

NEWS RELEASE



## **UROPLASTY REPORTS RECORD QUARTERLY SALES**

- *First Fiscal Quarter Net Sales of \$4.5 Million; 53% Increase Year-Over-Year -*
- *U.S. Sales of \$2.2 Million; 118% Increase Year-Over-Year -*
- *Company Achieves Operating Profit, Excluding Certain Non-Cash Charges –*
- *Active U.S. Urgent PC<sup>®</sup> Customer Base Increases to 339 -*
- *Conference Call to be Held Today at 3:30 pm Central Time -*

**MINNEAPOLIS, MN, July 31, 2008** – Uroplasty, Inc. (AMEX: UPI), a medical device company that develops, manufactures and markets innovative proprietary products for the treatment of voiding dysfunctions, today reported financial results for the first quarter of fiscal 2009 ended June 30, 2008. Net sales for the first quarter of fiscal 2009 were \$4.5 million, up 53% from \$2.9 million in the first quarter of fiscal 2008. Excluding the translation impact of fluctuations in foreign currency exchange rates, sales during the fiscal quarter increased by approximately 46%. U.S. sales were \$2.2 million, an increase of 118% from \$1.0 million in the first quarter of fiscal 2008.

### **Highlights for the First Quarter of Fiscal 2009**

- Achieved substantial operational improvements in the first quarter, resulting in positive non-GAAP operating income, which excludes certain non-cash items;
- Achieved 53% revenue growth versus year ago quarter;
- U.S. sales increased 118% versus year ago quarter;
- International sales grew 20% versus year ago quarter;
- Continued momentum in the U.S. for our Urgent PC system; active customer base grew to 339;
- Joined the National Association For Continence's (NAFC) Industry Council;
- Our common stock added to the Russell Microcap<sup>®</sup> Index.

“During the first quarter, we continued to grow our active U.S. customer base for the Urgent PC system and we generated positive non-GAAP operating income, excluding certain non-cash items,” said David Kaysen, President and Chief Executive Officer. “We generated strong international sales and continued to build momentum in the U.S. market for our Urgent PC

system, which we believe is the only FDA-approved minimally invasive nerve stimulation device designed for office-based treatment of urinary frequency, urinary urgency and urge incontinence— symptoms often associated with overactive bladder. The increasing productivity of our domestic sales team enabled us to expand our active Urgent PC customer base in the U.S. to 339, an increase from 166 customers during the comparable period a year ago. As doctors and their patients experience positive results with the Urgent PC, we are confident about our team's ability to continue to expand the active U.S. customer base as the fiscal year progresses.”

### **Fiscal First Quarter Ended June 30, 2008 Compared to June 30, 2007**

- Net sales for the first quarter of fiscal 2009 were \$4.5 million, an increase of 53%, compared with \$2.9 million in the first quarter of fiscal 2008. Excluding the translation impact of fluctuations in foreign currency exchange rates, sales during the quarter increased by approximately 46%.
- Sales to customers in the U.S. in the first quarter of fiscal 2009 were \$2.2 million, an increase of 118%, compared with \$1.0 million in the year ago quarter. This increase was due to the continued momentum of the company's sales force and the continued growth in our active Urgent PC customer base. Non-U.S. sales in the first quarter were \$2.3 million, up 20% from \$1.9 million in first fiscal quarter of 2008. Excluding the translation impact of fluctuations in foreign currency rates, sales to customers outside the U.S. increased approximately 7%.
- Non-GAAP operating income, which excludes non-cash charges for SFAS 123(R) stock-based compensation, and depreciation and amortization expenses, was approximately \$106,000 for the three months ended June 30, 2008, compared with a non-GAAP operating loss of approximately \$378,000 in the year ago quarter. This improvement is attributed primarily to the increase in sales and an improvement in gross margin rate.
- Net loss for the fiscal quarter ended June 30, 2008 was \$407,000 or \$0.03 per diluted share compared with a net loss of \$841,000 or \$0.06 per diluted share for the same period last year.
- At June 30, 2008, cash and cash equivalents, and short-term investments were \$9.2 million compared with \$5.6 million at June 30, 2007 and \$10.1 million at March 31, 2008.

“Uroplasty is about to embark on a new, multicenter clinical study with our Urgent PC system for patients afflicted with urinary urgency, urinary frequency, and urge incontinence. The preparations are progressing well with an anticipated start this fall and we believe the study will further enhance the marketing of our Urgent PC,” Mr. Kaysen added.

“Our strong financial results reflect our drive to achieve profitable and sustainable growth, a key factor in determining long-term success. Getting our business to generate non-GAAP breakeven operating income, excluding certain non-cash charges has been an important focus of management. We continue to believe we can grow fiscal 2009 sales in excess of 30% over fiscal 2008, and U.S. sales by more than 70% based on our expectations for continued market adoption of our Urgent PC system. At the same time, we do expect to experience the normal seasonality in our non-U.S. sales during the second fiscal quarter. In addition, we expect to increase spending over fiscal first quarter levels for a clinical study and to support our full-year revenue growth. We continue 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,” Mr. Kaysen concluded.

## **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 first 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 (866) 249-5225 (domestic) or (303) 262-2131 (international). An audio replay will be available two hours after the call for 30 days by dialing (800) 405-2236 (domestic) or (303) 590-3000 (international), with the passcode 1117192#.

## **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 primary focus is the 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](http://www.uroplasty.com).

## **Safe Harbor**

*The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain forward-looking statements. This press release contains forward-looking statements, which reflect our views regarding future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause actual results to differ materially from historical results or those anticipated. The words “aim,” “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions, which indicate future events and trends, identify forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending upon a variety of factors, including, but not limited to: the ability to receive third party reimbursement for our products; the impact of international currency fluctuations on our cash flows and operating results; the impact of technological innovation and competition; acceptance of our products by physicians and patients, our historical reliance on a single product for most of our current sales; our ability to commercialize our recently licensed product lines; our intellectual property and the ability to prevent competitors from infringing our rights; effect of government regulation, including when and if we receive approval for marketing products in the United States; the results of clinical trials; our continued losses and the possible need to raise additional capital in the future; our ability to manage our international operations; our ability to hire and retain key technical and sales personnel; our dependence on key suppliers; future*

*changes in applicable accounting rules; and volatility in our stock price. We cannot assure that we can successfully expand our U.S. field sales force, that our active Urgent PC customer base will continue to grow or that we will be successful in helping our active customers introduce, and our existing customers will continue to market, our Urgent PC technology. Our first quarter fiscal 2009 financial performance is not indicative of future performance. We also cannot assure that (i) our sales representatives will continue to grow their sales productivity, (ii) future additions to our sales force will increase our sales or profitability, (iii) we can conduct our planned clinical study on budget or achieve the desired objectives from the study, (iv) we will achieve our projected revenue target range for fiscal 2009 or (v) we can achieve our fiscal 2009 non-GAAP operating income objective at our targeted revenue level. Uroplasty undertakes no obligation to update or revise these forward-looking statements to reflect new events or uncertainties.*

**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/Dahlia Bailey (Investors) 415.896.6820 Steve DiMattia/Chris Gale (Media) 646.201.5445
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UROPLASTY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
Net sales	\$4,525,622	\$2,948,674
Cost of goods sold	707,967	594,212
Gross profit	3,817,655	2,354,462
Operating expenses		
General and administrative	1,038,714	808,374
Research and development	405,519	506,125
Selling and marketing	2,620,035	1,632,789
Amortization of intangibles	210,975	216,521
	4,275,243	3,163,809
Operating loss	(457,588)	(809,347)
Other income (expense)		
Interest income	75,115	76,383
Interest expense	(6,834)	(11,365)
Foreign currency exchange loss	(5,770)	(2,029)
Other, net	-	1,879
	62,511	64,868
Loss before income taxes	(395,077)	(744,479)
Income tax expense	11,571	96,156
Net loss	\$(406,648)	\$(840,635)
Basic and diluted loss per common share	\$(0.03)	\$(0.06)
Weighted average common shares outstanding:		
Basic and diluted	14,916,540	12,981,466

UROPLASTY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	<b>June 30, 2008</b> <b>(unaudited)</b>	<b>March 31, 2008</b>
	<hr/>	<hr/>
<b>Assets</b>		
Current assets:		
Cash and equivalents & short-term investments	\$9,240,538	\$10,146,081
Accounts receivable, net	2,187,908	2,318,604
Income tax receivable	58,370	50,841
Inventories	527,583	558,657
Other	404,276	244,517
<b>Total current assets</b>	<hr/> 12,418,675	<hr/> 13,318,700
Property, plant, and equipment, net	1,619,632	1,638,953
Intangible assets, net	3,989,915	4,200,890
Prepaid pension asset	33,265	26,482
Deferred tax assets	107,946	105,298
	<hr/>	<hr/>
<b>Total assets</b>	<hr/> <b>\$18,169,433</b>	<hr/> <b>\$19,290,323</b>
	<hr/>	<hr/>
<b>Liabilities and Shareholders' Equity</b>		
Total current liabilities	1,706,894	2,739,933
Long-term debt – less current maturities	392,384	413,279
Deferred rent – less current portion	172,628	180,979
Accrued pension liability	409,572	353,411
	<hr/>	<hr/>
<b>Total liabilities</b>	<hr/> 2,681,478	<hr/> 3,687,602
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<hr/> 15,487,955	<hr/> 15,602,721
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<hr/> <b>\$18,169,433</b>	<hr/> <b>\$19,290,323</b>

UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended June 30, 2008 and 2007

(Unaudited)

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash flows from operating activities:		
Net loss	\$(406,648)	\$(840,635)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	280,822	263,850
Gain on disposal of equipment	-	(2,771)
Stock-based consulting expense	16,029	14,067
Stock-based compensation expense	266,962	153,019
Deferred income taxes	(2,637)	572
Deferred rent	(8,750)	(8,750)
Changes in operating assets and liabilities:		
Accounts receivable	129,863	(524,327)
Inventories	32,627	10,651
Other current assets and income tax receivable	(167,223)	(926)
Accounts payable	(208,510)	(97,291)
Accrued liabilities	(784,377)	(472,737)
Accrued pension liability, net	48,922	(145,556)
Net cash used in operating activities	<u>(802,920)</u>	<u>(1,650,834)</u>
Cash flows from investing activities:		
Proceeds from sale of short-term investments	4,500,000	600,000
Purchase of short-term investments	(2,542,267)	-
Purchases of property, plant and equipment	(50,750)	(78,948)
Proceeds from sale of equipment	-	9,952
Payments for intangible assets	-	(89,725)
Net cash provided by investing activities	<u>1,906,983</u>	<u>441,279</u>
Cash flows from financing activities:		
Proceeds from financing obligations	-	178,374
Repayment of debt obligations	(58,187)	(115,067)
Net proceeds from issuance of common stock, warrants and option exercise	-	575,998
Net cash provided by (used in) financing activities	<u>(58,187)</u>	<u>639,305</u>
Effect of exchange rates on cash and cash equivalents	6,314	11,232
Net increase in cash and cash equivalents	1,052,190	559,018
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>\$4,932,234</u></u>	<u><u>\$3,204,684</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$6,850	\$9,099
Cash paid during the period for income taxes	19,759	15,573
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 stock options 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.

Management uses our 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.

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Gross Profit</b>		
GAAP gross profit	\$3,817,655	\$2,354,462
% of sales	84%	80%
SFAS 123 (R) stock-based compensation	16,375	579
Depreciation expense	12,790	15,550
Non-GAAP gross profit	<u>3,846,820</u>	<u>2,370,591</u>
<b>Operating Expenses</b>		
GAAP operating expenses	4,275,243	\$3,163,809
SFAS 123 (R) stock-based compensation	266,616	166,506
Depreciation expense	57,057	31,779
Amortization expense	210,975	216,521
Non-GAAP operating expenses	<u>3,740,595</u>	<u>2,749,003</u>
<b>Operating Loss</b>		
GAAP operating loss	(457,588)	(809,347)
SFAS 123 (R) stock-based compensation	282,991	167,085
Depreciation expense	69,847	47,329
Amortization expense	210,975	216,521
Non-GAAP operating income (loss)	<u>\$106,225</u>	<u>\$(378,412)</u>