

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**UTAH MEDICAL PRODUCTS INC**

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Type: **10-Q** | Act: **34** | File No.: **001-12575** | Film No.: **111184319**  
SIC: **3841** Surgical & medical instruments & apparatus

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

Quarterly Report Under Section 13 or 15(d) of  
The Securities Exchange Act of 1934

For quarter ended: September 30, 2011

Commission File No. 001-12575

**UTAH MEDICAL PRODUCTS, INC.**

(Exact name of Registrant as specified in its charter)

UTAH  
(State or other jurisdiction of  
incorporation or organization)

87-0342734  
(I.R.S. Employer  
Identification No.)

7043 South 300 West  
Midvale, Utah 84047  
Address of principal executive offices

Registrant's telephone number: (801) 566-1200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and; (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 4, 2011: 3,639,000.

UTAH MEDICAL PRODUCTS, INC.  
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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS AS OF  
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010  
(in thousands)

<u>ASSETS</u>	(unaudited) SEPTEMBER 30, 2011	(audited) DECEMBER 31, 2010
Current assets:		
Cash	\$ 7,040	\$ 3,818
Investments, available-for-sale	58	14,718
Accounts & other receivables - net	5,027	3,164
Inventories	4,963	3,097
Other current assets	655	346
Total current assets	<u>17,743</u>	<u>25,142</u>
Property and equipment - net	9,065	8,750
Goodwill	15,970	7,191
Other intangible assets	39,665	2,165
Other intangible assets - accumulated amortization	<u>(3,385)</u>	<u>(2,010)</u>
Other intangible assets - net	36,281	155
TOTAL	<u>\$ 79,059</u>	<u>\$ 41,238</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 1,701	\$ 398
Accrued expenses	3,323	1,290
Current portion of notes payable	5,470	215
Total current liabilities	<u>10,494</u>	<u>1,903</u>
Notes payable	18,536	909
Deferred tax liability - intangible assets	8,425	-
Other long term liabilities	460	-
Deferred income taxes	777	634
Total liabilities	<u>38,692</u>	<u>3,446</u>
Stockholders' equity:		
Preferred stock - \$.01 par value; authorized - 5,000 shares; no shares issued or outstanding		
Common stock - \$.01 par value; authorized - 50,000 shares; issued - September 30, 2011, 3,638 shares and December 31, 2010, 3,619 shares	36	36
Accumulated other comprehensive loss	(2,241)	(1,275)
Additional paid-in capital	651	107
Retained earnings	41,920	38,924
Total stockholders' equity	<u>40,367</u>	<u>37,792</u>

TOTAL

\$ 79,059    \$ 41,238

*see notes to consolidated condensed financial statements*

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME FOR THE  
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010  
(in thousands, except per share amounts - unaudited)

	<u>THREE MONTHS ENDED</u> <u>SEPTEMBER 30,</u>		<u>NINE MONTHS ENDED</u> <u>SEPTEMBER 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Sales, net	\$ 10,784	\$ 6,201	\$ 27,954	\$ 18,912
Cost of goods sold	<u>4,266</u>	<u>2,865</u>	<u>11,466</u>	<u>8,987</u>
Gross profit	6,518	3,336	16,487	9,925
Operating expense				
Selling, general and administrative	2,842	977	7,172	2,893
Research & development	<u>138</u>	<u>101</u>	<u>386</u>	<u>292</u>
Total	<u>2,979</u>	<u>1,078</u>	<u>7,558</u>	<u>3,184</u>
Operating income	3,539	2,257	8,929	6,741
Other income (expense)	<u>(265)</u>	<u>31</u>	<u>(561)</u>	<u>66</u>
Income before provision for income taxes	3,274	2,289	8,368	6,807
Provision for income taxes	<u>1,037</u>	<u>777</u>	<u>2,812</u>	<u>2,302</u>
Net income	<u>\$ 2,237</u>	<u>\$ 1,512</u>	<u>\$ 5,556</u>	<u>\$ 4,505</u>
Earnings per common share (basic)	\$ 0.62	\$ 0.42	\$ 1.53	\$ 1.24
Earnings per common share (diluted)	\$ 0.61	\$ 0.42	\$ 1.53	\$ 1.24
Shares outstanding - basic	<u>3,636</u>	<u>3,616</u>	<u>3,629</u>	<u>3,622</u>
Shares outstanding - diluted	<u>3,644</u>	<u>3,631</u>	<u>3,642</u>	<u>3,643</u>

*see notes to consolidated condensed financial statements*

**UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010**  
(in thousands - unaudited)

	SEPTEMBER 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 5,556	\$ 4,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	536	416
Amortization	1,424	33
(Gain) loss on investments	(6)	(39)
Provision for (recovery of) losses on accounts receivable	10	4
Deferred income taxes	(374)	-
(Gain) loss on disposal of assets	-	0
Stock-based compensation expense	73	64
Changes in operating assets and liabilities:		
Accounts receivable - trade	287	303
Accrued interest and other receivables	(26)	(45)
Inventories	(579)	122
Prepaid expenses and other current assets	163	48
Accounts payable	(439)	21
Accrued expenses	955	55
Deferred revenue	(52)	-
Other liability	330	-
Total adjustments	2,303	982
Net cash provided by operating activities	7,859	5,487
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures for:		
Property and equipment	(196)	(1,418)
Intangible assets	(8)	(2)
Purchases of investments	(500)	(1,200)
Proceeds from the sale of investments	15,155	2,639
Net cash paid in acquisition	(41,084)	-
Net cash provided by (used in) investing activities	(26,633)	19
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock - options	442	380
Common stock purchased and retired	-	(439)
Tax benefit attributable to exercise of stock options	30	30
Proceeds from notes payable	26,934	-
Repayments of note payable	(3,682)	(302)
Payment of dividends	(1,705)	(1,707)
Net cash provided by (used in) financing activities	22,019	(2,037)
Effect of exchange rate changes on cash	(23)	(28)
NET INCREASE (DECREASE) IN CASH	3,222	3,441
CASH AT BEGINNING OF PERIOD	3,818	410

CASH AT END OF PERIOD	<u>\$ 7,040</u>	<u>\$ 3,851</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for income taxes	\$ 2,015	\$ 2,055
Cash paid during the period for interest	636	19

*see notes to consolidated condensed financial statements*



UTAH MEDICAL PRODUCTS, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(unaudited)

(1) The unaudited financial statements have been prepared in accordance with the instructions to form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States. These statements should be read in conjunction with the financial statements and notes included in the Utah Medical Products, Inc. ("UTMD" or "the Company") annual report on form 10-K for the year ended December 31, 2010. In the opinion of management, the accompanying financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. Currency amounts are in thousands except per-share amounts, and where noted.

(2) Inventories at September 30, 2011 and December 31, 2010 consisted of the following:

	September 30, 2011	December 31, 2010
Finished goods	\$ 2,465	\$ 1,008
Work-in-process	936	757
Raw materials	1,562	1,332
Total	<u>\$ 4,963</u>	<u>\$ 3,097</u>

(3) Stock-Based Compensation. At September 30, 2011, the Company has stock-based employee compensation plans which authorize the grant of stock options to eligible employees and directors. The Company accounts for stock compensation under FASB Accounting Standards Codification ("ASC") 718, *Stock Compensation*. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted to employees and directors. In the quarters ended September 30, 2011 and 2010, the Company recognized \$24 and \$19, respectively, in stock-based compensation cost. In the nine months ended September 30, 2011 and 2010, the Company recognized \$73 and \$64, respectively, in stock-based compensation cost.

(4) Comprehensive Income. Comprehensive income for the third quarter (3Q) and first nine months (9M) of 2011 was \$1,554 and \$4,964, net of taxes, respectively. The components used to calculate comprehensive income were foreign currency translation adjustments of (\$668) and (\$585) in 3Q and 9M 2011, respectively, and unrealized holding gains (losses) of (\$15) and (\$7) in 3Q and 9M 2011, respectively.

(5) Acquisition. On March 18, 2011, UTMD purchased all of the common shares of Femcare Holdings Ltd (Femcare) of the United Kingdom, and its subsidiaries. Femcare is best known for its leading global brand the Filshie Clip System – a female surgical contraception device (tubal ligation). UTMD expects the business combination will provide diversification, expansion and integration benefits that each company separately did not have the opportunity to achieve. UTMD anticipates that the acquisition will be accretive to financial performance in 2011 and beyond.

While UTMD used its best estimates and assumptions as a part of the \$41 million purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, UTMD will record adjustments to the assets acquired and liabilities assumed with the corresponding offset to intangible assets. Upon the conclusion of the measurement period or final determination of the values of assets or liabilities assumed, which ever comes first, any subsequent adjustments will be recorded to consolidated statements of operations. UTMD believes that the accounting of fixed assets is complete, but liabilities and intangible asset balances remain uncertain. As of September 30, 2011, no adjustments have been made in the purchase price set on the closing date, or in the initial valuation of assets and liabilities and allocation of intangible assets.

A two-year \$3.2 million escrow was set aside from the purchase price to back the warranties and representations of the sellers. The purchase price allocation is currently as follows:

Assets Acquired	
Accounts receivable	\$ 2,176
Prepaid expenses	344
Inventory	1,319
Property and equipment	606
Identifiable intangibles	
Patents	97
Non-compete agreements	162
Trademarks, trade names	11,559
Customer relationships	11,559
Regulatory approvals & product certifications	15,419
Goodwill	9,084
Total assets acquired	52,325
Liabilities Assumed	
Accounts payable	1,107
Accrued expenses	1,049
Deferred tax liability	9,084
Total liabilities assumed	11,241
Net assets acquired	<u>\$ 41,084</u>

With respect to the assets acquired from Femcare, UTMD will amortize the patents and non-compete agreements over 10 and 5 years, respectively. The remaining \$38,537 in identifiable intangibles will be amortized over 15 years. The \$9,084 in deferred tax liability and goodwill results from the difference between the book basis and tax basis of the accumulated amortization of identifiable intangible assets. The deferred tax liability will decline to zero over 15 years as the tax basis of the intangibles declines. The goodwill will not be amortized, but will be written down if and when the value becomes impaired.

The Company incurred \$8 towards acquisition related expenses, all of which are categorized under General and Administrative expenses in the Consolidated Condensed Statements of Income for the three months ended September 30, 2011, and \$293 for the nine months ended September 30, 2011.

(6) Notes payable. On March 17, 2011, UTMD obtained a \$14,000 loan from JPMorgan Chase Bank, N.A. (Chase), to help finance the purchase price of Femcare. On September 23, 2011, certain loan covenants were modified and clarified. The terms and conditions of the loan require UTMD to a) repay the loan in equal monthly payments over 5 years, b) pay interest based on the 30-day LIBOR rate plus a margin starting at 2.80% and ranging from 2.00% to 3.75%, depending on the ratio of its funded debt to EBITDA (Leverage Ratio), c) pledge 65% of all foreign subsidiaries' stock, d) provide first priority liens on all domestic business assets, e) maintain its Interest Coverage Ratio at 1.05 to 1.00 or better, f) maintain its Tangible Net Worth (TNW) above negative \$20 million, plus 50% of cumulative net income after April 1, 2011, and g) maintain its Leverage Ratio at 2.75 to 1.00 or less. Based on the September 30, 2011 Leverage Ratio, the bank's margin is now 2.00%. UTMD is in compliance with all of the loan financial covenants at September 30, 2011.

On March 18, 2011, Femcare obtained an £8,000 (\$12,934) loan from JP Morgan Chase, London, to help finance UTMD's purchase of Femcare. Terms and conditions of the loan are the same as those listed above for the \$14,000 U.S. loan.

(7) Warranty Reserve. The Company's published warranty is: "UTMD warrants its products to conform in all material respects to all published product specifications in effect on the date of shipment, and to be free from defects in material and workmanship for a period of thirty (30) days for supplies, or twenty-four (24) months for equipment, from date of shipment. During the warranty period UTMD shall, at its option, replace any products shown to UTMD's reasonable satisfaction to be defective at no expense to the Purchaser or refund the purchase price."

UTMD maintains a warranty reserve to provide for estimated costs which are likely to occur. The amount of this reserve is adjusted, as required, to reflect its actual experience. Based on its analysis of historical warranty claims and its estimate that existing warranty obligations are immaterial, no warranty reserve was made at January 1, 2011. Femcare had an established reserve at the time of acquisition by UTMD, which is shown as an increase in the reserve in the table below. The following table summarizes changes to UTMD's warranty reserve during 9M 2011:

Beginning Balance, January 1, 2011	\$	0
<u>Changes in Warranty Reserve during 9M 2011:</u>		
Aggregate reductions for warranty repairs		-
Aggregate changes for warranties issued during reporting period		-
Aggregate changes in reserve related to preexisting warranties		<u>32</u>
Ending Balance, September 30, 2011	\$	<u><u>32</u></u>

(8) Investments. As of September 30, 2011, the Company's investments are in Citigroup (C) and General Electric (GE). Changes in the unrealized holding gain/loss on investment securities available-for-sale and reported as a separate component of accumulated other comprehensive income are as follows:

	<u>3Q 2011</u>	<u>3Q 2010</u>
Balance, beginning of period	\$ (181)	\$ (224)
Realized loss from securities included in beginning balance	-	30
Gross unrealized holding gains (losses), in equity securities	(25)	6
Deferred income taxes on unrealized holding loss	10	(14)
Balance, end of period	<u><u>\$ (196)</u></u>	<u><u>\$ (202)</u></u>

(9) Fair Value Measurements. The Company follows ASC 820, *Fair Value Measurements and Disclosures* to determine fair value of its financial assets. The following table provides financial assets carried at fair value measured as of September 30, 2011:

	<u>Fair Value Measurements Using</u>			
	<u>Quoted Prices</u>			
	<u>in Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	
	<u>for Identical Assets</u>	<u>Observable Inputs</u>	<u>Unobservable Inputs</u>	
<u>Description</u>	<u>Total Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>at 9/30/2011</u>				
Common stock	\$ 58	\$ 58	\$ 0	\$ 0

(10) Subsequent Events. UTMD has evaluated subsequent events through the date the financial statements were issued, and concluded there were no other events or transactions during this period that required recognition or disclosure in its financial statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### General

UTMD manufactures and markets a well-established range of primarily single-use specialty medical devices. The Company's Form 10-K Annual Report for the year ended December 31, 2010 provides a detailed description of products, technologies, markets, regulatory issues, business initiatives, resources and business risks, among other details, and should be read in conjunction with this report. A pictorial display as well as description of UTMD's devices is available on the Company's website [www.utahmed.com](http://www.utahmed.com).

Because of the relatively short span of time, results for any given three month period in comparison with a previous three month period may not be indicative of comparative results for the year as a whole. Currency amounts in the report are in thousands, except per-share amounts or where otherwise noted.

### Analysis of Results of Operations

#### a) Overview

On March 18, 2011, UTMD acquired Femcare (see note 5). The performance of Femcare after March 17 is included in 2011 financial results.

A summary of income statement measures for third quarter (3Q) and nine months (9M) 2011 compared to the same periods of 2010 follow:

	<u>3Q</u> <u>2011</u>	<u>3Q</u> <u>2010</u>	<u>change</u>	<u>9M</u> <u>2011</u>	<u>9M</u> <u>2010</u>	<u>change</u>
Net Sales	\$ 10,784	\$ 6,201	73.9%	\$ 27,954	\$ 18,912	47.8%
Gross Profit	6,518	3,336	95.4%	16,487	9,925	66.1%
Operating Income	3,539	2,257	56.8%	8,929	6,741	32.5%
Income Before Tax	3,274	2,289	43.1%	8,368	6,807	22.9%
Net Income	2,237	1,512	48.0%	5,556	4,505	23.3%
Earnings per Share	.614	.416	47.5%	1.526	1.237	23.4%

A comparison of profit margins for 3Q and 9M 2011 compared to the same periods of 2010 follow:

	<u>3Q 2011</u>	<u>3Q 2010</u>	<u>9M 2011</u>	<u>9M 2010</u>
Gross Profit Margin	60.4%	53.8%	59.0%	52.5%
Operating Profit Margin	32.8%	36.4%	31.9%	35.6%
Net Income Margin	20.7%	24.4%	19.9%	23.8%

The third quarter 2011 was the second full quarter where Femcare operating results were combined with UTMD results. Femcare's sales were 42% of total consolidated sales in 3Q 2011, and 33% in 9M 2011.

UTMD's gross profit margin (GPM), gross profits divided by sales, was 6.6 percentage points higher in 3Q 2011 than in 3Q 2010, and 6.5 percentage points higher in 9M 2011 than in 9M 2010. The GPM was higher due to the addition of Femcare product sales with higher average GPMs.

Operating profits were \$3,539 and \$8,929 in 3Q and 9M 2011 compared to \$2,257 and \$6,741 in 3Q and 9M 2010, respectively. Femcare acquisition transaction costs of \$8 and \$293 in 3Q and 9M 2011 were included in G&A expenses. Despite the higher GPM, Operating Profit Margins were about four percentage points lower due to 1) the amortization of intangible assets that resulted from the Femcare acquisition, 2) acquisition expenses, and 3) higher Femcare operating expenses as a percentage of sales.

Income before Taxes (EBT) increased to \$3,274 in 3Q 2011 from \$2,289 in 3Q 2010, and to \$8,368 in 9M 2011 from \$6,807 in 9M 2010. EBT included interest expense from borrowing to help finance the Femcare acquisition. Interest expense was \$281 in 3Q 2011 and \$635 in 9M 2011, compared to \$6 in 3Q 2010 and \$19 in 9M 2010. The interest expense in 2010 was from a bank loan to UTMD Ltd in Ireland.



Net Income (income after provision for income taxes) was \$2,237 in 3Q 2011 and \$5,556 in 9M 2011 compared to \$1,512 and \$4,505 in the same periods of 2010. Net Income Margins were down about four percentage points due to the additional operating expenses including amortization of intangible assets and interest expense related to the Femcare acquisition. The effective consolidated income tax provision rate for 3Q 2011 including Femcare was 31.7% in 3Q 2011 compared to 34.0% in 3Q 2010, and 33.6% in 9M 2011 compared to 33.8% in 9M 2010. The lower rate in 3Q 2011 was primarily related to the lower income tax rate in the UK compared to the U.S. for the portion of consolidated income generated in the UK. For 9M 2011, the tax provision was about the same as in the prior year because the lower income tax rate in the UK was offset by the lack of deductibility of acquisition expenses, which were capitalized for income tax purposes.

3Q 2011 earnings per share (EPS) were \$.614 compared to \$.416 in 3Q 2010. 9M 2011 EPS were \$1.526 compared to \$1.237 in 9M 2010. The most recent four calendar quarters' EPS were \$1.94. EPS for calendar year 2010 were \$1.65. Management is currently projecting EPS for calendar year 2011 of at least \$2.00, which was the upper end of management's earlier projections.

The Company's September 30, 2011 balance sheet changed substantially from December 31, 2010 due to the Femcare acquisition. The September 30, 2011 balance sheet showed improvement compared to the post-acquisition March 31, 2011 balance sheet. Key September 30, 2011 balance sheet changes compared to December 31, 2010 and March 31, 2011 follow:

	Change from 12-31-10	Change from 3-31-11
Cash & investments	\$ (11,438)	\$ 2
Receivables & inventory	3,729	316
Property and equipment – net	315	(417)
Goodwill	8,779	(242)
Other intangible assets – net	36,126	(2,305)
Total assets	37,820	(2,845)
Current portion of notes payable	5,255	(114)
Notes payable	17,627	(3,790)
Deferred tax liability	8,425	(570)
Total liabilities	35,246	(4,818)
Shareholders' Equity	2,574	1,973

#### b) Revenues

The Company believes that revenue should be recognized at the time of shipment as title generally passes to the customer at the time of shipment. Revenue recognized by UTMD is based upon documented arrangements and fixed contracts in which the selling price is fixed prior to acceptance and completion of an order. Revenue from product or service sales is generally recognized at the time the product is shipped or service completed and invoiced, and collectibility is reasonably assured. There are no post-shipment obligations which have been or are expected to be material to financial results.

In the U.S. and UK, with the exception of certain third party group purchasing organization (GPO) agreements, UTMD directly accepts orders from and ships to end user clinical facilities under its Standard Terms and Conditions (T&C) of Sale. GPOs are bargaining agents, not customers. Except for an administrative fee, generally 3% of UTMD's domestic sales to GPO members, the T&C of GPO agreements are not materially different from UTMD's Standard T&C of Sale.

UTMD may have separate discounted pricing agreements with a clinical facility or group of facilities based on volume of purchases. Pricing agreements with clinical facilities, or groups of facilities, are established (similar to GPO agreements) in advance of orders accepted or shipments made. For existing customers, past actual shipment volumes determine the fixed price by part number for the next agreement period of one, two or three years. For new customers, the customer's best estimate of volume is accepted by UTMD for determining the ensuing fixed prices for the agreement period. New customers typically have one-year agreements. Prices are not adjusted after an order is accepted. For the sake of clarity, the separate pricing agreements with clinical facilities based on volume of purchases disclosure is not inconsistent with UTMD's disclosure above that the selling price is fixed prior to the acceptance of a specific customer order.

There are circumstances under which revenue may be recognized when product is not shipped, which meet the criteria of SAB 104: the Company provides engineering services, for example, design and production of manufacturing tooling that may be used in subsequent UTMD manufacturing of custom components for other companies. This revenue is recognized when UTMD's service has been completed according to a fixed contractual agreement.



Consolidated total 3Q 2011 sales were up \$4,583 (73.9%) and 9M 2011 sales were up \$9,041 (47.8%) from the same respective periods in 2010. Excluding Femcare Group Ltd sales of \$4,544 in 3Q 2011 and \$9,223 in 9M 2011, sales were up 0.6% in 3Q 2011 and down 1.0% in 9M 2011 compared to the same periods of 2010. Comparing 3Q 2011 to 3Q 2010 global sales in product categories, blood pressure monitoring device/ component (BPM) sales were up 7%, neonatal device sales were up 5%, gynecology/ electrosurgery device sales were up 310% and obstetrics device sales were down 8%. All of Femcare's sales are included in the gynecology category. For 9M 2011 compared to 9M 2010 global sales in product categories, BPM sales were up 7%, neonatal device sales were down 5%, gynecology/ electrosurgery device sales were up 201% and obstetrics device sales were down 2%.

International sales in 3Q 2011 and 9M 2011, respectively, were up 217% and 142%. With the addition of Femcare, international sales were 51% of total consolidated 3Q 2011 sales, and 49% of 9M 2011 sales compared to 28% in 3Q 2010 and 30% in 9M 2010. UTMD Ireland 3Q 2011 shipments were down 7% in U.S. dollar (USD) terms and down 12% in Euro terms compared to the prior year. For 9M 2011, UTMD Ireland USD- and Euro-denominated trade shipments were down 7% and 13% respectively.

U.S. domestic sales were up 18% in 3Q 2011 and 7% in 9M 2011 compared to the same periods in 2010. Domestic direct sales of finished devices to U.S. end-users were 5% lower in both 3Q 2011 and 9M 2011 compared to the same periods in 2010, a continuation of the experience of lower hospital utilization rates of UTMD's specialty devices. Domestic sales of OEM components to other companies were up 282% for 3Q 2011 and 145% for 9M 2011. Sales of Femcare's Filshie Clip System components to Cooper Surgical Inc. accounted for the increase.

The following table provides the actual sales dollar amounts by general product category for total sales and the subset of international sales:

Global revenues by product category:

	3Q 2011	3Q 2010	9M 2011	9M 2010
Obstetrics	\$ 1,459	\$ 1,590	\$ 4,426	\$ 4,514
Gynecology/ Electrosurgery/ Urology	5,986	1,459	13,706	4,561
Neonatal	1,813	1,728	5,236	5,534
Blood Pressure Monitoring and Accessories*	1,526	1,424	4,586	4,304
<b>Total:</b>	<b>\$ 10,784</b>	<b>\$ 6,201</b>	<b>\$ 27,954</b>	<b>\$ 18,912</b>

\*includes molded components sold to OEM customers.

International revenues by product category:

	3Q 2011	3Q 2010	9M 2011	9M 2010
Obstetrics	\$ 182	\$ 242	\$ 654	\$ 579
Gynecology/ Electrosurgery/ Urology	3,934	431	9,005	1,555
Neonatal	381	257	1,025	892
Blood Pressure Monitoring and Accessories*	1,028	816	3,108	2,662
<b>Total:</b>	<b>\$ 5,525</b>	<b>\$ 1,745</b>	<b>\$ 13,792</b>	<b>\$ 5,688</b>

\*includes molded components sold to OEM customers.

For the remaining quarter of 2011, UTMD's total sales will benefit in comparison to 4Q 2010 as a result of the addition of Femcare sales starting in March 2011. Management expects 4Q 2011 total sales may be about 8% lower than in 3Q 2011 due to uneven order patterns of international distributors and OEM customers, and the end of year holiday season, yielding about \$38 million in consolidated global sales for the 2011 calendar year, which would represent a 50% increase over calendar year 2010.

c) Gross Profit

UTMD's average GPM, gross profits as a percentage of sales, was 60.4% and 59.0% in 3Q and 9M 2011, respectively, compared to 53.8% and 52.5% in 3Q and 9M 2010. In 9M 2010, UTMD did not have the benefit of higher than average GPM on Femcare sales and experienced a lower GPM due to transition costs associated with consolidating UTMD's Oregon subsidiary into its Midvale, Utah operations.

OEM sales are sales of UTMD components and subassemblies that are marketed by other companies as part of their product offerings. UTMD utilizes OEM sales as a means to help optimize utilization of its capabilities established to satisfy its direct sales business. Looking forward, UTMD plans for Femcare to become an OEM customer for its Utah and Ireland operations. As a general rule, prices for OEM sales expressed as a multiple of direct variable manufacturing expenses are lower than for direct sales because, in the OEM and international (except in the UK and Australia) channels, UTMD's international and OEM business partners incur significant expenses of sales and marketing. Because of UTMD's small size and period-to-period fluctuations in OEM business, fixed manufacturing overhead expenses cannot be meaningfully allocated between direct and OEM sales. Therefore, UTMD does not report GPM by sales channels.

#### d) Operating Income

Operating Income is the profit remaining after subtracting operating expenses from gross profits. Operating expenses include sales and marketing (S&M), product development (R&D) and general and administrative (G&A) expenses. Total operating expenses in 3Q 2011 were \$1,901 higher than in 3Q 2010, and \$4,374 higher in 9M 2011 than in 9M 2010. Both increases were due to the addition of Femcare operating expenses as of March 18, 2011 and acquisition expenses. Identifiable intangible asset amortization expense included in Femcare's operating expenses was \$651 in 3Q 2011 and \$1,404 in 9M 2011. Operating profit margin (OPM), operating income divided by sales, was 3.6 percentage points lower in 3Q 2011 than in 3Q 2010, and 3.7 points lower in 9M 2011 than in 9M 2010. Despite a higher GPM, UTMD's future OPM will be lower than prior to the acquisition of Femcare because of the amortization of identifiable intangible assets. UTMD management targets a combined OPM of about 30% of consolidated sales looking forward. This will include non-cash G&A expenses of about 6-7% of sales, depending on the foreign currency exchange rate of GBP to USD, from amortization of the identifiable intangible assets.

S&M expenses in 3Q 2011 were 7.6% of sales compared to 6.2% of sales in 3Q 2010, and 7.7% of sales in 9M 2011 compared to 6.1% of sales in 9M 2010. The addition of Femcare's S&M expenses selling direct in the UK and Australia caused the increases. Looking forward, increasing direct sales in certain geographical regions will increase S&M expenses as a percentage of sales.

S&M expenses include all customer support costs including training. In general, training is not required for UTMD's products since they are well-established and have been clinically widely used. Written "Instructions For Use" are packaged with all finished devices. Although UTMD does not have any explicit contracts with customers to provide training, it does have third party group purchasing organization agreements in the U.S. and UK under which it agrees to provide hospital members inservice and clinical training as required and reasonably requested.

UTMD promises prospective customers that it will provide, at no charge in reasonable quantities, copies of videotapes and other instruction materials developed for the use of its products. UTMD provides customer support from offices in the U.S., UK and Australia by telephone, and employed representatives on a geographically dispersed basis, to answer user questions and help troubleshoot any user issues. Occasionally, on a case-by-case basis, UTMD may utilize the services of an independent practitioner to provide educational assistance to clinicians. All inservice and training expenses are routinely expensed as they occur. Except for the consulting services of independent practitioners, all of these services are allocated from fixed S&M overhead costs included in Operating Expenses. Historically, marginal consulting costs have been immaterial to financial results, which is also UTMD's expectation for the future.

R&D expenses in 3Q 2011 and 9M 2011 were 1.3% and 1.4% of sales, respectively, compared to 1.6% and 1.5% of sales in 3Q 2010 and 9M 2010. Looking forward, UTMD expects its product development pipeline will be enhanced by the Femcare acquisition.

G&A expenses in 3Q 2011 were 18.7% of sales compared to 9.5% of sales in 3Q 2010, and 18.0% of sales in 9M 2011 compared to 9.2% of sales in 9M 2010. The increase is due to the Femcare acquisition: 1) acquisition transaction expenses of \$293 in 9M 2011, of which \$266 are not tax deductible, 2) amortization of identifiable intangibles and 3) Femcare G&A expenses which have been higher than UTMD's as a percentage of sales. In addition to litigation costs, G&A expenses include the cost of outside financial auditors and corporate governance activities relating to the implementation of SEC rules resulting from the Sarbanes-Oxley Act of 2002, as well as estimated stock-based compensation cost. Option compensation expense in 3Q 2011 was \$24 compared to \$19 in 3Q 2010, and \$73 in 9M 2011 compared to \$64 in 9M 2010. The difference was due to options awarded Femcare employees on March 18, 2011.



	3Q 2011	3Q 2010	9M 2011	9M 2010
S&M Expense	\$ 822	\$ 386	\$ 2,147	\$ 1,159
R&D Expense	138	101	386	292
G&A Expense	2,019	591	5,025	1,734
Total Operating Expenses:	\$ 2,979	\$ 1,078	\$ 7,558	\$ 3,184

e) Non-operating income/expense

Non-operating expense in 3Q 2011 was \$265 compared to non-operating income of \$31 in 3Q 2010. Non-operating expense was \$561 in 9M 2011 compared to non-operating income of \$66 in 9M 2010. The change from income to expense was due to interest expense on bank loans required to help finance the Femcare acquisition. 3Q 2011 and 9M 2011 interest expense on U.S. and UK loans (which did not exist in 2010) was \$276 and \$618 respectively. Femcare Group Ltd borrowed £8,000 (\$12,934) and UTMD Inc borrowed \$14,000 from JP Morgan Chase to help fund the acquisition. The balance on those loans as of September 30, 2011 was £7,200 (\$11,249) and \$12,000, respectively. Interest expense on UTMD (Ireland) Ltd's bank loan was \$5 and \$16 in 3Q 2011 and 9M 2011 respectively, compared to \$6 and \$19 in the same periods in 2010. The Ireland loan balance was 563 Euro (\$757) on September 30, 2011. Using cash generated from operations, UTMD expects to be able to repay all of its bank debt within the next four years.

f) Income Before Income Taxes

Consolidated 3Q 2011 income before tax (EBT) was \$3,274 compared to \$2,289 in 3Q 2010. Consolidated EBT in 9M 2011 was \$8,368 compared to \$6,807 in 9M 2010. Utah Medical Products, Inc.'s (U.S.) portion of consolidated EBT was \$2,099 and \$6,090 in 3Q and 9M 2011, respectively, compared to \$2,240 and \$6,560 in 3Q and 9M 2010. The foreign subsidiaries' (Femcare Group Ltd and UTMD Ltd - Ireland) portion of consolidated EBT was \$1,175 and \$2,279 in 3Q and 9M 2011, respectively, compared to \$48 and \$247 in 3Q and 9M 2010.

g) Net Income and Earnings per Share

UTMD's net income increased to \$2,237 in 3Q 2011 from \$1,512 in 3Q 2010, and to \$5,556 in 9M 2011 from \$4,505 in 9M 2010. The effective consolidated income tax provision rates in 3Q and 9M 2011 were 31.7% and 33.6% of EBT, respectively, compared to 34.0% and 33.8% in 3Q and 9M 2010. As of April 1, 2011, the UK corporate income tax rate was reduced to 26% for the remainder of 2011 from 28% for 1Q 2011. The effective income tax rate for Femcare Australia is 30%. Except for the one-time acquisition expenses of the legal costs of structuring, negotiating terms and otherwise facilitating the transaction, which were capitalized for income tax purposes, the addition of Femcare Group Ltd will reduce UTMD's consolidated average income tax provision, as long as it doesn't repatriate profits generated outside the U.S., which it does not intend to do for the indefinite future.

UTMD's net income divided by weighted average outstanding shares, diluted for unexercised employee and director options, provides earnings per share (EPS) for the applicable reporting periods as follows:

	3Q 2011	3Q 2010	9M 2011	9M 2010
Earnings Per Share (EPS)	\$ .614	\$ .416	\$ 1.526	\$ 1.237
Shares (000), Diluted	3,644	3,631	3,642	3,643

The Company did not repurchase any of its shares in the open market in 3Q 2011. UTMD last repurchased shares in third quarter 2010. Exercises of employee options added 3,300 and 19,200 shares in 3Q and 9M 2011, respectively. Options outstanding at September 30, 2011 were about 258,100 shares at an average exercise price of \$25.30 per share.

Increases and decreases in UTMD's stock price impact EPS as a result of the dilution calculation for unexercised options with exercise prices below the average stock market value during each period. The dilution calculation added 7,400 and 13,400 shares to actual weighted average shares outstanding in 3Q and 9M 2011 respectively, compared to 14,800 and 21,200 in 3Q and 9M 2010. The decrease in dilution is due to a lower average market price of UTMD shares during 9M 2011. Actual outstanding common shares as of the end of 3Q 2011 were 3,638,100 compared to 3,614,900 at the end of 3Q 2010.

#### h) Return on Equity

Return on equity (ROE) is the portion of net income retained by UTMD (after payment of dividends) to internally finance its growth, divided by the average accumulated shareholder equity for the applicable time period. Annualized ROE (after payment of dividends) for 9M 2011 was 10% compared to 7% for 9M 2010. ROE prior to payment of dividends was 19% in 9M 2011 and 15% in 9M 2010.

## Liquidity and Capital Resources

### i) Cash flows

Net cash provided by operating activities, including adjustments for depreciation and other non-cash operating expenses along with changes in working capital totaled \$7,859 in 9M 2011 compared to \$5,487 in 9M 2010. The most significant differences in the two periods were a net income increase of \$1,051 and a \$1,391 benefit to cash from increased amortization.

The Company's payment of \$41,084 to acquire Femcare was the most significant use of cash in 9M 2011. UTMD liquidated a net of \$14,655 of investments to help finance the acquisition. Capital expenditures for property and equipment were \$196 in 9M 2011 compared to \$1,418 in 9M 2010 during which time UTMD invested in expanding its Utah facility to consolidate the Oregon molding operations. The Company borrowed \$26,934 in 9M 2011 to help finance the purchase of Femcare.

In 9M 2011, UTMD received \$442 and issued 19,237 shares of stock upon the exercise of employee stock options. Option exercises in 9M 2011 were at an average price of \$22.96 per share. In comparison, the Company received \$380 from issuing 20,826 shares of stock on the exercise of employee stock options in 9M 2010, net of 1,769 shares retired upon employees trading those shares in payment of the option exercise price. UTMD did not repurchase any of its own shares in the open market during 9M 2011. The Company repurchased 17,570 shares of its own stock in the open market at a cost of \$439 during 9M 2010.

UTMD repaid \$3,682 on its notes payable during 9M 2011, compared to \$302 during 9M 2010, and paid \$1,705 in dividends in 9M 2011, compared to \$1,707 in 9M 2010. All of UTMD's notes payable are scheduled to be repaid by April, 2016.

Management believes that positive cash flow from operations and effective management of working capital will provide the liquidity needed to finance its internal growth plans. Planned capital expenditures for the full year of 2011 are expected to be lower than they were in 2010. The Company will continue to keep facilities, equipment and tooling in good working order. Subject to continuing to meet its loan covenants, the Company may use cash for marketing or product manufacturing rights to broaden the Company's product offerings; for continued share repurchases when the price of the stock is undervalued; and if available for a reasonable price, an acquisition that might strategically fit UTMD's business and be accretive to performance.

### j) Assets and Liabilities

September 30, 2011 total assets nearly doubled from December 31, 2010 because of the Femcare acquisition, increasing from \$41,238 to \$79,059. Identifiable intangible assets of \$38,796 acquired in the Femcare acquisition was the major portion of the increase. The Femcare identifiable intangible assets balance as of September 30, 2011 was \$36,138. In addition, goodwill increased \$9,084 from the tax difference associated with the amortization of the identifiable intangible assets over their useful lives. Due to currency exchange rate differences, the unimpaired Femcare goodwill at September 30, 2011 was \$8,779. Total expense from amortization of intangibles was \$1,424 in 9M 2011. For reference, amortization expense was \$33 in 9M 2010. At September 30, 2011, net intangible assets were 66% of total assets compared to 18% at year-end 2010.

September 30, 2011 cash and investments decreased \$11,438 from December 31, 2010 because of the use of \$14,150 in the Femcare acquisition. Receivables, inventories and other current assets increased \$1,863, \$1,866 and \$309, respectively, during the first nine months of 2011, due to the addition of Femcare's tangible assets. Inventory and receivables balances were within management's current asset productivity targets.

Working capital (current assets minus current liabilities) was \$7,249 at September 30, 2011, a \$15,990 decrease from \$23,239 at 2010 year-end. Current liabilities increased \$8,591, including a \$5,255 increase in the current portion of notes payable, as a result of new borrowing to finance the Femcare acquisition. Accounts payable increased \$1,303 and accrued expenses went up \$2,033, again due to the addition of Femcare. Primarily as a result of the use of UTMD's excess cash and investment balances to help finance the Femcare acquisition, UTMD's current ratio decreased to 1.7 on September 30, 2011 from 13.2 at year-end 2010. The current ratio was 10.5 one year earlier on September 30, 2010. UTMD believes its working capital is sufficient to meet normal operating needs.

Net property and equipment increased \$315 in 9M 2011 from the addition of Femcare P&E. Depreciation of \$536 exceeded capital expenditures of \$196.





UTMD's notes payable at September 30, 2011 were 1) \$12,000 to Chase in the U.S., of which \$9,200 is long term (i.e., not included in current liabilities), 2) \$11,249 (£7,200) to JP Morgan Chase in the U.K., of which \$8,749 is long term, and 3) \$757 (€563) to Bank of Ireland, of which \$587 is long term. The September 30, 2011 Ireland note payable balance has declined €285 during 2011. The deferred tax liability balance for Femcare identifiable intangible assets (\$9,084 on the date of the acquisition), was \$8,425 at September 30, 2011. Reduction of the deferred tax liability occurs as the book/tax difference is eliminated over 15 years as the identifiable intangible assets are amortized. The Femcare acquisition also added \$460 to other long term liabilities. Due to the impact of the Femcare acquisition, UTMD's total debt ratio (total liabilities/ total assets) as of September 30, 2011 increased to 49% from 8% on December 31, 2010. UTMD's total debt ratio on March 31, 2011, the first calendar quarter end after the acquisition, was 53%.

k) Management's Outlook.

As outlined in its December 31, 2010 SEC Form 10-K report, UTMD's plan for 2011 was to

- 1) work to retain its significant market niche shares of its established key specialty products in the U.S., and expand market shares in international markets;
- 2) continue to promote clinical acceptance of newer products;
- 3) develop additional proprietary products helpful to clinicians through internal new product development;
- 4) continue achieving excellent overall financial operating performance;
- 5) look for accretive acquisitions to augment sales and eps growth; and
- 6) utilize excess cash balances in shareholders' best long-term interest, including continued cash dividends and open market share repurchases when UTMD's share price seems undervalued.

After nine months' experience, UTMD's actual performance is consistent with achieving its previously stated objectives for 2011.

l) Accounting Policy Changes.

None.

Forward-Looking Information. This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by management based on information currently available. When used in this document, the words "anticipate," "believe," "project," "estimate," "expect," "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company respecting future events and are subject to certain risks, uncertainties, and assumptions, including the risks and uncertainties noted throughout this document. Although the Company has attempted to identify important factors that could cause the actual results to differ materially, there may be other factors that cause the forward statement not to come true as anticipated, believed, projected, expected, or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those described herein as anticipated, believed, projected, estimated, expected, or intended. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results, and the Company assumes no obligation to update or disclose revisions to those estimates.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

UTMD has manufacturing operations, including related assets, in the U.S. denominated in the U.S. Dollar (USD), in Ireland denominated in the Euro (EUR) and in England denominated in the British Pound (GBP). UTMD also has trading activities in the U.S. and in subsidiaries in other countries denominated in the USD, EUR, GBP and the Australian Dollar (AUD). The currencies are subject to exchange rate fluctuations that are beyond the control of UTMD. The exchange rates were .7439, .7550 and .7348 EUR per USD as of September 30, 2011, December 31, 2010 and September 30, 2010, respectively. Exchange rates were .6401 GBP per USD and 1.0261 AUD per USD on September 30, 2011. UTMD manages its foreign currency risk without separate hedging transactions by conducting as much business in local currencies as is practicable and by converting currencies to USD as transactions occur.

#### **Item 4. Controls and Procedures**

The Company's management, under the supervision and with the participation of the Chief Executive Officer and the Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2011. Based on this evaluation, the Chief Executive Officer and Principal Financial Officer concluded that, as of September 30, 2011, the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal controls over financial reporting that occurred during the quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

The Company may be a party from time to time in litigation incidental to its business. Presently, there is no litigation for which the Company believes the outcome may be material to its financial results.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, investors should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in UTMD’s Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect its business, financial condition or future results. The risks described in the Annual Report on Form 10-K and below are not the only risks facing the Company. Additional risks and uncertainties not currently known to UTMD or currently deemed to be immaterial also may materially adversely affect the Company’s business, financial condition and/or operating results.

Legislative healthcare reform in the United States, as embodied in The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the “Acts”) add a substantial excise tax slated to begin in 2013, increase administrative costs and may lead to decreased revenues.

The voluminous Acts, administrative rules to enforce the Acts and promised efforts to reform the Acts, make the U.S. medical device marketplace unpredictable, particularly for the thousands of small medical device manufacturers including UTMD that do not have the overhead structure that the large companies can afford. To the extent that the Acts place additional burdens on small medical device companies in the form of an excise tax on medical device sales, additional oversight of marketing and sales activities and new reporting requirements, the result is likely to be negative for UTMD’s ability to effectively compete and support continued investments in new product development and marketing of specialty devices.

Increasing regulatory burdens may result in significant loss of revenue, unpredictable costs and loss of management focus on helping the Company thrive:

The Company’s experience in 2001-2005, when the FDA sought to shut it down highlights the ongoing risk of being subject to a regulatory environment which can be arbitrary and capricious. The risks associated with such a circumstance relate not only to the substantial costs of litigation in millions of dollars, but also loss of business, the diversion of attention of key employees for an extended period of time, from new product development and routine quality control management activities, and a tremendous psychological and emotional toll on employees.

Since the FDA reserves to itself the interpretation of which vague industry standards comprise law at any point in time, it is impossible for any medical device manufacturer to ever be confident that it is operating within the Agency’s version of the law. The result is that companies, including UTMD are considered guilty prior to proving their innocence. New premarketing submission rules and FDA user fees will increase development costs and result in delays to revenues from new or improved products.

The growth of Group Purchasing Organizations adds non-productive costs, typically weakens the Company’s marketing and sales efforts and may result in lower revenues:

GPOs, theoretically acting as bargaining agents for member hospitals, but actually collecting revenues from the companies that they are negotiating with, have made a concerted effort to turn medical devices that convey special patient safety advantages and better health outcomes, like UTMD’s, into commodities. GPOs have been granted an antitrust exemption by the U.S. Congress. Otherwise, their business model based on “kickbacks” would be a violation of law. These bureaucratic entities do not recognize the overall cost of care as it relates to safety and effectiveness of devices, and they create a substantial administrative burden that is primarily related to collection of their administrative fees.

As the healthcare industry becomes increasingly bureaucratic it puts smaller companies like UTMD at a competitive disadvantage:

An aging population and an extended economic recession are placing greater burdens on healthcare systems, particularly hospitals. The length of time and number of administrative steps required in adopting new products for use in hospitals has grown substantially in recent years. Smaller companies like UTMD typically do not have the administrative resources to deal with broad new administrative requirements, resulting in either loss of revenue or increased costs. As UTMD introduces new products it believes are safer and more effective, it may find itself excluded from hospital customers because of the existence of long term supply agreements

for preexisting products, particularly from competitors which can bundle a broader range of products. Restrictions used by hospital administrators to limit clinician involvement in device purchasing decisions makes communicating UTMD's clinical advantages much more difficult.

A product liability lawsuit could result in significant legal expenses and a large award against the Company:

UTMD's devices are frequently used in inherently risky situations to help clinicians achieve a more positive outcome than what might otherwise be the case. In any lawsuit where an individual plaintiff suffers permanent physical injury, the possibility of a large award for damages exists whether or not a causal relationship exists.

The Company's reliance on third party distributors in some overseas markets may result in less predictable international revenues:

UTMD's international distributors have varying expertise in marketing and selling specialty medical devices. They also sell other devices that may result in less focus on the Company's products.

The substantial increase in debt required to finance the acquisition of Femcare Group Ltd represents an increased business risk until the debt is repaid.

While the debt will help positively leverage financial performance if UTMD maintains future performance consistent with 3Q and 9M 2011 performance, it could also negatively leverage financial performance if the Company is unable to maintain sales volume and profit margins in a competitive worldwide market for its medical devices.

The loss of one or more key employees could negatively affect UTMD performance:

In a small company with limited resources, the distraction or loss of key personnel at any point in time may be disruptive to performance. The Company's benefits programs are key to recruiting and retaining talented employees. The rapid increase in UTMD's employee healthcare plan costs, for example, may cause the Company to have to reduce coverages which in turn represents a risk to retaining key employees.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

UTMD did not purchase any of its own securities during 3Q 2011.

## Item 6. Exhibits

<u>Exhibit #</u>	<u>SEC Reference #</u>	<u>Title of Document</u>
1	31	Certification of CEO pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
2	31	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
3	32	Certification pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
4	32	Certification pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
5	101.INS	XBRL Instance
6	101.SCH	XBRL Schema
7	101.CAL	XBRL Calculation
8	101.DEF	XBRL Definition
9	101.LAB	XBRL Label
10	101.PRE	XBRL Presentation

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UTAH MEDICAL PRODUCTS, INC.  
REGISTRANT

Date: 11/7/11

By:     /s/ Kevin L. Cornwell      
Kevin L. Cornwell  
CEO

Date: 11/7/11

By:     /s/ Paul O. Richins      
Paul O. Richins  
Principal Financial Officer

**CERTIFICATION OF CEO  
PURSUANT TO RULE 13a-14(a) AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin L. Cornwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Utah Medical Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

/s/ Kevin L. Cornwell  
Kevin L. Cornwell  
Chief Executive Officer





**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul O. Richins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Utah Medical Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

/s/ Paul O. Richins  
Paul O. Richins  
Principal Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Utah Medical Products, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin L. Cornwell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Kevin L. Cornwell  
Kevin L. Cornwell  
Chief Executive Officer  
November 7, 2011

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Utah Medical Products, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul O. Richins, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Paul O. Richins

Paul O. Richins

Principal Financial Officer

November 7, 2011

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

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**UTAH MEDICAL  
PRODUCTS, INC. AND  
SUBSIDIARIES  
CONSOLIDATED  
CONDENSED  
STATEMENTS OF  
INCOME (USD \$)**

**3 Months Ended**

**9 Months Ended**

**Sep. 30, 2011 Sep. 30, 2010 Sep. 30, 2011 Sep. 30, 2010**

**In Thousands, except Per  
Share data**

<u>Sales, net</u>	\$ 10,784	\$ 6,201	\$ 27,954	\$ 18,912
<u>Cost of goods sold</u>	4,266	2,865	11,466	8,987
<u>Gross profit</u>	6,518	3,336	16,487	9,925
<u>Selling, general and administrative</u>	2,842	977	7,172	2,893
<u>Research and development</u>	138	101	386	292
<u>Total Operating Expense</u>	2,979	1,078	7,558	3,184
<u>Operating income</u>	3,539	2,257	8,929	6,741
<u>Other income (expense)</u>	(265)	31	(561)	66
<u>Income before provision for income taxes</u>	3,274	2,289	8,368	6,807
<u>Provision for income taxes</u>	1,037	777	2,812	2,302
<u>Net income</u>	\$ 2,237	\$ 1,512	\$ 5,556	\$ 4,505
<u>Earnings per common shares (basic)</u>	\$ 0.62	\$ 0.42	\$ 1.53	\$ 1.24
<u>Earnings per common share (diluted)</u>	\$ 0.61	\$ 0.42	\$ 1.53	\$ 1.24
<u>Shares outstanding - basic</u>	3,636	3,616	3,629	3,622
<u>Shares outstanding - diluted</u>	3,644	3,631	3,642	3,643

**UTAH MEDICAL  
PRODUCTS, INC. AND  
SUBSIDIARIES  
CONSOLIDATED  
CONDENSED  
STATEMENTS OF CASH  
FLOWS (USD \$)  
In Thousands**

**9 Months Ended**

**Sep. 30, 2011 Sep. 30, 2010**

<u>Net income</u>	\$ 5,556	\$ 4,505
<u>Depreciation</u>	536	416
<u>Amortization</u>	1,424	33
<u>(Gain) loss on investments</u>	(6)	(39)
<u>Provision for (recovery of) losses on accounts receivable</u>	10	4
<u>Deferred income taxes</u>	(374)	
<u>(Gain) loss on disposal of assets</u>		0
<u>Stock-based compensation expense</u>	73	64
<u>Accounts receivable - trade</u>	287	303
<u>Accrued interest and other receivables</u>	(26)	(45)
<u>Inventories</u>	(579)	122
<u>Prepaid expenses and other current assets</u>	163	48
<u>Accounts payable</u>	(439)	21
<u>Accrued expenses</u>	955	55
<u>Deferred revenue</u>	(52)	
<u>Other liability</u>	330	
<u>Total adjustments</u>	2,303	982
<u>Net cash provided by operating activities</u>	7,859	5,487
<u>Capital expenditures for property and equipment</u>	(196)	(1,418)
<u>Capital expenditures for intangible assets</u>	(8)	(2)
<u>Purchases of investments</u>	(500)	(1,200)
<u>Proceeds from sale of investments</u>	15,155	2,639
<u>Net cash paid in acquisition</u>	(41,084)	
<u>Net cash provided by (used in) investing activities</u>	(26,633)	19
<u>Proceeds from issuance of common stock - options</u>	442	380
<u>Common stock purchased and retired</u>		(439)
<u>Tax benefit attributable to exercise of stock options</u>	30	30
<u>Proceeds from notes payable</u>	26,934	
<u>Repayments of note payable</u>	(3,682)	(302)
<u>Payment of dividends</u>	(1,705)	(1,707)
<u>Net cash provided by (used in) financing activities</u>	22,019	(2,037)
<u>Effect of exchange rate changes on cash</u>	(23)	(28)
<u>NET INCREASE (DECREASE) IN CASH</u>	3,222	3,441
<u>CASH AT BEGINNING OF PERIOD</u>	3,818	410
<u>CASH AT END OF PERIOD</u>	7,040	3,851
<u>Cash paid during the period for income taxes</u>	2,015	2,055

Cash paid during the period for interest

\$ 636

\$ 19

**Document and Entity  
Information (USD \$)**

**3 Months Ended  
Sep. 30, 2011**

**Nov. 04, 2011 Jun. 30, 2011**

**Document and Entity Information**

<u>Entity Registrant Name</u>	UTAH MEDICAL PRODUCTS INC		
<u>Document Type</u>	10-Q		
<u>Document Period End Date</u>	Sep. 30, 2011		
<u>Amendment Flag</u>	false		
<u>Entity Central Index Key</u>	0000706698		
<u>Current Fiscal Year End Date</u>	--12-31		
<u>Entity Filer Category</u>	Accelerated Filer		
<u>Entity Current Reporting Status</u>	No		
<u>Entity Voluntary Filers</u>	No		
<u>Entity Well-known Seasoned Issuer</u>	No		
<u>Document Fiscal Year Focus</u>	2011		
<u>Document Fiscal Period Focus</u>	Q3		
<u>Entity Common Stock, Shares Outstanding</u>		3,638,833	
<u>Entity Public Float</u>			\$ 84,443,888



**Investments, Debt and  
Equity Securities**

**3 Months Ended  
Sep. 30, 2011**

**Investments, Debt and  
Equity Securities**

**Gain (Loss) on Investments  
[Table Text Block]**

(8) Investments. As of September 30, 2011, the Company's investments are in Citigroup (C) and General Electric (GE). Changes in the unrealized holding gain/loss on investment securities available-for-sale and reported as a separate component of accumulated other comprehensive income are as follows:

	3Q 2011	3Q 2010
Balance, beginning of period	\$ (181)	\$ (224)
Realized loss from securities included in beginning balance	-	30
Gross unrealized holding gains (losses), in equity securities	(25)	6
Deferred income taxes on unrealized holding loss	10	(14)
Balance, end of period	<u>\$ (196)</u>	<u>\$ (202)</u>

## Equity

**3 Months Ended  
Sep. 30, 2011**

### Equity

Comprehensive Income (Loss) Note [Text Block] (4) Comprehensive Income. Comprehensive income for the third quarter (3Q) and first nine months (9M) of 2011 was \$1,554 and \$4,964, net of taxes, respectively. The components used to calculate comprehensive income were foreign currency translation adjustments of (\$668) and (\$585) in 3Q and 9M 2011, respectively, and unrealized holding gains (losses) of (\$15) and (\$7) in 3Q and 9M 2011, respectively.

## Subsequent Events

**3 Months Ended  
Sep. 30, 2011**

### [Subsequent Events](#)

[Subsequent Events \[Text  
Block\]](#)

(10) Subsequent Events. UTMD has evaluated subsequent events through the date the financial statements were issued, and concluded there were no other events or transactions during this period that required recognition or disclosure in its financial statements.

**Fair Value Measures and Disclosures**

**3 Months Ended  
Sep. 30, 2011**

**Fair Value Measures and Disclosures**

[Fair Value, Assets Measured on Recurring Basis \[Table Text Block\]](#) (9) Fair Value Measurements. The Company follows ASC 820, *Fair Value Measurements and Disclosures* to determine fair value of its financial assets. The following table provides financial assets carried at fair value measured as of September 30, 2011:

Description	Fair Value Measurements Using			
	Total Fair Value at 9/30/2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 58	\$ 58	\$ 0	\$ 0

## Inventory

**3 Months Ended  
Sep. 30, 2011**

### [Inventory](#)

[Inventory Disclosure \[Text Block\]](#)

(2) Inventories at September 30, 2011 and December 31, 2010 consisted of the following:

	September 30, 2011	December 31, 2010
Finished goods	\$ 2,465	\$ 1,008
Work-in-process	936	757
Raw materials	1,562	1,332
Total	<u>\$ 4,963</u>	<u>\$ 3,097</u>

## Business Combinations

3 Months Ended  
Sep. 30, 2011

### [Business Combinations](#)

#### [Mergers, Acquisitions and Dispositions Disclosures \[Text Block\]](#)

(5) Acquisition. On March 18, 2011, UTMD purchased all of the common shares of Femcare Holdings Ltd (Femcare) of the United Kingdom, and its subsidiaries. Femcare is best known for its leading global brand the Filshie Clip System - a female surgical contraception device (tubal ligation). UTMD expects the business combination will provide diversification, expansion and integration benefits that each company separately did not have the opportunity to achieve. UTMD anticipates that the acquisition will be accretive to financial performance in 2011 and beyond.

While UTMD used its best estimates and assumptions as a part of the \$41 million purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, UTMD will record adjustments to the assets acquired and liabilities assumed with the corresponding offset to intangible assets. Upon the conclusion of the measurement period or final determination of the values of assets or liabilities assumed, which ever comes first, any subsequent adjustments will be recorded to consolidated statements of operations. UTMD believes that the accounting of fixed assets is complete, but liabilities and intangible asset balances remain uncertain. As of September 30, 2011, no adjustments have been made in the purchase price set on the closing date, or in the initial valuation of assets and liabilities and allocation of intangible assets.

A two-year \$3.2 million escrow was set aside from the purchase price to back the warranties and representations of the sellers. The purchase price allocation is currently as follows:

#### Assets Acquired

Accounts receivable	\$ 2,176
Prepaid expenses	344
Inventory	1,319
Property and equipment	606
Identifiable intangibles	
Patents	97
Non-compete agreements	162
Trademarks, trade names	11,559
Customer relationships	11,559
Regulatory approvals & product certifications	15,419
Goodwill	9,084
Total assets acquired	52,325

Liabilities Assumed	
Accounts payable	1,107
Accrued expenses	1,049
Deferred tax liability	<u>9,084</u>
Total liabilities assumed	11,241
Net assets acquired	<u><u>\$41,084</u></u>

With respect to the assets acquired from Femcare, UTMD will amortize the patents and non-compete agreements over 10 and 5 years, respectively. The remaining \$38,537 in identifiable intangibles will be amortized over 15 years. The \$9,084 in deferred tax liability and goodwill results from the difference between the book basis and tax basis of the accumulated amortization of identifiable intangible assets. The deferred tax liability will decline to zero over 15 years as the tax basis of the intangibles declines. The goodwill will not be amortized, but will be written down if and when the value becomes impaired.

The Company incurred \$8 towards acquisition related expenses, all of which are categorized under General and Administrative expenses in the Consolidated Condensed Statements of Income for the three months ended September 30, 2011, and \$293 for the nine months ended September 30, 2011.

## Debt

**3 Months Ended  
Sep. 30, 2011**

### Debt

#### Debt Disclosure [Text Block]

(6) Notes payable. On March 17, 2011, UTMD obtained a \$14,000 loan from JPMorgan Chase Bank, N.A. (Chase), to help finance the purchase price of Femcare. On September 23, 2011, certain loan covenants were modified and clarified. The terms and conditions of the loan require UTMD to a) repay the loan in equal monthly payments over 5 years, b) pay interest based on the 30-day LIBOR rate plus a margin starting at 2.80% and ranging from 2.00% to 3.75%, depending on the ratio of its funded debt to EBITDA (Leverage Ratio), c) pledge 65% of all foreign subsidiaries' stock, d) provide first priority liens on all domestic business assets, e) maintain its Interest Coverage Ratio at 1.05 to 1.00 or better, f) maintain its Tangible Net Worth (TNW) above negative \$20 million, plus 50% of cumulative net income after April 1, 2011, and g) maintain its Leverage Ratio at 2.75 to 1.00 or less. Based on the September 30, 2011 Leverage Ratio, the bank's margin is now 2.00%. UTMD is in compliance with all of the loan financial covenants at September 30, 2011.

On March 18, 2011, Femcare obtained an £8,000 (\$12,934) loan from JP Morgan Chase, London, to help finance UTMD's purchase of Femcare. Terms and conditions of the loan are the same as those listed above for the \$14,000 U.S. loan.



**Commitment and  
Contingencies**

**3 Months Ended  
Sep. 30, 2011**

**Commitment and  
Contingencies**

**Product Warranty Disclosure  
[Text Block]**

(7) Warranty Reserve. The Company's published warranty is: "UTMD warrants its products to conform in all material respects to all published product specifications in effect on the date of shipment, and to be free from defects in material and workmanship for a period of thirty (30) days for supplies, or twenty-four (24) months for equipment, from date of shipment. During the warranty period UTMD shall, at its option, replace any products shown to UTMD's reasonable satisfaction to be defective at no expense to the Purchaser or refund the purchase price."

UTMD maintains a warranty reserve to provide for estimated costs which are likely to occur. The amount of this reserve is adjusted, as required, to reflect its actual experience. Based on its analysis of historical warranty claims and its estimate that existing warranty obligations are immaterial, no warranty reserve was made at January 1, 2011. Femcare had an established reserve at the time of acquisition by UTMD, which is shown as an increase in the reserve in the table below. The following table summarizes changes to UTMD's warranty reserve during 9M 2011:

Beginning Balance, January 1, 2011	\$	0
<u>Changes in Warranty Reserve during</u>		
<u>9M 2011:</u>		
Aggregate reductions for warranty repairs		-
Aggregate changes for warranties issued during reporting period		-
Aggregate changes in reserve related to preexisting warranties		32
Ending Balance, September 30, 2011	\$	<u>32</u>

**Organization, Consolidation  
and Presentation of  
Financial Statements**

**3 Months Ended**

**Sep. 30, 2011**

**Organization, Consolidation  
and Presentation of  
Financial Statements**

**Organization, Consolidation  
and Presentation of Financial  
Statements Disclosure and  
Significant Accounting  
Policies [Text Block]**

(1) The unaudited financial statements have been prepared in accordance with the instructions to form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States. These statements should be read in conjunction with the financial statements and notes included in the Utah Medical Products, Inc. ("UTMD" or "the Company") annual report on form 10-K for the year ended December 31, 2010. In the opinion of management, the accompanying financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. Currency amounts are in thousands except per-share amounts, and where noted.

**Compensation Related  
Costs, Share Based  
Payments**

**3 Months Ended**

**Sep. 30, 2011**

**Compensation Related  
Costs, Share Based  
Payments**

**Disclosure of Compensation  
Related Costs, Share-based  
Payments [Text Block]**

(3) Stock-Based Compensation. At September 30, 2011, the Company has stock-based employee compensation plans which authorize the grant of stock options to eligible employees and directors. The Company accounts for stock compensation under FASB Accounting Standards Codification (“ASC”) 718, *Stock Compensation*. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted to employees and directors. In the quarters ended September 30, 2011 and 2010, the Company recognized \$24 and \$19, respectively, in stock-based compensation cost. In the nine months ended September 30, 2011 and 2010, the Company recognized \$73 and \$64, respectively, in stock-based compensation cost.

**UTAH MEDICAL  
PRODUCTS, INC. AND  
SUBSIDIARIES  
CONSOLIDATED  
CONDENSED BALANCE  
SHEETS (USD \$)  
In Thousands**

**Sep. 30, Dec. 31,  
2011 2010**

<u>Cash</u>	\$ 7,040	\$ 3,818
<u>Investments, available-for-sale</u>	58	14,718
<u>Accounts &amp; other receivables - net</u>	5,027	3,164
<u>Inventories</u>	4,963	3,097
<u>Other current assets</u>	655	346
<u>Total current assets</u>	17,743	25,142
<u>Property and equipment - net</u>	9,065	8,750
<u>Goodwill</u>	15,970	7,191
<u>Other intangible assets</u>	39,665	2,165
<u>Other intangible assets - accumulated amortization</u>	(3,385)	(2,010)
<u>Other intangible assets - net</u>	36,281	155
<b>TOTAL ASSETS</b>	<b>79,059</b>	<b>41,238</b>
<u>Accounts payable</u>	1,701	398
<u>Accrued expenses</u>	3,323	1,290
<u>Current portion of notes payable</u>	5,470	215
<u>Total current liabilities</u>	10,494	1,903
<u>Notes payable</u>	18,536	909
<u>Deferred tax liability - intangible assets</u>	8,425	
<u>Other long term liabilities</u>	460	
<u>Deferred income taxes</u>	777	634
<u>Total liabilities</u>	38,692	3,446
<u>Preferred stock - \$.01 par value; authorized - 5,000 shares; no shares issued or outstanding</u>		
<u>Common stock - \$.01 par value; authorized - 50,000 shares; issued - June 30, 2011, 3,635 shares and December 31, 2010, 3,619 shares</u>	36	36
<u>Accumulated other comprehensive loss</u>	(2,241)	(1,275)
<u>Additional paid-in capital</u>	651	107
<u>Retained earnings</u>	41,920	38,924
<u>Total stockholders' equity</u>	40,367	37,792
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 79,059</b>	<b>\$ 41,238</b>