2022 ANNUAL REPORT

UTAH MEDICAL PRODUCTS, INC.

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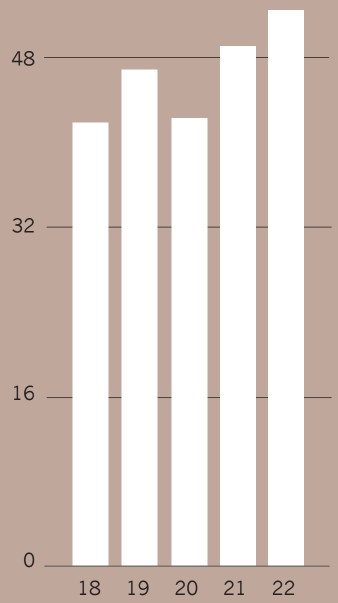
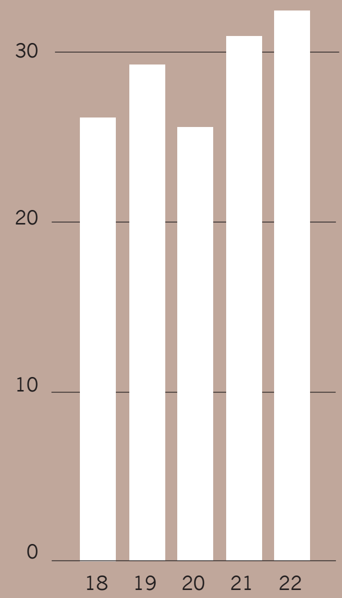
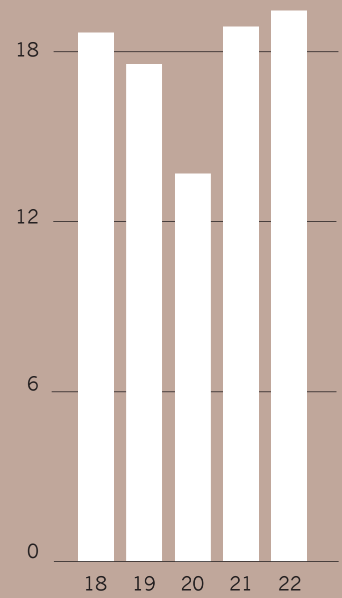
Utah Medical Products, Inc., with particular interest in health care for women and their babies, develops, manufactures and markets a broad range of disposable and reusable specialty medical devices recognized by clinicians in over one hundred countries around the world as the standard for obtaining optimal long term outcomes for their patients.



NET SALES
(millions of dollars)



GROSS PROFITS
(millions of dollars)



OPERATING PROFITS
(millions of dollars)

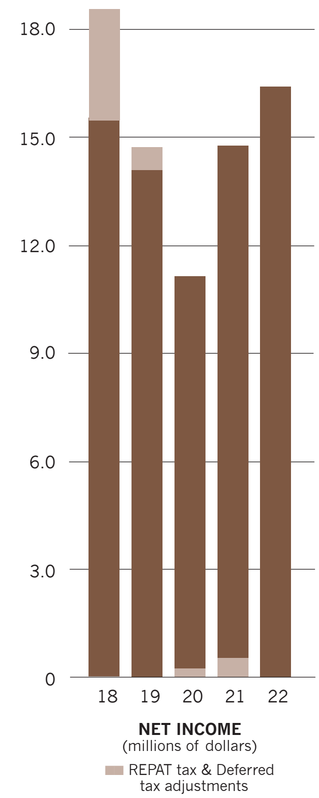
Consolidated Balance Sheet

(In thousands)

5 Year Summary of Operations

(In thousands, except per share amounts)

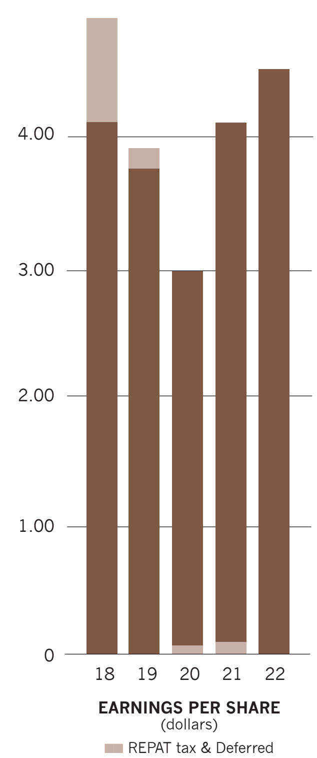
	2022	2021	2020	2019	2018
Net sales	$52,281	$49,054	$42,178	$46,904	$41,998
Net income – GAAP	16,473	14,788	10,798	14,727	18,555
Net income before REPAT tax & DTL adj's	*16,473*	*15,178*	*11,023*	*14,145*	*15,504*
Total assets	123,874	115,636	111,745	109,787	99,768
Stockholders' equity	114,254	107,138	102,822	101,092	88,992
Earnings per common share – GAAP (diluted)	$ 4.52	$ 4.04	$ 2.94	$ 3.94	$ 4.95
Earnings per common share before REPAT tax & DTL adj's (diluted)	*$ 4.52*	*$ 4.15*	*$ 3.00*	*$ 3.78*	*$ 4.14*
Cash dividends per share	$ 1.17	$ 2.86	$ 1.13	$ 1.11	$ 1.09
Weighted average common shares (diluted)	3,643	3,660	3,672	3,739	3,749



Quarterly Income Statement Summaries

(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2022				
Net sales	$12,323	$13,428	$12,955	$13,575
Gross profit	7,533	8,151	8,186	8,327
Net income	3,534	4,103	4,280	4,555
Earnings per share	$ 0.96	$ 1.12	$ $1.18	$ 1.25
2021				
Net sales	$10,964	$12,604	$12,572	$12,914
Gross profit	6,947	7,785	8,073	8,112
Net income	3,024	3,426	4,206	4,131
Earnings per share	$ 0.83	$ 0.94	$ 1.15	$ 1.13
2020				
Net sales	$10,902	$ 8,787	$10,479	$12,010
Gross profit	6,836	4,950	6,497	7,265
Net income	3,140	1,313	2,933	3,412
Earnings per share	$ 0.84	$ 0.36	$ 0.80	$ 0.94



Message from the President

TO UTMD STOCKHOLDERS

Looking back after the dust has settled, 2022 was a remarkable year for UTMD. While all of the major stock market indices were significantly down for the year, UTMD's stock price was actually up. The NASDAQ index, where UTMD is traded, was down a whopping 33% in 2022. But we also recall that UTMD's stock price was up just 19% for 2021, a year in which the NASDAQ index rose 27%. I admittedly prefer stable, predictable growth in value to surprising ups and downs.

I know that UTMD's generally long-term investors share that perspective, and they understand that an important part of the Company's consistent strategy has been to manufacture in-house as much of the devices it markets as possible, in order to best assure quality and control costs. The predictable and safe clinical outcomes of using UTMD's devices is the cornerstone of UTMD's competitive advantage. That's quality. Achieving quality also yields good cost control. UTMD's consistent excellent profitability speaks for itself in that regard.

Keys to effective and efficient manufacturing are predictability, planning, maintaining a good routine and encouraging process development. These generally went to hell in 2022, with supply chain shocks, rapidly changing input costs and an unpredictable workforce. A bright spot, however, was UTMD's Ireland manufacturing operation which was able to buttress our challenges. Although UTMD has always encouraged its skilled product development engineers to actively and creatively support manufacturing, in 2022 we were forced to reassign R&D people in Utah to manufacturing and quality tasks on a full-time "crisis-management" basis. It was remarkable that UTMD grew all of its key income measures during that challenging year.

A side effect of UTMD's vertical integration is that well over 100 other companies each year rely on UTMD's manufacturing capabilities and quality systems. These are UTMD's original equipment manufacturer (OEM) customers. Since UTMD has already justified investment in developing manufacturing capabilities and resources for its own present or past needs, utilizing them more fully to help other companies enhances profitability.

For more than 15 years, beginning as a virtual start-up, UTMD has helped a biopharmaceutical control systems company, to develop custom versions of UTMD's standard pressure transducer assemblies. We then manufactured them and even distributed them directly to end-user customers on behalf of the OEM customer. This successful OEM customer's enterprise, which was acquired by a large company in 2021, remarkably grew to 22% of UTMD's total worldwide revenues in 2022. Throughout 2022 since 2021, UTMD was under extreme and unreasonable pressure to expand manufacturing capacity well beyond its means during an unpredictable time for securing and managing resources. Demand to-date in 2023 from this now largest UTMD customer remains strong, but signals about the future are mixed. Although it remains unclear what the longer-term demand will be from this OEM customer, UTMD is confident in its ability to continue to provide quality devices that satisfy this application.

Another teeth-clenching distraction from our mission to provide safe and vital medical devices for women, is UTMD's more than a year-long battle against what I can only describe as extortion racketeering from a single rogue law firm. Its actions were apparently fomented by social media activity about the competing Bayer Essure tubal ligation device which was removed from the market in 2017. Femcare's Filshie Clip System is fundamentally different from Essure in both design and decades-long safe use. But unfortunately, legal procedures involving even spurious claims of damage in the U.S. require a lot of money, time and effort. UTMD has a successful history of not surrendering to unjust legal demands. Fortunately, the Company's overall financial strength is such that we have the resources to defend the excellent reputation of UTMD's safe and effective devices, and not give in to expediency. I feel confident that common sense and clinical experience will ultimately prevail.

Despite the currently hovering clouds, I am pleased to report a successful and remarkable 2022. I believe that stockholders' continued confidence in UTMD will be rewarded as we face any challenge that arises in 2023. UTMD's past performance is my best justification for your continued interest and support of the Company. The Form SEC 10-K which will be filed on or before March 31 provides more details, both about 2022 performance and the Company's 2023 projections looking forward.

The annual stockholders' meeting is scheduled for May 5. In addition to reelecting two highly qualified directors, there will be another important proposal up for your approval: the 10-year renewal of UTMD's stock option plan for its employees. An important key to the Company's success is the long tenure of its talented employees. This reward plan has been an important element in achieving that, because employees who participate have a vested interest in increasing stockholder value. During the last thirty years, employee and director stock options have proven to not be dilutive to UTMD stockholders, as the Company has repurchased greater amounts of stock at an average lower price than it has granted in options. I ask you to please support management's proposals that will be detailed in the upcoming proxy statement.

Kevin L. Cornwell
Chairman & CEO

Management's Discussion and Analysis

Currency amounts are in thousands except per-share amounts and where noted. Currencies are abbreviated as follows: the U.S. Dollar (USD or $), the Great Britain Pound (GBP or £), the Euro (EUR or €), the Australian Dollar (AUD or A$), the New Zealand Dollar (NZD) and the Canadian Dollar (CAD or C$).

The following comments should be read in conjunction with the accompanying financial statements.

Overview

The 2022-year financial results demonstrate Utah Medical Products, Inc.'s (Nasdaq: UTMD's) continuing excellent operating performance despite many challenges related to supply chain disruption, high input cost inflation as well as a continued shortage of labor with higher employee turnover. The Company exceeded its beginning of year financial projections for 2022.

Consolidated Income Statement	2022	2022 Compared to 2021	2021
Worldwide Revenues	$ 52,281	+ 6.6%	$ 49,054
Gross Profit	32,196	+ 4.1%	30,917
Operating Income	19,790	+ 4.8%	18,880
Earnings Before Income Tax	20,659	+ 8.4%	19,061
Net Income (US GAAP)	16,473	+11.4%	14,788
Earnings Per Share (US GAAP)	$ 4.522	+11.9%	$ 4.041

For perspective, 25% of UTMD's total USD consolidated worldwide revenues (sales) were invoiced in foreign currencies. Translating 2022 foreign currency sales into USD at the same exchange rates as in 2021 ("constant currency" sales) would have resulted in a 9.5% increase in 2022 worldwide revenues, with an 18.2% increase in sales outside the U.S. (OUS). In other words, constant currency 2022 worldwide revenues were $53,715.

Although UTMD's sales in 2022 were helped by an approximate 7% average increase in UTMD unit prices, costs of manufacturing increased more than that, resulting in a lower gross profit margin (GPM). Despite an unusual litigation expense year, with better absorption of fixed USD operating costs, notably amortization of identifiable intangible assets, and, in this case, a favorable foreign currency exchange (FX) impact on OUS expenses, UTMD's Operating Income Margin was less diluted than its GPM. Combined with Operating Income, higher non-operating income, predominantly from interest on cash balances, leveraged the increase in Earnings Before Income Tax (EBT) to be greater than UTMD's increase in revenues.

The further leverage in bottom line results (Net Income and Earnings Per Share) compared to 2021, was the result of an unfavorable adjustment in UTMD's income tax provision in the prior year, which was not related to normal operations. According to U.S. Generally Accepted Accounting Principles (US GAAP), Net Income in 2Q 2021 was decreased $390 ($.107 decrease in EPS) by a long term deferred tax liability increase on the balance of Femcare intangible assets (the amortization of which is not tax-deductible in the UK) as a result of an enacted increase in the UK income tax rate from 19% to 25% effective beginning in April 2023. That is, the 2021 $390 increase in deferred UK taxes from 2023 through 2026, according to US GAAP, had to be booked in the quarter in which the tax law change was enacted. UTMD management believes that the presentation of results excluding the unfavorable deferred tax liability adjustment to 2021 Net Income provides meaningful supplemental information to both management and investors that is more clearly indicative of UTMD's operating results in 2022 compared to 2021. Please note that the non-US GAAP exclusion only affects Net Income and Earnings Per Share (EPS). All other income statement categories at and above the EBT line were unaffected by the UK income tax rate adjustment.

Excluding the 2021 deferred tax liability increase and concomitant 2021 income tax provision increase resulting from the enactment of the UK corporate income tax change, UTMD's 2022 non-US GAAP Net Income and Earnings Per Share (EPS) percentage changes are more modest and consistent with its increase in EBT, as follows:

Consolidated Income Statement	2022	2022 Compared to 2021	2021
Net Income (Non-US GAAP)	$16,473	+ 8.5%	$ 15,178
EPS (Non-US GAAP)	$ 4.522	+ 9.0%	$ 4.147

Key profit margins (profits as a percentage of sales) in 2022 compared to 2021 follow:

	2022	2021
Gross Profit (GPM)	61.6%	63.0%
Operating Income Margin	37.9%	38.5%
Income Before Tax Margin	39.5%	38.9%
Net Income Margin before tax adjusts	*31.5%*	*30.9%*
Net Income per US GAAP	31.5%	30.1%

Measures of the Company's liquidity and overall financial condition improved as of the end of 2022 compared to the end of 2021 with year-end working capital up 21% and Stockholders' Equity up 7% despite $3,163 in dividends paid to stockholders and $2,495 in share repurchases during 2022 which reduced both cash and Stockholders' Equity by $5,658. The improvement was the result of continued strong positive cash flow from normal operations. In comparison, UTMD paid $11,465 in stockholder cash dividends in 2021, with no share purchases. The Company also used $809 in cash in 2022 along with $552 in 2021 to invest in

Consolidated Balance Sheet

(In thousands)

December 31,	2022	2021
Assets		
Current assets:		
Cash	$ 75,052	$ 60,974
Accounts and other receivables, net (note 2)	5,538	5,132
Inventories (note 2)	8,814	6,596
Prepaid expenses and other current assets	515	456
Total current assets	89,919	73,158
Property and equipment, net (notes 4 and 10)	10,224	10,618
Goodwill	13,354	14,098
Other intangible assets (note 2)	52,755	56,314
Other intangible assets — accumulated amortization	(42,378)	(38,552)
Other intangible assets — net (note 2)	10,377	17,762
Total assets	$ 123,874	$ 115,636
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,218	$ 761
Accrued expenses (note 2)	4,742	2,984
Total current liabilities	5,960	3,745
Long term lease liability	341	396
Long term income tax payable (REPAT tax) (note 7)	1,256	1,675
Deferred tax liability - intangible assets	1,514	2,105
Deferred income taxes (note 7)	549	577
Total liabilities	9,620	8,498
Commitments and contingencies (notes 6 and 12)	—	—
Stockholders' equity:		
Common stock, $.01 par value; 50,000 shares authorized, 3,655 shares issued and outstanding in 2021 and 3,655 shares in 2020	36	37
Accumulated other comprehensive loss	(12,039)	(9,054)
Additional paid-in capital	251	841
Retained earnings	126,006	115,314
Total stockholders' equity	114,254	107,138
Total liabilities and stockholders' equity	$ 123,874	$ 115,636

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*

new manufacturing equipment and fixtures, as well as maintaining existing Property, Plant and Equipment (PP&E) in good working order. The two-year capital expenditures exceeded depreciation by $113.

More specifically, UTMD's cash equivalent balances at the end of 2022 increased $14,077 to $75,052 from $60,974 at the end of 2021. Working capital increased $14,546 to $83,959 at the end of 2022 from $69,412 at the end of 2021. Total liabilities increased $1,121 despite an $1,010 reduction in UTMD's deferred tax liability and long-term Repatriation Tax liability, primarily because of the early dividend payment in 4Q 2021. The Company remained without debt. UTMD's total debt ratio (total liabilities to total assets) was 8% at the end of 2022 compared to 7% at the end of 2021. Stockholders' Equity at the end of 2022 increased to $114,254 from $107,138 at the end of 2021, despite the aforementioned $5,658 in 2022 cash dividends and share repurchases which reduced Stockholders' Equity.

Productivity of Fixed Assets and Working Capital Assets.

Assets. Year-end 2022 total consolidated assets were $123,874 comprised of $89,919 in current assets, $10,619 in consolidated net PP&E and $23,336 in net intangible assets. This compares to $115,636 total assets at the end of 2021 comprised of $73,158 in current assets, $11,067 in consolidated net PP&E and $31,412 in net intangible assets. Total asset turns (total consolidated sales divided by average total assets for the year) in 2022 were 44% compared to 43% in 2021, as sales increased slightly faster than the increase in average assets.

Current assets increased $16,761 due to the $14,077 increase in year-end cash and investments, $407 higher accounts and other receivables, $2,217 higher year-end inventories and $59 higher other current assets, due to the higher sales activity and higher raw materials purchases relative to demand. Year-end 2022 and 2021 cash and investment balances were $75,052 and $60,974, representing 61% and 53% of total assets, respectively. Net (after allowance for doubtful accounts) year-end trade accounts receivable (A/R) balances were $407 higher at the end of 2022 compared to 2021 due to 4Q 2022 sales $661 higher than in 4Q 2021, and average days in A/R of 37 days based on 4Q trade sales instead of 36 days at the end of 2021. Average days in A/R from date of invoice of 37 days is well within UTMD's objective. A/R over 90 days from invoice date rose from 2.4% of total A/R at the end of 2021 to 4.2% at the end of 2022. The Company believes any older A/R will be collected or are within its reserve balances for uncollectible amounts. Inventories at 2022 year-end were 34% higher from the end of 2021.

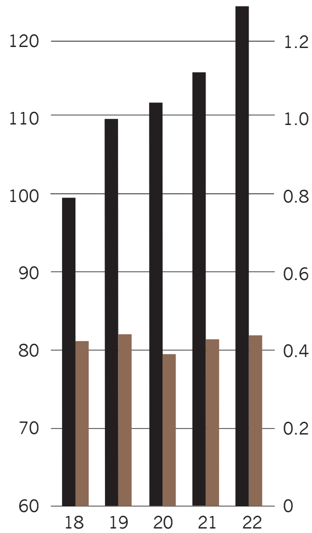
Working capital (current assets minus current liabilities) at year-end 2022 was 21% higher at $83,959 compared to $69,412 at year-end 2021. Consistent with Federal and State rules, the TCJA repatriation tax current liability at the end of 2022 was $419 compared to $220 at the end of 2021. The end of 2022 working capital exceeds UTMD's needs for normal operations in an uncertain economic environment, funding of future organic growth and timely payment of accrued tax liabilities, in addition to allowing for substantial funding of any future acquisition without diluting stockholder interest, as well as continued payment of stockholder dividends and repurchase of UTMD shares. Despite a negative impact on Return on Stockholders' Equity of retaining a high cash balance, UTMD believes that in times of high economic uncertainty and change, maintaining substantial cash balances increases its likelihood of being able to take advantage of opportunities that will benefit stockholders in the longer term, and retain key resources that will help ensure continued excellent long term performance.

December 31, 2022 net $10,619 total PP&E includes Utah, Ireland and England manufacturing molds, production tooling and equipment, test equipment, and product development laboratory equipment. In addition, PP&E includes computers and software, warehouse equipment, furniture and fixtures, facilities and real estate for all five locations in Utah, Ireland, UK, Canada and Australia. Manufacturing facilities in Utah, Ireland and the UK are standalone buildings with a combined 220,000 square feet on 15 acres of land. The distribution facilities in Australia and Canada with a combined 8,000 square feet are part of larger industrial condominiums. Management estimates the fair market value of the five owned facilities to be at least $35 million excluding the contents, the fungible value of which increases stockholder enterprise value relative to most of UTMD's industry peers which lease their facilities.

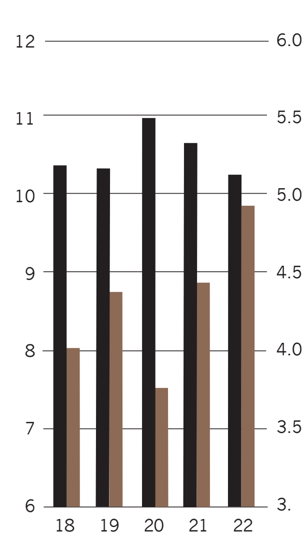
Ending 2022 net consolidated PP&E (depreciated book value of all fixed assets) declined $448 as a result of the combination of capital expenditures of $809, depreciation of $612 and the effect of foreign currency exchange (FX) rates on year-end foreign subsidiary asset balances.

The following end-of-year FX rates to USD were applied to assets and liabilities of each applicable foreign subsidiary:

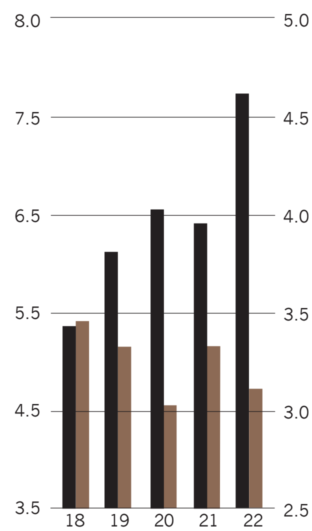
	12-31-22	12-31-21
EUR	1.0694	1.1377
GBP	1.2077	1.3536
AUD	0.6805	0.7268
CAD	0.7390	0.7902



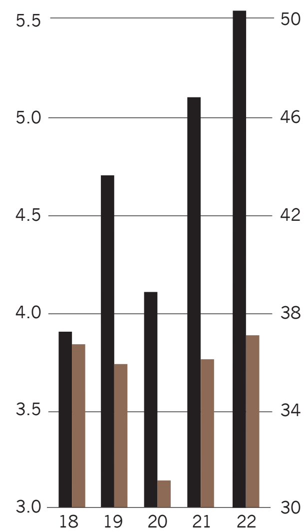
TOTAL ASSETS ($ million) | END OF YEAR TURNS (number of times)



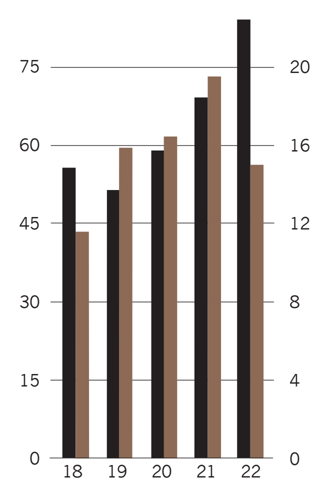
NET PP&E ($ million) | END OF YEAR TURNS (number of times)



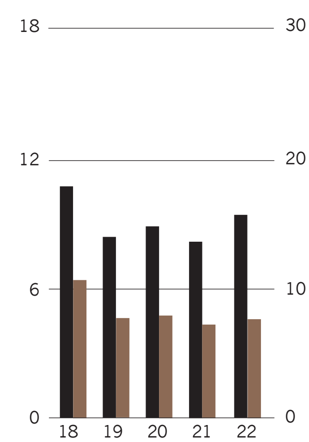
AVERAGE INVENTORY ($ million) | AVERAGE TURNS (number of times)



YEAR-END A/R ($ million) | A/R AGING DAYS (4th quarter base)



YEAR-END WORKING CAPITAL ($ million) | TOTAL CURRENT RATIO



TOTAL LIABILITIES ($ million) | TOTAL DEBT RATIO (% of assets)

The year-end 2022 net book value (after accumulated depreciation) of consolidated PP&E was 31% of purchase cost. End-of-year PP&E turns (Net Sales divided by Net PP&E) was 4.9 in 2022 compared to 4.4 in 2021 due to 7% higher 2022 sales and lower USD asset values of foreign subsidiaries, offset by investment in new PP&E assets needed for the future which are not in use yet. A future leverage in productivity of fixed assets which will not have to be further increased to support new business activity will be a source of continued incremental profitability.

Net intangible assets (after accumulated amortization) are comprised of the capitalized costs of obtaining patents and other intellectual property, as well as the value of identifiable intangible assets (IIA) and goodwill resulting from acquisitions. Net intangible assets were $23,337 (19% of total assets) at the end of 2022 compared to $31,412 (27% of total assets) at the end of 2021. Per US GAAP, intangible assets are categorized as either 1) IIA, which are amortized over the estimated useful life of the assets, or 2) goodwill, which is not amortized or expensed until the associated economic value of the acquired asset becomes impaired. Those two categories of Femcare intangibles at year-end 2022 were net IIA of $6,168 and goodwill of $6,163. The accumulated amortization of Femcare IIA as of December 31, 2022 since the March 18, 2011 acquisition was $22,814. The remaining Femcare IIA will be fully amortized in 3 more years. The goodwill portion of intangible assets resulting from the Femcare acquisition, which is not amortized, declined $744 due to a weaker GBP at year-end, i.e. the different FX rate on fixed goodwill in GBP terms. In early 2019, UTMD acquired an additional $21,000 IIA from the purchase of the remaining life of exclusive U.S. distribution rights for the Filshie Clip System from CSI, of which $17,316 has been amortized through year-end 2022. The remaining CSI IIA will be fully amortized in 4Q 2023. UTMD's goodwill balance from prior acquisitions including Femcare, Columbia Medical, Gesco and Abcorp was $13,354 at the end of 2022.

Because the products associated with UTMD's acquisitions of Columbia Medical in 1997, Gesco in 1998, Abcorp in 2004 and Femcare in 2011 continue to be viable parts of UTMD's overall business, UTMD does not expect the current goodwill value associated with the four acquisitions to become impaired in 2023. Amortization of IIA was $6,417 in 2022 compared to $6,645 in 2021. The difference was due to £1 lower Femcare IIA amortization and the GBP FX difference on all Femcare IIA amortization. Specifically, the 2022 non-cash amortization expense of Femcare IIA was $1,965 (£1,589) compared to $2,189 (£1,590) in 2021. The 2023 non-cash amortization expense (included as part of consolidated G&A operating expenses) of

Management's Discussion and Analysis *(continued)*

Femcare IIA will be £1,589, or $1,923 if the USD/GBP average FX rate is 1.21. In other words, the 2023 Femcare IIA amortization expense is expected to be about $42 lower because of an average projected weaker GBP relative to the USD. Both the 2022 and 2021 non-cash amortization expense of CSI IIA was $4,421. The 2023 operating expense resulting from final full amortization of CSI IIA will be $3,684.

Liabilities. As a reminder, payments for the Federal and State repatriation (REPAT) tax liability which resulted from the U.S. TCJA enacted in 2017 were 8% of the respective tax liability per year for the first five years, and will be 15% in the sixth year, 20% in the seventh year and 25% in the eighth year. UTMD's total REPAT tax liability was $2,792. Calendar year 2023 represents the sixth year, so $419 is the current liability at 15% of the total liability, and $1,256 is the long term REPAT tax liability to be paid in years 2024-2025, representing the remaining 45%.

Year-end 2022 current liabilities were $2,214 higher than at the end of 2021. Ending accrued liabilities were $1,558 higher due primarily to $398 higher OEM customer deposits and an accrued stockholder dividend payable. The $1,070 stockholder dividend declared in 4Q 2022 was paid in January 2023, whereas the $7,309 dividend declared in 4Q 2021 was paid in December 2021. Total liabilities were $1,121 higher at the end of 2022 compared to the end of 2021. The resulting 2022 year-end total debt ratio was 8% compared to 7% at the end of 2021.

The year-end 2022 Deferred Tax Liability balance created as a result of the fifteen-year deferred tax consequence of the amortization of Femcare's IIA was $1,513, down from $2,105 at the end of 2021. The difference in the $592 decline compared to the $416 tax effect of 19% (2022 UK tax rate) times $2,189 in 2022 amortization of IIA was due to the difference in the GBP FX rate on the remaining DTL balance at the end of 2022 as well as the USD/GBP currency exchange conversion of the IIA amortization during 2022. In addition to liabilities stated on the balance sheet, UTMD has operating lease and purchase obligations described in Note 14 and Note 12, respectively, to the financial statements.

Results of Operations

a) Revenues. Under accounting standards applicable for 2022, the Company believed that revenue should be recognized at the time of shipment as title generally passes to the customer at the time of shipment, or completion of services performed under contract. 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 collectability is reasonably assured.

Over 99% of UTMD's revenue is recognized at the time UTMD ships a physical device to a customer's designated location, where the selling price for the item shipped was agreed prior to UTMD's acceptance and completion of the customer order. There are no post-shipment obligations which have been or are expected to be material to financial results.

There are circumstances under which revenue may be recognized when product is not shipped, which have met the criteria of ASC 606: 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.

Terms of sale are established in advance of UTMD's acceptance of customer orders. In the U.S., Ireland, UK, France, Australia and Canada since the beginning of 2017, UTMD has generally accepted orders directly from and shipped directly to end-user clinical facilities, as well as third party medical/surgical distributors, under UTMD's Standard Terms and Conditions (T&C) of Sale. About 14% of UTMD's domestic end-user sales went through third party med/surg distributors which contract separately with clinical facilities to provide purchasing, storage and scheduled delivery functions for the applicable facility. UTMD's T&C of Sale to end-user medical facilities are substantially the same in the U.S., Canada, Ireland, UK, France, Australia and New Zealand.

UTMD may allow separate discounted pricing agreements with a specific clinical facility or group of affiliated facilities based on volume of purchases. Pricing agreements which are documented arrangements with clinical facilities, or groups of affiliated facilities, if applicable, are established in advance of orders accepted or shipments made. For existing customers, past actual shipment volumes typically determine the fixed price by part number for the next agreement period. For new customers, the customer's best estimate of volume is usually accepted by UTMD for determining the ensuing fixed prices for the agreement period. 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.

UTMD's global consolidated trade sales are comprised of domestic and OUS sales. Domestic sales in 2022 included 1) direct domestic sales, sales of finished devices to end-user facilities and med/surg distributors in the U.S., and 2) domestic OEM sales, sales of components or finished products, which may not be medical devices, to other companies for inclusion in their products.

Consolidated Statement of Income and Comprehensive Income

(In thousands)

Years ended December 31,	2022	2021	2020
Sales, net (notes 1, 3, 9 and 11)	$ 52,281	$ 49,054	$ 42,178
Cost of goods sold	20,085	18,137	16,630
Gross profit	32,196	30,917	25,548
Operating expense:			
Sales and marketing	1,507	1,414	1,554
Research and development	493	526	486
General and administrative	10,406	10,097	9,800
Operating income	19,790	18,880	13,708
Other income (expense):			
Dividend and interest income	661	166	112
Royalty income (note 12)	20	15	20
Other, net	188	—	—
Income before provision for income taxes	20,659	19,061	13,840
Provision for income taxes (note 7)	4,186	4,273	3,042
Net income	$ 16,473	$ 14,788	$ 10,798
Earnings per common share (basic) (note 1):	$ 4.53	$ 4.05	$ 2.95
Earnings per common share (diluted) (note 1):	$ 4.52	$ 4.04	$ 2.94
Other comprehensive income (loss):			
Foreign currency translation net of taxes of $0 in all periods	$ (2,986)	$ (773)	$ 1,502
Total comprehensive income	$ 13,487	$ 14,015	$ 12,300

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*

OUS sales are export sales from UTMD in U.S. to customers outside the U.S. invoiced in USD, and sales from UTMD subsidiaries in Ireland, Canada, Australia and the UK which may be invoiced in EUR, GBP, CAD, AUD, NZD or USD. The term "trade" means sales to customers which are not part of UTMD. Each UTMD manufacturing entity had 2022 intercompany sales of components and/or finished devices to other UTMD entities.

The following table shows the 2022 USD-denominated revenues by sales channel compared to 2021. Because domestic sales in foreign countries were invoiced in native currencies, the comparison in USD terms includes the change in foreign currency translation (FX) rates. In other words, just the FX rate relative to the USD in 2022 compared to 2021, reduced Canada domestic sales by 3.7%, Ireland domestic sales by 11.1%, UK domestic sales by 10.7%, France domestic sales by 10.9% and Australia/NZ domestic sales by 7.7%.

Revenue [USD denominated]	2022	2022 Compared to 2021	2021
U.S. domestic (excluding OEM)	$21,087	–	$21,096
Canada domestic	1,294	(6.4%)	1,382
Ireland domestic	445	–	446
UK domestic	2,748	15.1%	2,388
France domestic	7,235	(13.3%)	1,424
Australia domestic	1,267	(25.7%)	1,705
Subtotal, Direct to End-User:	$28,076	(1.3%)	$28,441
All Other OUS(Sales to Int'l Distributors)	13,321	+20.6%	11,050
U.S. OEM Sales	10,884	+13.8%	9,563
Worldwide Revenues	$52,281	+6.6%	$49,054

In summary, UTMD total worldwide (WW) consolidated USD sales in 2022 at $52,281 were almost 7% higher than in 2021 at $49,054. But direct sales OUS in foreign currencies were substantially reduced in USD terms by a stronger USD. Total U.S. domestic sales including OEM were up $1,312 (+4.3%) in 2022 at $31,971 compared to $30,659 in 2021. OUS sales including sales to foreign distributors were up $1,916 (+10.4%) at $20,311 compared to $18,395 in 2021. Constant currency OUS sales were up 18.2%.

Domestic Sales. U.S. domestic sales in 2022 were 4.3% higher at $31,971 (61% of total sales) compared to $30,659 (63% of total sales) in 2021. Components of the $1,312 higher 2022 domestic sales were $857 (14.0%) lower sales of the Filshie Clip System devices in the U.S., $1,321 (+13.8%) higher sales of components and finished devices used in other companies' products (OEM customers), and $848 (+5.7%) higher direct sales of all other UTMD (non-Filshie) finished devices to domestic end-users.

Domestic Filshie Clip System sales in 2022 were 16% of total U.S. domestic sales compared to 20% in 2021. Filshie sales have not recovered as well as the other domestic sales categories since the COVID-19 pandemic. Looking forward to 2023, there remains a medical procedure trend in the U.S. to choose salpingectomy versus tubal ligation for permanent contraception post C-Section. Despite this, UTMD expects U.S. Filshie device sales in 2023 will remain about the same as in 2022.

Domestic OEM sales in 2022 were 34% of total U.S. domestic sales compared to 31% in 2021. UTMD sold components and finished devices to 146 different U.S. companies in 2022 compared to 155 different companies in 2021, for use in their product-market offerings. Sales to UTMD's largest OEM customer represented 83% of total domestic OEM sales in 2022 compared to 82% of total domestic OEM sales in 2021. UTMD's largest OEM customer markets biopharmaceutical manufacturing control systems which exclusively utilize UTMD's pressure monitoring technology, and for which demand continued to be strong. Looking forward to 2023, UTMD expects demand for biopharmaceutical control systems to diminish relative to the recent past.

Domestic direct end-user sales excluding the Filshie Clip System (as well as OEM sales) were 50% of total U.S. domestic sales in 2022 compared to 49% in 2021. Of UTMD's four domestic direct product categories, neonatal products were $707 higher (+13%), labor & delivery (L&D) products were $45 higher (+1%), gynecology/ electrosurgery/ urology products excluding the Filshie Clip System were $155 higher (+3%), and blood pressure monitoring devices were $59 lower (7%). UTMD expects 2023 domestic direct sales of its well-established devices to increase at a low single-digit percentage rate.

OUS Sales. Sales OUS in 2022 in USD terms were $20,310 (10.4% higher) compared to $18,395 in 2021. Using the same FX rates as in 2021 ("constant currency"), 2022 OUS sales were $21,744 (18.2% higher).

Because a significant portion of UTMD's OUS sales are invoiced in foreign currencies, changes in FX rates can potentially have a material effect on period-to-period USD-denominated sales. UTMD's FX rates for income statement purposes are transaction-weighted averages. The average rates from the applicable foreign currency to USD during 2022 compared to 2021 follow.

	2022	Change	2021
GBP	1.229	(10.7%)	1.376
EUR	1.052	(11.1%)	1.183
AUD	0.693	(7.7%)	0.751
CAD	0.768	(3.7%)	0.798

The total foreign sales-weighted FX rate change impact on 2022 sales compared to 2021 was (9.9%). In other words, consolidated USD sales in 2022 were reduced $1,433 from what they would have been using the prior year's FX rates.

Sixty-four percent of (USD denominated) 2022 OUS sales were invoiced in foreign currencies compared to 72% in 2021. As a portion of total USD WW consolidated sales, 25% of UTMD's USD-equivalent sales were invoiced in foreign currencies in 2022 compared to 27% in 2021. The GBP, EUR, AUD and CAD converted sales represented 6%, 14%, 2% and 3% of total 2022 USD sales, respectively. This compares to 6%, 15%, 3% and 3% of total 2021 USD sales.

USD-denominated trade (excludes intercompany) sales of devices to OUS customers (excluding France) by UTMD's Ireland facility (UTMD Ltd) were $9,478 in 2022 (27% higher despite an 11% weaker EUR) compared to $7,439 in 2021. In addition, UTMD Ltd also sold devices that it had manufactured directly to France in 2022 due to BREXIT, which earlier were sold to Femcare Ltd in the UK on an intercompany basis and then sold by Femcare Ltd directly to French medical facilities. USD-denominated sales to France in 2022 were $1,235 (13% lower with an 11% lower EUR) compared to $1,424 in 2021. Some sales, mostly to Northern Ireland, were invoiced in GBP which was also 11% lower in 2022 compared to the 2021 USD. The total FX rate change reduced Ireland's USD-denominated sales by $897.

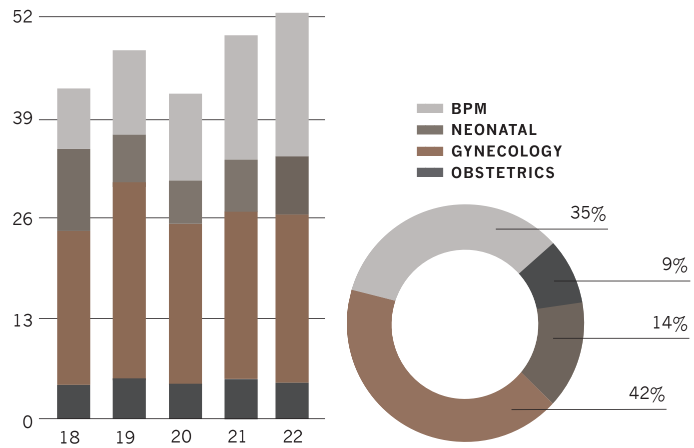
In 2022, UTMD's UK subsidiary, Femcare Ltd., had $2,781 trade sales of devices to domestic UK and certain international distributor customers, 13% higher (despite an 11% weaker GBP) compared to $2,451 in 2021. The total FX rate change reduced the UK's USD-denominated sales by $381.

USD-denominated sales of devices to end-users in Australia and New Zealand by Femcare's Australia distribution subsidiary (Femcare Australia Pty Ltd) were $1,267 (26% lower with an 8% lower AUD) in 2022 compared to $1,705 in 2021. The weaker AUD in 2022 reduced USD-denominated Australia sales by $105.

UTMD's Canada distribution subsidiary (Utah Medical Products Canada, Inc.) USD-denominated sales of devices to end-users in Canada were $1,294 (6% lower with a 4% lower CAD) compared to $1,382 in 2021. The weaker CAD reduced Canada sales by $50.

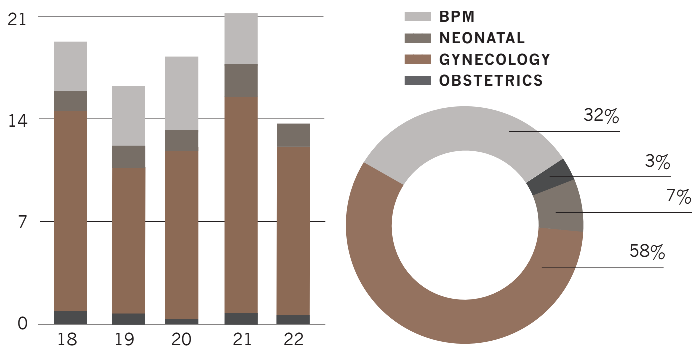
UTMD groups its sales into four general product categories: 1) obstetrics, comprised of labor and delivery management tools for monitoring fetal and maternal well-being, for reducing risk in performing difficult delivery procedures and for improving clinician and patient safety; 2) gynecology/ electrosurgery/ urology, comprised of tools for gynecological procedures associated primarily with cervical/ uterine disease including LETZ, endometrial tissue sampling, transvaginal uterine sonography, diagnostic laparoscopy, surgical contraception and other MIS procedures; specialty excision and incision tools; conservative urinary incontinence therapy devices; and urology surgical procedure devices; 3) neonatal critical care, comprised of devices that provide developmentally-friendly care to the most critically ill babies, including providing vascular access, enteral feeding, administering vital fluids, oxygen therapy while maintaining a neutral thermal environment, providing protection and assisting in specialized applications; and 4) blood pressure monitoring/ accessories/ other, comprised of specialized transducers and components as well as molded parts and assemblies sold on an OEM basis to other companies. In these four categories, UTMD's primary revenue contributors enjoy significant brand awareness by clinical users.

PRODUCT LINE SALES BY SALES CHANNEL



GLOBAL SALES BY PRODUCT LINE (millions of dollars)

2022 REVENUE BY PRODUCT LINE (percent of sales)



OUTSIDE THE U.S. SALES BY PRODUCT LINE (millions of dollars)

2022 OUTSIDE THE U.S. REVENUE BY PRODUCT LINE (percent of sales)

Management's Discussion and Analysis *(continued)*

Global revenues by product category	2022	%	2021	%
Obstetrics	$ 4,661	9	$ 4,675	9
Gynecology/ Electrosurgery/ Urology	21,841	42	21,973	45
Neonatal	7,567	14	6,691	14
Blood Pressure Monitoring and Accessories*	18,212	35	15,715	32
Total:	$52,281	100	$49,054	100

OUS revenues by product category	2022	%	2021	%
Obstetrics	$ 676	3	735	4
Gynecology/ Electrosurgery/ Urology	11,603	57	11,053	60
Neonatal	1,517	8	1,347	7
Blood Pressure Monitoring and Accessories*	6,514	32	5,260	32
Total:	$20,310	100	18,395	100

**includes molded components and finished medical and non-medical devices sold to OEM customers.*

Looking forward to 2023 sales, UTMD's largest customer representing almost $11.6 million in 2022 WW consolidated revenues, including 83% of U.S. OEM sales and 28% of Ireland's international distributor sales, has provided mixed signals for demand for all of 2023. UTMD is planning for a reduction in annual sales to this customer, even though shipments together with orders received to-date for the first nine months of 2023 for pressure transducer assemblies are higher than in 2022. The actions of the U.S. Federal Reserve to continue to increase interest rates because of sticky inflation, combined with a lack of a significant U.S. recession, is likely to result in a stronger average USD in 2023 relative to 2022, resulting in a negative impact on about 25% of UTMD's sales invoiced in foreign currencies. Another key to 2023 sales results will be retaining U.S. Filshie device sales at a similar level as in 2022. Offsetting the above possible negative factors, because of the sticky inflation in input costs, UTMD has raised its unit prices again in early 2023, and expects unit demand for its medical devices to end-users to remain stable. In summary, management's best estimate at this time is that 2023 consolidated WW revenues may be about the same as in 2022, but perhaps lower depending on OEM sales, without consideration for acquiring another source of revenues not currently in UTMD's portfolio.

b) Gross Profit (GP). UTMD's 2022 consolidated GP, the surplus after subtracting costs of manufacturing, which includes purchasing and transporting raw materials, forming components, assembling, inspecting, testing, packaging and sterilizing products, from net revenues, was $32,196 (61.6% of sales) compared to $30,917 (63.0% of sales) in 2021. GP in 2022 increased $1,280 (+4.1%) with a 6.6% increase in revenues.

The Gross Profit Margin (GPM), which is GP divided by sales, contracted due to the fact that all components of manufacturing cost increased at a rate faster than the increase in revenues which included price increases to customers. Manufacturing costs in Utah, where about 60% of the Company's product revenues are manufactured, increased at a rate more than double UTMD's average price increases, resulting in a lower U.S. GPM. U.S. direct labor and raw material costs increased more than 10%, while manufacturing overhead (MOH) costs increased more than 20%. The Company experienced an unfavorable year for its self-insured U.S. health care plan, a doubling of freight for incoming materials and significantly more engineering dedicated to process improvements, all of which are included in MOH.

UTMD's Ireland subsidiary's (UTMD Ltd's) 2022 GP was EUR 8,538 compared to EUR 6,788 in 2021. The associated GPMs were 60.0% in 2022 and 61.2% in 2021. Femcare UK 2022 GP was GBP 1,297 compared to GBP 913 in 2021. The 2022 UK GPM was 52.0% compared to 46.3% in 2021. A delayed substantial UK recovery in Filshie device sales after the COVID-19 pandemic explains the GPM improvement, as UK manufacturing overhead costs are relatively fixed. Femcare Australia and Femcare Canada are simply distribution facilities for UTMD finished devices in their respective countries. GP is the result of subtracting intercompany purchase prices of devices, plus incoming freight, from revenues. Australia 2022 GP was AUD 940 (51.4% of sales) compared to AUD 1,399 (61.6% of sales) in 2021. Canada 2022 GP was CAD 870 (51.7% of sales) compared to CAD 907 (52.4% of sales) in 2021. In the U.S., GP was $20,699 in 2022 compared to $20,100 in 2021. The U.S. GPM was 54.8% in 2022 compared to 55.8% in 2021. A summation of the above GP of each subsidiary will not yield UTMD's consolidated total GP because of elimination of profit in inventory of intercompany sales.

In 2023, UTMD has the objective to manage manufacturing cost pressures to maintain its GPM consistent with 2022.

c) Operating Income. Operating Income results from subtracting operating expenses from GP. Operating Income in 2022 was $19,790 (37.9% of sales) compared to $18,880 (38.5% of sales) in 2021. UTMD's 2022 Operating Income margin (Operating Income divided by sales) contracted only 0.6 percentage points after its GPM contracted 1.4 percentage points. This was due to the fact that Intangible Asset amortization expenses related to the Filshie Clip System (included in Operating Expenses) were better absorbed with higher sales, that is, were 1.3 percentage points lower than in 2021. In addition, subsidiary operating expenses in foreign currencies were diminished when translated into USD in the same manner that foreign currency sales were diminished by a strong USD.

The UTMD Ltd (Ireland) Operating Income margin in 2022 was 57.2% compared to 57.8% in 2021. Femcare UK's Operating Income margin per US GAAP, which includes the IIA amortization expense of the 2011 acquisition, was negative in both 2022 and 2021. Femcare Australia's 2022 Operating Income margin was 30.9% compared to 45.9% in 2021. Femcare Canada's 2022 Operating Income margin was 37.3% compared to 34.5% in 2021. UTMD's 2022 Operating Income margin in the U.S. was 31.2% compared to 33.2% in 2021. For clarity, the CSI IIA amortization expense hit the U.S. Operating Income margin, and the Femcare IIA amortization expense hit the Femcare UK Operating Income margin.

Operating expenses include sales and marketing (S&M) expenses, product development (R&D) expenses and general and administrative (G&A) expenses. Consolidated WW operating expenses were $12,407 (23.7% of sales) in 2022 compared to $12,037 (24.5% of sales) in 2021. The following table provides a comparison of operating expense categories, as well as further segmentation of G&A expenses:

	2022	2021
S&M expenses	**$ 1,507**	**$ 1,414**
R&D expenses	**493**	**526**
G&A expenses:		
a) litigation expense provision	**670**	**22**
b) corporate legal	**4**	**1**
c) outside directors fees	**131**	**125**
d) stock option compensation	**183**	**166**
e) management bonus accrual	**444**	**448**
f) outside accounting audit/tax	**184**	**179**
g) Femcare IIA amortization	**1,965**	**2,189**
h) CSI IIA amortization	**4,421**	**4,421**
i) property & liability insurance premiums	**101**	**99**
j) all other G&A expenses	**2,304**	**2,447**
G&A expenses – total	**10,407**	**10,097**
Total Consolidated Operating Expense:	**$12,407**	**$12,037**
Percent of sales	**$23.7%**	**24.5%**

Description of Operating Expense Categories

1. S&M expenses: S&M expenses in 2022 were $1,507 (2.9% of sales) compared to $1,414 (2.9% of sales) in 2021. The higher expenses were due to higher U.S. distribution costs including fees paid to Med/Surg distributors. OUS S&M expenses in 2022 compared to 2021 were diminished by a stronger USD, i.e. constant currency 2022 S&M expenses would be $34 higher.

S&M expenses are the costs of communicating UTMD's differences and product advantages, providing training and other customer service in support of the use of UTMD's solutions, attending clinical meetings and medical trade shows, administering customer agreements, advertising, processing orders, shipping, and paying commissions to outside independent representatives. In markets where UTMD sells directly to end-users, which in 2021-2022 included the U.S., Ireland, UK, Australia, New Zealand, France and Canada, the largest components of S&M expenses were the cost of customer service required to timely process orders and the distribution costs associated with shipping products.

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 provide hospital in-service and clinical training as required and reasonably requested.

UTMD promises prospective customers that it will provide, at no charge in reasonable quantities, electronic media and other instructional materials developed for the use of its products. UTMD provides customer support from offices in the U.S., Canada, Ireland, UK and Australia by telephone 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 in-service and training expenses are routinely expensed as they occur. Except for the consulting services of independent practitioners and occasional use of marketing consultants, all of these services are allocated from fixed S&M overhead costs. Historically, additional consulting costs have been immaterial to financial results, which is also UTMD's expectation for the future.

2. R&D expenses: R&D expenses in 2022 were $493 (0.9% of sales) compared to $526 (1.1% of sales) in 2021. R&D expenses include the costs of investigating clinical needs, developing innovative concepts, testing concepts for viability, validating methods of manufacture, completing any necessary premarketing clinical trials, regulatory documentation and other activities required for design control, responding to customer requests for product enhancements, and assisting manufacturing engineering on an ongoing basis in developing new processes or improving existing processes. Product development (R&D) expenses declined as a result of reassigning engineers to help with manufacturing improvements and quality assurance in a challenging year. R&D also played a significant role in manufacturing process improvements that were needed to support fast-growing OEM product demand. Other than OEM products, no new UTMD devices were launched in 2022. UTMD does not pre-announce new devices that are being developed.

Management's Discussion and Analysis *(continued)*

3. G&A expenses: G&A expenses in 2022 were $10,407 (19.9% of sales) compared to $10,096 (20.6% of sales) in 2021. G&A expenses include the "front office" functional costs of executive management and outside directors, finance and accounting, corporate information systems, human resources, stockholder relations, corporate risk management, corporate governance, protection of intellectual property, amortization of identifiable intangibles and legal costs. The table above helps identify certain specific categories of G&A expenses which might be of interest to stockholders.

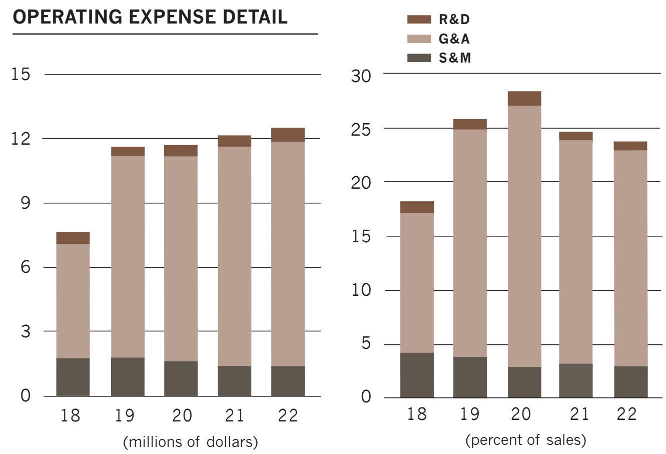
The increase in G&A expenses was essentially due to $648 higher U.S. litigation costs, offset by $351 reduction of OUS foreign currency expenses due to a stronger USD. An FX rate change favorable USD impact of $223 (out of the $351 total) was from the amortization of Femcare acquisition IIA, which was £1,589 in 2022 compared to £1,590 in 2021.

As stockholders likely remember, the non-cash IIA amortization expense related to the Filshie Clip System includes IIA from both the 2011 acquisition of Femcare Group Ltd and the 2019 purchase of the CSI exclusive U.S. distribution rights for the Filshie Clip System. The combined IIA amortization expense in 2022 was 12.2% of total WW consolidated sales ($6,386) compared to 13.5% in 2021 ($6,610). The decline in percent of sales was due both to higher sales and to a stronger USD converting the GBP IIA amortization expense, which was about the same in GBP as in the prior year.

The Femcare IIA amortization expense will continue at the same £397 per calendar quarter rate ending in 1Q 2026 (or until the value of any remaining IIA becomes impaired), subject to changes in the FX rate when converted to USD. The early 2019 purchase of CSI exclusive Filshie Clip System U.S. distribution rights is being amortized at $1,105 per calendar quarter over the remaining life of the Femcare distribution agreement with CSI, which will end in 4Q 2023.

Excluding the non-cash Femcare and CSI IIA amortization expenses, UTMD consolidated operating expenses were $6,021 (11.5% of sales) in 2022 compared to $5,427 (11.1% of sales) in 2021. The difference was due to litigation expenses. Maintaining a consistent GPM and tightly controlling operating expenses remains the key to UTMD's excellent profitability and Return on Stockholder Equity (ROE).

d) Non-operating income/Non-operating expense, and Earnings Before Taxes (EBT). Non-operating income includes royalties from licensing UTMD's technology, rent from leasing underutilized property to others, income earned from investing the Company's excess cash and gains from the sale of assets.



Non-operating expense includes interest on bank loans, bank service fees, excise taxes and losses from the sale of assets. Also, the period-to-period remeasured value of EUR cash balances held in the UK, and GBP balances held in Ireland, generates a gain or loss which is booked at reporting period end as non-operating income or expense, as applicable.

Net non-operating income (combination of non-operating income and non-operating expense) was $869 in 2022 and $181 in 2021. The higher non-operating income in 2022 compared to 2021 was due to higher interest income on UTMD's cash balances. A description of components of UTMD's non-operating income or expense follows:

1) Interest Expense. There was no interest expense in 2022 or 2021. Absent an acquisition or large repurchase of shares that requires new borrowing, UTMD does not expect any interest expense in 2023.

2) Investment of excess cash. Consolidated investment income (including gains and losses on sales of investments) was $661 in 2022 compared to $46 in 2021. Average cash balances were almost $12 million higher in 2022 than in 2021. In addition, in contrast to 2022, interest rates in 2021 were practically zero, and UTMD had to pay negative interest on EUR bank balances in Ireland. UTMD is projecting higher interest rates to continue in 2023, leading to another substantial increase in non-operating income.

3) Royalties. Royalties in 2022 were $20 compared to $15 in 2021. Presently, there is only one arrangement which began in 2020 under which UTMD is receiving royalties on its technology.

4) Gains/ losses from remeasured currency in bank accounts. UTMD recognized a $20 loss in 2022 compared to a $23 loss in 2021 from losses on remeasured foreign currency bank balances. EUR currency cash balances in the UK, and GBP currency cash bank balances in Ireland, are subject to remeasured currency translation gains/ losses as a result of period to period changes in FX rates.

5) Other non-operating income or expense. Income received from renting unused warehouse space in Ireland and parking lot space in Utah for a cell phone tower, offset by bank fees, and other miscellaneous non-operating expenses resulted in net non-operating income of $196 in 2022 compared to a net non-operating income of $124 in 2021.

EBT results from adding net non-operating income or subtracting net non-operating expense from Operating Income. Consolidated EBT was $20,659 (39.5% of sales) in 2022 compared to $19,061 (38.9% of sales) in 2021. In other words, despite the inflationary cost pressures diluting UTMD's GPM and much higher litigation expenses, the Company expanded its EBT Margin (EBT as a percentage of sales) on higher sales, yielding an 8.4% increase in EBT in a tough year. In summary, UTMD's 2022 EBT substantially exceeded management's beginning of year projections due to achieving less dilution in profit margins and greater non-operating income than was expected.

The 2022 EBT of UTMD Ltd. (Ireland) was €3,013 (56.3% of sales) compared to €6,277 (56.6% of sales) in 2021. Femcare Ltd's (UK) 2022 EBT was (£574) compared to (£1,003) in 2021. Femcare Ltd, as the legal manufacturer of the Filshie Clip System, supports worldwide regulatory requirements in addition to absorbing the IIA amortization expense of the 2011 Femcare Group acquisition. Femcare AUS's 2022 EBT was AUD 573 (31.3% of sales) compared to AUD 1,042 (45.9% of sales) in 2021. Femcare Canada's 2022 EBT was CAD 622 (36.9% of sales) compared to CAD 592 (34.2% of sales) in 2021.

As a side note for clarity of comparison of financial results, UTMD's 2021 EBT, as well as all other income statement measures above the EBT line in the 2021 Income Statement, were unaffected by the 2Q 2021 income tax provision adjustment as a result of a future income tax rate change in the UK, which increased UTMD's long term deferred tax liability and reduced Net Income in 2021.

EBITDA is a non-US GAAP metric that UTMD management believes is of interest to investors because it provides meaningful supplemental information to both management and investors that represents profitability performance without factoring in effects of financing, accounting decisions regarding non-cash expenses, capital expenditures or tax environments. If the Company were to need to borrow to pay for a major asset or acquisition, the projected EBITDA metric would be of primary interest to a lending institution to determine UTMD's credit worthiness. Although the U.S. Securities and Exchange Commission advises that EBITDA is a non-GAAP metric, UTMD's non-US GAAP EBITDA is the sum of the following elements in the table below, each of which is a US GAAP number:

	2022	2021
EBT	**$20,659**	**19,061**
Depreciation Expense	**612**	**636**
Femcare IIA Amortization Expense	**1,965**	**2,189**
CSI IIA Amortization Expense	**4,421**	**4,421**
Other Non-Cash Amortization Expense	**31**	**34**
Stock Option Compensation Expense	**183**	**166**
Remeasured Foreign Currency Balances	**20**	**23**
UTMD non-US GAAP EBITDA:	***$27,891***	***$26,530***

In summary, UTMD's 2022 non-US GAAP EBITDA increased 5.1% compared to 2021.

e) Net Income, Earnings Per Share (EPS) and Return on Equity (ROE).

i) Net Income. Net Income results after subtracting a provision for estimated income taxes from EBT. UTMD's US GAAP Net Income in 2022 was $16,473 (31.5% of sales) compared to $14,788 (30.1% of sales) in 2021. Because of a future UK income tax rate change enacted in 2021 which reduced 2021 Net Income and EPS results per US GAAP, management does not believe the year-to-year comparisons in US GAAP Net Income and EPS are an accurate measure of UTMD's bottom-line 2022 financial performance comparison with 2021. Ignoring the income tax adjustment, 2021 non-US GAAP Net Income was $15,178 (30.9% of sales). Please see the table below which presents Net Income both according to US GAAP and also prior to recognition of the 2021 income tax provision adjustment.

The US GAAP consolidated income tax provision rate for 2022 was 20.3% compared to 22.4% in 2021. The estimated tax provision adjustment in 2021 increased the average rate. The non-US GAAP consolidated combined income tax provision rate for 2021 was 20.4%, about the same as in 2022. For clarity, the UK income tax rate change in 2021 from 19% to 25% beginning in April 2023 added $390 to UTMD's 2021 income tax provision, representing the increased tax which will be due over the remaining life of amortization of Femcare's IIA, which is not a tax-deductible expense in the UK.

In general, year-to-year fluctuations in the combined average income tax provision rate will result from variation in EBT contribution from subsidiaries in jurisdictions with different corporate income tax rates. Taxes in foreign subsidiaries are based on taxable EBT in those sovereignties, which can be different from the contribution to consolidated EBT per US GAAP. UTMD expects, barring any new tax law changes which are currently unknown, that its combined income tax rate for 2023 will be within the 20.3%-20.5% range.

Management's Discussion and Analysis *(continued)*

The UK had a corporate income tax rate of 19% for both 2022 and 2021. The UK also allowed a tax deduction for sales of UK patented products which varied from year-to-year based on somewhat complicated rules which are sorted out for UTMD by independent UK tax specialists. The income tax rate for AUS was 30% for both 2022 and 2021. The income tax rate for Canada was about 27% for both years. Profits of the Ireland subsidiary were taxed at a 12.5% rate on exported manufactured products, and a 25% rate on rental and other types of income including income from sales of medical devices in Ireland domestically. As UTMD stockholders likely remember, in the U.S., the Federal income tax rate was changed after 2017 to 21% from 34% prior to the 2017 Tax Cut and Jobs Act (TCJA). Federal taxes are not 21% of U.S. EBT, however, as income taxes paid to the State are a deductible expense for Federal tax purposes, other expenses are not deductible and there remains an R&D tax credit along with other credits, not to mention a GILTI tax related to foreign income and FDII tax credit related to profits on export sales. The Utah state income tax rate declined to 4.95% from 5% prior to the TCJA, and the State of Utah enacted income apportionment rules that provide for additional tax relief.

ii) Earnings Per Share (EPS). EPS are Net Income divided by the number of shares of stock outstanding (diluted to take into consideration stock option awards which are "in the money," i.e., have exercise prices below the applicable period's weighted average market value). US GAAP diluted EPS in year 2022 were $4.522 compared to $4.041 in 2021, an 11.9% increase. Excluding the income tax provision increase due to the DTL adjustment in 2021, non-US GAAP diluted EPS in 2021 were $4.147. The 2022 EPS increase over the non-US GAAP 2021 EPS was 9.0%, which is more indicative of normal operating results. The increase in EPS was higher than the increase in Operating Income as a result of the 2022 improvement in net non-operating income from higher interest on higher cash balances, and a stock buy-back in 2Q 2022. Diluted shares were 3,643,256 for the year 2022 compared to 3,659,814 in 2021. Dilution for "in the money" unexercised options for the year 2022 was 5,934 shares compared to 12,606 shares in 2021. Actual outstanding common shares as of December 31, 2022 were 3,627,767. The 2022 EPS exceeded management's projection at the beginning of the year.

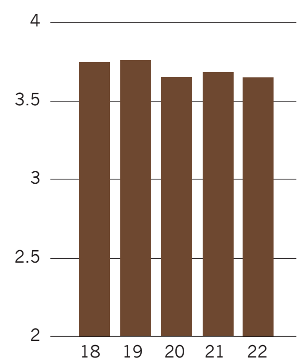
UTMD management believes the presentation of Net Income and EPS results excluding the tax liability estimate adjustment in 2021 provides meaningful supplemental information to both management and investors that is more clearly indicative of UTMD's bottom line results for comparison purposes.

US GAAP	2022	2021
Net Income	**$16,473**	**$14,788**
Net Income Margin	**31.5%**	**30.1%**
EPS	**$ 4.522**	**$ 4.041**

NON-US GAAP *(excluding the 2021 UK DTL change)*	2022	2021
Net Income	**$16,473**	**$15,178**
Net Income Margin	**31.5%**	**30.9%**
EPS	**$ 4.522**	**$ 4.147**

Note: The 2021 tax provision adjustment only affected UTMD's income tax provision, Net Income and EPS, not consolidated revenues (sales), GP, Operating Income or EBT.

The non-US GAAP financial measures indicate that the 2022 growth in Net Income and EPS compared to 2021 was more modest, and facilitate management's internal comparisons for purposes of planning future performance. The non-US GAAP financial measures disclosed by UTMD should not be considered a substitute for or superior to financial measures calculated in accordance with US GAAP, and the financial results calculated in accordance with US GAAP and reconciliations to those financial statements should be carefully evaluated.



DILUTED SHARES OUTSTANDING
(millions of shares)

Looking forward to 2023, UTMD believes that sales to its medical device end-users will remain stable. This might be partly offset, however, if the USD on the average is stronger, reducing the USD value of approximately 25% of UTMD's revenues invoiced in foreign currencies. In recent years, UTMD's sales to its largest OEM customer have grown rapidly, culminating in 22% of UTMD's consolidated WW revenues in 2022. Projections of demand from this customer have not been reliable in the past, and its signals for 2023 are currently mixed despite year-to-date orders which are higher. Given the abatement of vaccine production for COVID-19, UTMD anticipates a near term lessening of pharmaceutical control device demand, perhaps reducing UTMD's revenues in 2023 relative to 2022 from this customer. Therefore, management believes it is reasonable to project 2023 revenues in the range of $50 to $52 million compared to $52.3 million in 2022, without consideration for acquiring another source of revenues not currently in UTMD's portfolio. The Company also believes it can maintain its Gross Profit Margin and Operating Income Margin in 2023 with slightly lower sales, excluding unusual litigation costs, despite economic headwinds associated with a high cost inflation environment. In the absence of a significant use of cash to increase long term stockholder value, the incremental litigation costs should be more than covered by UTMD's increase in interest income on its cash reserves. The endpoint of this 2023 projection is Net Income and EPS about the same as in 2022.

iii) ROE. Maintaining a high ROE remains a key management objective for UTMD in order to grow without diluting stockholder interest. ROE is the quotient of Net Income divided by average Stockholders' Equity, but more specifically it is the product of the Net Income margin, productivity of assets and financial leverage. Although UTMD's high Net Income margin is the primary factor that continues to drive its ROE, cash dividends to stockholders and repurchase of shares help in lowering average Stockholders' Equity, reducing the denominator in calculating ROE. UTMD's 2022 ROE before stockholder dividends was 14.9%. In comparison, 2021 ROE was 14.1%.

The higher 2022 ROE compared to 2021 was the result of 11.4% higher US GAAP Net Income coupled with 5.4% higher average Stockholders' Equity. Average Stockholders' Equity was $110,696 in 2022 compared to $104,980 in 2021. UTMD's Stockholders' Equity has more than doubled over the last ten years to $114 million at the end of 2022, despite being reduced by $46 million in dividends plus $16 million in share repurchases over that same period of time.

Maintaining a high ROE with the dilutive effect of rapidly growing Average Stockholders' Equity (despite reductions from dividends and stock repurchases), while maintaining excellent Net Income results, suggests an excellent increase in stockholder value. UTMD's average ROE over the last 30 years was 24%.

Liquidity and Capital Resources

Cash Flows. Net cash provided by operating activities in 2022 totaled $21,147 compared to $21,203 in 2021. Net Income at $1,685 higher in 2022 compared to 2021 allowed net cash provided by operating activities in 2022, including adjustments for depreciation and other non-cash operating expenses, along with changes in working capital and the tax benefit attributable to exercise of employee incentive stock options, to be about the same as in 2021. The increase in Net Income funded operating activities particularly including a $1,868 higher increase in inventories than the increase in 2021 (second order derivative). The additional inventory increase was a hedge against supply chain disruption emanating from the COVID-19 pandemic. Other changes were a function of normal business activity, e.g. 1) a $577 lower use of cash as a result of increasing trade accounts receivable (A/R) $511 instead of the $1,088 increase in 2021, 2) a $486 lower use of cash as a result of increasing accounts payable $463 instead of the $23 decrease in 2021, 3) a $461 higher use of cash from increasing accrued expenses only $252 compared to the $713 increase in 2021, 4) a $308 higher use of cash from reducing deferred income taxes $401 compared to the $92 reduction in 2021, and 5) $251 less cash provided from less depreciation and amortization in 2022 compared to 2021. Also, the income tax benefit attributable to exercise of employee stock options in 2022 was $34 lower than in 2021 because 10,210 fewer shares were exercised.

In investing activities, during 2022 UTMD used $809 in capital expenditures to purchase new molds and manufacturing equipment and fixtures for expanded capabilities as well as to maintain and improve existing operating capabilities, compared to investing $552 in 2021. Capital expenditures exceeded depreciation by $197. UTMD also expensed $40 more in 2022 compared to 2021 for tools and equipment, including repairs.

In 2022, UTMD received $174 and issued 3,135 shares of stock upon the exercise of employee and director stock options. Employees exercised a total of 3,501 option shares in 2022, with 366 shares immediately being retired as a result of optionees trading the shares in payment of the exercise price of the options. Option exercises in 2022 were at an average price of $60.34 per share. The Company received a $6 tax benefit from option exercises in 2022. UTMD repurchased 30,105 shares of its stock in the open market during 2022 at an average cost of $82.88 per share.

In comparison, in 2021 UTMD received $560 and issued 11,702 shares of stock upon the exercise of employee stock options.

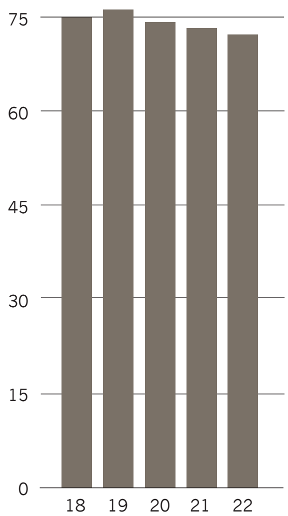
Consolidated Statement of Stockholders' Equity

(In thousands)

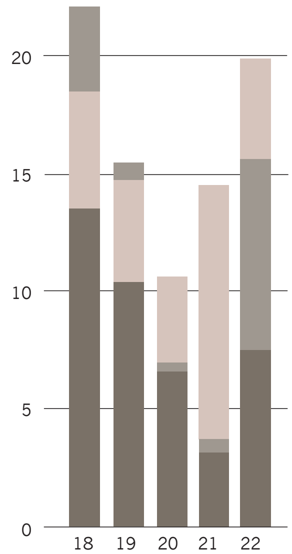
Years Ended December 31, 2022, 2021 and 2020	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2019	3,722	$ 37	$ 18	$ (9,782)	$110,820	$101,093
Shares issued upon exercise of employee stock options for cash	8	—	358	—	—	358
Stock option compensation expense	—	—	160	—	—	160
Common stock purchased and retired	(87)	(1)	(421)	—	(6,555)	(6,976)
Foreign currency translation adjustment	—	—	—	1,502	—	1,502
Common stock dividends	—	—	—	—	(4,112)	(4,112)
Net income	—	—	—	—	10,798	10,798
Balance at December 31, 2020	3,643	$ 36	$ 115	$ (8,280)	$110,951	$102,822
Shares issued upon exercise of employee stock options for cash	14	—	787	—	—	787
Shares received and retired upon exercise of stock options	(2)	—	(227)	—	—	(227)
Stock option compensation expense	—	—	166	—	—	166
Common stock purchased and retired	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	(773)	—	(773)
Common stock dividends	—	—	—	—	(10,425)	(10,425)
Net income	—	—	—	—	14,788	14,788
Balance at December 31, 2021	3,655	$ 36	$ 842	$ (9,053)	$115,314	$107,138
Shares issued upon exercise of employee stock options for cash	4	—	211	—	—	211
Shares received and retired upon exercise of stock options	(1)	—	(37)	—	—	(37)
Stock option compensation expense	—	—	183	—	—	183
Common stock purchased and retired	(30)	—	(947)	—	(1,548)	(2,495)
Foreign currency translation adjustment	—	—	—	(2,986)	—	(2,986)
Common stock dividends	—	—	—	—	(4,233)	(4,233)
Net income	—	—	—	—	16,473	16,473
Balance at December 31, 2022	3,628	$ 36	$ 252	$ (12,039)	$126,006	$114,255

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*



YEAR-END INSTITUTIONAL OWNERSHIP
(percent of total ownership)



RETURN ON EQUITY
(percent)
Dividends paid Tax adjustments

Employees exercised a total of 13,711 option shares in 2021, with 2,009 shares immediately being retired as a result of optionees trading the shares in payment of the exercise price of the options. Option exercises in 2021 were at an average price of $57.40 per share. The Company received a $39 tax benefit from option exercises in 2021. UTMD did not repurchase shares of its stock in the open market during 2021.

UTMD did not borrow in the years 2021 and 2022. Cash dividends paid to stockholders were $3,162 in 2022 compared to $11,465 in 2021.

Management believes that future income from operations and effective management of working capital will continue to provide the liquidity needed to finance internal growth plans. In an uncertain economic environment, UTMD's cash balances allow management to operate with the long-term best interest of stockholders in mind. Planned 2023 capital expenditures for ongoing operations are expected to be about the same in magnitude as depreciation of PP&E, although additional capital expenditure opportunities are being considered.

Management plans to utilize cash not needed to support normal operations in one or a combination of the following: 1) in general, to continue to invest at opportune times in ways that will enhance future profitability; 2) to make additional investments in new technology and/or processes; and/or 3) to acquire a product line or company that will augment revenue and EPS growth and better utilize UTMD's existing infrastructure. If there are no better strategic uses for UTMD's cash, the Company will continue to return cash to stockholders in the form of dividends and share repurchases when the stock appears undervalued.

Management's Outlook

UTMD remains relatively small compared to many other companies, but its employees are experienced and remain diligent in their work. UTMD's passion is in providing differentiated clinical solutions that will help improve the outcomes of medical procedures and reduce health risks, particularly for women and their babies.

The safety, reliability and performance of UTMD's medical devices are consistently high and represent significant clinical benefits while providing minimum total cost of care. UTMD will continue to leverage its reputation as a device innovator and reliable manufacturer which will responsively take on challenges to work with clinicians who use its specialty devices. In doing so, UTMD will continue to differentiate itself, especially from its commodity-oriented competitors. In 2023, UTMD again plans to

1) leverage distribution and manufacturing synergies by further integrating capabilities and resources in its multinational operations;

2) expand manufacturing capacity at a time when resources are scarce;

3) focus on effectively differentiating the benefits of the Filshie Clip System in the U.S.;

4) introduce additional products helpful to clinicians through product development;

5) continue to achieve excellent overall financial operating performance;

6) utilize positive cash generation to continue providing cash dividends to stockholders and make open market share repurchases if/when the UTMD share price seems undervalued; and

7) remain vigilant for affordable accretive acquisition opportunities which may be brought about by difficult burdens on small, innovative companies.

The Company has a fundamental focus to do an excellent job in meeting clinicians' and patients' needs, while providing stockholders with excellent returns. In the combined form of cash dividends and share repurchases, UTMD "returned" $5,658 (34% of Net Income) in 2022 compared to $11,465 (78% of Net Income) in 2021 to stockholders.

In 2022, the value of UTMD's stock increased, albeit less than 1%, ending the year at $100.53/ share, while $0.87 in cash dividends/ share were paid to stockholders. The DJIA, S&P 500 and NASDAQ (where UTMD is traded) indices were all lower in 2022, respectively by 9%, 19% and 33%.

In comparison, in 2021, the value of UTMD's stock improved 19%, ending the year at $100.00/ share, while $3.14 in cash dividends/ share were paid. The DJIA, S&P 500 and NASDAQ (where UTMD is traded) indices were up 19%, 27% and 27% respectively in 2021.

Consolidated Statement of Cash Flow

(In thousands)

(In thousands)

Years Ended December 31,	2022	2021	2020
Cash flows from operating activities:			
Net income	$ 16,473	$ 14,788	$ 10,798
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	612	636	655
Amortization	6,417	6,645	6,515
Provision for (recovery of) losses on accounts receivable	30	24	(5)
Amortization of operating lease assets	53	3	39
Loss/(Gain) on disposal of assets	—	—	1
Deferred income taxes	(401)	(92)	(26)
Stock-based compensation expense	183	166	160
Tax benefit attributable to exercise of stock options	6	39	7
(Increase) decrease in:			
Accounts receivable	(511)	(1,088)	617
Other receivables	(14)	(42)	45
Inventories	(2,353)	(485)	924
Prepaid expenses and other current assets	(64)	(81)	108
Increase (decrease) in:			
Accounts payable	464	(23)	(308)
Accrued expenses	252	713	607
Net cash provided by operating activities	21,147	21,203	20,137
Cash flows from investing activities:			
Capital expenditures for:			
Property and equipment	(809)	(552)	(860)
Intangible assets	(9)	—	—
Net cash (used in) investing activities	(818)	(552)	(860))
Cash flows from financing activities:			
Proceeds from issuance of common stock — options	174	560	358
Common stock purchased and retired	(2,495)	—	(6,976)
Dividends paid	(3,163)	(11,465)	(4,116)
Net cash (used in) financing activities	(5,484)	(10,905)	(10,734)
Effect of exchange rate changes on cash	(767)	(362)	260
Net increase in cash and cash equivalents	14,078	9,384	8,803
Cash at beginning of year	60,974	51,590	42,787
Cash at end of year	$ 75,052	$ 60,974	$ 51,590
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$ 4,970	$ 4,617	$ 3,186
Interest	—	—	—

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*

The average annually compounded appreciation in UTMD stock value for the last 24 years was 12.0% per year, substantially outpacing all of the major indices. Adding dividends, UTMD stockholder value increased at an annually compounded rate of 12.9% over the last 24 years since 1998.

Combining share price appreciation as a result of a long-term financial performance and a capital allocation strategy that includes opportunistic share repurchases with steadily growing quarterly cash dividends paid to stockholders since 2004, longer term UTMD stockholders have experienced excellent returns. Management is committed to continue that performance.

Off Balance Sheet Arrangements. None

Contractual Obligations. The following is a summary of UTMD's significant contractual obligations and commitments as of December 31, 2022.

Contractual Obligations and Commitments	TOTAL	2023	2024–2025	2026–2027	2028 & thereafter
Long-term debt obligations	$ —	$ —	$ —	$ —	$ —
Operating lease obligations	444	64	105	97	178
Purchase obligations	4,798	4,769	29	—	—
Total	$5,242	$4,833	$ 134	$ 97	$ 178

Critical Accounting Policies and Estimates. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the reported amounts of revenues and expenses during the reporting period.

Management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. This forms the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Management has identified the following as the Company's most critical accounting policies which require significant judgment and estimates. Although management believes its estimates are reasonable, actual results may differ from these estimates under different assumptions or conditions.

➢ Allowance for doubtful accounts: The majority of the Company's receivables are with healthcare facilities and medical device distributors. Although the Company has historically not had significant write-offs of bad debt, the possibility exists, particularly with foreign distributors where collection efforts can be difficult or in the event of widespread hospital bankruptcies.

➢ Inventory valuation reserves: The Company strives to maintain inventory to 1) meet its customers' needs and 2) optimize manufacturing lot sizes while 3) not tying-up an unnecessary amount of the Company's capital increasing the possibility of, among other things, obsolescence. The Company believes its method of reviewing actual and projected demand for its existing inventory allows it to arrive at a fair inventory valuation reserve. While the Company has historically not had significant inventory write-offs, the possibility exists that one or more of its products may become unexpectedly obsolete for which a reserve has not previously been created. The Company's historical write-offs have not been materially different from its estimates.

Accounting Policy Changes. The Company's management has evaluated the recently issued accounting pronouncements through the filing date of these financial statements and has determined that the application of these pronouncements will not have a material impact on the Company's financial position and results of operations.

Notes to Consolidated Financial Statements

(December 31, 2022, 2021 and 2020 — Currency amounts are in thousands except per share amounts, and where noted.)

Note 1. Summary of Significant Accounting Policies

Organization. Utah Medical Products, Inc. with headquarters in Midvale, Utah and its wholly-owned operating subsidiaries, Femcare Limited located in Romsey, Hampshire, England, Femcare Australia Pty Ltd located in Castle Hill, NSW, Australia, Utah Medical Products Canada, Inc. (dba Femcare Canada) located in Mississauga, Ontario, Canada and Utah Medical Products Ltd., which operates a manufacturing facility in Athlone, Ireland, (in the aggregate, the Company) are in the primary business of developing, manufacturing and globally distributing specialized medical devices for the healthcare industry. The Company's broad range of products includes those used in critical care areas and the labor and delivery departments of hospitals, as well as outpatient clinics and physicians' offices. Products are sold directly to end-user facilities in the U.S., Ireland, UK, Canada, France and Australia, and through third party distributors in other outside the U.S. (OUS) markets. Domestically, until February 1, 2019, Femcare had an exclusive U.S. distribution relationship with CooperSurgical, Inc. (CSI) for the Filshie Clip System. UTMD also sells subcontract manufactured components and finished products to over 150 companies in the U.S. for their medical and non-medical products.

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although actual results could differ from those estimates, management believes it has considered and disclosed all relevant information in making its estimates that materially affect reported performance and current values.

Principles of Consolidation. The consolidated financial statements include those of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. For purposes of the consolidated statement of cash flows, the Company considers cash on deposit and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Concentration of Credit Risk. The primary concentration of credit risk consists of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which, when realized, have been within the range of management's expectations as reflected by its reserves.

The Company's customer base consists of hospitals, medical device distributors, physician practices and others directly related to healthcare providers, as well as other manufacturing companies. Although the Company is affected by the well-being of the global healthcare industry, management does not believe significant trade receivable credit risk exists at December 31, 2022 except under an extreme global financial crisis.

The Company maintains its cash in bank deposit accounts in addition to Fidelity Investment money market accounts. The Company has not experienced any losses in such accounts and believes it is not exposed to a significant credit risk on cash and cash equivalent balances.

Accounts Receivable. Accounts receivable are amounts due on product sales and are unsecured. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus, accounts receivable do not bear interest although a late charge may be applied to such receivables that are past the due date. Accounts receivable are periodically evaluated for collectability based on past credit history of customers and current market conditions. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions (see note 2).

Inventories. Finished products, work-in-process, raw materials and supplies inventories are stated at the lower of cost and net realizable value (NRV) computed on a first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation (see note 2).

Property and Equipment. Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over estimated useful lives as follows:

Building and improvements	**15-40 years**
Furniture, equipment, and tooling	**3-10 years**

Long-Lived Assets. The Company evaluates its long-lived assets in accordance with Accounting Standards Codification (ASC) 360, "Accounting for the Impairment of Long-Lived Assets." Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

Intangible Assets. Costs associated with the acquisition of patents, trademarks, trade names, customer relationships, regulatory approvals & product certifications, license rights and non-compete agreements are capitalized, and are being amortized using the straight-line method over periods ranging from 5 to 20 years. UTMD's goodwill is tested for impairment annually, in the fourth quarter of each year, in accordance with ASC 350. UTMD also performs impairment tests contemporaneously, if circumstances change that would more than likely reduce the fair value of goodwill below its net book value. If UTMD determines that its goodwill is impaired, a second step is completed to measure the amount of the impairment loss. UTMD does not expect its goodwill to become impaired in the foreseeable future. Estimated future amortization expenses on intangible assets held as of December 31, 2022, using the 2022 year-end 1.2077 USD/GBP and .6805 USD/AUD currency exchange rates, is about $5,617 in 2023, $1,933 in 2024, $1,933 in 2025, $424 in 2026, and $12 in 2027 (see note 2).

Stock-Based Compensation. At December 31, 2022, the Company has stock-based employee compensation plans, which are described more fully in note 8. The Company accounts for stock compensation under ASC 718, Share-Based Payment. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted to employees and directors. In 2022, the Company recognized $183 in stock-based compensation cost compared to $166 in 2021 and $160 in 2020.

Revenue Recognition. The Company recognizes revenue at the time of product shipment as UTMD meets its contractual performance obligations to the customer at the time of shipment. Revenue recognized by UTMD is based upon the consideration to which UTMD is entitled from its customers as a result of shipping a physical product, in accordance with the documented arrangements and fixed contracts in which the selling price was fixed prior to the Company's acceptance of an order. Revenue from service sales, which are immaterial to UTMD, is generally recognized when the service is completed and invoiced. As demonstrated by decades of experience in successful and consistent collections, there is very minor and insignificant uncertainty regarding the collectability of invoiced amounts reasonably within the terms of the Company's contracts. There are circumstances under which insignificant revenue may be recognized when product is not shipped, which meet the criteria of ASC 606: 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 performance obligations have been completed according to a fixed contractual agreement. UTMD includes handling fees charged to customers in revenues.

Income Taxes The Company accounts for income taxes under ASC 740, "Accounting for Income Taxes," whereby deferred taxes are computed under the asset and liability method.

The Company accounts for deferred taxes under ASC 740, "Accounting for Income Taxes", which requires that all deferred income taxes are classified as noncurrent in a classified statement of financial position.

The TCJA contains a deemed repatriation transition tax (REPAT tax) on accumulated earnings and profits of the Company's non-U.S. subsidiaries that have not been subject to U.S. tax. The Company has elected to pay its net REPAT tax over eight years.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, in Utah, in the United Kingdom, in Australia, in Ireland and in Canada.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and any related penalties in income taxes. The Company did not recognize any tax-related interest expense or have any tax penalties in 2022 or 2021. In 2020 the Company paid tax penalties of $4.

Legal Costs. The Company has been involved in lawsuits which are an expected consequence of its operations and in the ordinary course of business. The Company maintains a reserve for legal costs which are probable and estimated based on previous experience and known risk. The reserve for legal costs at December 31, 2022 and 2021 was $204 and $96, respectively (see note 2).

Earnings per Share. The computation of basic earnings per common share is based on the weighted average number of shares outstanding during each year.

The computation of earnings per common share assuming dilution is based on the weighted average number of shares outstanding during the year plus the weighted average common stock equivalents which would arise from the exercise of stock options outstanding using the treasury stock method and the average market price per share during the year.

The shares (in thousands) used in the computation of the Company's basic and diluted earnings per share are reconciled as follows:

December 31,	2022	2021	2020
Weighted average number of shares outstanding – basic	3,637	3,647	3,658
Dilutive effect of stock options	6	13	14
Weighted average number of shares outstanding, assuming dilution	3,643	3,660	3,672

Presentation of Sales and Similar Taxes. Sales tax on revenue-producing transactions is recorded as a liability when the sale occurs. UTMD is not required to withhold sales tax on OUS sales, and at least 90% of domestic 2022 sales were to customers who are tax exempt or who are in jurisdictions where UTMD is not required to withhold sales tax.

Translation of Foreign Currencies. Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at the applicable exchange rates at year-end. Net gains or losses resulting from the translation of the Company's assets and liabilities are reflected as a separate component of stockholders' equity. A negative translation impact on stockholders' equity reflects a current relative

Notes to Consolidated Financial Statements *(continued)*

U.S. Dollar value higher than at the point in time that assets were actually acquired in a foreign currency. A positive translation impact would result from a U.S. dollar weaker in value than at the point in time foreign assets were acquired. Year-end translation gains or losses of non-functional currency bank account balances, e.g. EUR and AUD balances held by the UK subsidiary, are recognized as non-operating income or expense, as applicable.

Income and expense items are translated at the weighted average rate of exchange (based on when transactions actually occurred) during the year.

Note 2. Detail of Certain Balance Sheet Accounts

December 31,	2022	2021
Accounts and other receivables:		
Accounts receivable	$ 5,720	$ 5,287
Accrued interest and other	51	39
Less allowance for doubtful accounts	(182)	(156)
Total accounts and other receivables	$ 5,589	$ 5,170
Inventories:		
Finished products	$ 1,896	$ 1,468
Work-in-process	1,193	1,398
Raw materials	5,725	3,730
Total inventories	$ 8,814	$ 6,596
Goodwill:		
Balance as of January 1	$14,098	$14,164
Effect of foreign exchange	(744)	(66)
Subtractions as a result of impairment	–	–
Total Goodwill as of December 31	$13,354	$14,098
Other identifiable intangible assets:		
Patents	$ 2,198	$ 2,212
Non-compete agreements	121	135
Trademark & trade names	8,887	9,930
Customer relationships	8,635	9,678
Distribution agreements	21,000	21,000
Right-of-Use Asset	395	449
Regulatory approvals & product certifications	11,519	12,910
Total Other Identifiable Intangible Assets	52,755	56,314
Accumulated amortization	(42,378)	(38,552)
Other Identifiable Intangible Assets, Net	$10,377	$17,762
Accrued expenses:		
Income taxes payable	$ 337	$ 36
Payroll and payroll taxes	1,318	1,225
Reserve for litigation costs	204	96
Other	2,883	1,627
Total accrued expenses	$ 4,742	$ 2,984

Note 3. Quarterly Results of Operations (unaudited)

UNAUDITED QUARTERLY DATA FOR 2022	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Net sales	$12,323	$13,428	$12,955	$13,575
Gross profit	7,533	8,151	8,186	8,327
Net income	3,534	4,103	4,280	4,555
Earnings per common share (diluted)	.96	1.12	1.18	1.25

UNAUDITED QUARTERLY DATA FOR 2021	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Net sales	$10,964	$12,604	$12,572	$12,914
Gross profit	6,947	7,785	8,073	8,112
Net income	3,024	3,426	4,206	4,131
Earnings per common share (diluted)	.83	.94	1.15	1.13

UNAUDITED QUARTERLY DATA FOR 2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Net Sales	$10,902	$8,787	$10,479	$12,010
Gross profit	6,836	4,950	6,497	7,265
Net income	3,140	1,313	2,933	3,412
Earnings per common share (diluted)	.84	.36	.80	.94

Note 4. Property and Equipment

Property and equipment consists of the following:

December 31,	2022	2021
Land	$ 1,593	$ 1,690
Buildings and improvements	13,601	14,172
Furniture, equipment and tooling	17,068	16,660
Construction-in-progress	906	898
Total	33,168	33,420
Accumulated depreciation	(22,944)	(22,802)
Property and equipment, net	$ 10,224	$ 10,618

Included in the Company's consolidated balance sheet are the assets of its manufacturing and administrative facilities in Utah, Canada, England, Australia and Ireland. Property and equipment, by geographic area, are as follows:

December 31, 2022	U.S. & Canada	England & Australia	Ireland	Total
Land	$ 621	$ 605	$ 367	$ 1,593
Buildings and improvements	6,566	3,043	3,992	13,601
Furniture, equipment and tooling	14,950	693	1,425	17,068
Construction-in-progress	412	—	494	906
Total	22,549	4,341	6,278	33,168
Accumulated depreciation	(18,369)	(1,229)	(3,346)	(22,944)
Property and equipment, net	$ 4,180	$ 3,112	$ 2,932	$10,224

December 31, 2021	U.S. & Canada	England & Australia	Ireland	Total
Land	$ 621	$ 678	$ 391	$ 1,690
Buildings and improvements	6,541	3,384	4,247	14,172
Furniture, equipment and tooling	14,608	752	1,300	16,660
Construction-in-progress	412	2	484	898
Total	22,182	4,816	6,422	33,420
Accumulated depreciation	(18,168)	(1,164)	(3,470)	(22,802)
Property and Equipment, net	$ 4,014	$ 3,652	$ 2,952	$10,618

Note 5. Long-term Debt

None in 2021 and 2022.

Note 6. Commitments and Contingencies

Purchase Obligations. The Company has obligations to purchase raw materials for use in its manufacturing operations. The Company has the right to make changes in, among other things, purchase quantities, delivery schedules and order acceptance.

Product Liability. The Company is self-insured for product liability risk. "Product liability" is an insurance industry term for the cost of legal defense and damages awarded to patients allegedly injured as a result of use of a company's product. The Company maintains a reserve to cover product liability litigation expenses and possible damages consistent with its experience going back decades. Although actual product liability litigation expense at $670 was substantially higher in 2022 relative to history, costs during the prior two reporting years were immaterial. There were no product liability damages in any of the three reporting years, which is consistent with the Company's long-term history.

The Company absorbs the costs of clinical training and trouble-shooting in its on-going operating expenses.

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 December 31, 2022 or December 31, 2021.

Litigation. The Company has been involved in lawsuits which are an expected consequence of its operations and in the ordinary course of a medical device business. Presently, except for the Filshie clip lawsuits by a single U.S. law firm, there is no litigation or threatened litigation. The Company does not expect the outcome of the Filshie clip litigation will be material to consolidated financial results. The Company applies its accounting policy to accrue legal costs that can be reasonably estimated.

Note 7. Income Taxes

Deferred tax assets (liabilities) consist of the following temporary differences:

Years ended December 31,	2022	2021	2020
Inventory write-downs and differences due to UNICAP	$ 103	$ 88	$ 86
Allowance for doubtful accounts	39	31	32
Accrued liabilities and reserves	90	58	68
Depreciation and amortization	(2,295)	(2,859)	(3,034)
Deferred income taxes, net	$(2,063)	$(2,682)	$(2,848)

The components of income tax expense are as follows:

Years ended December 31,	2022	2021	2020
Current	$ 4,632	$ 3,983	$ 3,253
Deferred	(446)	290	211
Total	$ 4,186	$ 4,273	$ 3,042

Income tax expense differed from amounts computed by applying the statutory federal rate to pretax income as follows:

Years ended December 31,	2022	2021	2020
Federal income tax expense at the statutory rate	$ 2,620	$ 2,520	$ 1,915
State income taxes	490	448	369
Foreign income taxes (blended rate)	1,129	1,010	550
R&D tax credits and manufacturing profit deduction	(3)	(6)	(7)
Deemed repatriation transition tax	—	—	263
US Taxes on foreign income	(90)	(99)	(35)
Change in Rate	—	391	—
Other	40	9	(13)
Total	$ 4,186	$ 4,273	$ 3,042

The domestic and foreign components of income before income tax expense were as follows:

Years ended December 31,	2022	2021	2020
Domestic	$12,475	$12,004	$9,031
Foreign	8,184	7,057	4,809
Total	$20,659	$19,061	$13,840

Note 8. Options

The Company has stock option plans which authorize the grant of stock options to eligible employees, directors and other individuals to purchase up to an aggregate of 509 thousand shares of common stock, of which 67 thousand are outstanding as of December 31, 2022. All options granted under the plans are granted at current market value at the date of grant, and may be exercised between six months and ten years following the date of grant. The plans are intended to advance the interest of the Company by attracting and ensuring retention of competent directors, employees and executive personnel, and to provide incentives to those individuals to devote their utmost efforts to the advancement of stockholder value. Changes in stock options were as follows:

	Shares (000's)	Price Range Per Share	
2022			
Granted	21	$82.60	$ 82.60
Expired or canceled	2	33.30	77.05
Exercised	4	33.30	77.05
Total outstanding at December 31	67	33.30	77.05
Total exercisable at December 31	40	33.30	77.05
2021			
Granted	—	$ —	$ —
Expired or canceled	3	74.64	77.05
Exercised	14	26.52	77.05
Total outstanding at December 31	52	33.30	77.05
Total exercisable at December 31	34	33.30	77.05
2020			
Granted	26	$77.05	$77.05
Expired or canceled	1	58.50	77.05
Exercised	8	26.52	74.64
Total outstanding at December 31	69	26.52	77.05
Total exercisable at December 31	33	26.52	74.64

For the years ended December 31, 2022, 2021 and 2020, the Company reduced current income taxes payable by $6, $39 and $7, respectively, for the income tax benefit attributable to sale by optionees of common stock received upon the exercise of stock options.

Stock-Based Compensation. In 2022, the Company recognized $183 in equity compensation cost, compared to $166 in 2021 and $160 in 2020.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Years ended December 31,	2022	2021	2020
Expected dividend amount per quarter	$ .3050	$ —	$ .2943
Expected stock price volatility	29.87%	—	27.5%
Risk-free interest rate	4.09%	—	.56%
Expected life of options	5.7 years	—	5.3 years

The per share weighted average fair value of options granted during 2022 is $25.34 and in 2020 is $16.17. No options were granted in 2021.

All UTMD options vest over a four-year service period. At December 31, 2022 there was $501 total unrecognized compensation expense related to non-vested stock options under the plans. A $199 portion of the cost is expected to be recognized over the next twelve months, and the remaining $302 recognized over the next 4 years. Expected dividend amounts were estimated based on the actual cash dividend rate at the time the options were granted and an estimate of future dividends based on past dividend rate changes as well as management's expectations of future dividend rates over the expected holding period of the options. Expected volatility is based on UTMD's historical volatility over recent periods of time and trends in that volatility, giving weight to more recent periods. Risk free interest rates were estimated based on actual U.S. Treasury Securities Interest rates as reported by the Federal Reserve Bank for periods of time equivalent to the holding periods estimated for the options on the dates the options were granted. Expected term of options were estimated based on historical holding periods for similar options previously granted by UTMD to employees and directors.

The following table summarizes information about stock options outstanding at December 31, 2022:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Actual Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 49.18 – 58.50	13,762	2.68	$54.12	13,762	$54.12
74.64 – 77.05	33,071	6.79	76.22	25,987	75.99
82.60 – 82.60	20,600	9.78	82.60	0	0.00
$ 49.18 –82.60	67,433	6.86	$73.66	39,749	$68.42

	2022	2021	2020
Intrinsic Value of Stock Options Exercised	$ 141	$ 591	$ 371
Intrinsic Value of Stock Options Outstanding	1,812	1,595	1,178

Note 9. Geographic Information

The Company had sales in the following geographic areas based on the customer's country of domicile:

	2022	2021	2020
United States	$34,524	$31,758	$26,175
Europe	7,214	7,434	6,399
Other	10,543	9,862	9,604

Note 10. Long-lived Assets by Geographic Area

The Company's long-lived assets by geographic area were as follows:

	2022	2021	2020
United States	$14,875	$19,104	$23,327
England	15,184	19,339	21,871
Ireland	2,954	2,990	3,173
Australia	337	392	440
Canada	593	653	672

Note 11. Revenues by Product Category and Geographic Region

Global revenues by product category:

Product Category	2022	2021	2020
Obstetrics	$ 4,661	$ 4,675	$ 4,523
Gynecology/Electrosurgery/Urology	21,841	21,973	20,552
Neonatal	7,567	6,691	5,870
Blood Pressure Monitoring and Accessories	18,212	15,715	11,233
Total:	$52,281	$49,054	$42,178

Included in the Global revenues (above) were OUS revenues by product category:

Product Category	2022	2021	2020
Obstetrics	$ 676	$ 735	$ 846
Gynecology/Electrosurgery/Urology	11,603	11,053	9,934
Neonatal	1,517	1,347	1,490
Blood Pressure Monitoring and Accessories	6,514	5,260	4,042
Total:	$20,310	$18,395	$16,312

Note 12. Product Sale and Purchase Commitments

The Company has had license agreements for the rights to develop and market certain products or technologies owned by unrelated parties. The confidential terms of such agreements are unique and varied, depending on many factors relating to the value and stage of development of the technology licensed. Royalties on future product sales are a normal component of such agreements and are included in the Company's cost of goods sold on an ongoing basis.

In 2022, 2021 and 2020, UTMD received royalties of $20, $15 and $20, respectively, for the use of intellectual property

UTMD had $5,242 in operating lease and purchase commitments as of December 31, 2022.

Note 13. Employee Benefit Plans

The Company sponsors a contributory 401(k) savings plan for U.S. employees, and contributory retirement plans for Ireland, UK, Australia and Canada employees. The Company's matching contribution is determined annually by the board of directors. Company contributions were approximately $159, $165 and $167 for the years ended December 31, 2022, 2021 and 2020, respectively.

Note 14. Leases

UTMD has operating leases for a portion of its parking lot at its Midvale facility and an automobile at its Ireland facility. The remaining lease term on the parking lot is 9 years and on the automobile is 18 months. There are no options to extend or terminate the leases. The parking lot lease contains a provision that requires an adjustment every five years to the lease payment based on the change in the Consumer Price Index. This adjustment occurred in 2021 requiring an increase of $87 to the value of the right-of-use asset and lease liabilities. UTMD has no other leases yet to commence. As neither lease contains implicit rates, UTMD's incremental borrowing rate, based on information available at adoption date, was used to determine the present value of the leases.

Operating lease costs for the years ended December 31, 2022, 2021, and 2020 were $64, $63, and $61, respectively.

Supplemental balance sheet information related to operating leases was as follows *(in thousands)*:

As of December 31, 2022	
Operating lease right-of-use assets	$ 395
Operating lease liabilities, current	54
Operating lease liabilities, long-term	341
Total operating lease liabilities	$ 395

Maturities of operating lease liabilities at December 31, 2022 were as follows *(in thousands):*

As of December 31, 2022	
2023	$ 54
2024	46
2025	41
2026	42
2027	43
Thereafter	169
Total lease payments	$ 442
Less: imputed interest	(47)
Total lease liabilities	$395

The following table provides information on the lease terms and discount rates:

Weighted-average remaining lease term (in years)	8.2
Weighted-average discount rate	3.3%

Note 15. Distribution Agreement Purchase

UTMD completed the purchase of exclusive U.S. distribution rights for the Filshie Clip System from CooperSurgical, Inc. (CSI) on February 1, 2019, after which CSI no longer sells the Filshie Clip System and UTMD distributes the Filshie Clip System directly to clinical facilities in the U.S. The $21,000 purchase price represents an identifiable intangible asset which will be straight-line amortized and recognized as part of G&A expenses over the 4.75 year remaining life of the prior CSI distribution agreement with

Notes to Consolidated Financial Statements *(continued)*

Femcare. The agreement will be fully amortized in 4th quarter 2023. As part of the agreement, UTMD also purchased the remaining CSI inventory for approximately $2,100.

Note 16. Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to the common stockholders of the company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by assuming the exercise of stock options at the closing price of stock at the end of 2022.

The following table reconciles the numerator and the denominator used to calculate basic and diluted earnings per share:

	2022	2021	2020
Numerator *(in thousands)*			
Net income	16,473	14,788	10,798
Denominator			
Weighted average shares, basic	3,637	3,647	3,658
Dilutive effects of stock options	6	13	14
Diluted Shares	3,643	3,660	3,672
Earnings per share, basic	4.53	4.05	2.95
Earnings per share, diluted	4.52	4.04	2.94

Note 17. Recent Accounting Pronouncements

The Company has determined that other recently issued accounting standards will either have no material impact on its consolidated financial position, results of operations or cash flows, or will not apply to its operations.

Note 18. Subsequent Events

The Company evaluated its December 31, 2022 financial statements for subsequent events through the date the financial statements were issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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 stated throughout the 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 1A — RISK FACTORS

Legislative or executive order healthcare interference in the United States renders the U.S. medical device marketplace unpredictable. A fully government-run healthcare system would likely eliminate healthcare consumer choice as well as commercial incentives for innovation. Restrictions on “nonessential” medical procedures during a pandemic reduce the demand for certain of UTMD’s medical devices.

Increasing regulatory burdens, including premarketing approval delays, may result in significant loss of revenue, unpredictable costs and loss of management focus on developing and marketing products that improve the quality of healthcare:

Thousands of small focused medical device manufacturers including UTMD that do not have the overhead structure that the few large medical device companies can afford are increasingly burdened with bureaucratic and underqualified regulator demands that are not reasonably related to assuring the safety or effectiveness of the devices that they provide. Premarketing submission administrative burdens, and substantial “user fees” or notified body review fees, represent a significant non-clinical and/or non-scientific barrier to new product introduction, resulting in lack of investment or delays to revenues from new or improved devices. The risks associated with such circumstances relate not only to substantial out-of-pocket costs, including potential litigation in millions of dollars, but also loss of business and a diversion of attention of key employees for an extended period of time from managing their normal responsibilities, particularly in new product development and routine quality assurance activities.

Group Purchasing Organizations (GPOs) add non-productive costs, weaken the Company's marketing and sales efforts and cause lower revenues by restricting access:

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 undifferentiated 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. Despite rhetoric otherwise, these bureaucratic entities do not recognize or understand the overall cost of care as it relates to safety and effectiveness of devices, and they create a substantial administrative burden that is primarily driven by collection of their administrative fees.

The Company's business strategy may not be successful in the future:

As the level of complexity and uncertainty in the medical device industry increases, evidenced, for example, by the unpredictable and overly cumbersome regulatory environment, the Company's views of the future and product/ market strategy may not yield financial results consistent with the past.

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

An aging population is 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 certain clinical users because of the existence of long term supply agreements for preexisting products, particularly from competitors which offer hospitals a broader range of products and services. Restrictions used by hospital administrators to limit clinician involvement in device purchasing decisions makes communicating UTMD's clinical advantages 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 physicians achieve a more positive outcome than what might otherwise be the case. In any lawsuit where an individual plaintiff suffered 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 markets may result in less predictable revenues:

UTMD's 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. In some countries, notably China, Pakistan and India not subject to similarly rigorous standards, a distributor of UTMD's products may eventually become a competitor with a cheaper but lower quality version of UTMD's 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. An 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.

Fluctuations in foreign currencies relative to the USD can result in significant differences in period-to-period financial results:

Since a significant portion of UTMD's sales are invoiced in foreign currencies and consolidated financial results are reported in USD terms, a stronger USD can have negative revenue effects. Conversely, a weaker USD would increase foreign subsidiary operating costs in USD terms. For the portion of sales to foreign entities made in fixed USD terms, a stronger USD makes the devices more expensive and weakens demand. For the portion invoiced in a foreign currency, not only USD-denominated sales are reduced, but also gross profits may be reduced because finished distributed devices and/or U.S. made raw materials and components are likely being purchased in fixed USD..

Trade restrictions and /or tariffs resulting from changing government trade policies have the potential to disrupt UTMD's supply chain.

Lack of predictability of a major OEM customer currently representing over 20% of UTMD's sales.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Utah Medical Products, Inc.

Opinion on the Financial Statements
We have audited the accompanying balance sheets of Utah Medical Products, Inc. (the Company) as of December 31, 2022 and 2021, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We did not audit portions of the consolidated financial statements for Femcare Group Limited, a wholly owned subsidiary. The portions not audited by us include assets of $23,055,729 and $26,752,000 as of December 31, 2022 and 2021, respectively and total revenues of $4,333,431, $4,419,000 and $4,871,000 for the years ended December 31, 2022, 2021 and 2020, respectively. Those portions of the consolidated financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for Femcare Group Limited is based solely on the reports of the other auditors.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of income taxes

Description of the Matter:
As discussed in Note 1 to the consolidated financial statements, the Company operates in many parts in the world through its' subsidiaries. The Company or one of its' subsidiaries will file a tax return in the U.S. federal jurisdiction, in the United Kingdom, in Australia, in Ireland, and in Canada. Due to the complexity with dealing in multiple currencies/countries, along with the various tax laws and significant management judgment, we believe the account to be a critical audit matter.

How We Addressed the Matter in Our Audit:
We evaluated the appropriateness and consistency of management's methods and assumptions used in the identification, recognition, measurement, and disclosures of its taxes. We performed a walkthrough of the processes and controls over the income tax process. We read and evaluated management's documentation, including relevant accounting policies and information obtained by management from the outside tax specialists engaged to assist with their taxes. We identified and evaluated the reasonableness of significant assumptions in the provision and evaluated for potential bias. We verified the account balances, reperformed the provision calculation of deferred tax assets and liabilities and verified all tax rates used.

Haynie & Company

HAYNIE & COMPANY

Salt Lake City, Utah
March 27, 2023

We have served as Utah Medical Products, Inc.'s auditor since 2018.

Management's Report

Management's Report On Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that

➢ pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

➢ provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

➢ provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on its assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2022.

Kevin L. Cornwell
Chief Executive Officer

Brian L. Koopman
Principal Financial Officer

Corporate Information

BOARD OF DIRECTORS

Kevin L. Cornwell
Chairman and CEO

James H. Beeson, Ph.D., M.D., FACOG
Retired, Maternal-Fetal Medicine Physician

Ernst G. Hoyer
Retired, General Manager
Petersen Precision Engineering Co.

Barbara A. Payne, Ph.D.
Retired Consultant

Paul O. Richins
Retired Company Officer

OFFICERS

Kevin L. Cornwell
President and Secretary

Marcena H. Clawson
Vice President, Corporate Sales

Brian L. Koopman
Principal Financial Officer

Ben D. Shirley
Vice President,
Product Development and Quality Assurance

Mark L. Fox
Vice President, Marketing

The Company has a Code of Ethics for applicable executive officers and outside directors and a Code of Conduct which applies to all employees. Both are available at *www.utahmed.com.*

INVESTOR INFORMATION

Corporate Headquarters
Utah Medical Products, Inc.
7043 South 300 West
Midvale, Utah 84047

Foreign Operations
Utah Medical Products Ltd.
Athlone Business & Technology Park
Dublin Road
Athlone, County Westmeath, N37 XK74, Ireland

Femcare Limited
32 Premier Way
Romsey, Hampshire SO51 9DQ
United Kingdom

Femcare Australia Pty Ltd
Unit 12, 5 Gladstone Rd
Castle Hill, NSW 2154
Australia

Femcare Canada
6355 Kennedy Road #15
Mississauga, ON L5T 2L5
Canada

Transfer Agent
Computershare
150 Royall Street
Canton, Mass 02021

Financial Auditors
Haynie & Co.
Salt Lake City, Utah

Corporate Counsel
Michael Best & Friedrich LLP
Salt Lake City, Utah

CORPORATE STOCK

The Company's common stock trades on the Nasdaq Global Market (symbol: UTMD). The following table sets forth the high and low sales price information as reported by Nasdaq for the periods indicated.

UTMD
Nasdaq Listed

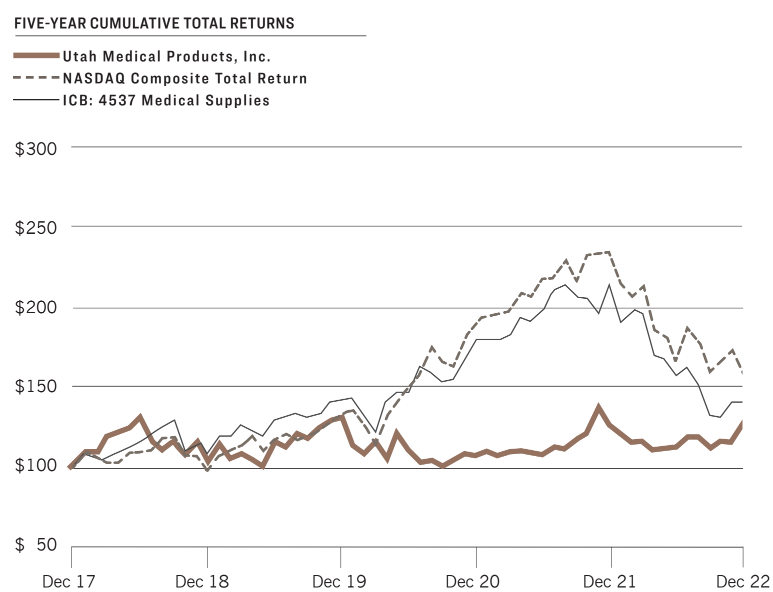
	2022		2021	
	High	Low	High	Low
1st Quarter	$102.99	$85.46	$95.64	$82.18
2nd Quarter	91.99	80.31	90.46	81.01
3rd Quarter	97.03	80.10	97.79	84.60
4th Quarter	109.50	80.68	133.87	88.29

For stockholder information contact: Investor Relations, (801) 566-1200.
Website: *www.utahmed.com,* e-mail: *info@utahmed.com*

STOCK PERFORMANCE CHART

The following chart compares what an investor's five-year cumulative total return (assuming reinvestment of dividends) would have been assuming initial $100 investments on December 31, 2017, for the Company's Common Stock and the two indicated indices. The Company's Common Stock trades on the Nasdaq Global Market.

Cumulative stockholder return data respecting the Nasdaq Composite Total Return are included as the comparable broad market index. The peer group index, ICB: 4537 Medical Supplies, is comprised of Nasdaq Stocks in the Medical Supplies subsector of medical device industry stocks traded on Nasdaq, of which UTMD belongs.



December 31	2017	2018	2019	2020	2021	2022
Utah Medical Products, Inc.	100.0	102.9	130.3	106.6	126.2	128.0
NASDAQ Composite Total Return	100.0	97.2	132.8	192.5	235.2	158.7
Nasdaq ICB: 4537 Medical Supplies	100.0	107.3	141.5	179.6	215.60	141.3

UTAH MEDICAL PRODUCTS, INC.
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