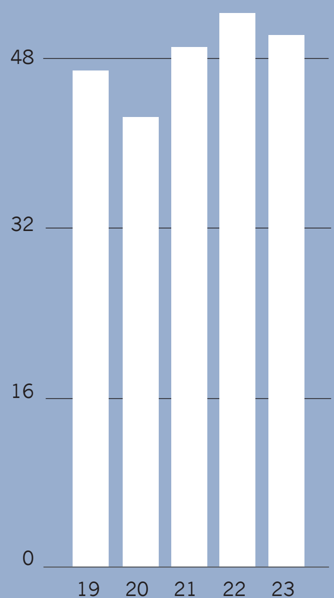
UTAH MEDICAL PRODUCTS, INC.

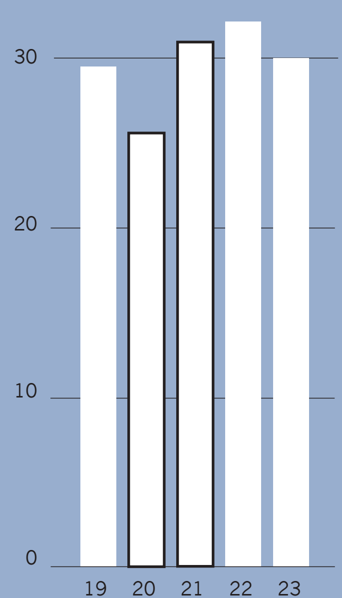
2023 | Annual Report

UTAH MEDICAL PRODUCTS, INC.

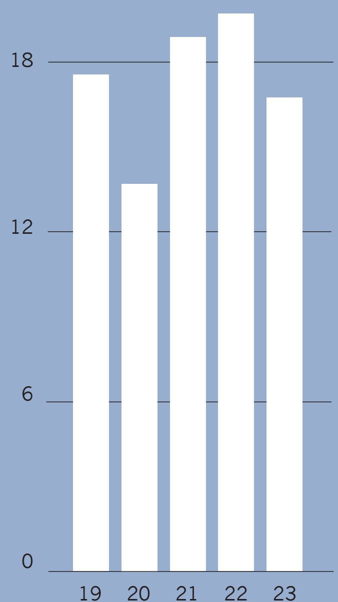
Utah Medical Products, Inc., with particular interest in health care for women and their babies, develops, manufactures and markets a broad range of disposable and reusable specialty medical devices recognized by clinicians in over one hundred countries around the world as the standard for obtaining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



NET SALES
(millions of dollars)



GROSS PROFITS
(millions of dollars)



OPERATING PROFITS
(millions of dollars)

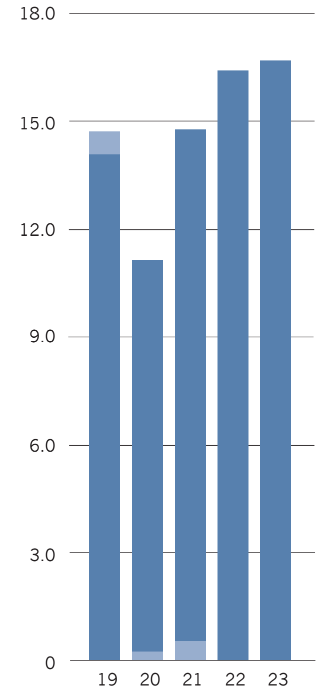
Consolidated Balance Sheet

(In thousands)

5 Year Summary of Operations

(In thousands, except per share amounts)

	2023	2022	2021	2020	2019
Net sales	$50,224	$52,281	$49,054	$42,178	$46,904
Net income – GAAP	16,635	16,473	14,788	10,798	14,727
Net income before REPAT tax & DTL adj's	*16,635*	*16,473*	*15,178*	*11,023*	*14,145*
Total assets	135,458	123,874	115,636	111,745	109,787
Stockholders' equity	128,313	114,254	107,138	102,822	101,092
Earnings per common share – GAAP (diluted)	$ 4.57	$ 4.52	$ 4.04	$ 2.94	$ 3.94
Earnings per common share before REPAT tax & DTL adj's (diluted)	*$ 4.57*	*$ 4.52*	*$ 4.15*	*$ 3.00*	*$ 3.78*
Cash dividends per share	$ 1.19	$ 1.17	$ 2.86	$ 1.13	$ 1.11
Weighted average common shares (diluted)	3,637	3,643	3,660	3,672	3,739

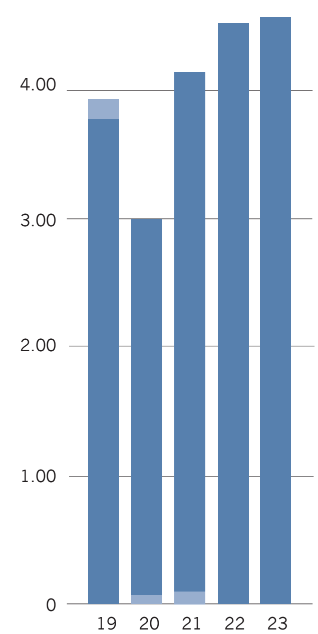


NET INCOME
(millions of dollars)
REPAT tax & Deferred tax adjustments

Quarterly Income Statement Summaries

(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2023				
Net sales	$12,520	$12,866	$12,505	$12,333
Gross profit	7,843	7,739	7,359	7,098
Net income	4,214	4,200	3,935	4,287
Earnings per share	$ 1.16	$ 1.15	$ 1.08	$ 1.18
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



EARNINGS PER SHARE
(dollars)
REPAT tax & Deferred tax adjustments

Message from the President

To UTMD Stockholders

UTMD's consolidated revenues in 2023 were $2 million lower than in the prior year, primarily because sales to UTMD's largest OEM customer, PendoTECH, a provider of biopharmaceutical manufacturing control devices, declined from $11.6 million in 2022 to $8.6 million in 2023. Looking forward, if PendoTECH has completed its internal integration of manufacturing pressure sensors, UTMD sales to PendoTECH could decline from $8.6 million in 2023 to $2.1 million in 2024, the current order backlog. Long-term investors may remember that a similar experience happened in 1997 when another OEM customer for UTMD's specialty devices, representing 40% of UTMD's revenues at the time, decided to go away. With time we adjusted, and have obviously done reasonably well since then.

In addition, 2023 litigation costs associated with UTMD's protracted battle in the U.S. to defend the excellent reputation of the Filshie Clip System increased almost $1 million compared to 2022. As most stockholders likely know from previous UTMD public releases, we have been under attack from the plaintiffs' bar. An unfortunate consequence of the growth of social media is the opportunity to spread misinformation at an astonishing rate. A variety of actions have been lodged against Femcare and UTMD. No product liability lawsuits have gone to trial yet. Although some cases have been dismissed, as we enter into more "active litigation" in others, legal costs in 2024 may be another $1 million higher than in 2023. This investment is justified to affirm the safest and most effective surgical sterilization device used in the U.S. since 1996, without previous similar lawsuits. Although I believe that UTMD will ultimately prevail in these cases, I remain disappointed in the slowness and expensiveness of the U.S. judicial system. Tort reform that puts extortionist lawyers at financial risk when losing is badly needed in this country, in my opinion.

Despite those specific negative financial elements, taken together with the continued supply chain disruption and sticky cost inflation ensuing the U.S. government's unwise attempts to facilitate the economy since 2020, I am proud that UTMD was able to set a new all-time Earnings Per Share (EPS) record of $4.57 in 2023, consistent with management's SEC Form 10-K projection early in 2023.

UTMD has a long history of diligent fiscal management. A solid balance sheet including strong cash position continues to allow the Company to withstand the loss of a major OEM customer and historically unusual litigation expenses, without an impact on our ability to invest as needed in new product and process development, while retaining key employees. A downturn in sales will not inhibit our ability to act decisively when opportunities appear. Year 2024 is projected to be another struggle for UTMD, but we are able to look beyond that. The SEC Form 10-K, as of this writing to be filed before March 31, 2024, will provide more details about 2023 performance, together with the Company's 2024 projections looking forward.

As I sit down to write this letter to stockholders, I think of living, breathing investors, people with their own financial welfare on the line. I am not writing to an index formula, a computer program to buy/sell on momentum, or any of the institutions driven by political-issue agendas who apparently don't care much about their clients' best financial interests, or are too naïve to understand what creates long-term financial success in a medical device business. Frankly, I am appalled to receive input from WOKE managers in some institutional entities telling me that they will vote against important stockholder proposals unless we do "xyz". Invariably these mandates are any one of many single-issue matters, usually some version of a current politically-correct theme such as DEI, that has little or no benefit separate from what UTMD already does, or perversely damages the Company. With respect to DEI, although a large majority of Company employees are non-white, they have been employed for their skill, work ethic and commitment to the Company's objectives, nothing else. With respect to the board of directors, we do not seek diversity, however defined. We appreciate individuals who have high integrity, business savvy, an owner-oriented attitude, excellent experience and education, and a deep genuine interest in achieving the Company's objectives.

Unfortunately, in the last annual stockholder meeting, despite no complaint from institutions about actual financial performance and no alternative board of director candidates submitted by outside stockholders, a majority of institutional investors did not support management. That was a personal affront to people with a genuine interest in the Company's performance and a long-term record of accomplishment in increasing stockholder value. At the same time, the renewal of the same employee stock option plan (with fewer shares to be awarded) which had existed for the prior thirty years, has been a key component of the Company's compensation program and helped create a long average tenure of employees, was rejected by institutional investors. If unhappy, it would have been more ethical in my view for those investors to have sold their ownership positions in UTMD rather than damaging UTMD's important keys to success.

My tenure as UTMD's CEO has been predicated on achieving a just balance of the interests of all of UTMD's many stakeholders. In the twenty-five years since 1998, UTMD's stock value has more than doubled the increase in the NASDAQ Composite index and almost quadrupled the increase in the S&P 500 and DJIA indices. It is interesting to note that despite the record high EPS attained in 2023, UTMD's stock price declined 16% from the end of 2022. During 2023, as you know, all the major stock indices were significantly higher. I am looking forward to the possible opportunity in 2024 to repurchase the ownership of those WOKE institutions at an attractive price to benefit UTMD's remaining confident and rational stockholders.

In last year's letter, I asked for your support. This year, when I ask for your votes at the coming annual meeting, I hope to engage you as thoughtful investors making personal, well-reasoned fundamental decisions, not bots voting the recommendation of other political bots.

Sincerely,

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

In 2023, Utah Medical Products, Inc. (Nasdaq: UTMD) was able to achieve higher Net Income and Earnings Per Share (EPS) despite 4% lower consolidated total revenues caused by $3 million lower sales to its largest OEM customer. A lower Gross Profit Margin from less absorption of manufacturing overhead costs together with ongoing challenges related to supply chain disruption and higher input costs from inflation, together with higher litigation costs, resulted in Operating Income, although very respectable at 33.4% of sales, that was 15% lower than in the prior year. However, higher non-operating income together with a lower income tax provision rate offset the higher operating costs, allowing a UTMD record annual EPS of $4.57.

Consolidated Income Statement

	2023	2023 Compared to 2022	2022
Worldwide Revenues	$50,224	(3.9%)	$ 52,281
Gross Profit	30,038	(6.7%)	32,196
Operating Income	16,777	(15.2%)	19,790
Earnings Before Income Tax	20,089	(2.8%)	20,659
Net Income (US GAAP)	16,635	+1.0%	16,473
Earnings Per Share (US GAAP)	$ 4.574	+1.2%	$ 4.522

Changes in foreign currency exchange (FX) rates on sales and expenses, in contrast to recent prior years, did not have a significant impact on financial results in 2023. Using the prior year's FX rates, annual outside the U.S. (OUS) foreign currency sales would have been 1% lower and OUS operating expenses 1% lower.

Key profit margins (profits as a percentage of sales) in 2023 compared to 2022 follow:

	2023	2022
Gross Profit Margin (GPM)	59.8%	61.6%
Operating Income Margin	33.4%	37.9%
Income Before Tax Margin	40.5%	39.5%
Net Income Margin	33.1%	31.5%

Measures of the Company's liquidity and overall financial condition improved as of the end of 2023 compared to the end of 2022 with year-end working capital up 21% and Stockholders' Equity up 12% despite $4,282 in dividends paid to stockholders which reduced both cash and Stockholders' Equity. The improvement was the result of continued strong positive cash flow from normal operations. In comparison, UTMD paid $3,163 in stockholder cash dividends and used another $2,495 cash for share repurchases in 2022. The Company also used $639 in cash in 2023 along with $809 in 2022 to invest in 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 $213.

Productivity of Fixed Assets and Working Capital Assets.

Assets. Year-end 2023 total consolidated assets were $135,458 comprised of $106,269 in current assets, $10,551 in consolidated net PP&E and $18,637 in net intangible assets. This compares to $123,874 total assets at the end of 2022 comprised of $89,919 in current assets, $10,224 in consolidated net PP&E and $23,731 in net intangible assets. Total asset turns (total consolidated sales divided by average total assets for the year) in 2023 were 39% compared to 44% in 2022, as sales decreased while average assets (primarily cash) increased.

Current assets increased $16,350 due to the $17,817 increase in year-end cash and investments and $768 higher inventories, offset by $2,148 lower accounts and other receivables and $87 lower other current assets. Year-end 2023 and 2022 cash and investment balances were $92,869 and $75,052, representing 69% and 61% of total assets, respectively. Net (after allowance for doubtful accounts) year-end trade accounts receivable (A/R) balances were $2,148 lower at the end of 2023 compared to 2022 due to 4Q 2023 sales $1,242 lower than in 4Q 2022, and average days in A/R of 24 days based on 4Q trade sales instead of 37 days at the end of 2022. A/R over 90 days from invoice date declined from 4.2% of total A/R at the end of 2022 to 3.3% at the end of 2023. The Company believes any older A/R will be collected or are within its reserve balances for uncollectible amounts. Inventories net of reserves for obsolescence at 2023 year-end were 9% higher from the end of 2022.

Working capital (current assets minus current liabilities) at year-end 2023 was 21% higher at $101,559 compared to $83,959 at year-end 2022. Consistent with Federal and State rules, the TCJA repatriation tax current liability at the end of 2023 was $558

Consolidated Balance Sheet

(In thousands)

December 31,	2023	2022
Assets		
Current assets:		
Cash	$ 92,868	$ 75,052
Accounts and other receivables, net (note 2)	3,391	5,538
Inventories (note 2)	9,582	8,814
Prepaid expenses and other current assets	428	515
Total current assets	106,269	89,919
Property and equipment, net (notes 4 and 10)	10,551	10,224
Goodwill	13,692	13,354
Other intangible assets (note 2)	54,296	52,755
Other intangible assets — accumulated amortization	(49,350)	(42,378)
Other intangible assets — net (note 2)	4,946	10,377
Total assets	$ 135,458	$ 123,874
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 769	$ 1,218
Accrued expenses (note 2)	3,941	4,742
Total current liabilities	4,710	5,960
Long term lease liability	295	341
Long term income tax payable (REPAT tax) (note 7)	698	1,256
Deferred tax liability - intangible assets	1,120	1,514
Deferred income taxes (note 7)	322	549
Total liabilities	7,145	9,620
Commitments and contingencies (notes 6 and 12)	—	—
Stockholders' equity:		
Common stock, $.01 par value; 50,000 shares authorized, 3,630 shares issued and outstanding in 2023 and 3,628 shares in 2022	36	36
Accumulated other comprehensive loss	(10,658)	(12,039)
Additional paid-in capital	594	251
Retained earnings	138,341	126,006
Total stockholders' equity	128,313	114,254
Total liabilities and stockholders' equity	$ 135,458	$ 123,874

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*

compared to $419 at the end of 2022, as the payment percentage ramps up at the end of the payout period. The end of 2023 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 UTMD's continued excellent long-term performance.

December 31, 2023 net $10,552 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 2023 net consolidated PP&E (depreciated book value of all fixed assets) increased $328 as a result of the combination of capital expenditures of $639, depreciation of $623 and the effect of foreign currency exchange (FX) rates on year-end foreign subsidiary asset balances.

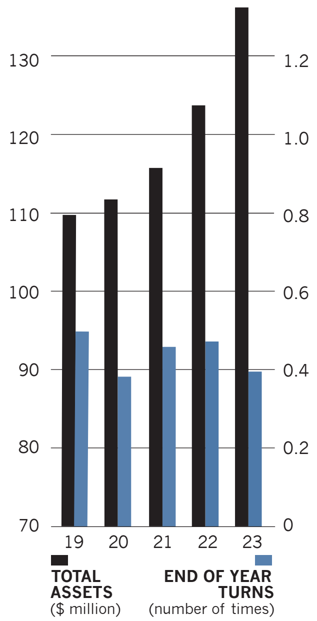
The following end-of-year FX rates to USD were applied to assets and liabilities of each applicable foreign subsidiary:

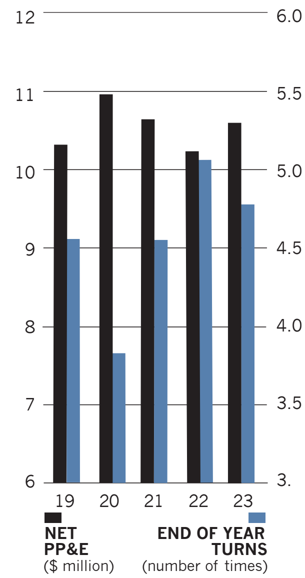
	12-31-23	12-31-22
EUR	1.1059	1. 0694
GBP	1.2739	1.2077
AUD	0.6825	0.6805
CAD	0.7573	0.7390

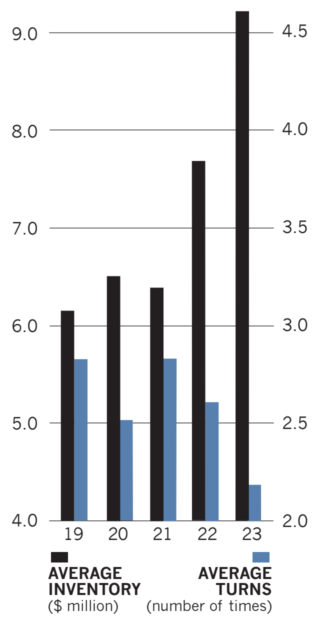
The year-end 2023 net book value (after accumulated depreciation) of consolidated PP&E was 31% of purchase cost. End-of-year PP&E turns (Net Sales divided by Net PP&E) was 4.8 in 2023 compared to 5.1 in 2022 due to 4% lower 2023 sales and higher USD asset values of foreign subsidiaries, together with 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 incremental profitability.

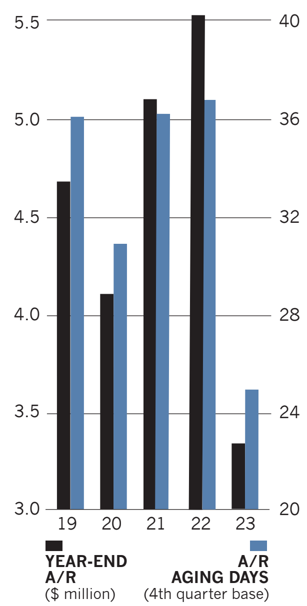
Net intangible assets (after accumulated amortization) are comprised of the capitalized costs of obtaining patents and other intellectual property, as well as the value of identifiable intangible assets (IIA) and goodwill resulting from acquisitions. Net intangible assets were $18,637 (14% of total assets) at the end of 2023 compared to $23,731 (19% of total assets) at the end of 2022. 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 2023 were net IIA of $4,561 and goodwill of $6,500. The accumulated amortization of Femcare IIA as of December 31, 2023 since the March 18, 2011 acquisition was $26,088. The remaining Femcare IIA will be fully amortized in 2 more years. The goodwill portion of intangible assets resulting from the Femcare acquisition, which is not amortized, increased $338 due to a stronger 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, all of which has now been amortized through 2023. UTMD's goodwill balance from prior acquisitions including Femcare, Columbia Medical, Gesco and Abcorp was $15,979 at the end of 2023.

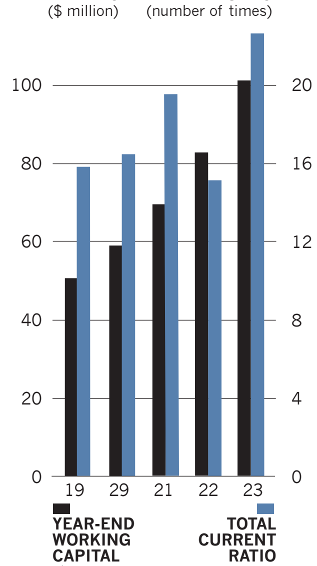
Because the products associated with UTMD's acquisitions of Columbia Medical in 1997, Gesco in 1998, Abcorp in 2004 and Femcare in 2011 continue to be viable parts of UTMD's overall business, UTMD does not expect the current goodwill value associated with the four acquisitions to become impaired in 2024. Amortization of IIA was $5,692 in 2023 compared to $6,417 in 2022. The difference was mainly due to the CSI IIA becoming fully-amortized in October 2023, resulting in $737 lower 2023 expense. The 2023 non-cash amortization expense of CSI IIA was $3,684 compared to $4,421 in 2022. The Femcare IIA amortization expense was the same in both 2023 and 2022 at £1,589. But because of a difference in FX rates, the 2023 non-cash amortization expense of Femcare IIA was $1,977 compared to $1,965 in 2022. The 2024 non-cash amortization expense (included as

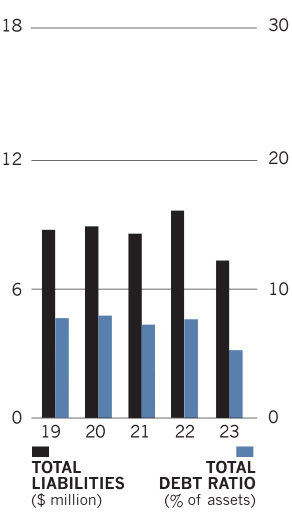












part of consolidated G&A operating expenses) of Femcare IIA will also be £1,589, or $2,002 if the USD/GBP average FX rate is 1.26. In other words, UTMD expects the GBP to be stronger against the USD in 2024 than it was in 2023.

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, 15% in the sixth year, and will be 20% in the seventh year and 25% in the eighth year. UTMD's total REPAT tax liability was $2,792. Calendar year 2024 represents the seventh year, so $558 is the current liability at 20% of the total liability, and $698 is the long-term REPAT tax liability to be paid in 2025, representing the remaining 25%.

Year-end 2023 current liabilities were $1,250 lower than at the end of 2022. Ending accrued liabilities were $940 lower due primarily to $781 lower customer deposits. Total liabilities were $2,475 lower at the end of 2023 compared to the end of 2022. The resulting 2023 year-end total debt ratio was just 5% compared to 8% at the end of 2022

The year-end 2023 Deferred Tax Liability (DTL) balance created as a result of the fifteen-year deferred tax consequence of the amortization of Femcare's IIA was $1,120, down from $1,513 at the end of 2022. The difference in the $393 decline compared to the $494 tax effect of 25% (current UK tax rate) times $1,977 in 2023 amortization of IIA was due to the difference in the GBP FX rate on the remaining DTL balance at the end of 2023 as well as the USD/GBP currency exchange conversion of the IIA amortization during 2023. 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 2023, 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

Management's Discussion and Analysis *(continued)*

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 13% 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 2023 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. OUS sales are export sales from UTMD in the 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 2023 intercompany sales of components and/or finished devices to other UTMD entities.

The following table shows the 2023 USD-denominated revenues by sales channel compared to 2022. 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 2023 compared to 2022 reduced Canada domestic sales by 3.6% and Australia sales by 3.9%. On the other hand, the FX rate difference increased Ireland domestic sales by 3.0%, UK domestic sales by 1.2% and France domestic sales by 2.6%.

Revenue [USD denominated]	**2023**	**2023** Compared to 2022	**2022**
U.S. domestic (excluding OEM)	$19,758	(6.3%)	$21,087
Canada domestic	1,102	(14.8%)	1,294
Ireland domestic	508	+14.1%	445
UK domestic	3,320	+20.8%	2,748
France domestic	1,318	+6.8%	1,235
Australia domestic	1,050	(17.2%)	1,267
Subtotal, Direct to End-User:	$27,056	(3.6%)	$28,076
All Other OUS(Sales to Int'l Distributors)	14,722	+10.5%	13,321
U.S. OEM Sales	8,446	(22.4%)	10,884
Worldwide Revenues	$50,224	(3.9%)	$52,281

In summary, UTMD total worldwide (WW) consolidated USD sales in 2023 at $50,224 were $2,057 (4%) lower than in 2022 at $52,281. The decline essentially resulted from the fact that 2023 WW shipments by UTMD to its largest OEM customer were $2,925 (25%) lower. Total U.S. domestic sales including OEM were $3,767 (11.8%) lower in 2023 at $28,204 compared to $31,971 in 2022. On the other hand, OUS sales including sales to foreign distributors were up $1,710 (+8.4%) at $22,020 compared to $20,310 in 2022. Constant currency OUS sales were up 7.6%.

Domestic Sales. Domestic U.S. sales in 2023, which were $3,767 (11.8%) lower than in 2022, were $28,204 (56.2% of total sales) compared to $31,971 (61.2% of total sales) in 2022. All three categories of domestic sales were lower, led by U.S. OEM sales which were $2,438 (22.4%) lower than in 2022. Domestic sales

Consolidated Statement of Income and Comprehensive Income

(In thousands)

Years ended December 31,	2023	2022	2021
Sales, net (notes 1, 3, 9 and 11)	$ 50,224	$ 52,281	$ 49,054
Cost of goods sold	20,186	20,085	18,137
Gross profit	30,038	32,196	30,917
Operating expense:			
Sales and marketing	1,685	1,507	1,414
Research and development	560	493	526
General and administrative	11,016	10,406	10,097
Operating income	16,777	19,790	18,880
Other income (expense):			
Dividend and interest income	3,036	661	166
Royalty income (note 12)	20	20	15
Other, net	256	188	—
Income before provision for income taxes	20,089	20,659	19,061
Provision for income taxes (note 7)	3,454	4,186	4,273
Net income	$ 16,635	$ 16,473	$ 14,788
Earnings per common share (basic) (note 1):	$ 4.58	$ 4.53	$ 4.05
Earnings per common share (diluted) (note 1):	$ 4.57	$ 4.52	$ 4.04
Other comprehensive income (loss):			
Foreign currency translation net of taxes of $0 in all periods	$ 1,381	$ (2,986)	$ (773)
Total comprehensive income	$ 18,016	$ 13,487	$ 14,015

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*

to UTMD's biopharma OEM customer were $2,581 (28.7%) lower. Aggregate sales to 128 other U.S. OEM customers were $143 higher. Domestic Filshie device sales, representing 17% of total domestic sales, were $470 (9.0%) lower in 2023 compared to 2022.

Direct device sales other than Filshie, representing 53% of total domestic sales, were $859 (5.4%) lower in 2023 than in 2022. In this category, domestic neonatal device sales alone were $866 lower, predominantly in 2Q 2023 as a result of continued raw materials and sterilization supply chain disruption. The nature of NICU sales is low volume, specialized configuration devices for which hospitals need quick delivery based on their changing patient needs. If preferred devices are unavailable for quick delivery, a hospital NICU must find a substitute to meet immediate needs, and those sales are lost to UTMD. This is what happened especially in early 2023 when UTMD could not obtain medical grade silicone from a validated supplier, and twice in 2023 when its contract sterilizer had to shut down its operations. UTMD expects 2024 domestic direct sales of its well-established devices to increase at a low single-digit percentage rate.

Filshie sales have not recovered as well as the other domestic sales categories since the COVID-19 pandemic. There appears to be some negative impact on patient choice as a result of attorneys advertising on social media. Nevertheless, UTMD expects U.S. Filshie device sales in 2024 will remain about the same as in 2023 based on surgeons' understanding of the safety and effectiveness of the device.

Domestic OEM sales in 2023 were 30% of total U.S. domestic sales compared to 34% in 2022. UTMD sold components and finished devices to 129 different U.S. companies in 2023 compared to 146 different companies in 2022, for use in their product-market offerings. Sales to UTMD's largest domestic OEM customer represented 76% of total domestic OEM sales in 2023 compared to 83% of total domestic OEM sales in 2022. UTMD's largest OEM customer markets biopharmaceutical manufacturing control systems which previously exclusively utilized UTMD's pressure monitoring sensors and other components. But in 2023, domestic sales to this customer declined $2.6 million domestically. Looking forward to 2024, UTMD expects domestic demand from this customer may decline another $3.7 million as it seeks to vertically integrate manufacturing of its products.

OUS USD-denominated sales in 2023 were $1,710 (+8.4%) higher at $22,020 compared to $20,310 in 2022. OUS sales in all product categories were higher. Sales invoiced in foreign currencies, which were $14,871 when converted to USD, represented 68% of OUS sales and 30% of consolidated total sales. A net slightly weaker USD added $166 in OUS foreign currency sales compared to constant currency terms. FX rates for income statement purposes are transaction-weighted averages. The weighted-average FX rates from the applicable foreign currency to USD during 2023 and 2022 for revenue purposes follow:

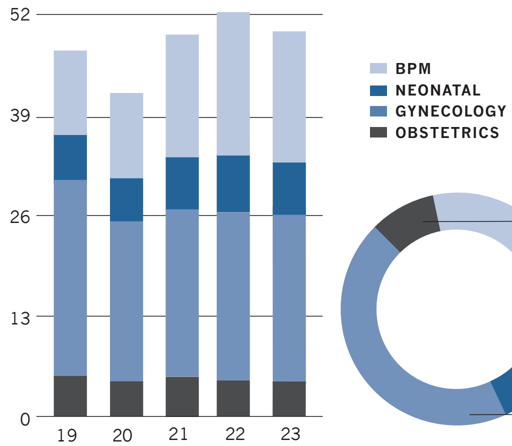
	2023	Change	2022
GBP	1.2428	+1.2	1.2287
EUR	1.0808	+2.7	1.0520
AUD	0.6660	(3.9%)	0.6932
CAD	0.7409	(3.6%)	0.7683

The combined weighted-average favorable FX impact on 2023 foreign currency OUS sales was 1.1%, increasing reported USD sales by $166 (+0.3% of total consolidated 2023 sales) relative to the same foreign currency sales in 2022. In constant currency terms, OUS sales in 2023 were 7.6% higher than OUS sales in 2022. The portion of OUS sales invoiced in foreign currencies in USD terms was 30% of total consolidated 2023 USD sales compared to 25% in 2022. Including the impact of changed FX rates, OUS 2023 direct to end-user sales in USD terms were 14% higher in Ireland, 15% lower in Canada, 7% higher in France and 21% higher in the UK. Direct to end-user sales in Australia, which included New Zealand, were 17% lower. USD denominated sales to OUS distributors were 11% higher in 2023 than in 2022.

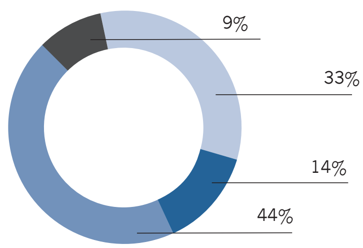
Sixty-eight percent of (USD denominated) 2023 OUS sales were invoiced in foreign currencies compared to 64% in 2022. As a portion of total USD WW consolidated sales, 30% of UTMD's USD-equivalent sales were invoiced in foreign currencies in 2023 compared to 25% in 2022. The GBP, EUR, AUD and CAD converted sales represented 8%, 18%, 2% and 2% of total 2023 USD sales, respectively. This compares to 6%, 14%, 2% and 3% of total 2022 USD sales.

USD-denominated trade (excludes intercompany) sales of devices to OUS customers (excluding France) by UTMD's Ireland facility (UTMD Ltd) were $10,686 in 2023 (13% higher) compared to $9,478 in 2022. In addition, UTMD Ltd also sold devices that it had manufactured directly to France in 2023 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 2023 were $1,319 (7% higher) compared to $1,235 in 2022. The total FX rate difference in 2023 relative to 2022 increased Ireland's USD-denominated sales by $244.

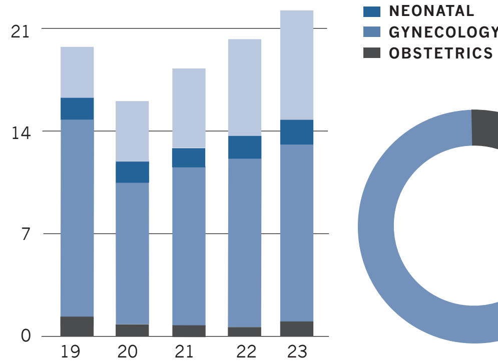
PRODUCT LINE SALES BY SALES CHANNEL



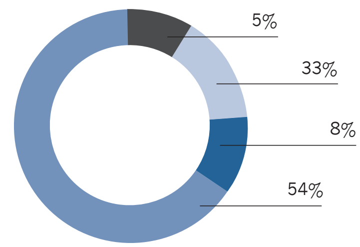
GLOBAL SALES
BY PRODUCT LINE
(millions of dollars)



2023
REVENUE
BY PRODUCT LINE
(percent of sales)



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



2023 OUTSIDE THE U.S.
REVENUE
BY PRODUCT LINE
(percent of sales)

In 2023, UTMD's UK subsidiary, Femcare Ltd., had $3,347 trade sales of devices to domestic UK and certain international distributor customers, which was 20% higher compared to $2,781 in 2022. The total FX rate change increased the UK's USD-denominated sales in 2023 by $10.

USD-denominated sales of devices to end-users in Australia and New Zealand by Femcare's Australia distribution subsidiary (Femcare Australia Pty Ltd) were $1,050 (17% lower) in 2023 compared to $1,267 in 2022. A weaker AUD in 2023 reduced USD-denominated Australia sales by $46.

UTMD's Canada distribution subsidiary (Utah Medical Products Canada, Inc.) USD-denominated sales of devices to end-users in Canada were $1,102 (15% lower) compared to $1,294 in 2022. A weaker CAD reduced Canada sales by $43.

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.

Global revenues by product category	**2023**	**%**	**2022**	**%**
Obstetrics	$ 4,592	9	$ 4,661	9
Gynecology/ Electrosurgery/ Urology	22,300	44	21,841	42
Neonatal	6,863	14	7,567	14
Blood Pressure Monitoring and Accessories*	16,469	33	18,212	35
Total:	$50,224	100	$ 52,281	100

OUS revenues by product category	**2023**	**%**	**2022**	**%**
Obstetrics	$ 1,041	5	676	3
Gynecology/ Electrosurgery/ Urology	11,992	54	11,603	57
Neonatal	1,678	8	1,517	8
Blood Pressure Monitoring and Accessories*	7,309	33	6,514	32
Total:	$22,020	100	$ 20,310	100

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

Management's Discussion and Analysis *(continued)*

Looking forward to 2024, UTMD's largest OEM customer representing $8.6 million in 2023 WW consolidated revenues, including 76% of $8,446 total U.S. OEM sales and 22% of Ireland's $10,178 international distributor sales, has not provided visibility for demand for the last half of 2024, despite knowledge of significant lead times required for UTMD to obtain necessary custom raw materials. Consequently, UTMD management is conservatively projecting another $5.5 million reduction in annual sales to this OEM customer in 2024. Worst case would be a $6.5 million decline if no more orders were placed in 2024. In addition, UTMD's largest OUS distributor, located in China, representing $4.0 million 2023 sales of BPM kits manufactured in Ireland, has placed an annual order for 2024 which is $1.6 million lower than in 2023. On the basis of these two largest 2023 customers, if net other revenues are flat, 2024 revenues would be about $7.1 million lower than in 2023.

Another key to 2024 sales results will be retaining U.S. Filshie device sales at a similar level as in 2023 with the continuing cloud of unresolved product liability lawsuits. UTMD prefers to not raise prices in 2024, given cost pressures on U.S. hospitals which are dealing with open U.S. immigration. In summary, with a higher level of uncertainty than in the recent past, management's best estimate at this time is that 2024 consolidated WW revenues may be in the range of $42 to $43 million, a 14-16% decline. This projection does not include UTMD's potential success in entering the biopharmaceutical manufacturing controls market directly, or acquiring another source of revenues not currently in UTMD's portfolio.

b) Gross Profit (GP). UTMD's 2023 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 $30,038 (59.8% of sales) compared to $32,196 (61.6% of sales) in 2022. GP in 2023 was $2,158 (6.7%) lower with a 3.9% decrease in revenues.

The Gross Profit Margin (GPM), which is GP divided by sales, although still very heathy, contracted 1.4 percentage points in 2023 due to the fact manufacturing overhead costs increased while sales decreased. This overhead dilution effect will continue in 2024, as happened during the COVID-19 pandemic in 2020 when sales declined, because management has decided to not reduce important manufacturing overhead resources in the same proportion as the expected decline in sales. Doing so would sacrifice future UTMD capabilities to grow the Company.

UTMD generally did not increase prices after February 2023, except on a specific case-by-case basis for custom OEM work. Although supplier costs for raw materials have continued to increase while the Company also implemented further cost-of-living salary adjustments during 2023 for direct labor employees, management expects to be able to control the productivity of variable manufacturing costs in 2024 consistent with the past after severance is paid for some employees. In addition, quality assurance costs included in manufacturing overhead are projected to be substantially higher from implementing required clinical reviews under the new Medical Device Regulation for devices used OUS. The resulting 2024 GPM might be five percentage points lower than in 2023, resulting in a decline in GP in the range of 20-23%.

UTMD's Ireland subsidiary's (UTMD Ltd's) 2023 GP was EUR 8,084 compared to EUR 8,538 in 2022. The associated GPMs were 58.9% in 2023 and 60.0% in 2022. Femcare UK 2023 GP was GBP 1,579 compared to GBP 1,297 in 2022. The 2023 UK GPM was 55.3% compared to 52.0% in 2022. A substantial increase in UK Filshie device sales diluted UK manufacturing overhead expense, 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 2023 GP was AUD 841 (53.0% of sales) compared to AUD 940 (51.4% of sales) in 2022. Canada 2023 GP was CAD 874 (58.6% of sales) compared to CAD 870 (51.7% of sales) in 2022. In the U.S., GP was $17,750 in 2023 compared to $20,699 in 2022. The U.S. GPM was 51.2% in 2023 compared to 54.8% in 2022. 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.

c) Operating Income. Operating Income results from subtracting Operating Expenses from GP. For the year 2023, Operating Income was $16,777 compared to $19,790 in 2022, a 15.2% decrease. The $3,012 decrease in Operating Income was from a combination of $2,158 lower GP and $854 higher Operating Expenses.

The UTMD Ltd (Ireland) Operating Income margin in 2023 was 55.9% compared to 57.2% in 2022. Femcare UK's Operating Income margin per US GAAP, which includes the IIA amortization expense of the 2011 acquisition, was negative in both 2023 and 2022. Femcare Australia's 2023 Operating Income margin was 32.2% compared to 30.9% in 2022. Femcare Canada's

2023 Operating Income margin was 41.8% compared to 37.3% in 2022. UTMD's 2023 Operating Income margin in the U.S. was 23.5% compared to 31.2% in 2022. 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 $13,261 (26.4% of sales) in 2023 compared to $12,407 (23.7% of sales) in 2022. The following table provides a comparison of operating expense categories, as well as further segmentation of G&A expenses:

	2023	2022
S&M expenses	$ 1,685	$ 1,507
R&D expenses	560	493
G&A expenses:		
a) litigation expense provision	1,660	670
b) corporate legal	13	4
c) outside directors fees	144	131
d) stock option compensation	225	183
e) management bonus accrual	718	746
f) outside accounting audit/tax	224	188
g) Femcare IIA amortization	1,977	1,965
h) CSI IIA amortization	3,684	4,421
i) property & liability insurance premiums	108	101
j) all other G&A expenses	2,263	1,998
G&A expenses – total	11,016	10,407
Total Consolidated Operating Expense:	$13,261	$12,407
Percent of sales	26.4%	23.7%

Description of Operating Expense Categories

1. S&M expenses: S&M expenses in 2023 were $1,685 (3.4% of sales) compared to $1,507 (2.9% of sales) in 2022. The higher expenses were primarily due to higher salaries from cost-of-living adjustments. Consolidated OUS S&M expenses in 2023 compared to 2022 were not affected by FX rate changes as stronger EUR and GBP currency expenses were offset by weaker CAD and AUD expenses.

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 2022-2023 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 2023 were $560 (1.1% of sales) compared to $493 (0.9% of sales) in 2022. 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 increased as a result of cost-of-living adjustments. R&D also played a significant role in manufacturing process improvements. No new UTMD devices were launched in 2023. Due to stringent materials validation requirements for the biopharmaceutical manufacturing industry, UTMD projects R&D expenses in 2024 will be more than 40% higher than in 2023 and represent approximately 2% of revenues.

Management's Discussion and Analysis *(continued)*

3. G&A expenses: G&A expenses in 2023 were $11,016 (21.9% of sales) compared to $10,407 (19.9% of sales) in 2022. 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 due to $990 higher U.S. litigation costs, as well as higher salaries (except the CEO) due to cost-of-living adjustments. Stronger EUR and GBP relative to the USD increased net foreign currency G&A expenses by $30, compared to what they would have been in 2022. This includes an FX rate change unfavorable USD impact of $24 (out of the $30 total) from the amortization of Femcare acquisition IIA, which was £1,589 in both 2023 and 2022.

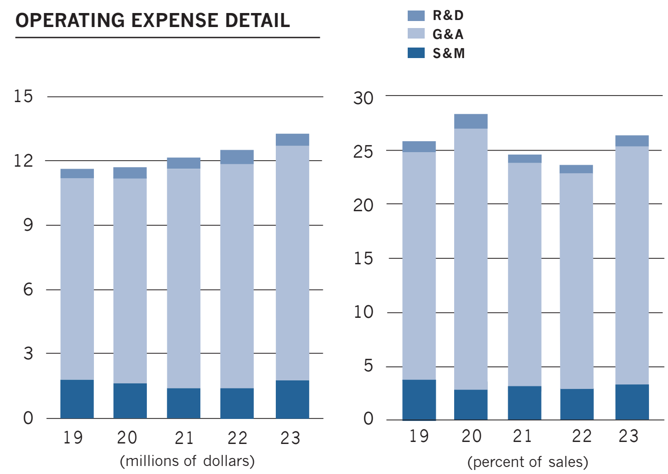
As stockholders likely remember, the non-cash IIA amortization expense related to the Filshie Clip System includes IIA from both the 2011 acquisition of Femcare Group Ltd and the 2019 purchase of the CSI exclusive U.S. distribution rights for the Filshie Clip System. The combined IIA amortization expense in 2023 was 11.3% of total WW consolidated sales ($5,661) compared to 12.2% in 2022 ($6,386). The decline in percent of sales was due to the completion of the CSI IIA amortization expense in October 2023.

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.

Excluding the non-cash Femcare and CSI IIA amortization expenses, UTMD consolidated operating expenses were $7,599 (15.1% of sales) in 2023 compared to $6,021 (11.5% of sales) in 2022. The difference was mainly due to $990 higher litigation expenses. Without the IIA amortization and litigation expenses, UTMD consolidated operating expenses were $5,940 (11.8% of sales) in 2023 compared to $5,351 (10.2% of sales) in 2022.

As none of the U.S. Filshie product liability lawsuits has gone to trial yet, and UTMD's summary judgement motions remain undecided, projecting 2024 litigation expenses remains difficult if not impossible. With that said, for purposes of creating a conservative operating plan, management is projecting $2,432 in 2024 litigation expenses compared to $1,660 in 2023.

OPERATING EXPENSE DETAIL



In summary, with lower revenues, a lower GPM, higher litigation and R&D expenses, offset by the lack of amortization expense of CSI identifiable intangible assets completed in 2023, management projects 2024 Operating Income 24-27% lower than in 2023.

c) 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 $3,312 in 2023 and $869 in 2022. The higher non-operating income in 2023 compared to 2022 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 2023 or 2022. Absent an acquisition or large repurchase of shares that requires new borrowing, UTMD does not expect any interest expense in 2024.

2) Investment of excess cash. Consolidated investment income (including gains and losses on sales of investments) was $3,036 in 2023 compared to $661 in 2022. Average cash balances were almost $16 million higher in 2023 than in 2022, with average interest rates higher. UTMD is projecting current interest rates to continue in 2024, leading to another substantial increase in non-operating income if cash is not used to repurchase shares at an attractive price, or acquire another entity or product line. Although UTMD has been repurchasing shares during 1Q 2024, for purposes of providing an estimate of 2024 financial results, management has included $1,000 higher interest income in 2024 compared to 2023.

3) Royalties. Royalties in both 2023 and 2022 were $20. 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 $5 loss in 2023 compared to a $20 loss in 2022 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 $254 in 2023 compared to a net non-operating income of $196 in 2022.

EBT results from adding net non-operating income or subtracting net non-operating expense from Operating Income. Consolidated EBT was $20,089 (40.0% of sales) in 2023 compared to $20,659 (39.5% of sales) in 2022. 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 3.9% lower sales, yielding just a 2.8% decrease in EBT. In essence, in 2023 higher non-operating income offset lower gross profits from a lower GPM on lower sales and higher litigation expenses. With much uncertainty surrounding the projections for income and expense categories above, management is estimating about a 16% decline in 2024 EBT compared to 2023.

The 2023 EBT of UTMD Ltd. (Ireland) was €7,680 (56.0% of sales) compared to €8,013 (56.3% of sales) in 2022. Femcare Ltd's (UK) 2023 EBT was (£469) compared to (£574) in 2022. 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 2023 EBT was AUD 544 (34.3% of sales) compared to AUD 573 (31.3% of sales) in 2022. Femcare Canada's 2023 EBT was CAD 620 (41.6% of sales) compared to CAD 622 (36.9% of sales) in 2022.

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:

	2023	2022
EBT	$20,089	$20,659
Depreciation Expense	623	612
Femcare IIA Amortization Expense	1,977	1,965
CSI IIA Amortization Expense	3,684	4,421
Other Non-Cash Amortization Expense	31	31
Stock Option Compensation Expense	225	183
Remeasured Foreign Currency Balances	6	20
UTMD non-US GAAP EBITDA:	$26,635	$27,891

In summary, UTMD's 2023 non-US GAAP EBITDA declined 4.5% compared to 2022. With the above projections for 2024 financial performance in mind, non-US GAAP EBITDA in 2024 is expected to be in the range of $19-20 million.

d) 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 Net Income in 2023 was $16,635 (33.1% of sales) compared to $16,473 (31.5% of sales) in 2022. The higher Net Income, despite 2.8% lower EBT, resulted from a lower income tax provision rate, which was 17.2% in 2023 compared to 20.3% in 2022. The primary reason for the lower rate was due to a portion of UTMD's significant interest income being non-taxable.

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

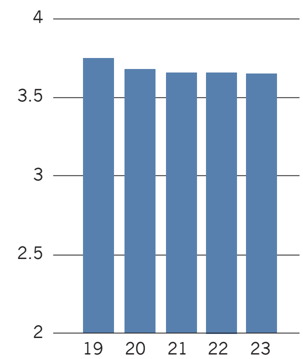
Management's Discussion and Analysis *(continued)*

different from the contribution to consolidated EBT per US GAAP. UTMD estimates, barring any new tax law changes which are currently unknown, and assuming cash will be allocated as previously invested, that its combined income tax rate for 2024 will be within the 18%-19% range, yielding Net Income approximately 17% lower than in 2023.

The UK had a corporate income tax rate of 19% for 2022 and 1Q 2023, followed by a 25% rate for the last nine months of 2023. 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 2023 and 2022. The income tax rate for Canada was about 27.5% 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 special 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 2017 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). Diluted EPS in year 2023 were $4.574 compared to $4.522 in 2022, a 1.2% increase. The increase in EPS was in contrast to a decrease in Operating Income as a result of the 2023 net non-operating income and a stock buy-back in 2Q 2022. Diluted shares were 3,637,071 for the year 2023 compared to 3,643,256 in 2022. Dilution for "in the money" unexercised options for the year 2023 was 8,303 shares compared to 5,934 shares in



DILUTED SHARES OUTSTANDING
(millions of shares)

2022. Actual outstanding common shares as of December 31, 2023 were 3,629,525. The 2023 EPS exceeded management's projection at the beginning of the year.

iii) ROE

Achieving 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. UTMD's high Net Income margin is the primary factor that continues to drive its ROE, with low financial leverage and decreasing asset productivity as cash balances rapidly grow. Cash dividends to stockholders and repurchase of shares, on the other hand, help in lowering average Stockholders' Equity, reducing the denominator in calculating ROE. Building cash balances that increase Stockholders' Equity, without proportionately increasing Net Income, reduces ROE. UTMD's 2023 ROE before stockholder dividends was 13.7%. In comparison, 2022 ROE was 14.9%.

The lower 2023 ROE compared to 2022 was the result of 1.0% higher Net Income coupled with 9.6% higher average Stockholders' Equity. Average Stockholders' Equity was $121,284 in 2023 compared to $110,696 in 2022. UTMD's Stockholders' Equity has more than doubled over the last eleven years to $128 million at the end of 2023, despite being reduced by $50 million in dividends plus $16 million in share repurchases over that same period of time. UTMD's average ROE over the last 31 years was 24%.

Looking forward to 2024, it will obviously be a rebuilding year as it appears likely that revenues from UTMD's two previous largest customers are likely to be at least $7 million lower. If so, this will pressure UTMD's GPM as much as five percentage points lower as a result of less absorption of fixed manufacturing overheads which are important resources to retain for the future. In addition, although impossible to predict reliably, litigation expenses may be another $1 million higher than in 2023 given the slowness of the U.S. judicial system, particularly if some cases eventually go to trial. Offsetting those negative impacts on financial performance, non-cash CSI IIA amortization expense will be $3.6 million lower than in 2023 and non-operating income from cash balances may be as much as $1 million higher, assuming that a substantial new investment or stock buy-back is not implemented to increase long-term stockholder value. Although with a high level of uncertainty, management is estimating that UTMD consolidated revenues and net income in 2024 will be about 15% lower and 17% lower, respectively. Despite a difficult year in comparison to the recent past, the Company expects to continue to operate at a high level in terms of profitability and positive cash generation.

Liquidity and Capital Resources

Cash Flows. Net cash provided by operating activities in 2023 totaled $22,281 compared to $21,147 in 2022. Net Income at $162 higher in 2023 compared to 2022 allowed net cash provided by operating activities in 2023, 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 $1,134 higher than in 2022. Along with higher Net Income, working capital changes help fund operating activities. Accounts receivable had a $2,780 lower use of cash as a result of decreasing trade accounts receivable (A/R) $2,270 instead of the $511 increase in 2022, and inventories had a $1,683 lower use of cash with just a $670 increase in 2023 compared to a $2,353 increase in 2022 (second order derivatives). On the other hand, uses of cash included 1) a $1,422 decline in 2023 year-ending accrued expenses instead of a $252 increase at year-end 2022, 2) $714 lower depreciation and amortization in 2023 compared to 2022 and 3) a $293 greater decline in deferred income taxes. The inventory increase was a hedge against continued supply chain disruption.

In investing activities, during 2023 UTMD used $639 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 $809 in 2022. Capital expenditures in 2023 exceeded depreciation by $16.

In 2023 UTMD received $117 and issued 1,758 shares of stock upon the exercise of employee stock options. Option exercises in 2023 were at an average price of $66.40 per share. The Company received a $12 tax benefit from option exercises in 2023. UTMD did not repurchase shares of its stock in the open market during 2023.

In comparison, 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.

UTMD did not borrow in the years 2023 and 2022. Cash dividends paid to stockholders were $4,282 in 2023 compared to $3,162 in 2022.

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 2024 capital expenditures for ongoing operations are expected to be less than depreciation of PP&E, although additional capital expenditure opportunities are being considered.

Management plans to opportunistically 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.

Consolidated Statement of Stockholders' Equity

(In thousands)

Years Ended December 31, 2023, 2022 and 2021	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
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
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
Shares issued upon exercise of employee stock options for cash	2	—	117	—	—	117
Stock option compensation expense	—	—	225	—	—	225
Foreign currency translation adjustment	—	—	—	1,381	—	1,381
Common stock dividends	—	—	—	—	(4,300)	(4,300)
Net income	—	—	—	—	16,635	16,635
Balance at December 31, 2023	3,630	$ 36	$ 594	$ (10,658)	$138,341	$128,313

See accompanying notes to financial statements.

Management's Discussion and Analysis *(continued)*

UTMD remains 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 2024, UTMD plans to

1) exploit its pre-qualified status to introduce a line of high-pressure process control transducer configurations directly to biopharmaceutical manufacturers;

2) continue to leverage OUS distribution and manufacturing synergies by further integrating capabilities and resources in multinational operations;

3) focus on defending the proven safety and effectiveness 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 despite a contraction in revenues;

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 economic conditions 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" $4,282 (26% of Net Income) in 2023 compared to $5,658 (34% of Net Income) in 2022 to stockholders.

In 2023, the value of UTMD's stock declined 16%, ending the year at $84.22/ share, while $1.18 in cash dividends/ share were paid to stockholders. The DJIA, S&P 500 and NASDAQ Composite (where UTMD is traded) indices were all higher in 2023, respectively by 14%, 24% and 43%.

In comparison, 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%.

The average annually compounded appreciation in UTMD stock value for the last 25 years was 11% per year, substantially outpacing all of the major indices. Adding dividends, UTMD stockholder value increased at an annually compounded rate of 11.8% over the last 25 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.

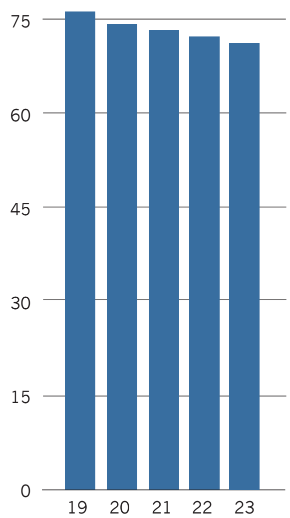
Consolidated Statement of Cash Flow

(In thousands)

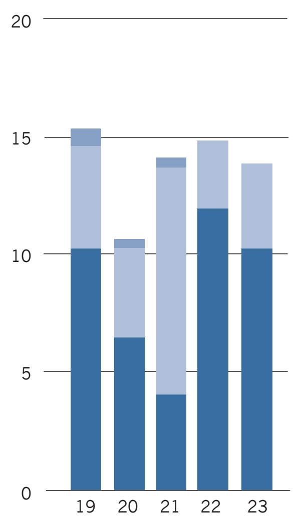
Years Ended December 31,	2023	2022	2021
Cash flows from operating activities:			
Net income	$ 16,635	$ 16,473	$ 14,788
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	623	612	636
Amortization	5,692	6,417	6,645
Provision for (recovery of) losses on accounts receivable	(33)	30	24
Amortization of operating lease assets	53	53	3
Loss/(Gain) on disposal of assets	—	—	—
Deferred income taxes	(693)	(401)	(92)
Stock-based compensation expense	225	183	166
Tax benefit attributable to exercise of stock options	12	6	39
(Increase) decrease in:			
Accounts receivable	2,270	(511)	(1,088)
Other receivables	—	(14)	(42)
Inventories	(670)	(2,353)	(485)
Prepaid expenses and other current assets	45	(64)	(81)
Increase (decrease) in:			
Accounts payable	(456)	464	(23)
Accrued expenses	(1,422)	252	713
Net cash provided by operating activities	22,281	21,147	21,203
Cash flows from investing activities:			
Capital expenditures for:			
Property and equipment	(639)	(809)	(552)
Intangible assets	—	(9)	—
Net cash (used in) investing activities	(639)	(818)	(552)
Cash flows from financing activities:			
Proceeds from issuance of common stock — options	117	174	560
Common stock purchased and retired	—	(2,495)	—
Dividends paid	(4,282)	(3,163)	(11,465)
Net cash (used in) financing activities	(4,165)	(5,484)	(10,905)
Effect of exchange rate changes on cash	339	(767)	(362)
Net increase in cash and cash equivalents	17,816	14,078	9,384
Cash at beginning of year	75,052	60,974	51,590
Cash at end of year	$ 92,868	$ 75,052	$ 60,974
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$ 4,827	$ 4,970	$ 4,617
Interest	—	—	—

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

Off Balance Sheet Arrangements. None

Contractual Obligations. The following is a summary of UTMD's significant contractual obligations and commitments as of December 31, 2023:

Contractual Obligations and Commitments	TOTAL	2024	2025–2026	2027–2028	2029 & thereafter
Long-term debt obligations	$ —	$ —	$ —	$ —	$ —
Operating lease obligations	381	57	97	97	130
Purchase obligations	4,152	4,152	—	—	—
Total	$4,533	$4,209	$ 97	$ 97	$ 130

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.

Notes to Consolidated Financial Statements

(December 31, 2023, 2022 and 2021 — 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 inter-company 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, 2023 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, 2023, using the 2023 year-end 1.2739 USD/GBP and .6825 USD/AUD currency exchange rates, is about $1,931 in 2024, $1,931 in 2025, $422 in 2026, $10 in 2027, and $8 in 2028 (see note 2).

In 2019, $21,000 in intangible assets were acquired from CSI. This intangible asset was fully amortized in 2023 (see note 15).

Stock-Based Compensation. At December 31, 2023, 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 2023, the Company recognized $225 in stock-based compensation cost compared to $183 in 2022 and $166 in 2021.

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 non–current 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 2023, 2022 or 2021.

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, 2023 and 2022 was $257 and $204, 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,	2023	2022	2021
Weighted average number off shares outstanding – basic	3,629	3,637	3,647
Dilutive effect of stock options	8	6	13
Weighted average number of shares outstanding, assuming dilution	3,637	3,643	3,660

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 2023 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 U.S. Dollar value higher than at the point in time that assets were actually acquired

Notes to Consolidated Financial Statements *(continued)*

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,	2023	2022
Accounts and other receivables:		
Accounts receivable	$ 3,488	$ 5,720
Accrued interest and other	53	51
Less allowance for doubtful accounts	(151)	(182)
Total accounts and other receivables	$ 3,390	$ 5,589
Inventories:		
Finished products	$ 1,685	$ 1,896
Work-in-process	1,503	1,193
Raw materials	6,394	5,725
Total inventories	$ 9,582	$ 8,814
Goodwill:		
Balance as of January 1	$13,354	$14,098
Effect of foreign exchange	338	(744)
Subtractions as a result of impairment	–	–
Total Goodwill as of December 31	$13,692	$13,354
Other identifiable intangible assets:		
Patents	$ 2,209	$ 2,198
Non-compete agreements	127	121
Trademark & trade names	9,360	8,887
Customer relationships	9,108	8,635
Distribution agreements	21,000	21,000
Right-of-Use Asset	342	395
Regulatory approvals & product certifications	12,150	11,519
Total Other Identifiable Intangible Assets	54,296	52,755
Accumulated amortization	(49,350)	(42,378)
Other Identifiable Intangible Assets, Net	$ 4,946	$ 10,377
Accrued expenses:		
Income taxes payable (receivable)	$ 327	$ 337
Payroll and payroll taxes	1,294	1,318
Reserve for litigation costs	257	204
Other	2,063	2,883
Total inventories	$ 3,941	$ 4,742

Note 3. Quarterly Results of Operations (unaudited)

	UNAUDITED QUARTERLY DATA FOR 2023			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Net sales	$12,520	$12,866	$12,505	$12,333
Gross profit	7,843	7,739	7,359	7,098
Net income	4,214	4,200	3,935	4,287
Earnings per common share (diluted)	1.16	1.15	1.08	1.18

	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

Note 4. Property and Equipment

Property and equipment consists of the following:

December 31,	2023	2022
Land	$ 1,638	$ 1,593
Buildings and improvements	13,907	13,601
Furniture, equipment and tooling	17,315	17,068
Construction-in-progress	1,413	906
Total	34,273	33,168
Accumulated depreciation	(23,722)	(22,944)
Property and equipment, net	$ 10,551	$ 10,224

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, 2023	U.S. & Canada	England & Australia	Ireland	Total
Land	$ 621	$ 637	$ 380	$ 1,638
Buildings and improvements	6,584	3,194	4,129	13,907
Furniture, equipment and tooling	15,075	732	1,508	17,315
Construction-in-progress	913	3	497	1,413
Total	23,193	4,566	6,514	34,273
Accumulated depreciation	(18,701)	(1,464)	(3,557)	(23,722)
Property and equipment, net	$ 4,492	$ 3,102	$ 2,957	$10,551

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

Note 5. Long-term Debt

None in 2022 and 2023.

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 product liability litigation expenses at $1,660 in 2023, $670 in 2022 and $22 in 2021 were high relative to history, they were not material to overall consolidated financial results.

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, 2023 or December 31, 2022.

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 Filshie clip lawsuits, there is no litigation or threatened litigation where UTMD is a defendant. The Company expects that the outcome of the Filshie clip litigation will not be material to overall 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,	2023	2022	2021
Inventory write-downs and differences due to UNICAP	$ 110	$ 103	$ 88
Allowance for doubtful accounts	31	39	31
Accrued liabilities and reserves	90	90	58
Depreciation and amortization	(1,673)	(2,295)	(2,859)
Deferred income taxes, net	$(1,442)	$ (2,063)	$ (2,682)

The components of income tax expense are as follows:

Years ended December 31,	2023	2022	2021
Current	$ 4,075	$ 4,632	$ 3,983
Deferred	(621)	(446)	290
Total	$ 3,454	$ 4,186	$ 4,273

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

Years ended December 31,	2023	2022	2021
Federal income tax expense at the statutory rate	$ 2,346	$ 2,620	$ 2,520
State income taxes	439	490	448
Foreign income taxes (blended rate)	951	1,129	1,010
R&D tax credits and manufacturing profit deduction	(3)	(3)	(6)
Tax-exempt income	(195)	—	—
Change in Rate	—	—	391
Other	(84)	(50)	(90)
Total	$ 3,454	$ 4,186	$ 4,273

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

Years ended December 31,	2023	2022	2021
Domestic	$11,170	$12,475	$12,004
Foreign	8,919	8,184	7,057
Total	$20,089	$20,659	$19,061

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 285 thousand shares of common stock, of which 84 thousand are outstanding as of December 31, 2023. 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	
2023			
Granted	19	$ 77.07	$ 77.07
Expired or canceled	0.4	77.05	77.05
Exercised	2	49.18	77.05
Total outstanding at December 31	84	49.18	82.60
Total exercisable at December 31	50	49.18	82.60
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

For the years ended December 31, 2023, 2022 and 2021, the Company reduced current income taxes payable by $12, $6 and $39, 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 2023, the Company recognized $225 in equity compensation cost, compared to $183 in 2022 and $166 in 2021.

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,	2023	2022	2021
Expected dividend amount per quarter	$ .3090	$ .3050	$ —
Expected stock price volatility	31.67%	29.87%	—
Risk-free interest rate	4.75%	4.09%	—
Expected life of options	5.6 years	5.7 years	—

The per share weighted average fair value of options granted during 2023 is $25.09 and in 2022 is $25.34. No options were granted in 2021.

All UTMD options vest over a four-year service period. At December 31, 2023 there was $702 total unrecognized compensation expense related to non-vested stock options under the plans. A $225 portion of the cost is expected to be recognized over the next twelve months, and the remaining $477 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, 2023:

	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 – 74.64	23,841	3.18	$63.44	23,841	$63.44
77.05 – 82.60	60,460	8.22	78.95	24,644	78.21
$ 49.18 –82.60	84,301	6.79	$74.56	48,485	$70.95

	2023	2022	2021
Intrinsic Value of Stock Options Exercised	$ 31	$ 141	$ 591
Intrinsic Value of Stock Options Outstanding	814	1,812	1,595

Note 9. Geographic Information

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

	2023	2022	2021
United States	$30,413	$34,524	$31,758
Europe	8,918	7,214	7,434
Other	10,893	10,543	9,862

Note 10. Long-lived Assets by Geographic Area

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

	2023	2022	2021
United States	$11,462	$14,875	$19,104
England	13,838	15,184	19,339
Ireland	2,963	2,954	2,990
Australia	336	337	392
Canada	589	593	653

Note 11. Revenues by Product Category and Geographic Region

Global revenues by product category:

Product Category	2023	2022	2021
Obstetrics	$ 4,592	$ 4,661	$ 4,675
Gynecology/Electrosurgery/Urology	22,300	21,841	21,973
Neonatal	6,863	7,567	6,691
Blood Pressure Monitoring and Accessories	16,469	18,212	15,715
Total:	$ 50,227	$52,281	$49,054

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

Product Category	2023	2022	2021
Obstetrics	$ 1,041	$ 676	$ 735
Gynecology/Electrosurgery/Urology	11,992	11,603	11,053
Neonatal	1,678	1,517	1,347
Blood Pressure Monitoring and Accessories	7,309	6,514	5,260
Total:	$ 22,020	$ 20,310	$18,395

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 2023, 2022 and 2021, UTMD received royalties of $20, $20 and $15, respectively, for the use of intellectual property.

UTMD had $4,529 in operating lease and purchase commitments as of December 31, 2023.

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 $184, $159 and $165 for the years ended December 31, 2023, 2022 and 2021, 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 8 years and on the automobile is 6 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, 2023, 2022, and 2021 were $65, $64, and $63, respectively.

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

As of December 31, 2023	
Operating lease right–of–use assets	$ 342
Operating lease liabilities, current (included in Accrued Expenses)	47
Operating lease liabilities, long-term	295
Total operating lease liabilities	$ 342

Maturities of operating lease liabilities at December 31, 2023 were as follows *(in thousands):*

As of December 31, 2023	
2024	$ 45
2025	41
2026	42
2027	43
2028	44
Thereafter	125
Total lease payments	$ 381
Less: imputed interest	(39)
Total lease liabilities	$342

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

Weighted-average remaining lease term (in years)	7.4
Weighted-average discount rate	3.0%

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

Notes to Consolidated Financial Statements *(continued)*

intangible asset which was 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 Femcare. The agreement became 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 2023.

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

	2023	2022	2021
Numerator *(in thousands)*			
Net income	16,635	16,473	14,788
Denominator			
Weighted average shares, basic	3,629	3,637	3,647
Dilutive effects of stock options	8	6	13
Diluted Shares	3,637	3,643	3,660
Earnings per share, basic	4.58	4.53	4.05
Earnings per share, diluted	4.57	4.52	4.04

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, 2023 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.

Current lack of predictability of demand from a major OEM customer representing 17% of total consolidated sales in 2023.

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, 2023 and 2022, and the related statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, 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 $20,479,014 and $23,055,729 as of December 31, 2023, and 2022, respectively and total revenues of $4,581,877, $4,333,431 and $4,419,000 for the years ended December 31, 2023, 2022 and 2021, 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

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

Salt Lake City, Utah
March 25, 2024

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, 2023. 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, 2023.

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
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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

	2023		2022	
	High	Low	High	Low
1st Quarter	$101.41	$80.75	$102.99	$85.46
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

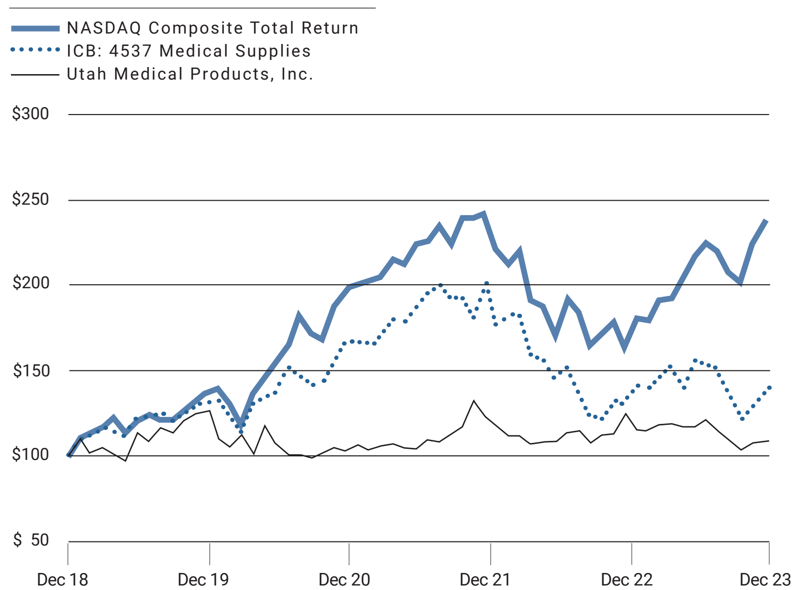
For stockholder information contact: Investor Relations, (801) 566-1200.
Website: www.utahmed.com, e-mail: info@utahmed.com

STOCK PERFORMANCE CHARTS

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, 2018, 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.

FIVE-YEAR CUMULATIVE TOTAL RETURNS



December 31	2018	2019	2020	2021	2022	2023
Utah Medical Products, Inc.	100.0	126.6	103.5	122.6	124.2	108.8
NASDAQ Composite Total Return	100.0	136.7	198.1	242.0	163.3	236.2
Nasdaq ICB: 4537 Medical Supplies	100.0	131.8	167.3	200.8	131.7	139.3

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