

# UTAH MEDICAL PRODUCTS, INC.



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## PRESS RELEASE

### UTMD Reports Audited Financial Results for 2001

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Salt Lake City, Utah - Utah Medical Products, Inc. (NASDAQ: UTMD) concluded an excellent year in 2001 that exceeded its beginning of year projection for earnings per share (eps) by \$.04. The favorable result was achieved through record profit margins of 57.1% for gross profits and 34.4% for operating profits. Earnings before interest and income taxes (EBIT) increased \$930,000 for the year.

Year 2001 eps of \$1.14 were also a company record. Fourth quarter (4Q) 2001 eps were up 8%, UTMD's sixteenth consecutive quarter of higher eps compared with the same quarter in the prior year, during which four-year time span sales, gross profits, operating profits, EBIT, net profits and eps have grown at annually compounded rates of 3%, 5%, 14%, 9%, 8% and 22%, respectively.

Direct U.S. sales activity representing 75% of total sales was essentially the same as in the prior year. UTMD with its speciality products continued to successfully compete against much larger companies able to employ administrative contracts with hospital group purchasing organizations. Domestic OEM sales (component sales to other manufacturers) were up 3% for the year. International sales, which represented 19% of total 2001 sales, were down 4% for the year.

UTMD's core obstetrical supplies business, representing 46% of total sales, declined 2% relative to 2000. Sales of neonatal products increased 1% compared to 2000, representing 14% of total 2001 sales. UTMD's specialty gynecology/urology product sales, representing 18% of total 2001 sales, were up 8% for the year. The remaining 22% of sales, primarily blood pressure monitoring DPT's and accessories which are not directly related to Ob/Gyn and neonatal applications, were down 6% for the year. The majority of the decline in blood pressure monitoring product sales was due to weak international business activity.

Record gross profit margins were achieved as the result of a favorable product mix, continuing improvements in production efficiencies within existing facilities and reducing direct material costs. Total operating expenses (including sales and marketing, research and development, and general and administrative expenses) declined from 24.9% of sales in 2000 to 22.7% of sales in 2001. The decline was due primarily to improved productivity in the company's direct sales force. UTMD used the purchase method of accounting with respect to its 1997 and 1998 acquisitions, which means UTMD has been amortizing the excess of the price paid over the book value for those acquisitions as an expense, reducing reported profits. If UTMD had used the rules recently adopted by the SEC which will be used for accounting periods beginning in 2002, UTMD's reported 2001 eps would be \$.09 higher, or \$1.23 per share. Total amortization of goodwill included in 2001 G&A expenses was \$569,000, of which \$335,000 was not a deductible expense for income tax purposes. Also included in 2001 G&A expenses were substantial litigation costs relating to the patent infringement case in which a favorable decision was reached last week. In response to questions from shareholders, UTMD will estimate the impact of the decision on its future business after remaining legal issues are decided by the Court.

UTMD's EBITDA (earnings before income tax and interest expense, plus depreciation and amortization) was \$11,783,000 or 44% of sales in 2001. As a ratio of sales, this EBITDA performance was also a company record. Because of UTMD's excellent cash flow as demonstrated by EBITDA, the Company was able to reduce its debt balance by \$7.5 million. According to CEO Kevin Cornwell, "UTMD remains solidly profitable and operationally fit. UTMD's performance gives it the financial ability to operate its business with a long term perspective. In December, prior to last week's federal court jury verdict, we projected \$1.26 eps for 2002. Of course, management's objective is an annual 20% increase in eps, which we fortunately have been able to achieve since 1997. "

Investors are cautioned that this press release contains forward looking statements and that actual events may differ from those projected. Risks factors that could cause results to differ materially from those projected include market acceptance of products, timing of regulatory approval of new products, UTMD's ability to efficiently manufacture, market, and sell its products, the ultimate outcome of UTMD's patent infringement litigation among other factors that have been outlined in UTMD's public disclosure filings with the SEC. The 2001 10-K will be filed with the SEC by March 31, and the 2001 Annual Report will be mailed to shareholders about April 1.

Utah Medical Products, Inc., with particular interest in healthcare for women and their babies, develops, manufactures, assembles and markets a broad range of disposable and reusable specialty medical devices designed for better health outcomes for patients and their care-providers.

Fourth Quarter ended December 31  
(in thousands except earnings per share):

	<u>Percent Change</u>	<u>4Q 2001</u>	<u>4Q 2000</u>
Net Sales	+1.7%	\$6,802	\$6,690
Gross Profit	+1.6%	3,812	3,752
Operating Income	+4.6%	2,308	2,207
Income Before Tax	+13.7%	2,429	2,136
Net Income	+13.0%	1,531	1,354
Earnings Per Share	+8.4%	.291	.269
Shares Outstanding (diluted)		5,256	5,041

Year ended December 31  
(in thousands except earnings per share):

	<u>Percent Change</u>	<u>2001</u>	<u>2000</u>
Net Sales	(0.9%)	\$26,954	\$27,193
Gross Profit	+1.8%	15,393	15,125
Operating Income	+10.9%	9,278	8,366
Income Before Tax	+12.6%	9,479	8,419
Net Income	+10.4%	5,934	5,373
Earnings Per Share	+26.7%	1.139	.899
Shares Outstanding (diluted)		5,210	5,978