SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|x| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998.

OR

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number 0-18592

MERIT MEDICAL SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Utah	87-0447695
(State or other jurisdiction of incorporation or organization)	(I.R.S. Identification No.)

1600 West Merit Parkway, South Jordan UT, 84095

(Address of Principal Executive Offices)

(801) 253-1600

(Registrant's telephone number, including area code)

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 x No

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock	7,460,441
TITLE OR CLASS	Number of Shares Outstanding at November 12, 1998

MERIT MEDICAL SYSTEMS, INC.

INDEX TO FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1: Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1998 AND DECEMBER 31, 1997

ASSET	September 1998 (Unaudited)	December 31, 1997
CURRENT ASSETS:		
Cash	$ 820,818	$ 976,692
Trade receivables - net	9,213,201	9,599,443
Employee and related party receivables	538,871	288,812
Irish Development Agency grant receivable	304,514	747,888
Inventories	17,090,578	14,535,440
Prepaid expenses and other assets	576,859	538,259
Deferred income tax assets	546,937	782,435
Total current assets	29,091,778	27,468,969
PROPERTY AND EQUIPMENT:		
Land	1,065,985	1,101,544
Building		932,448
Automobiles	89,709	112,633
Manufacturing equipment	13,218,201	10,909,529
Furniture and fixtures	5,251,605	4,817,738
Leasehold improvements	4,938,929	4,483,071
Construction-in-progress	3,339,136	2,747,414
Total	27,903,565	25,104,377
Less accumulated depreciation and amortization	(11,419,465)	(9,648,746)
Property and equipment - net	16,484,100	15,455,631
OTHER ASSETS:		
Intangible assets - net	2,350,295	2,024,050
Cost in excess of the fair value of assets acquired - net	154,470	167,273
Prepaid royalty - net	42,857	107,143
Deposits	68,490	46,612
Total other assets	2,616,112	2,345,078
TOTAL	$ 48,191,990	$ 45,269,678

Continued on Page 2
See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS (Continued)
SEPTEMBER 30, 1998 AND DECEMBER 31, 1997

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1998 (Unaudited)	December 31, 1997
CURRENT LIABILITIES:		
Line of credit	$ 6,353,797	$ 4,624,727
Current portion of long-term debt	1,618,253	1,802,932
Trade payables	3,460,771	3,438,349
Accrued expenses	2,556,586	2,414,050
Advances from employees	55,856	81,245
Income taxes payable	438,308	369,695
Total current liabilities	14,483,571	12,730,998
DEFERRED INCOME TAX LIABILITIES	794,663	883,002
LONG-TERM DEBT	2,964,652	3,913,686
DEFERRED CREDITS	1,334,337	1,543,151
Total liabilities	19,577,223	19,070,837
MINORITY INTEREST IN SUBSIDIARY	511,409	396,692
STOCKHOLDERS' EQUITY:		
Preferred stock -5,000,000 shares authorized as of September 30, 1998, and December 31, 1997, respectively, no shares issued		
Common stock - no par value; 20,000,000 and 10,000,000 shares authorized, respectively, 7,445,968 and 7,395,091 shares issued at September 30, 1998 and December 31, 1997, respectively	17,462,414	17,178,971
Retained earnings	10,850,819	9,113,769
Foreign currency translation adjustment	(209,875)	(490,591)
Total stockholders' equity	28,103,358	25,802,149
TOTAL	$ 48,191,990	$ 45,269,678

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1998 and 1997 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
SALES	$16,703,033	$ 15,450,336	$51,143,218	$ 44,609,549
COST OF SALES	10,270,250	9,815,145	31,734,533	27,690,322
GROSS MARGIN	6,432,783	5,635,191	19,408,685	16,919,227
OPERATING EXPENSES:				
Selling, general and administrative	4,160,108	3,912,461	12,899,025	11,680,876
Research and development	729,583	1,207,985	2,476,337	3,283,324
TOTAL	4,889,691	5,120,446	15,375,362	14,964,200
INCOME FROM OPERATIONS	1,543,092	514,745	4,033,323	1,955,027
OTHER EXPENSE	236,417	216,444	631,393	626,749
INCOME BEFORE INCOME TAX EXPENSE	1,306,675	298,301	3,401,930	1,328,278
INCOME TAX EXPENSE	542,743	161,713	1,550,163	707,269
MINORITY INTEREST IN INCOME OF SUBSIDIARY	41,096	7,450	114,717	15,844
NET INCOME	$ 722,836	$ 129,138	$ 1,737,050	$ 605,165
EARNINGS PER COMMON SHARE- Basic and diluted	$ .10	$ .02	$ .23	$ .08
AVERAGE COMMON SHARE - Basic and diluted	7,521,075	7,375,057	7,496,200	7,346,533
COMPREHENSIVE INCOME	$ 1,119,381	$ 17,636	$ 2,017,766	$ 216,262

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED September 30, 1998 and 1997 (Unaudited)

	September 30, 1998	September 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,737,050	$ 605,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,121,645	1,762,111
Bad debt expense	75,689	102,189
Losses (gains) on sales and abandonment of property and equipment	43,475	(7,845)
Amortization of deferred credit	(67,423)	(44,939)
Deferred income taxes	147,159	(10,594)
Minority interest in income of subsidiary	114,717	15,844
Changes in operating assets and liabilities net of effects from purchase of UMI:		
Trade receivables	310,553	(1,781,840)
Employee and related party receivables	(224,805)	36,327
Irish Development Agency grant receivable	340,299	(225,690)
Inventories	(2,555,138)	158,389
Prepaid expenses	(63,555)	(162,575)
Deposits and other	(21,878)	64,028
Trade payables	22,422	(154,255)
Accrued expenses	142,536	(605,314)
Advances from employees	(25,389)	(30,524)
Income taxes	68,613	370,222
Total adjustments	428,920	(514,466)
Net cash provided by operating activities	2,165,970	90,699
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(3,042,791)	(1,765,025)
Cash payment in connection with assets purchased from UMI	(61,486)	
Intangible assets	(477,702)	(310,065)
Proceeds from the sale of property and equipment	539,202	22,646
Net cash used in investing activities	(2,981,291)	(2,113,930)

Continued on page 5
See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997 (Unaudited)

	September 30, 1998	September 30, 1997
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Line of credit	1,729,070	1,501,996
Issuance of common stock	283,443	1,562,502
Principal payments on:		
Long-term debt	(1,581,681)	(1,204,974)
Deferred credit	(52,101)	(26,051)
Net cash provided by financing activities	378,731	1,833,473
NET DECREASE IN CASH	436,590	189,758
EFFECT OF EXCHANGE RATES ON CASH	280,716	(388,903)
CASH AT BEGINNING OF PERIOD	976,692	1,262,950
CASH AT END OF PERIOD	$ 820,818	$ 684,289
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (including capitalized interest of $102,958 and $95,990, respectively)	$ 606,999	$ 660,530
Income taxes	$ 1,334,391	$ 347,641

SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES:

During the nine months ended September 30, 1998 and 1997 the Company issued notes payable totaling $770,848 and $680,903, respectively, for manufacturing equipment, furniture and fixtures, land and building.

During the nine months ended September 30, 1997, the Company acquired substantially all of the operating assets of Universal Medical Instrument Corporation for 152,424 shares of Merit restricted common stock. In connection with this acquisition date, the Company recorded the following as of the acquisition date:

Assets Acquired	$ 863,198
Cost in excess of fair market value	182,288
Total purchase price	$1,045,486

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the financial position of the Company as of September 30, 1998 and December 31, 1997, and the results of its operations and cash flows for the three and nine months ended September 30, 1998 and 1997, and its cash flows for the nine months September 30, 1998 and 1997. The results of operations for the three and nine months ended September 30, 1998 and 1997 are not necessarily indicative of the results for a full year period.

2. Inventories. Inventories at September 30, 1998 and December 31, 1997 consisted of the following:

	September 30, 1998	December 31, 1997
Raw materials	$ 6,195,424	$ 4,635,593
Work-in-process	4,951,455	4,305,202
Finished goods	6,395,071	6,261,203
Less reserve for obsolete inventory	(451,372)	(666,558)
Total	$ 17,090,578	$ 14,535,440

3. Income Taxes. The effective tax rate for the three and nine months ended September 30, 1998 and 1997, is higher than the federal statutory tax rate largely due to losses incurred by the Company's Irish subsidiary for which a tax benefit was recorded at a rate of 10% vs. a 35% federal statutory tax rate.

4. Reporting Comprehensive Income - In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No.130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. This statement requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of a statement of financial position.

Effective January 1, 1998, the Company adopted the provisions of SFAS No. 130. Accordingly, the Company determined that the only transaction considered to be an additional component of comprehensive income is the cumulative effect of foreign currency translation adjustments. As of September 30, 1998 and December 31, 1997, the cumulative effect of such transactions reduced stockholders' equity by $209,875 and $490,591, respectively. The net impact to operations for the three months ended September 30, 1998 and 1997 would increase/(reduce) comprehensive income by approximately $396,545 and ($111,502), respectively. The net impact to operations for the nine months ended September 30, 1998 and 1997 would increase/ (reduce) comprehensive income by approximately $280,716 and ($388,903), respectively.

ITEM 2:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations. The Company achieved increases in sales and earnings for the three and nine months ended September 30, 1998 compared to the same periods in 1997. The following table sets forth certain operational data as a percentage of sales for the three and nine months ended September 30, 1998 and 1997.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Gross Margin	38.5	36.5	37.9	37.9
Selling, General and Administrative	24.9	25.3	25.2	26.2
Research & Development	4.4	7.8	4.8	7.4
Income From Operations	9.2	3.3	7.9	4.4
Other Expense	1.4	1.4	1.2	1.4
Net Income	4.3	.8	3.4	1.4

Sales. Sales for the third quarter of 1998 ended September 30 were $16,703,033 compared to $15,450,336 for the same period last year, which represents a gain of 8 percent. The Company's inflation device sales increased by 19 percent, custom kit business grew by 5 percent during the three-month period compared to the quarter ended September 30, 1997, while sales of other devices including syringes, manifolds and needles grew by 8 percent. Growth in all segments reflects continued market share gains and acceptance of the Company's products, as well as procedural growth. Sales from international operations rose by 5 percent for the three-month period compared to the prior year's same quarter. These sales represented 22 percent of total sales for the third quarter compared with 23 percent of total sales for the prior year period. For the nine-month period ended September 30, 1998 total sales were $51,143,218 compared with $44,609,549 for the same period in 1997, a gain of 15 percent. These gains were led by sales of the Company's inflation devices, which rose 16 percent; stopcocks, which grew by 52 percent; and custom kits, which grew by 13 percent. International sales were up 14 percent over the prior year's period, and accounted for 22 percent of the Company's total revenue mix compared with 22 percent of total revenues last year.

Gross Margin. Gross margin as a percentage of sales for the third quarter of 1998 was 38.5% compared to 36.5% for the same period in 1997. For the nine months ended September 30, 1998 and 1997 gross margin was 37.9%. The increase in gross margin for the three months ended September 30, 1998 was primarily due to favorable changes in product mix, price strategies, economies of scale associated with increased sales.

Operating Expenses. Operating expenses were 29.3% of sales for the three months ended September 30,1998 compared to 33.1 % for the third quarter of 1997. For the first nine months of 1998 operating expenses decreased significantly to 30.1% compared to 33.5% for the same period in 1997. Selling, general and administrative expenses as a percentage of sales declined to 24.9% and 25.2% for the three and nine months ended September 30, 1998 compared to 25.3% and 26.2% for the same periods in 1997. The improvement was primarily due to economies of scale associated with increasing sales volumes and a continuous Company-wide focus on achieving greater individual productivity. The completion of the development and market introduction of the Tomcat P.T.C.A. guidewire in Ireland added important core technology and a new product line resulted in a decrease in research and development costs by approximately by $478,000 for the third quarter of 1998 compared to 1997. For the nine months ended September 30, 1998 research and development decreased approximately $807,000 compared with 1997.

Operating Income. During the quarter ended September 30, 1998, the Company reported record income from operations of $1,543,092 compared to $514,745, an increase of 200% for the comparable period in 1997. Operating income for the first nine months of 1998 was also a record $4,033,323 an increase of 106% vs. $1,955,027 for the same period in 1997. The increase in earnings for the three and nine months ended September 30, 1998 was attributable to an increase in sales with improved gross margins and a reduction in operating expenses as a percentage of sales.

Liquidity and Capital Resources. At September 30, 1998, the Company's working capital was $14.6 million which represented a current ratio of 2.0 to 1. On October 1, 1998, the Company renewed an available secured bank line of credit to $10.5 million. The line of credit bears interest at the bank's prime rate, or can be fixed at 1.85 percent below LIBOR and contains various conditions and restrictions. At September 30, 1998, the outstanding balance under the line of credit was $6.35 million. Historically, the Company has incurred significant expenses in connection with product development and introduction of new products. Substantial capital has also been required to finance growth in inventories and receivables, particularly with the introduction of new product lines. The Company's principal source of funding for these and other expenses has been the sale of equity and cash generated from operations, secured loans on equipment and bank lines of credit. The Company believes that its present sources of liquidity and capital are adequate for its current operations.

Market Risk Disclosures. The Company does not engage in significant derivative financial instruments. The Company does experience risk associated with foreign currency fluctuations, and interest rate risk associated with its variable rate debt; however, such risks have not been material to the Company and, accordingly, the Company has not deemed it necessary to enter into agreements to hedge such risks. The Company may enter into such agreements in the event that such risks become material in the future.

Year 2000. The Company has developed a comprehensive strategy for updating its systems for Year 2000 ("Y2K") compliance including those systems for all of its subsidiaries. The Company's information technology ("IT") systems include in-house developed software and hardware, as well as software and hardware purchased from outside parties. Merit Medical is in the process of identifying and assessing all systems to determine the extent of renovations required in order to be Y2K compliant. Renovations to programs that utilize in-house developed computer code are nearly complete and the Company anticipates that the renovations will be fully completed and validated on or before July 1999. Also, the Company believes vendor developed software will be made Y2K compliant by July 1999 through vendor-provided updates or replacement with other Y2K compliant hardware and software.

The Company is in the "inventory and assessment" phases with regard to its state of readiness related to non-IT devices containing embedded circuitry and issues related to third parties with which Merit has a material relationship. The Company is in various stages of the "inventory," "assessment" and "remediation" phases with regard to its IT systems. In addition, as part of the Year 2000 Project regarding IT systems, the Company continues to implement new or upgraded YEAR 2000 compliant systems for meeting manufacturing, financial and human resources. The completion date is expected to be July 1999.

Merit Medical expects that costs to address Y2K issues will total approximately $300,000, of which approximately $90,000 will be spent in the current fiscal year, with the remainder being spent during the first two quarters of fiscal 1999. Costs include hardware and software replacement costs, and consulting and travel expenses associated, directly or indirectly, with addressing Y2K issues.

The Company is in the process of upgrading its manufacturing , financial and human resources systems for increased functionality. The new systems are Y2K compliant, and Merit expects these systems to be fully tested and operational by September, 1999. Management does not anticipate significant unplanned costs or problems with the new systems for Y2K compliance. Merit Medical has identified third parties with which it has a significant relationship that , in the event of a Y2K failure, could have a material impact on its financial position or operating results. The third parties include material and product suppliers, communication vendors, the Company's significant customers, creditors, and energy and utility suppliers. These relationships, especially those associated with certain suppliers and customers, are material to the Company and a Y2K failure for one or more of these parties could result in a material adverse effect on the Company's operation results and financial position. However, the Company is making inquiries of these third partes to assess their Y2K readiness and will implement appropriate action to mitigate any such exposure.

Statements contained in this release which are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These encompass Merit's beliefs, expectations, hopes or intentions regarding the future. All forward-looking statements included in this release are made as of the date hereof and are based on information available to Merit as of such date. Merit assumes no obligation to update any forward- looking statement. It is important to note that actual outcomes and Merit's actual results could differ materially from those in such forward-looking statements. Factors that could cause actual results to differ materially include risks and uncertainties related to future market growth such as product acceptance, product recalls, competition and the overall regulatory environment.

PART II - OTHER INFORMATION

ITEM 6: Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K - none
(b) Exhibits

S - K No.	Description	Exhibit No.
27	Financial Data Schedule	1

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERIT MEDICAL SYSTEMS, INC.
REGISTRANT

Date: NOVEMBER 12, 1998

FRED P. LAMPROPOULOS
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: NOVEMBER 12, 1998

KENT W. STANGER
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MERT MEDICAL SYSTEMS, INC.'S CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT FOR THE NINE MONTH PERIOD ENDING SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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MERIT MEDICAL SYSTEMS, INC.

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