



## HealthTronics, Inc. Announces Third Quarter 2007 Results

### Achieves Adjusted EBITDA Growth Over Second Quarter 2007

AUSTIN, Texas, Nov 01, 2007 (BUSINESS WIRE) -- HealthTronics, Inc. (NASDAQ:HTRN), a leading provider of Urology services and products, today announced its financial results for the third quarter ended September 30, 2007.

#### Third Quarter Financial Review

Revenue from continuing operations for the third quarter 2007 totaled \$36.0 million, compared to \$35.9 million in the same period in 2006 and \$35.6 million in the second quarter of 2007. The Company's income from continuing operations for the third quarter of 2007, in accordance with generally accepted accounting principles ("GAAP"), was \$0.6 million or \$0.02 per diluted share. The Company's non-GAAP income from continuing operations per diluted share for the third quarter 2007 was also \$0.02, which excludes non-cash stock-based compensation expense. The non-GAAP income compares to a \$0.01 per diluted share loss from continuing operations in the third quarter of 2006.

During the quarter, the Company recorded adjusted EBITDA of \$4.4 million, or 12% of revenue, which compares to adjusted EBITDA in the second quarter of 2007 of \$4.2 million for an increase of 5%. The adjusted EBITDA recorded in the third quarter of 2006 was \$4.8 million, or 13% of revenue. The increase in revenue from the third quarter of 2006 was due to revenue from the Keystone acquisition that closed in the second quarter of 2007, offset by a decrease in revenue from sales of medical products and decreases in lithotripsy procedure volume primarily within partnerships that the company has strategically exited within the last year.

The Company had cash and cash equivalents totaling \$23.3 million as of September 30, 2007 and cash flows from operations of \$45.6 million for the nine months ended September 30, 2007, which compares to cash flow from operations of \$36.8 million for the nine months ended September 30, 2006.

#### Urology Services

Urology Services division revenue for the third quarter of 2007 was \$31.6 million compared to \$31.1 million for the same period in 2006, an increase of 2%. The increase in quarterly revenue from the third quarter of 2006 was due to revenue from the Keystone acquisition, offset by decreases in lithotripsy procedure volume primarily within partnerships that the company has strategically exited within the last year. Same partnership lithotripsy procedures increased 1% compared to the third quarter of 2006 and revenue per procedure was up 2% from the third quarter of 2006 as well. The Urology Services division adjusted EBITDA for the third quarter of 2007 was \$5.0 million or 15.7% of revenue compared to \$5.8 million or 18.8% of revenue recorded in the third quarter of 2006.

#### Medical Products

Medical Products division revenue for the third quarter of 2007 was \$4.2 million compared to \$4.6 million in the same period in 2006 and \$4.6 million in the second quarter of 2007. The decreases from the third quarter of 2006 and the second quarter of 2007 were primarily due to a lower number of patient tables and lithotripters sold in the third quarter of 2007 offset by increased revenue from service maintenance contracts, the RevoLix(TM) laser and the anatomical pathology lab. The laboratory revenue increased 390% from the third quarter of 2006. The adjusted EBITDA for the Medical Products division for the third quarter of 2007 was \$0.6 million or 14% of revenue compared to \$0.3 million or 5% of revenue recorded in the third quarter of 2006.

#### Business Outlook

James Whittenburg, President and Chief Executive Officer, commented, "The third quarter results reflect another positive step directionally for HealthTronics. We experienced better than expected results within each of our divisions and have now exceeded our internal forecast for the third consecutive quarter. Based on our results through September 30th, we are tracking ahead of our annual guidance and remain on track with our growth initiatives."

Mr. Whittenburg continued, "Our balance sheet remains strong and our improving financial performance and positive cash flow has us well positioned for future growth. We expect our business to continue to strengthen as we expand our partnerships with

physicians, enhance our services, introduce new technology to our urologist partners and execute on other strategic opportunities."

Conference Call and Webcast: Management of HealthTronics will host a conference call the morning of Friday, November 2, 2007 at 11:00 a.m. EDT. Interested parties may participate in the call by dialing 877-741-4242 (International callers dial 719-325-4785) and ask for the "HealthTronics Q3 2007 Earnings" call (confirmation code: 7045805). Please call in 10 minutes before the call is scheduled to begin. The conference call will also be webcast live via the Investors section of HealthTronics' web site at [www.healthtronics.com](http://www.healthtronics.com). If you are unable to listen live, the conference call will be archived on the HealthTronics web site until December 1, 2007.

#### HealthTronics' Use of Non-GAAP Financial Measures:

This press release includes financial measures for net income (loss), net income (loss) from continuing operations, and related per share amounts that exclude certain charges and therefore have not been calculated in accordance with U.S. generally accepted accounting principles (GAAP). These non-GAAP financial measures may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. By excluding certain charges, these non-GAAP financial measures facilitate management's internal comparisons to the Company's historical operating results, to competitors' operating results, and to estimates made by securities analysts. Management uses these non-GAAP financial measures internally to evaluate its performance. The Company believes these non-GAAP financial measures are useful to decision-making. In addition, the Company has historically reported similar non-GAAP financial measures to its investors and believes that the inclusion of comparative numbers provides consistency in its financial reporting. Investors are encouraged to review the reconciliation of the non-GAAP financial measures used in this press release to their most directly comparable GAAP financial measure as provided in the financial statements attached to this press release.

EBITDA and Adjusted EBITDA: HealthTronics has presented EBITDA and Adjusted EBITDA amounts, which are non-GAAP financial measures. In the SEC filings, HealthTronics has reconciled such amounts to their most directly comparable financial measure calculated in accordance with GAAP, which is HealthTronics' net income. HealthTronics believes that its presentations of EBITDA and Adjusted EBITDA are important supplemental measures of operating performance to its investors.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a commonly used measure of performance which HealthTronics believes, when considered with measures calculated in accordance with GAAP, gives investors a more complete understanding of HealthTronics' operating results before the impact of investing and financing transactions and income taxes. HealthTronics does not subtract minority interest expense when calculating EBITDA; however, HealthTronics does adjust for minority interest expense and refers to this measure as "Adjusted EBITDA." Minority interest is a GAAP measure intended to reflect our partner's share of our consolidated net income and not our partner's share of our consolidated EBITDA. For example, calculation of minority interest expense does not include adjustments for depreciation, amortization, taxes or interest. As a result, our partners' share of consolidated EBITDA may not, in a given reporting period, equal the deduction for minority interest expense used in arriving at Adjusted EBITDA. HealthTronics has historically reported Adjusted EBITDA to its investors and believes that the continued inclusion of Adjusted EBITDA provides consistency in its financial reporting. Adjusted EBITDA is among the more significant factors in management's internal evaluation of total company performance. Adjusted EBITDA is also widely used by HealthTronics management in the annual budgeting process. HealthTronics believes these measures continue to be used by investors and creditors in their assessment of HealthTronics' operational performance and the valuation of the company.

EBITDA and Adjusted EBITDA are used in addition to and in conjunction with results presented in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered as an alternative to net income, operating income, a liquidity measure, or any other operating performance measure prescribed by GAAP, nor should these measures be relied upon to the exclusion of GAAP financial measures. EBITDA and Adjusted EBITDA reflect additional ways of viewing HealthTronics' operations that HealthTronics believes, when viewed with its GAAP results and the reconciliations to the corresponding GAAP financial measures provide a more complete understanding of factors and trends affecting HealthTronics' business than could be obtained absent this disclosure.

About HealthTronics: HealthTronics, Inc. is a premier urology company providing an exclusive suite of healthcare services and technology including urologist partnership opportunities, surgical and capital imaging equipment, maintenance services offerings, and clinical and anatomical pathology services. For more information, visit [www.healthtronics.com](http://www.healthtronics.com).

Cautionary Language: Statements by the Company's management made in this press release that are not strictly historical, including statements regarding plans, objective and future financial performance, are "forward-looking" statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although HealthTronics believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that the expectations will prove to be correct. Factors that could cause actual results to differ materially from HealthTronics' expectations include, among others, the existence of demand for and acceptance of HealthTronics' services, regulatory approvals, economic conditions, the impact of competition and pricing, financing efforts and other factors described from time

to time in HealthTronics' periodic filings with the Securities and Exchange Commission.

HEALTHTRONICS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

(\$ in thousands, except per share data)

|   | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|----------|------------------------------------|-----------|
|   | 2007                                | 2006     | 2007                               | 2006      |
| Revenue:  |                                     |          |                                    |           |
| Urology Services  | \$ 31,625                           | \$31,108 | \$ 90,846                          | \$ 92,975 |
| Medical Products  | 4,176                               | 4,640    | 13,002                             | 16,050    |
| Other   | 154                                 | 115      | 421                                | 418       |
| Total revenue   | 35,955                              | 35,863   | 104,269                            | 109,443   |
| Cost of services and general and administrative expenses:                                 |                                     |          |                                    |           |
| Salaries, wages and benefits  | 10,224                              | 11,481   | 32,479                             | 32,580    |
| Other costs of services   | 4,700                               | 4,793    | 14,249                             | 13,282    |
| General and administrative  | 1,863                               | 2,250    | 5,663                              | 6,439     |
| Legal and professional  | 1,069                               | 1,703    | 2,162                              | 3,640     |
| Manufacturing costs   | 1,750                               | 1,980    | 5,598                              | 8,424     |
| Advertising   | 237                                 | 140      | 793                                | 947       |
| Other   | 203                                 | 39       | 218                                | 259       |
| Depreciation and amortization   | 2,747                               | 2,888    | 8,339                              | 8,332     |
|   | 22,793                              | 25,274   | 69,501                             | 73,903    |
| Operating income  | 13,162                              | 10,589   | 34,768                             | 35,540    |
| Other income (expenses):  |                                     |          |                                    |           |
| Interest and dividends  | 247                                 | 253      | 835                                | 496       |
| Interest expense  | (196)                               | (249)    | (644)                              | (895)     |
|   | 51                                  | 4        | 191                                | (399)     |
| Income from continuing operations before provision for income taxes and minority interest | 13,213                              | 10,593   | 34,959                             | 35,141    |
| Minority interest in consolidated income  | 12,214                              | 11,381   | 32,998                             | 33,030    |
| Provision (benefit) for income taxes  | 389                                 | (10)     | 956                                | 1,262     |
| Income (loss) from continuing operations  | 610                                 | (778)    | 1,005                              | 849       |
| Income (loss) from discontinued operations, net of tax                                    | 135                                 | 31,955   | (111)                              | 32,969    |

|  |         |           |         |           |
|--|---------|-----------|---------|-----------|
| Net income                                 | \$ 745  | \$31,177  | \$ 894  | \$ 33,818 |
|  | =====   | =====     | =====   | =====     |
| Basic earnings per share:                  |         |           |         |           |
| Income (loss) from continuing operations   | \$ 0.02 | \$ (0.02) | \$ 0.03 | \$ 0.02   |
| Income (loss) from discontinued operations | \$ -    | \$ 0.90   | \$ -    | \$ 0.94   |
|  | -----   | -----     | -----   | -----     |
| Net income                                 | \$ 0.02 | \$ 0.88   | \$ 0.03 | \$ 0.96   |
|  | =====   | =====     | =====   | =====     |
| Weighted average shares outstanding        | 35,425  | 35,286    | 35,419  | 35,084    |
|  | =====   | =====     | =====   | =====     |
| Diluted earnings per share:                |         |           |         |           |
| Income (loss) from continuing operations   | \$ 0.02 | \$ (0.02) | \$ 0.03 | \$ 0.02   |
| Income (loss) from discontinued operations | \$ -    | \$ 0.90   | \$ -    | \$ 0.94   |
|  | -----   | -----     | -----   | -----     |
| Net income                                 | \$ 0.02 | \$ 0.88   | \$ 0.03 | \$ 0.96   |
|  | =====   | =====     | =====   | =====     |
| Weighted average shares outstanding        | 35,425  | 35,370    | 35,423  | 35,329    |
|  | =====   | =====     | =====   | =====     |

HealthTronics, Inc.  
Consolidated Balance Sheets  
(Unaudited)

| (\$ in thousands)                      | September 30,<br>2007 | December 31,<br>2006 |
|--|-----------------------|----------------------|
|  | -----                 | -----                |
| ASSETS                                 |                       |                      |
| Total current assets                   | \$ 70,926             | \$ 71,825            |
| Property and equipment, net            | 33,138                | 34,270               |
| Assets held for sale                   | -                     | 1,258                |
| Goodwill                               | 234,648               | 229,261              |
| Other assets                           | 11,402                | 10,119               |
|  | -----                 | -----                |
|  | \$ 350,114            | \$ 346,733           |
|  | =====                 | =====                |
| LIABILITIES                            |                       |                      |
| Total current liabilities              | \$ 17,958             | \$ 30,123            |
| Long-term debt, net of current portion | 4,824                 | 5,673                |
| Liabilities held for sale              | -                     | 258                  |

|                             |            |            |
|-----------------------------|------------|------------|
| Other long-term liabilities | 33,722     | 25,058     |
|                             | -----      | -----      |
| Total liabilities           | 56,504     | 61,112     |
| Minority interest           | 35,995     | 30,104     |
| Total stockholders' equity  | 257,615    | 255,517    |
|                             | -----      | -----      |
|                             | \$ 350,114 | \$ 346,733 |
|                             | =====      | =====      |

HealthTronics, Inc.  
 Supplemental Financial Information  
 Continuing Operations  
 For the Periods Ended September 30, 2007 and 2006  
 Unaudited  
 In thousands, except per share data

|  | 3rd Quarter |           | Year to Date |            |
|--|-------------|-----------|--------------|------------|
|  | 2007        | 2006      | 2007         | 2006       |
|  | -----       | -----     | -----        | -----      |
| Summary of Results from Operations           |             |           |              |            |
| Revenues                                     | \$ 35,955   | \$ 35,863 | \$104,269    | \$ 109,443 |
| EBITDA(a)                                    | \$ 16,583   | \$ 16,177 | \$ 45,120    | \$ 48,246  |
| Adjusted EBITDA(a)                           | \$ 4,369    | \$ 4,796  | \$ 12,122    | \$ 15,216  |
| Net Income (loss) from Continuing Operations | \$ 610      | \$ (778)  | \$ 1,005     | \$ 849     |
| Net Income                                   | \$ 745      | \$ 31,177 | \$ 894       | \$ 33,818  |
| EPS from Continuing Operations               | \$ 0.02     | \$ (0.02) | \$ 0.03      | \$ 0.02    |
| EPS  | \$ 0.02     | \$ 0.88   | \$ 0.03      | \$ 0.96    |
| Number of Shares                             | 35,425      | 35,370    | 35,423       | 35,329     |
| Segment Information                          |             |           |              |            |
| Revenues:                                    |             |           |              |            |
| Urology Services                             | \$ 31,625   | \$ 31,108 | \$ 90,846    | \$ 92,975  |
| Medical Products                             | \$ 4,176    | \$ 4,640  | \$ 13,002    | \$ 16,050  |
| Adjusted EBITDA(a):                          |             |           |              |            |
| Urology Services                             | \$ 4,980    | \$ 5,839  | \$ 13,944    | \$ 18,862  |
| Medical Products                             | \$ 585      | \$ 250    | \$ 1,722     | \$ 351     |
| Other Information:                           |             |           |              |            |

|   |            |             |            |             |
|---|------------|-------------|------------|-------------|
| Cashflow from Operations                          | \$ 18,466  | \$ 11,920   | \$ 45,564  | \$ 36,846   |
| Net Draws (Payments) on<br>Senior Credit Facility | \$ -       | \$(123,312) | \$ -       | \$(124,063) |
| Net Debt  | \$(13,589) | \$(12,794)  | \$(13,589) | \$(12,794)  |

(a) See accompanying reconciliation of EBITDA and Adjusted EBITDA

HealthTronics, Inc.  
Non-GAAP Financial Measures  
Reconciliation of EBITDA and Adjusted EBITDA  
Continuing Operations  
For the Periods Ended September 30, 2007 and 2006  
Unaudited  
In thousands

|   | 3rd Qtr   |           | Year to Date |           |
|---|-----------|-----------|--------------|-----------|
|   | 2007      | 2006      | 2007         | 2006      |
| Consolidated                                |           |           |              |           |
| Income (loss) from Continuing<br>Operations | \$ 610    | \$ (778)  | \$ 1,005     | \$ 849    |
| Add Back(deduct):                           |           |           |              |           |
| Provision for income taxes                  | 389       | (10)      | 956          | 1,262     |
| Interest expense                            | 196       | 249       | 644          | 895       |
| Depreciation and<br>amortization            | 2,747     | 2,888     | 8,339        | 8,332     |
| Restructuring costs                         | 400       | 2,145     | 400          | 3,195     |
| Stock-based compensation<br>costs           | 27        | 302       | 778          | 683       |
| Adjusted EBITDA                             | 4,369     | 4,796     | 12,122       | 15,216    |
| Add Back:                                   |           |           |              |           |
| Minority interest expense                   | 12,214    | 11,381    | 32,998       | 33,030    |
| EBITDA                                      | \$ 16,583 | \$ 16,177 | \$ 45,120    | \$ 48,246 |
| <hr style="border-top: 3px double black;"/> |           |           |              |           |
| Urology Services Segment                    |           |           |              |           |
| Revenues                                    | \$ 31,625 | \$ 31,108 | \$ 90,846    | \$ 92,975 |
| Expenses:                                   |           |           |              |           |
| Cost of Services                            | (14,536)  | (13,934)  | (44,214)     | (41,639)  |
| Other Income (Expenses)                     | 118       | 75        | 352          | 204       |
| EBITDA                                      | 17,207    | 17,249    | 46,984       | 51,540    |
| Minority interest expense                   | (12,227)  | (11,410)  | (33,040)     | (33,078)  |

|                                   |          |          |           |           |
|-----------------------------------|----------|----------|-----------|-----------|
| Adjusted EBITDA before add backs: | \$ 4,980 | \$ 5,839 | \$ 13,944 | \$ 18,462 |
|                                   | =====    | =====    | =====     | =====     |
| Add Backs:                        |          |          |           |           |
| Restructuring costs               | -        | -        | -         | 400       |
|                                   | -----    | -----    | -----     | -----     |
| Adjusted EBITDA                   | \$ 4,980 | \$ 5,839 | \$ 13,944 | \$ 18,862 |
|                                   | =====    | =====    | =====     | =====     |

Medical Products Segment

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|                           |          |          |           |           |
|---------------------------|----------|----------|-----------|-----------|
| Revenues                  | \$ 4,176 | \$ 4,640 | \$ 13,002 | \$ 16,050 |
| Expenses:                 |          |          |           |           |
| Cost of Services          | (3,612)  | (4,434)  | (11,349)  | (15,790)  |
| Other Income (Expenses)   | 7        | 15       | 27        | 43        |
|                           | -----    | -----    | -----     | -----     |
| EBITDA                    | 571      | 221      | 1,680     | 303       |
| Minority interest expense | 14       | 29       | 42        | 48        |
|                           | -----    | -----    | -----     | -----     |
| Adjusted EBITDA           | \$ 585   | \$ 250   | \$ 1,722  | \$ 351    |
|                           | =====    | =====    | =====     | =====     |

SOURCE: HealthTronics, Inc.

HealthTronics, Inc., Austin  
 Ross Goolsby, 512-314-4554  
 Senior Vice President and Chief Financial Officer  
[ross.goolsby@healthtronics.com](mailto:ross.goolsby@healthtronics.com)  
[www.healthtronics.com](http://www.healthtronics.com)

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