

UROPLASTY REPORTS THIRD QUARTER FISCAL 2009 RESULTS

- Patient Enrollment in Urgent[®] PC SUMiT Clinical Trial for Expanded Reimbursement Completed Ahead of Schedule -

-Macroplastique[®] Gaining Market Momentum-

-Company Updates Fiscal 2009 Outlook-

- Conference Call to be Held Today at 3:30 pm Central Time –

MINNEAPOLIS, MN, February 03, 2009 – Uroplasty, Inc. (AMEX: UPI), a medical device company that develops, manufactures and markets innovative proprietary products to treat voiding dysfunctions, today reported financial results for the third quarter of fiscal 2009 ended December 31, 2008. Net sales for the third quarter of fiscal 2009 were \$3.4 million versus \$3.7 million during last fiscal year's third quarter.

“As we discussed in conjunction with the release of our fiscal second quarter results, our Urgent PC system to treat overactive bladder syndrome has been facing a challenging market environment created by insurance reimbursement uncertainties,” said David Kaysen, President and CEO. “While a growing number of physicians are recognizing the benefits of Urgent PC, and the treatment continues to receive reimbursement from many insurance plans, our market momentum has slowed due to the uncertainty with insurance reimbursement.

“A major part of our strategy to expand and support third-party reimbursement coverage of Urgent PC treatment is the SUMiT study, which we announced in October. The study is designed to directly compare the effectiveness of Urgent PC treatment to non-active treatment and the enrollment of 221 patients was completed two months ahead of schedule,” added Mr. Kaysen. The SUMiT study is evaluating reductions in urinary urgency, urge incontinence and frequency of urinary voids, as well as patient quality of life measures. This study, now expected to be completed by late summer of 2009, is taking place at 23 urology and urogynecology centers across the United States.

“Meanwhile, U.S. sales of Macroplastique are building momentum,” added Mr. Kaysen. “Through our expanded sales focus and training, we are capitalizing on recent market concerns regarding competitive products that treat urinary incontinence. In addition, the January 2009 issue of the Journal of Urology highlighted results from a clinical study of Macroplastique. The study concluded that in the Macroplastique patient group, the dry/cure rate was 36.9% versus 24.8% in the control patient group. The authors of the study concluded that Macroplastique is a safe, effective, minimally invasive material that can be administered on an outpatient basis. The combination of these factors resulted in record sales for Macroplastique in our fiscal third quarter,” concluded Mr. Kaysen.

Fiscal Third Quarter and Nine Month Results for the Periods Ended December 31, 2008

Net sales for the three months ended December 31, 2008 were \$3.4 million versus \$3.7 million for the same period a year ago. Net sales for the nine months ended December 31, 2008 were \$11.8 million, up 22% from \$9.7 million for the same period a year ago.

Sales to customers in the U.S. for the three months ended December 31, 2008 were \$1.9 million, down one percent, compared with \$2.0 million in the same period a year ago. This decrease was due to the reimbursement uncertainty that has developed in the U.S. market for Urgent PC treatments. Sales to customers outside of the U.S. for the three months ended December 31, 2008 were \$1.4 million, down 18% from \$1.8 million in the year ago period. Excluding the translation impact of fluctuations in foreign currency exchange rates, sales to customers outside of the U.S. declined approximately 5%.

Nine month sales to customers in the U.S. were \$6.4 million, an increase of 52% from \$4.2 million for the same period last year. Nine month sales to customers outside of the U.S. were flat at \$5.5 million as compared with the same period last year. Excluding the translation impact of fluctuations in foreign currency exchange rates, sales to customers outside of the U.S. declined approximately 2%.

Net loss for the third fiscal quarter ended December 31, 2008 was \$894,000, or \$0.06 per diluted share versus \$900,000, or \$0.06 per diluted share for the third quarter of last year. For the nine months ended December 31, 2008, net loss was \$1.9 million, or \$0.12 per diluted share compared with a net loss of \$3.1 million, or \$0.23 per diluted share for the same period last year.

At December 31, 2008, cash and cash equivalents, and short-term investments were \$8.6 million compared with \$9.0 million at September 30, 2008 and \$10.1 million at March 31, 2008.

“We continue to implement a comprehensive program designed to educate Medicare carrier and private payer medical directors around the country about the benefits and clinical study results of Urgent PC,” continued Mr. Kaysen. “The medical directors have asked for additional peer-reviewed publications in medical journals on PTNS treatments. We expect the first of such articles to be published within the next 30 days.

“In the meantime, physicians using Urgent PC are communicating their successes to these medical directors and we are in active communication with professional associations who are involved with reimbursement and believe we have the right people and the right resources to proactively address various reimbursement related issues. It is important to remember that reimbursement uncertainties are common with practically every new medical technology. Gaining a specific CPT code for the procedure is our end goal and we believe our strategies to achieve that endpoint are generating positive responses from the market and will lead to achieving our objective,” Mr. Kaysen concluded.

Guidance

For fiscal 2009, the Company currently expects overall sales to grow by approximately 4% to 7% over fiscal 2008, and U.S. sales to grow between 20% and 25%. The Company continues to

expect consistent operating income breakeven on a non-GAAP basis, which excludes non-cash and unusual charges, to occur between revenues of \$19 million to \$20 million.

Conference Call

Uroplasty will host an audio conference call today at 3:30 pm Central, 4:30 pm Eastern, to review the financial results for the second fiscal quarter of 2009. David Kaysen, President and Chief Executive Officer and Medi Jiwani, Vice President, Chief Financial Officer and Treasurer will host the call. Individuals wishing to participate in the conference call should dial 800-218-0713 (domestic) or 303-262-2140 (international). An audio replay will be available for 30 days following the call at 800-405-2236 (domestic) or 303-590-3000 (international), with the passcode 11123736#.

About Uroplasty, Inc.

Uroplasty, Inc., headquartered in Minnetonka, Minnesota, with wholly-owned subsidiaries in The Netherlands and the United Kingdom, is a medical device company that develops, manufactures and markets innovative proprietary products for the treatment of voiding dysfunctions. Our focus is the continued commercialization of our Urgent PC system, which we believe is the only FDA-approved minimally invasive nerve stimulation device designed for office-based treatment of urinary urgency, urinary frequency and urge incontinence – symptoms often associated with overactive bladder. We also offer Macroplastique® Implants, an injectable bulking agent for the treatment of adult female stress urinary incontinence primarily due to intrinsic sphincter deficiency. Please visit Uroplasty, Inc. at www.uroplasty.com.

Forward Looking Information

This press release contains forward-looking statements, which reflect our best estimates regarding future events and financial performance. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from our anticipated results. We discuss in detail the factors that may effect the achievement of our forward-looking statements in our Annual Report on Form 10-K filed with the SEC. Further, we cannot assure you that our SUMiT clinical trial will produce favorable results, that even if does produce favorable result third-party payors will provide or continue to provide coverage and reimbursement, or reimburse the providers an amount sufficient to cover their costs and expenses, or that we will timely obtain, or even succeed at all at obtaining, a specific “listed” CPT reimbursement code from the AMA for Urgent PC treatments. We further cannot assure that reimbursement or other issues will not further impact our fiscal 2009 results.

For Further Information: <u>Uroplasty, Inc.</u> David Kaysen, President and CEO, or Medi Jiwani, Vice President, CFO, and Treasurer, 952.426.6140	<u>EVC Group</u> Doug Sherk (Investors) 415.896.6820 Chris Gale (Media) 646.201.5431
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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
Net sales	\$3,387,285	\$3,729,314	\$11,833,422	\$9,717,531
Cost of goods sold	533,987	789,955	1,791,153	2,053,208
Gross profit	2,853,298	2,939,359	10,042,269	7,664,323
Operating expenses				
General and administrative	713,545	799,193	2,670,653	2,755,000
Research and development	723,673	460,374	1,457,170	1,393,496
Selling and marketing	2,125,274	2,399,227	7,250,906	6,006,598
Amortization of intangibles	211,626	209,862	633,567	632,865
	3,774,118	3,868,656	12,012,296	10,787,959
Operating loss	(920,820)	(929,297)	(1,970,027)	(3,123,636)
Other income (expense)				
Interest income	24,001	74,928	162,657	216,550
Interest expense	(1,787)	(6,497)	(15,372)	(27,141)
Foreign currency exchange loss	-	(37,632)	(731)	(53,538)
Other, net	-	2,134	(4,687)	4,014
	22,214	32,933	141,867	139,885
Loss before income taxes	(898,606)	(896,364)	(1,828,160)	(2,983,751)
Income tax expense (benefit)	(4,684)	4,004	33,374	141,944
Net loss	\$(893,922)	\$(900,368)	\$(1,861,534)	\$(3,125,695)
Basic and diluted loss per common share	\$(0.06)	\$(0.06)	\$(0.12)	\$(0.23)
Weighted average common shares outstanding:				
Basic and diluted	14,924,540	14,119,583	14,919,216	13,482,928

UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2008	March 31, 2008
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents & short-term investments	\$8,562,280	\$10,146,081
Accounts receivable, net	1,501,037	2,318,604
Income tax receivable	56,488	50,841
Inventories	549,653	558,657
Other	215,086	244,517
Total current assets	10,884,544	13,318,700
Property, plant, and equipment, net	1,506,053	1,638,953
Intangible assets, net	3,590,605	4,200,890
Prepaid pension asset	33,984	26,482
Deferred tax assets	104,840	105,298
Total assets	\$16,120,026	\$19,290,323
Liabilities and Shareholders' Equity		
Total current liabilities	1,675,169	2,739,933
Long-term debt – less current maturities	-	413,279
Deferred rent – less current portion	155,927	180,979
Accrued pension liability	329,155	353,411
Total liabilities	2,160,251	3,687,602
Total shareholders' equity	13,959,775	15,602,721
Total liabilities and shareholders' equity	\$16,120,026	\$19,290,323

UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended December 31, 2008 and 2007
(Unaudited)

	Nine Months Ended	
	December 31,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$(1,861,534)	\$(3,125,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	849,933	796,748
(Gain) Loss on disposal of equipment	4,687	(2,769)
Share-based consulting expense	52,567	37,942
Share-based compensation expense	583,013	829,146
Deferred income taxes	(11,531)	7,113
Deferred rent	(26,250)	(26,250)
Changes in operating assets and liabilities:		
Accounts receivable	668,510	(534,542)
Inventories	(34,427)	64,390
Other current assets and income tax receivable	8,173	191,921
Accounts payable	(91,686)	94,198
Accrued liabilities	(802,027)	312,158
Accrued pension liability, net	(7,585)	(247,388)
Net cash used in operating activities	<u>(668,157)</u>	<u>(1,603,028)</u>
Cash flows from investing activities:		
Proceeds from sale of short-term investments	14,157,410	4,200,000
Purchase of short-term investments	(7,891,373)	(3,648,447)
Purchases of property, plant and equipment	(181,354)	(210,875)
Proceeds from sale of equipment	-	4,811
Payments for intangible assets	(23,282)	(92,013)
Net cash provided by investing activities	<u>6,061,401</u>	<u>253,476</u>
Cash flows from financing activities:		
Proceeds from financing obligations	-	178,374
Repayment of debt obligations	(455,913)	(239,872)
Net proceeds from issuance of common stock, warrants and option exercise	-	5,374,233
Net cash provided by (used in) financing activities	<u>(455,913)</u>	<u>5,312,735</u>
Effect of exchange rates on cash and cash equivalents	<u>(255,095)</u>	<u>131,929</u>
Net increase in cash and cash equivalents	4,682,236	4,095,112
Cash and cash equivalents at beginning of period	<u>3,880,044</u>	<u>3,763,702</u>
Cash and cash equivalents at end of period	<u><u>\$8,562,280</u></u>	<u><u>\$7,858,814</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$13,612	\$25,204
Cash paid during the period for income taxes	53,739	87,900
Supplemental disclosure of non-cash financing and investing activities:		
Purchase of intellectual property funded by issuance of stock	\$ -	\$4,658,861

Non-GAAP Financial Measures: The following table reconciles our financial results calculated in accordance with accounting principles generally accepted in the U.S. (GAAP) to non-GAAP financial measures that exclude non-cash charges for share-based compensation under SFAS 123 (R), and depreciation and amortization expenses from gross profit, operating expenses and operating loss. The non-GAAP financial measures used by management and disclosed by us are not a substitute for, or superior to, financial measures and consolidated financial results calculated in accordance with GAAP, and you should carefully evaluate our reconciliations to non-GAAP. We may calculate our non-GAAP financial measures differently from similarly titled measures used by other companies. Therefore, our non-GAAP financial measures may not be comparable to those used by other companies. We have described the reconciliations of each of our non-GAAP financial measures above to the most directly comparable GAAP financial measures.

We use these non-GAAP financial measures, and in particular non-GAAP operating loss, for internal managerial purposes because we believe such measures are one important indicator of the strength and the performance of our business as they provide a link to operating cash flow. We also believe that analysts and investors use such measures to evaluate the overall operating performance of companies in our industry, including as a means of comparing period-to-period results and as a means of evaluating our results with those of other companies.

Our non-GAAP operating loss for each of the three-month periods ended December 31, 2008 and 2007 was approximately \$0.5 million. Compared to the year-ago period, an improvement in gross profit rate and a decrease in cash operating expenses were about offset by a decrease in sales. Our non-GAAP operating performance improved from a loss of approximately \$1.5 million for the nine months ended December 31, 2007 to a loss of approximately \$0.5 million for the same period in 2008. We attribute this improvement in non-GAAP operating performance to the increase in sales and an improvement in gross profit rate, offset partially by an increase in cash operating expenses.

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Gross Profit				
GAAP gross profit	\$2,853,298	\$2,939,359	\$10,042,269	\$7,664,323
% of sales	84%	79%	85%	79%
SFAS 123 (R) share-based compensation	8,879	9,008	34,132	18,695
Depreciation expenses	12,436	13,277	38,283	41,882
Non-GAAP gross profit	<u>2,874,613</u>	<u>2,961,644</u>	<u>10,114,684</u>	<u>7,724,900</u>
Operating Expenses				
GAAP operating expenses	3,774,118	3,868,656	12,012,296	\$10,787,959
SFAS 123 (R) share-based compensation	136,701	187,438	601,448	848,394
Depreciation expenses	58,922	43,842	178,083	122,001
Amortization expenses	211,626	209,862	633,567	632,865
Non-GAAP operating expenses	<u>3,366,869</u>	<u>3,427,514</u>	<u>10,599,198</u>	<u>9,184,699</u>
Operating Loss				
GAAP operating loss	(920,820)	(929,297)	(1,970,027)	(3,123,636)
SFAS 123 (R) share-based compensation	145,580	196,446	635,580	867,089
Depreciation expenses	71,358	57,119	216,366	163,883
Amortization expenses	211,626	209,862	633,567	632,865
Non-GAAP operating loss	<u>\$(492,256)</u>	<u>\$(465,870)</u>	<u>\$(484,514)</u>	<u>\$(1,459,799)</u>

