman of the Board said, " Our increased R&D expenses are dedicated to four major product initiatives: dental lasers with expected submission for FDA clearance in second half of 2006; non-invasive fat reduction with expected submission for FDA clearance in the first half of 2007; a new product line for aestheticians planned for launch in April 2006 at the Cosmoprof show in Bologna, Italy; and products for home use using Syneron's proprietary elōs technology. Development of the home use product line is one of the highest priorities in R&D at the moment. We



**PRESS RELEASE**

**February 13, 2006**

recently completed the first series of clinical trials of our skin rejuvenation home product and were able to demonstrate its high degree of safety and efficacy in a home setting. We are well advanced in the development of other applications and products in the aesthetic home market." Dr. Eckhouse continued, "In addition to these internal development efforts we are focused on expanding our technology, products and market presence taking advantage of our strong balance sheet and market leadership position."

Given changing seasonality in the sector, Syneron will be issuing annual revenue guidance going forward, rather than quarterly guidance. For FY 2006, Syneron is announcing a guidance range for revenue of \$113-120 million, a 28-34% increase over 2005 revenue, while maintaining the gross margin range of 85 to 87%. For the first quarter of 2006 the company expects revenue which will be roughly in the range of the revenue reported for the fourth quarter of 2005.

Conference call

Syneron Management will host a conference call to discuss the results at 8:30am ET today, February 13, 2006. Investors and other interested parties may access a live webcast through Syneron's web site at [www.syneron.com](http://www.syneron.com). Please login at least 10 minutes prior to the conference call in order to download the applicable audio software. Following the conclusion of the call, a replay of the webcast will be available within 24 hours at the Company's web site.

About Syneron

Syneron Medical Ltd. (NASDAQ: ELOS) develops, manufactures and distributes medical aesthetic devices that are powered by elōs™, the combined-energy technology of bi-polar radio frequency and light. The company's innovative elōs technology provides the foundation for highly effective, safe and cost-effective systems that enable physicians to provide advanced solutions for a broad range of medical-aesthetic applications including hair removal, wrinkle reduction, rejuvenating the skin's appearance through the treatment of superficial benign vascular and pigmented lesions, and the treatment of acne, leg veins and cellulite. Founded in 2000, the corporate, R&D, and manufacturing headquarters for Syneron Medical Ltd. is located in Israel. Syneron has offices and distributors throughout the world, including North American Headquarters in Canada, European Headquarters in Germany, and Asia-Pacific Headquarters in Hong Kong, which provide sales, service and support. Additional information can be found at [www.syneron.com](http://www.syneron.com).

Forward-Looking Statements



**PRESS RELEASE**

**February 13, 2006**

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Specifically, statements concerning Syneron's financial expectations regarding financial results the 2006 fiscal year, as well as statements concerning new product introductions, FDA submissions, distribution plans, and maintaining Syneron's competitive advantage are forward-looking statements within the meaning of the safe harbor provisions of the Act. Estimates of quarterly and year-end financial results and other forward-looking statements are based on management's current, preliminary expectations and are subject to risks and uncertainties, which may cause Syneron's actual results to differ materially from the statements contained herein. Undue reliance should not be placed on forward-looking statements, especially guidance on future financial performance, which speaks only as of the date such statements are made. Syneron undertakes no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date they were made, or to reflect the occurrence of unanticipated events.

For more information, please contact Judith Kleinman, VP Investor Relations, tel: +972 4909 6282, email: [ir@syneron.com](mailto:ir@syneron.com).

Syneron, the Syneron logo and elōs are trademarks of Syneron Medical Ltd. and may be registered in certain jurisdictions. Elos (Electro-Optical Synergy) is a proprietary technology of Syneron Medical. All other names are the property of their respective owners.

Source: Syneron Medical Ltd



**PRESS RELEASE**

**February 13, 2006**

**SYNERON MEDICAL LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
 U.S. dollars in thousands except per share data

	Three month ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
Revenues	23,735	17,513	87,406	57,918
Cost of revenues	<u>3,098</u>	<u>2,350</u>	<u>11,428</u>	<u>6,914</u>
Gross profit	<u>20,637</u>	<u>15,163</u>	<u>75,978</u>	<u>51,004</u>
Operating expenses				
Research and development	1,333	1,119	5,030	3,078
Selling and marketing	6,733	5,568	25,188	19,625
General and administrative	1,184	1,234	3,534	2,725
Other expenses	<u>-</u>	<u>-</u>	<u>3,494</u>	<u>-</u>
Total operating expenses	<u>9,250</u>	<u>7,921</u>	<u>37,246</u>	<u>25,428</u>
Operating income	11,387	7,242	38,732	25,576
Financial income, net	<u>1,056</u>	<u>1,230</u>	<u>3,081</u>	<u>2,384</u>
Income before taxes on income	12,443	8,472	41,813	27,960
Taxes on income	<u>400</u>	<u>280</u>	<u>750</u>	<u>620</u>
Net income	<u><u>12,043</u></u>	<u><u>8,192</u></u>	<u><u>41,063</u></u>	<u><u>27,340</u></u>
Basic net earnings per share	<u>0.46</u>	<u>0.37</u>	<u>1.65</u>	<u>1.45</u>
Diluted net earnings per share	<u>0.43</u>	<u>0.30</u>	<u>1.48</u>	<u>1.14</u>
Normalized net income *	12,043	8,192	44,557	27,340
Normalized basic net earnings per share	0.46	0.37	1.79	1.45
Normalized diluted net earnings per share	0.43	0.30	1.61	1.14

Weighted average number of shares used in per share calculations (in thousands):



**PRESS RELEASE**

**February 13, 2006**

Basic	<u>26,162</u>	<u>22,001</u>	<u>24,888</u>	<u>18,917</u>
Diluted	<u>27,742</u>	<u>27,207</u>	<u>27,664</u>	<u>24,083</u>
* Reporting net income	12,043	8,192	41,063	27,340
Litigation settlement fee	-	-	2,679	-
Follow on secondary expenses	<u>-</u>	<u>-</u>	<u>815</u>	<u>-</u>
Normalized net income	<u>12,043</u>	<u>8,192</u>	<u>44,557</u>	<u>27,340</u>

**SYNERON MEDICAL LTD.  
CONSOLIDATED BALANCE SHEETS  
U.S. dollars in thousands**

	<u>December 31 2005</u>	<u>December 31 2004</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16,570	\$ 12,468
Short-term deposits	-	57,893
Marketable securities	116,489	23,071
Trade receivables	19,776	8,628
Other accounts receivables and prepaid expenses	9,293	1,532
Inventories	<u>3,434</u>	<u>3,134</u>
Total current assets	<u>165,562</u>	<u>106,726</u>
<b>LONG-TERM ASSETS</b>		
Severance pay fund	249	196
Long-term deposits and others	1,103	28
Long-term trade receivables	1,003	754
Property and equipment, net	<u>1,189</u>	<u>842</u>



**PRESS RELEASE**

**February 13, 2006**

Total long-term assets	3,544	1,820
OTHER ASSET	1,175	1,000
Total assets	<u>170,281</u>	<u>109,546</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	2,112	1,520
Other current liabilities	18,960	10,135
Total current liabilities	<u>21,072</u>	<u>11,655</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred revenues	3,763	3,276
Accrued severance pay	282	214
Total long-term liabilities	<u>4,045</u>	<u>3,490</u>
SHAREHOLDERS' EQUITY	<u>145,164</u>	<u>94,401</u>
Total liabilities and shareholders' equity	<u>\$ 170,281</u>	<u>\$ 109,546</u>

**SYNERON MEDICAL LTD.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**U.S. dollars in thousands**

	<b>Three month ended</b>		<b>Year ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	\$ 12,043	\$ 8,192	\$ 41,063	\$ 27,340
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	152	53	569	143
Accrued severance pay, net	13	(6)	15	3
Increase in short-term and long-term trade receivables	(4,534)	(93)	(11,397)	(4,049)
Increase in other accounts receivables and prepaid expenses	(7,193)	(518)	(7,761)	(575)
Decrease (increase) in inventories	253	(615)	(300)	(1,647)
Increase (decrease) in trade payables	458	(567)	592	(688)
Increase in other current liabilities	7,118	(249)	7,572	389
Decrease in long-term litigation settlement fee	-	-	-	(900)
Gain on available for sale securities	(2,195)	(388)	(988)	(396)



**PRESS RELEASE**

**February 13, 2006**

Stock-based compensation	37	39	148	148
Increase (decrease) in deferred revenues	(87)	1,763	1,820	2,843
Loss on sales of property and equipment	-	1	12	3
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Net cash provided by operating activities	6,065	7,612	31,345	22,614
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment in short-term deposits, net	8,768	(980)	56,893	(56,873)
Purchase of available-for-sale securities	(23,713)	(3,297)	(98,880)	(17,759)
Proceeds from sale of available-for-sale securities	886	4,189	4,256	6,116
Investment in long-term Loans and others	(58)	(3)	(2,075)	(13)
Proceeds from long term Deposits and others	3,500	-	2,000	-
Purchase of property and equipment	(90)	(202)	(645)	(484)
Purchase of other assets	-	(1,000)	(466)	(1,000)
Proceeds from sale of property and equipment	-	-	8	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Net cash used in investing activities	(10,707)	(1,293)	(38,909)	(70,013)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of ordinary and preferred shares, net	-	-	-	53,851
Exercise of options	8,686	98	11,666	98
Repurchase of preferred A shares from shareholders	-	-	-	(235)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Net cash provided by financing activities	8,686	98	11,666	53,714
Increase in cash and cash equivalents	4,044	6,417	4,102	6,315
Cash and cash equivalents at the beginning of the period	12,526	6,051	12,468	6,153
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Cash and cash equivalents at the end of the period	<u>\$ 16,570</u>	<u>\$ 12,468</u>	<u>\$ 16,570</u>	<u>\$ 12,468</u>