

UTAH MEDICAL PRODUCTS INC
Form 10-Q
November 06, 2015

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

FORM 10 Q

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

For quarter ended: September 30, 2015 Commission File No. 001-12575

UTAH MEDICAL PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

UTAH 87 0342734
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

Registrant's telephone number: (801) 566 1200

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 5, 2015: 3,750,300.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS AS OF
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
(in thousands)

	(unaudited) SEPTEMBER 30, 2015	(audited) DECEMBER 31, 2014
<u>ASSETS</u>		
Current assets:		
Cash	\$ 21,622	\$ 19,274
Investments, available-for-sale	53	58
Accounts & other receivables, net	5,493	4,703
Inventories	4,449	4,872
Other current assets	689	768
Total current assets	32,306	29,675
Property and equipment, net	7,568	8,236
Goodwill	14,904	15,145
Other intangible assets	38,594	39,675
Other intangible assets - accumulated amortization	(13,217)	(11,655)
Other intangible assets, net	25,377	28,020
Total assets	\$ 80,155	\$ 81,076
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 922	\$ 929
Accrued expenses	4,819	4,148
Current portion of notes payable	-	3,894
Total current liabilities	5,741	8,971
Notes payable	-	973
Deferred tax liability - intangible assets	5,039	5,581
Deferred income taxes	1,022	995
Total liabilities	11,802	16,520
Stockholders' equity:		
Preferred stock - \$.01 par value; authorized - 5,000 shares; no shares issued or outstanding	-	-
Common stock - \$.01 par value; authorized - 50,000 shares; issued - September 30, 2015, 3,750 shares and December 31, 2014, 3,748 shares	37	37
Accumulated other comprehensive income (loss)	(4,948)	(3,234)
Additional paid-in capital	2,639	2,890
Retained earnings	70,625	64,863
Total stockholders' equity	68,353	64,556
Total liabilities and stockholders' equity	\$ 80,155	\$ 81,076

see notes to consolidated condensed financial statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND SEPTEMBER 30, 2014
(in thousands, except per share amounts - unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2015	2014	2015	2014
Sales, net	\$9,945	\$10,717	\$30,575	\$31,035
Cost of goods sold	3,866	4,521	12,285	12,440
Gross profit	6,079	6,196	18,290	18,595
Operating expense				
Selling, general and administrative	1,969	2,079	6,039	6,336
Research & development	110	115	406	352
Total operating expense	2,079	2,194	6,445	6,688
Operating income	4,000	4,002	11,845	11,907
Other income (expense)	127	(107)	(126)	(300)
Income before provision for income taxes	4,127	3,895	11,719	11,607
Provision for income taxes	1,080	1,073	3,086	3,229
Net income	\$3,047	\$2,822	\$8,633	\$8,378
Earnings per common share (basic)	\$0.81	\$0.75	\$2.30	\$2.24
Earnings per common share (diluted)	\$0.81	\$0.75	\$2.29	\$2.22
Shares outstanding - basic	3,753	3,741	3,753	3,747
Shares outstanding - diluted	3,768	3,764	3,772	3,774
Other comprehensive income (loss):				
Foreign currency translation net of taxes of \$0 in all periods	\$(1,536)	\$(2,569)	\$(1,711)	\$(1,459)
Unrealized gain (loss) on investments net of taxes of (\$2), \$2, (\$2) and \$0	(4)	3	(3)	(0)
Total comprehensive income	\$1,507	\$256	\$6,919	\$6,919

see notes to consolidated condensed financial statements

UTAH MEDICAL PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND SEPTEMBER 30, 2014
(in thousands - unaudited)

	SEPTEMBER 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$8,633	\$8,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	461	474
Amortization	1,898	2,064
(Gain) loss on investments	-	-
Provision for (recovery of) losses on accounts receivable	(9)	(26)
(Gain) loss on disposal of assets	1	4
Deferred income taxes	(359)	(414)
Stock-based compensation expense	66	49
Changes in operating assets and liabilities:		
Accounts receivable - trade	(791)	(291)
Accrued interest and other receivables	(83)	(50)
Inventories	151	(99)
Prepaid expenses and other current assets	76	22
Accounts payable	31	258
Accrued expenses	(180)	489
Total adjustments	1,262	2,480
Net cash provided by operating activities	9,895	10,858
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(151)	(953)
Intangible assets	(55)	-
Net cash (used in) provided by investing activities	(206)	(953)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock - options	298	361
Common stock purchased and retired	(683)	(1,017)
Payment of taxes for exchange of stock options	(42)	-
Tax benefit attributable to exercise of stock options	110	139
Repayments of notes payable	(4,778)	(3,052)
Payment of dividends	(1,914)	(1,874)
Net cash (used in) provided by financing activities	(7,009)	(5,443)
Effect of exchange rate changes on cash	(332)	(609)
NET INCREASE IN CASH	2,348	3,853
CASH AT BEGINNING OF PERIOD	19,274	14,395
CASH AT END OF PERIOD	\$21,622	\$18,248

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for income taxes	\$4,030	\$2,492
Cash paid during the period for interest	65	239

see notes to consolidated condensed financial statements

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

(unaudited)

(1) The unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States. These statements should be read in conjunction with the financial statements and notes included in the Utah Medical Products, Inc. ("UTMD" or "the Company") annual report on Form 10 K for the year ended December 31, 2014. In the opinion of management, the accompanying financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. Currency amounts are in thousands except per-share amounts and where noted.

(2) **Recent Accounting Standards.** In May 2014, new accounting guidance was issued that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. This guidance becomes effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. UTMD is currently assessing the impact that this standard will have on its consolidated financial statements when it is adopted in 2017.

(3) Inventories at September 30, 2015 and December 31, 2014 consisted of the following:

	September 30, 2015	December 31, 2014
Finished goods	\$ 1,424	\$ 1,847
Work in process	1,212	1,103
Raw materials	1,813	1,922
Total	\$ 4,449	\$ 4,872

(4) **Stock-Based Compensation.** At September 30, 2015, the Company has stock-based employee compensation plans which authorize the grant of stock options to eligible employees and directors. The Company accounts for stock compensation under FASB Accounting Standards Codification ("ASC") 718, Stock Compensation. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted to employees and directors. In the quarters ended September 30, 2015 and 2014, the Company recognized \$22 and \$25, respectively, in stock based compensation cost. In the nine months ended September 30, 2015 and 2014, the Company recognized \$66 and \$49, respectively, in stock based compensation cost.

(5) **Notes Payable.** In March 2011, the Company obtained a \$14,000 loan from JPMorgan Chase Bank, N.A. and a \$12,934 loan from JP Morgan Chase, London Branch to help finance UTMD's purchase of Femcare. The notes were fully paid off in February 2015.

(6) **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 were immaterial, no warranty reserve was made at December 31, 2014 or September 30, 2015.

(7) Investments. Changes in the unrealized holding gain/loss on investment securities available-for-sale and reported as a separate component of accumulated other comprehensive income are as follows:

	3Q 2015	<u>3Q</u> <u>2014</u>
Balance, beginning of period	\$ 10	\$ 5
Realized loss from securities included in beginning balance	-	-
Gross unrealized holding gains (losses), in equity securities	(6)	5
Deferred income taxes on unrealized holding (gain)loss	3	(2)
Balance, end of period	\$ 7	\$ 8

(8) Fair Value Measurements. The Company follows ASC 820, Fair Value Measurement to determine fair value of its financial assets. The following table provides financial assets carried at fair value measured as of September 30, 2015:

Description	Total Fair Value at 9/30/2015	Fair Value Measurements Using		
		Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 53	\$ 53	\$ 0	\$ 0

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

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

General

UTMD manufactures and markets a well-established range of specialty medical devices. The Company's Form 10-K Annual Report for the year ended December 31, 2014 provides a detailed description of products, technologies, markets, regulatory issues, business initiatives, resources and business risks, among other details, and should be read in conjunction with this report. Because of the relatively short span of time, results for any given three month period in comparison with a previous three month period may not be indicative of comparative results for the year as a whole. Currency amounts in the report are in thousands, except per-share amounts or where otherwise noted. Currencies in this report are denoted as \$ or USD = U.S. Dollars; AUD = Australia Dollars; £ or GBP = UK Pound Sterling; and EUR = Euros.

Analysis of Results of Operations

a) Overview

In the first nine months (9M) of 2015, UTMD met its profit objectives despite continued foreign currency exchange (FX) rate headwinds which reduced total consolidated sales by 4%. About one-third of UTMD's sales are invoiced in GBP, EUR or AUD foreign currencies, which were down 12.6% in the aggregate on a transaction weighted-average basis. The average rates from the applicable foreign currency to USD during third quarter (3Q) and 9M 2015 compared to the same periods of 2014 follow:

	3Q 2015	3Q 2014	change	9M 2015	9M 2014	change
GBP	1.547	1.669	(7.3 %)	1.530	1.669	(8.3 %)
EUR	1.121	1.310	(14.4 %)	1.105	1.356	(18.5 %)
AUD	0.723	0.926	(21.9 %)	0.760	0.920	(17.3 %)
Sales Weighted Average:			(12.5 %)			(12.6 %)

Contrary to what happened in 2014, improved domestic sales in 2015 have offset lower international revenues. Profit margins remained strong compared to the previous year, even though the stronger USD also put pressure on profit margins as a result of shared overhead costs of foreign subsidiaries with the U.S. (in USD) and raw materials and finished devices purchased from the U.S. (in USD) by the foreign subsidiaries. UTMD profit margins in 3Q 2015 and 9M 2015 compared to 3Q 2014 and 9M 2014 follow:

	3Q 2015	3Q 2014	9M 2015	9M 2014
Gross Profit Margin (gross profit/ sales):	61.1 %	57.8 %	59.8 %	59.9 %
Operating Income Margin (operating profit/ sales):	40.2 %	37.3 %	38.7 %	38.4 %
EBT Margin (profit before income taxes/ sales):	41.5 %	36.3 %	38.3 %	37.4 %
Net Income Margin (profit after taxes/ sales):	30.6 %	26.3 %	28.2 %	27.0 %

Income statement results in 3Q and 9M 2015 compared to the same periods of 2014 follow:

	3Q 2015	3Q 2014	change	9M 2015	9M 2014	change
Net Sales	\$9,945	\$10,717	(7.2 %)	\$30,575	\$31,035	(1.5 %)
Gross Profit	6,079	6,196	(1.9 %)	18,290	18,595	(1.6 %)
Operating Income	4,000	4,002	-	11,845	11,907	(0.5 %)
Income Before Tax	4,127	3,895	+5.9 %	11,719	11,607	+1.0 %
Net Income	3,047	2,822	+8.0 %	8,633	8,378	+3.0 %

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Earnings per Diluted Share .809 .750 +7.9 % 2.289 2.220 +3.1 %

Total GAAP consolidated sales in 3Q 2015 were \$772 lower (7%) than in 3Q 2014, and in 9M 2015 were \$460 lower (1%) than in 9M 2014. Using the same FX rates in 2015 as existed during the same periods in 2014 ("constant FX"), 3Q 2015 consolidated sales were \$358 lower (3%) than in 3Q 2014, and in 9M 2015 were \$826 higher (+3%) than in 9M 2014. Of course, all of the negative FX impact only affected international sales which resulted in an international share of total consolidated sales of 50% in 3Q 2015 compared to 55% in 3Q 2014, and 49% in 9M 2015 compared to 52% in 9M 2014. International sales in 9M 2015 were \$1,308 lower (8%) than in 9M 2014, but in constant FX almost the same. International sales in 3Q 2015 were \$950 lower (16%) than in 3Q 2014. Constant FX 3Q 2015 international sales were \$535 lower (9%) compared to 3Q 2014. The lower 3Q 2015 constant FX sales were due to a fluctuation in international distributor order patterns. Domestic sales in 3Q 2015 were \$178 higher (+4%) compared to 3Q 2014. Domestic sales in 9M 2015 were \$848 higher (+6%) compared to 9M 2014.

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The higher 3Q 2015 Gross Profit Margin (GPM) was the combined result of a more favorable product mix, as 3Q 2015 sales of low margin blood pressure monitoring (BPM) kits to international distributors were \$447 lower than in 3Q 2014, and distribution mix, as domestic sales to end users were higher while international sales to distributors at wholesale prices were lower. For 9M 2015 compared to 9M 2014, better absorption of manufacturing overheads in Utah and Ireland due to higher production activity offset the negative FX impacts on gross profits in Ireland, the UK and Australia.

UTMD's higher operating income margins (OPMs) in 2015 resulted from the FX-induced lower foreign subsidiary operating expenses combined with, in the case of 3Q 2015, a significantly higher GPM. The combination of higher OPMs with lower sales yielded Operating Income in both 3Q 2015 and 9M 2015 about the same as in the same periods in 2014.

With Operating Income about the same, Income Before Tax (EBT) in both 3Q 2015 and 9M 2015 improved compared to the same periods in 2014 as a result of changes in non-operating expense/ income. The changes compared to the prior year were comprised of the elimination of interest expense, a gain in remeasured foreign currency bank balances instead of a loss, and a net increase in income from miscellaneous items including royalties, interest earned and rent from underutilized property, less bank fees.

Net Income increased 8% in 3Q 2015 and 3% in 9M 2015 compared to the same periods in 2014 as a result of the higher EBT combined with lower income tax provision rates. The consolidated average income tax provision rate was 26.2% of EBT in 3Q 2015 compared to 27.6% in 3Q 2014, and 26.3% in 9M 2015 compared to 27.8% in 9M 2014. As of April 1, 2015, the UK corporate income tax rate was reduced to 20% from 21%. A shift of EBT proportion toward Ireland, the lowest tax rate sovereignty, accounted for the remainder of the one and half percentage point reduction in consolidated income tax provision rate.

Earnings Per Share (EPS) in 3Q 2015 increased 5.9 cents (8%) compared to 3Q 2014 as a result of the 8% increase in net income, despite 7% lower revenues. For 9M 2015, EPS increased 6.9 cents (3%) compared to 9M 2014 due to the 3% increase in net income. Diluted shares used to calculate EPS were 3,768,100 in 3Q 2015 compared to 3,764,000 in 3Q 2014. Diluted shares were 3,771,900 in 9M 2015 compared to 3,774,000 in 9M 2014. The fluctuations in diluted shares outstanding are primarily due to the timing and volume of option exercises versus share repurchases.

During 9M 2015, the liquidity of UTMD's Balance Sheet improved. Working Capital increased to \$26,565 at September 30, 2015 (Current Ratio 5.6) from \$20,704 at December 31, 2014 (Current Ratio 3.3). Total liabilities declined \$4,718 and Shareholders' Equity increased \$3,797 after paying \$1,914 in cash dividends. Total Assets were \$921 lower primarily because of the lower FX rates for foreign subsidiary assets, but also because depreciation of fixed assets exceeded capital expenditures for new equipment by \$310. UTMD's FX rates for balance sheet purposes are the applicable rates at the end of each reporting period. The FX rates from the applicable foreign currency to USD for assets and liabilities at the end of 9M 2015 and the end of 2014 follow:

	Sep	Dec	
	30,	31,	
	2015	2014	change
GBP	1.511	1.559	(3.0 %)
EUR	1.116	1.211	(7.8 %)
AUD	0.702	0.818	(14.2 %)

In addition to the FX impact on foreign subsidiary assets and liabilities, the changes in UTMD's Balance Sheet at September 30, 2015 from December 31, 2014 resulted from continued excellent cash generation, allowing eliminating the remaining principal balances of loans obtained in 2011 to help finance the Femcare acquisition.

b) Revenues

The Company believes that revenue should be recognized at the time of shipment as title generally passes to the customer at the time of shipment, 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 collectibility is reasonably assured. There are no post-shipment obligations which have been or are expected to be material to financial results.

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

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

UTMD may have separate discounted pricing agreements with a clinical facility or group of affiliated facilities based on volume of purchases. Pricing agreements 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 determine the fixed price by part number for the next agreement period of one or two years. For new customers, the customer's best estimate of volume is accepted by UTMD for determining the ensuing fixed prices for the agreement period. New customers typically have one-year agreements. Prices are not adjusted after an order is accepted. For the sake of clarity, the separate pricing agreements with clinical facilities based on volume of purchases disclosure is not inconsistent with UTMD's disclosure above that the selling price is fixed prior to the acceptance of a specific customer order.

Total GAAP consolidated sales in 3Q 2015 were \$772 lower than in 3Q 2014, and \$460 lower in 9M 2015 than in 9M 2014. The negative impact of FX changes on consolidated sales in 3Q 2015 was \$414, and in 9M 2015 was \$1,286. In other words, non-GAAP constant FX consolidated sales were down 3% in 3Q 2015 compared to 3Q 2014, and up 3% in 9M 2015 compared to 9M 2014.

An easy way to think about the FX impact on consolidated UTMD sales follows: About one-third of UTMD sales are in currencies other than the USD (two-thirds of international sales). If the USD is 12% stronger for the applicable period(s) as a weighted average for all foreign currencies combined, then the impact is about a 4% decrease in consolidated USD GAAP sales (one-third of 12%). This is essentially what happened both in 3Q 2015 and in 9M 2015.

U.S. domestic sales (obviously in constant USD currency) were 4% higher in 3Q 2015 compared to 3Q 2014, and 6% higher in 9M 2015 than in 9M 2014. Sales of Femcare's Filshie Clip System devices to CooperSurgical Inc. (CSI) for distribution in the U.S. were 11% higher in 3Q 2015 compared to 3Q 2014, and 13% higher in 9M 2015 than in 9M 2014. Filshie Clip System sales to CSI were 16% of total domestic sales in 3Q 2015 compared to 15% in 3Q 2014, and 23% in 9M 2015 compared to 21% in 9M 2014. Direct sales of UTMD devices to medical facilities were 1% higher in 3Q 2015 compared to 3Q 2014, and 2% higher in 9M 2015 compared to 9M 2014. U.S. domestic OEM sales were 11% higher in 3Q 2015 compared to 3Q 2014, and 15% higher in 9M 2015 compared to 9M 2014.

International GAAP sales were 16% lower in 3Q 2015 than in 3Q 2014. Constant currency international sales were 9% lower in 3Q 2015 than in 3Q 2014. The lower 3Q sales were due both to the unfavorable FX rates noted above and to less favorable 3Q 2015 economic conditions internationally, including an uneven order pattern of two large distributors of BPM kits, which combined for \$349 lower purchases in constant currency terms. International GAAP sales were 8% lower in 9M 2015 than in 9M 2014, but they were the same in constant currency in 9M 2015 and 9M 2014.

Trade sales by UTMD's UK subsidiary, Femcare-Nikomed Ltd, were 28% of total international sales in 3Q 2015 compared to 42% in 3Q 2014, and 30% in 9M 2015 compared to 44% in 9M 2014. Trade sales of Sterishot kits to international customers outside the UK which were included in UK subsidiary sales in 9M 2014 were shipped directly

from UTMD's Ireland subsidiary in 9M 2015. In addition, intercompany sales of Sterishot kits to UTMD's Australia distribution subsidiary which were included in 9M 2014 UK sales were shipped directly from UTMD Ireland in 9M 2015. Total UK subsidiary sales were GBP 1,447 in 3Q 2015 compared to GBP 2,159 in 3Q 2014, and GBP 5,314 in 9M 2015 compared to GBP 6,870 in 9M 2014.

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Ireland subsidiary trade sales were 30% of total international sales in 3Q 2015 compared to 22% in 3Q 2014, and 28% in 9M 2015 compared to 17% in 9M 2014. The transfer of Sterishot manufacturing to Ireland increased Ireland's share of international sales as it decreased UK's share. Ireland shipments, including trade sales to international third parties as well as intercompany sales, were EUR 1,487 in 3Q 2015 compared to EUR 1,122 in 3Q 2014, and EUR 4,757 in 9M 2015 compared to EUR 2,264 in 9M 2014.

Sales by UTMD's Australia subsidiary, Femcare Australia Pty Ltd, were 13% of total international sales in 3Q 2015 compared to 14% in 3Q 2014, and 13% in 9M 2015 compared to 15% in 9M 2014. All sales by the Australia subsidiary are domestic trade sales to end user facilities in Australia. In 3Q 2015, Australia subsidiary sales were AUD 898 compared to AUD 928 in 3Q 2014, and AUD 2,534 in 9M 2015 compared to AUD 2,605 in 9M 2014.

International trade sales exported from the U.S. invoiced in USD were 29% of total international sales in 3Q 2015 compared to 21% in 3Q 2014, and 29% in 9M 2015 compared to 24% in 9M 2014. Total U.S. international sales including intercompany sales were \$1,579 in 3Q 2015 compared to \$1,382 in 3Q 2014, and \$4,847 in 9M 2015 compared to \$4,309 in 9M 2014.

For global GAAP sales (not constant FX) in general product categories, 3Q 2015 blood pressure monitoring device/ components (BPM) sales were down 15%, neonatal device sales were the same, gynecology/ electrosurgery device sales were down 7% and obstetrics device sales were down 5% compared to 3Q 2014. For 9M 2015 compared to 9M 2014, BPM sales were up 6%, neonatal device sales were up 9%, gynecology/ electrosurgery device sales were down 6% and obstetrics device sales were down 1%.

The following table provides USD denominated sales divided into general product categories for total sales, and the subset of international sales:

Global GAAP revenues by product category:

	3Q 2015	3Q 2014	9M 2015	9M 2014
Obstetrics	\$1,147	\$1,205	\$3,455	\$3,508
Gynecology/ Electrosurgery/ Urology	5,558	5,978	17,269	18,381
Neonatal	1,584	1,582	4,798	4,392
Blood Pressure Monitoring and Accessories*	1,656	1,952	5,053	4,754
Total:	\$9,945	\$10,717	\$30,575	\$31,035

International revenues by product category:

	3Q 2015	3Q 2014	9M 2015	9M 2014
Obstetrics	\$147	\$164	\$528	\$488
Gynecology/ Electrosurgery/ Urology	3,564	4,188	10,301	12,036
Neonatal				