SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003 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 No. 0-19974

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

DELAWARE	33-0022692
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
951 CALLE AMANECER SAN CLEMENTE, CALIFORNIA	92673
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (949) 366-2183

Securities registered pursuant to Section 12(b) of the Act:
None

Securities Registered Pursuant to Section 12 (g) of the Act:
Common Stock, $.10 par value
Preferred Stock Purchase Rights

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). [X] Yes [ ] No

The aggregate market value of the voting stock held by non-affiliates of Registrant as of June 30, 2003, the last business day of Registrant's most recently completed second fiscal quarter, was $379,861,351*.

The number of shares outstanding of Registrant's Common Stock, $.10 par value, as of January 31, 2004 was 13,691,221.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Registrant's 2004 Annual Meeting of Stockholders filed or to be filed pursuant to Regulation 14A within 120 days following Registrant's fiscal year ended December 31, 2003, are incorporated by reference into Part III of this Report.

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* Without acknowledging that any persons other than Dr. George A. Lopez and Dr. Diana K. Lopez are affiliates, all directors and executive officers have been included as affiliates solely for purposes of this computation.

PART I

ITEM 1. BUSINESS.

We are a leader in the development, manufacture and sale of proprietary, disposable medical connection systems for use in intravenous ("I.V.") therapy applications. Our devices are designed to protect healthcare workers and their patients from exposure to infectious diseases such as Hepatitis B and C and Human Immunodeficiency Virus ("HIV") through accidental needlesticks. We are also a leader in the production of custom I.V. systems and low cost generic I.V. systems and we incorporate our proprietary products on many of those custom I.V. systems. We also manufacture and sell the Punctur-Guard(R) line of blood collection needles, which we acquired in October 2002.

In 1993, we launched the CLAVE(R), an innovative one-piece, needleless I.V. connection device that accounts for approximately 59% of our revenue, exclusive of CLAVEs incorporated into custom I.V. systems. We believe that the CLAVE offers healthcare providers a combination of safety, ease of use, reliability and cost effectiveness that is superior to any other protective I.V. connection system on the market. It allows protected, secure and sterile I.V. connections without needles and without failure-prone mechanical valves used in the I.V. connection systems of some competitors. The CLAVE is a successor to our protected needle products first introduced in 1984. We designed the CLAVE to eliminate needles from certain applications in acute care hospitals, home healthcare, ambulatory surgical centers, nursing homes, convalescent facilities, physicians' offices, medical clinics, and emergency centers. Reduction in the use of needles not only decreases needlesticks but also reduces the number of needles to be disposed of and certain safety risks inherent in needle handling and disposal.

Although CLAVE sales have increased steadily since we introduced it in 1993, we have undertaken a strategic initiative to reduce our dependence on the CLAVE. The initiative involves a planned transition from being primarily a manufacturer of I.V. system components to producing and distributing complete I.V. systems, both custom and low-cost, generic systems, blood collection devices and other products. Many of the I.V. systems include our I.V. proprietary component products.

We have been manufacturing and distributing custom and generic I.V. systems since late 1995. In 1999, we decided to substantially increase our emphasis on marketing and selling custom I.V. systems. A key element of our strategy to expand our custom I.V. system business has been the development and implementation of our proprietary software for custom product design, customer orders and order tracking, combined with an innovative system to coordinate the manufacture of components in the U.S., assembly of components into sets in Mexico and Italy and distribution of finished products. We believe that we offer customers substantially shorter delivery times and lower costs than other manufacturers of I.V. systems can currently offer.

The principal products that we have introduced in recent years are the CLC2000(R), the 1o2 Valve(R), and, with the acquisition of Bio-Plexus, Inc. ("Bio-Plexus") in late 2002, the Punctur-Guard line of blood collection needles.

We currently sell substantially all of our products to I.V. product manufacturers and independent distributors. Our largest customer is Abbott Laboratories ("Abbott"), who accounted for 67% of our revenues in 2003.

First person pronouns used in this Report, such as "we," "us," and "our," refer to ICU Medical, Inc. and its subsidiaries unless context requires otherwise.

Our website address is http://www.icumed.com. We make available our Annual Reports on Form 10-K, Quarterly Reports on 10-Q and Current Reports on Form 8-K free of charge on our website as soon as reasonably practicable after filing them with the Securities and Exchange Commission. The information on our website is not incorporated into this annual report.

I.V. USAGE AND INFECTION CONTROL

Primary I.V. therapy lines, used in hospitals, nursing homes, emergency units and in home healthcare, consist of a tube running from a bottle or plastic bag containing an I.V. solution to a catheter inserted in a patient's vein. The tube typically has several injection ports or Y sites (conventionally, entry

tubes covered by latex caps) to which a secondary I.V. line can be connected to permit constant intravenous administration of medications, fluids and nutrients, and to allow instantaneous intravenous administration of emergency medication.

In conventional practice, primary I.V. system connections are made by inserting an exposed steel hollow-bore needle attached to the primary I.V. line into an injection port connected to the catheter. Conventional secondary I.V. connections, so called piggyback connections, are made by inserting an exposed steel hollow-bore needle attached to a secondary I.V. line into an injection port or other I.V. connector. In a conventional I.V. connection, the needle, which typically is secured only with tape, can detach from the catheter or injection port resulting in disconnection and a serious and sometimes fatal interruption of the flow of the I.V. solution to the patient. The exposed needles can easily be contaminated by contact with unsterile objects or through contact with fluid in the I.V. lines. Accidental needlesticks from contaminated needles can result in infection to healthcare workers and, less frequently, patients. Increasing awareness of the risk of infection from needlesticks and the substantial and increasing expense to healthcare providers of complying with regulatory protocols when needlesticks occur have led to a growing demand for safe medical devices such as our protective I.V. connectors.

Hepatitis B and C and HIV are transmitted through blood and other body fluids, and workers who come in contact with such infectious materials are at risk of contracting these diseases. Transmissions may occur from needlesticks by contaminated needles or exposure of mucous membranes to infectious body fluids containing blood traces. Following each needlestick, the healthcare employer is required to perform a series of tests on the healthcare worker for both Hepatitis B and C and HIV, as well as track and record each needlestick incident. Thus, needlesticks result in time lost from work and substantial expense regardless of whether transmission of an infectious disease is detected. Our protective I.V. connectors are designed to prevent accidental needlesticks from needles originating from primary and secondary I.V. connections.

Heightened awareness of the risk of infection from needlesticks and the substantial expense to healthcare providers of complying with regulatory protocols when needlesticks occur have led to growing demand for safe medical devices such as our needleless I.V. connectors. This awareness has also lead to significant federal and state legislation. In addition, the federal Needlestick Safety and Prevention Act, enacted in 2000, modified standards promulgated by the Occupational Safety and Health Administration ("OSHA"), to require employers to use needle-safe systems where appropriate to reduce risk of injury to employees from needlesticks. This is a significant expansion of the previous OSHA mandate that "universal precautions" be observed to minimize exposure to blood and other body fluids. In September 1998, the State of California enacted the bloodborne pathogen standard under the state's occupational safety and health statute. This standard mandates use of needlestick prevention controls, including needleless systems. California was the first state to enact such legislation, and since then many other states have enacted similar legislation. Our devices will allow a healthcare provider to be compliant with any of these standards.

PRODUCTS

CLAVE PRODUCTS

A conventional I.V. line terminates with a male luer connector to which a hollow-bore needle would be attached to penetrate a latex or non-latex rubber covered injection port to make a primary or secondary I.V. connection. With the CLAVE system, instead of attaching a hollow-bore needle to the male luer, a CLAVE is used in place of the injection port and the male luer, without a needle, is simply threaded into the CLAVE with a half turn. The CLAVE consists of a cylindrical housing, which contains a silicone compression seal and a recessed plastic piercing element. As the luer tip enters the CLAVE housing, it depresses the silicone seal back into the housing and slides over the piercing element, which penetrates through the compressed silicone. Fluid channels in the piercing element create a continuous fluid pathway from the I.V. line, through the CLAVE into the primary I.V. line and into the catheter. The luer tip creates a tight seal against the top of the silicone thereby preventing contaminants from entering the fluid pathway or from fluid escaping the connection. When the I.V. line is disconnected from the CLAVE, the silicone compression seal expands to again fill the housing and reseal the opening. When the CLAVE is not in use, the silicone compression seal fills the opening in the housing and covers the plastic piercing element, thus completely sealing the connector and presenting a flush surface that can be cleansed with an alcohol swab. The CLAVE contains no natural rubber latex.

Emergency medications can be administered through the CLAVE by using a standard syringe without a hypodermic needle attached. The CLAVE can be used with any conventional peripheral or central vascular access systems, both for venous and arterial applications. The resilience of the silicone compression seal permits repeated connections and disconnections without replacing the CLAVE.

The CLAVE Integrated Y site is designed to be integrated directly into primary and secondary I.V. sets, thus eliminating the need for special adapters, pre-slit injection ports, or metal needles when making piggyback I.V. connections. Currently, many popular I.V. connection systems that compete with our systems require either a metal needle, a pre-slit injection port or a special adapter to make piggyback connections. The original CLAVE can be used to make a piggyback connection, but it also requires a special adapter when used in piggyback applications. We believe the CLAVE Integrated Y site offers a lower cost alternative to existing systems by eliminating the need for multiple parts. The healthcare professional simply inserts the male luer of any secondary I.V. set, without a needle, into the CLAVE Integrated Y site and twists to make the connection. The CLAVE Integrated Y site will not replace CLAVE products used in non-piggyback connections. Unlike the original CLAVE site, the CLAVE Integrated Y site is marketed exclusively to I.V. set manufacturers, such as Abbott, to build directly into their I.V. sets or used by us in our custom I.V. sets.

The CLAVE is our largest selling product line, and accounted for 59% of our net revenue in 2003, or 73% if custom I.V. systems including one or more CLAVEs are included.

In October 2001, we commenced production of the "MicroCLAVE(R)." It is smaller than the existing CLAVE but is functionally similar. We are marketing it as an extension of the CLAVE product line for use where its smaller size is advantageous, such as pediatric care.

CUSTOM I.V. SYSTEMS

During late 1995, we entered the low end of the safe medical connector market by manufacturing and distributing I.V. sets which incorporated lower priced safe medical connectors, and also commenced manufacturing and distributing custom I.V. sets incorporating the CLAVE. In 1999, we substantially increased our emphasis on marketing and selling custom I.V. systems. To promote the growth of the business, we have developed innovative software systems and manufacturing processes that permit us to design a custom I.V. set to a hospital's or clinician's exact specifications, commence production within less than a day after we receive the customer order and ship the custom I.V. sets to the customer within three of receipt for smaller orders. While we are capable of meeting customer demand on this accelerated three-day schedule, in normal circumstances we ship within twenty-one to thirty days of receipt of the customers' order. This is a fraction of the time required by other custom set manufacturers. The use of sophisticated design, ordering and order tracking systems and streamlined assembly and distribution processes allows us to sell custom I.V. sets at prices substantially lower than those charged by other producers of custom I.V. sets.

We have also developed proprietary Internet-based electronic ordering, order tracking, invoicing and payment systems. Hospitals and other healthcare providers have been slow to change from traditional methods of ordering products and supplies to ordering over the internet, and to date we receive most of our orders by facsimile or telephone. We believe, however, that customers will gradually make the transition from traditional ordering methods to internet ordering.

On February 27, 2001, we signed an agreement with Abbott under which we will manufacture all new custom I.V. sets for sale by Abbott, and the two companies will jointly promote the products under the name SetSource(TM). Sales of custom I.V. systems increased as a result of the agreement and we expect further significant increases in sales of custom I.V. systems, although there is no assurance that such increase will be achieved.

We have committed significant resources to the strategic initiative to expand our custom I.V. system businesses and expect to incur additional expenses for continuing software development and enhancements in the manufacturing process. To date, most of the I.V. set sales volume is in custom I.V. systems,

and we expect this to continue.

During 2001, 2002 and 2003, net sales of custom I.V. systems were approximately $9,263,000, $15,205,000 and $22,823,000, respectively. Approximately 70% of the growth in 2003 custom I.V. systems net sales was because of the SetSource program.

PUNCTUR-GUARD

We acquired the Punctur-Guard product line and technology with the purchase of Bio-Plexus on October 31, 2002. The Punctur-Guard products are based on a patented technology that internally blunts a needle while still in the patient's vein, and are the only products which allow the procedure to continue while the needle is rendered safe. We currently use the technology to make blood collection needles ("BCN") and Winged Sets, primarily for use by phlebotomists and other medical personnel in hospitals and independent clinical laboratories.

Hollow bore needles are broadly used for venous access to a patient, and expose healthcare workers to accidental needlesticks. There are essentially three safety technology platforms for use with hollow-bore needles: "outer-sheath" which uses an outer sheath stored behind the needle during use and is advanced over the needle after use; "retractable" which uses a chamber behind the needle and a spring that retracts the needle into the chamber after use; and, internal needle blunting. The majority of the first two technologies require that the needle be withdrawn from the patient prior to activation of the safety feature, exposing the healthcare worker to a sharp, contaminated needle during the procedure and/ or following removal of the needle from the patient. However, with the internal blunting that we use in the Punctur-Guard products, the safety feature can be activated while the needle is in the patient immediately upon achieving venous access, thereby significantly reducing any risk of accidental needlestick during or after the procedure.

The internal blunting is achieved by positioning a blunt hollow-bore needle within the conventional sharp needle. The healthcare worker is able to activate the safety device that causes the blunt needle to advance just beyond the sharp tip of the outer needle. It can be activated immediately after achieving venous access, either at the beginning of the procedure or at the end immediately before withdrawing the needle from the patient. We believe that products using our internal blunting technology provide safety that is superior to that of the products using other safety technologies.

Our internal needle blunting technology is licensed to Medex, Inc. (successor to Johnson & Johnson Medical) and to TFX Medical, a division of Teleflex Incorporated, for use in various types of catheters. None of the applications of the patented technology under those licenses compete with our Punctur-Guard line of blood collection products.

After our acquisition of Bio-Plexus on October 31, 2002, we made significant improvements to the Punctur-Guard products and manufacturing processes. We did not actively promote sales of those products until completion of those product improvements. We completed improvements on the Winged Set products and re-launched them on March 1, 2003. We completed improvements on the BCN and started selling the improved product in late September 2003. Sales of Punctur-Guard products and royalties from licenses of the related technology for 2003 totaled $8,446,000.

CLC2000

The CLC2000 is a one piece, swabable connector used to connect I.V. lines to catheters, which is engineered to prevent the back-flow of blood into the catheter. The CLC2000 does not permit the use of needles, thereby ensuring compliance with needle-free policies of healthcare providers. The CLC2000 also contains no natural rubber latex.

The CLC2000 is typically used on central venous catheters where catheter occlusion is most prevalent. Generally, when an I.V. line is disconnected, there is a back-flow of blood into the catheter that is in the patient's vein. That blood in time coagulates and occludes the catheter. Occlusion ("clotting off") of catheters requires expensive drugs and procedures to "flush" the catheter, or if those procedures are not effective, replacement of the catheter.

The CLC2000 was developed to reduce clotting of catheters because of "back-flow" when the I.V. line is disconnected. The CLC2000 consists of a "T" shaped cylindrical housing, which contains a poppet that is depressed as the luer tip enters the CLC2000. Fluid flows around the poppet and through the housing and into the catheter. When the luer is removed from the CLC2000, a portion of the fluid remaining in the housing is expelled out through the tip of the catheter while a constant positive pressure is maintained to prevent any back-flow into the catheter.

We began marketing the CLC2000 in November 1997. We are concentrating the marketing of the CLC2000 where its "no back-flow" features are of maximum benefit in patient care. These are generally therapies that use long-term indwelling catheters such as oncology, dialysis and long-term infusion of medication. We commenced production on automated assembly equipment in the fourth quarter of 2002. CLC2000 accounted for 4% of our net revenue in 2003.

1O2 VALVE

The 1o2 Valve is the first one-way or two-way drug delivery system. It functions as a single unit or in multiple "ganged" units as a manifold, for use throughout a hospital. It provides the safety features of an automatic one-way valve, yet allows aspiration, or two-way function by simply pushing a button. The 1o2 Valve can be used in place of products such as stopcocks and check valve manifolds. We actively commenced sales in April 2000. Our initial manufacturing focus has been on anesthesia and critical care usage and we are selling the 1o2 Valve only as part of I.V. sets that we manufacture. In the third quarter of 2002, we commenced production on automated assembly equipment. Sales of I.V. sets containing 1o2 Valves were approximately $3,613,000 in 2003.

OTHER PRODUCTS AND REVENUES

The Lopez Enteral Valve(R) is a small "T" valve designed to be connected into nasogastric, gastric or jejunostomy tube systems. The valve permits intermittent injection of medications, irrigation or suction without having to disconnect the line and thereby opening the system. By eliminating the need to open the system, the Lopez Valve helps prevent the splashing of and risk of contact with potentially infectious stomach fluids and also saves valuable time.

We have developed a family of inexpensive single-use needleless connectors for use in piggyback and non-piggyback applications. The RF100 is designed for use in piggyback applications. We developed the RF150, called the "Rhino," specifically for Abbott for use with pre-slit injection ports in piggyback and non-piggyback applications.
Although we believe that the CLAVE has significant functional advantages over the RF100 and RF150, these products are alternative and less expensive needleless I.V. connectors.

We manufactured and sold Click Lock and Piggy Lock products, which were our first products, introduced in 1984. They use needles recessed in a clear plastic shroud. We discontinued these products in early 2003. We also manufacture the McGaw Protected Needle, which is similar to the Click Lock, for B. Braun Medical Inc. ("B. Braun"). B. Braun also pays us a share of its revenues on its SafeLine products. The market for all of these products has been declining as the market shifts to swabable needleless products.

We have a significant number of patents on the technology in our products and methods used to manufacture them. We have continuing royalty, license fee and revenue share income from our technology and from time to time may receive license fees or royalties from other entities for the use of our technology.

NEW PRODUCTS

We are developing several new products that we intend to introduce in 2004 and later. We believe innovative products continue to be important to maintaining and increasing our sales levels.

We plan to launch, in limited markets, a new I.V. connector currently under development. We expect to apply in 2004 to the Food & Drug Administration ("FDA") under Section 510(k) of the Federal Food, Drug and Cosmetics Act ("FDC Act") for approval to market this new connector. There is no assurance that the

FDA will grant marketing clearance, that we will launch this new product, or that it will achieve sales if and when we commence marketing it.

MARKETING AND DISTRIBUTION

The influence of managed care and the growing trend toward consolidation among healthcare providers are the driving forces behind our sales and marketing strategies. Many healthcare providers are consolidating to create economies of scale and to increase negotiating power with suppliers. In an effort to further control costs, many of these consolidated groups are entering into long-term contracts with medical suppliers at fixed pricing. In this changing market place, we believe it is becoming increasingly important to secure contracts with major buying organizations in addition to targeting specific healthcare providers.

As of January 31, 2004, we employed 34 product specialists in the United States and Canada to support the salespeople employed by the medical product manufacturers and independent domestic distributors. Our product specialists call on prospective customers, demonstrate products and support programs to train the salespeople and customers' staffs in the use of our products.

MEDICAL PRODUCTS MANUFACTURERS

We have a strategic supply and distribution relationship with Abbott, a major I.V. product supplier, which has a significant share of the I.V. set market under contract. The agreement confers to Abbott conditional exclusive and nonexclusive rights to distribute certain CLAVE and our other products to certain categories of customers.

Abbott purchases CLAVE products packaged separately for distribution to healthcare providers and in bulk for assembly into Abbott's full range of I.V. products. MicroCLAVE, 1o2 Valve, CLC2000, Punctur-Guard, Lopez Valve and Rhino products are purchased packaged separately.

Under another agreement with Abbott that extends to December 2014, we have the exclusive right to manufacture all new custom I.V. sets for sale by Abbott, and Abbott and we will jointly promote the products under the name SetSource. Abbott is the exclusive and non-exclusive distributor and co-promoter of SetSource products to certain categories of customers, including SetSource products containing both companies' proprietary products.

The Abbott agreements were extended in January 2004 from 2009 to 2014, their scope was expanded to include all of our products not previously included, and the scope further expanded to be worldwide.

Sales to Abbott accounted for approximately 67%, 57% and 53% of net sales in 2003, 2002 and 2001 respectively. The loss of Abbott as a customer could have a significant adverse effect on our business and operating results because they have full-line contracts with numerous healthcare providers to supply substantially all I.V. products and solutions to those customers.

In August 2003, Abbott announced that it will spin off its core Hospital Products Division to its stockholders as an independent company. The Hospital Products Business, which will become Hospira, Inc., accounts for virtually all of our sales to Abbott. We believe the spin-off is a positive development for us and will result in new business opportunities with the new Hospira. We have agreed for Abbott to assign our contracts to Hospira.

Through December 31, 2002, we had a supply and distribution agreement with B. Braun under which B. Braun had conditional exclusive and nonexclusive rights to distribute certain CLAVE products to certain categories of customers. Revenue from B. Braun was approximately $9.9 million in 2002, of which CLAVE products accounted for $8.6 million, or 10% of our total revenue. In connection with the settlement in November 2002 of our contract litigation against B. Braun, we terminated the manufacture and supply agreement under which we sold CLAVE products to B. Braun effective December 31, 2002. We sold virtually no CLAVE products to B. Braun in 2003 and will not sell CLAVE product sales to B. Braun in the future. As explained further in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, while the termination of the B. Braun CLAVE agreement has had a short-term adverse effect on us, we do not believe there will be any material adverse long-term effects. We believe

many of B. Braun's customers prefer the CLAVE to B. Braun's products and that many of them will continue to buy CLAVE products through either Abbott or our independent distributors when they are no longer available from B. Braun. We have contracts to supply B. Braun a protected needle product, and B. Braun pays us under the Safeline revenue sharing agreement. We expect both of these revenue streams to continue to decrease as the market shifts to one piece, swabable, needleless technology.

INDEPENDENT DOMESTIC DISTRIBUTORS

We currently have approximately 22 independent distributors in the United States and Canada who employ approximately 185 salespeople in the aggregate and which accounted for approximately 23% of our net revenues in 2003. We include Canada as "domestic" for administrative purposes. Distributors purchase and stock our products for resale to healthcare providers.

No single independent distributor accounts for as much as 4% of net sales. Although the loss of one or more of our larger distributors could have an adverse affect on our business, we believe we could readily locate other distributors in the same territories who could continue to distribute our products to the same customers.

For several years before 2001, our sales to independent distributors had been declining. In 2001, they showed a modest 6% increase in sales after we took steps to provide better field support for independent distributors in order to increase our net sales to them. In 2003, sales to our independent distributors grew 42% in total, and 12% without the inclusion of sales originating with Bio-Plexus. While we believe that the declining trend in sales to the independent distributors has been reversed, and that sales to them will grow in 2004, there is no assurance that continuing growth will be achieved, or that sales to them will not decline in the future.

INTERNATIONAL

We distribute products in the principal countries in Western Europe, the Pacific Rim, Latin America and in South Africa. Foreign sales (excluding Canada) accounted for approximately 6%, 8% and 8% of our net sales in each of the years 2003, 2002 and 2001 respectively. The International Division currently has approximately 68 distributors. We have three business development managers in Europe, one each in New Zealand and Australia who together serve the entire Pacific Rim, Southeast Asia, the Middle East, Africa and South America. We expect to add several more business development managers in 2004. Administrative operations are in Roncanova in northern Italy (at the site of our assembly plant) and San Clemente.

Currently, we export from the United States substantially all the products sold internationally. All sales from the United States are denominated in U.S. dollars and sales from Italy are denominated in Euros. We believe it will be necessary for us to establish production facilities in a number of locations outside North America to meet local demands and avoid high transportation costs.

MANUFACTURING

Manufacturing of our products involves injection molding of plastic and silicone parts, manual and automated assembly of the molded plastic parts, needles and other components, quality control inspection, packaging and sterilization. We mold all of our proprietary components, and perform all assembly, quality control, inspection, packaging, labeling and shipping of our products. Our manufacturing operations function as a separate group, producing products for the marketing and sales groups.

We own a fully integrated medical device manufacturing facility in two adjacent buildings totaling 78,000 square feet in San Clemente, California. A mold maintenance shop supports the repair and maintenance needs of our molding operation and manufactures some of our production molds. In addition, the mold maintenance shop serves as a research and development prototype shop, and utilizes advanced computer assisted design systems and automated machining equipment. The state-of-the-art medical device molding facility includes a 24,425 square foot class 100,000 clean room in which all molding and automated assembly of our proprietary medical components is performed. The clean room is equipped with 42 injection molding machines and ancillary equipment including

robots designed to minimize human intervention, and sophisticated, highly automated assembly systems to assemble the CLAVE, CLAVE Integrated Y site, MicroCLAVE, CLAVE vial access spike, CLC2000, 1o2 Valve, RF150 and the McGaw Protected Needle products. The assembly systems are custom designed and manufactured for us.

We assemble our Punctur-Guard products in our 37,500 square foot manufacturing facility in Vernon, Connecticut (near Hartford), which includes two clean rooms. The assembly processes for both the BCN and the Winged Set use custom made automated assembly systems. Molding of Punctur-Guard components, which had been done by outside custom molding companies, will all be transfered in our San Clemente facility by the end of the second quarter of 2004.

Most of our manual assembly is done at our facilities in Ensenada, Baja California, Mexico. Those facilities include approximately 60,000 square feet of production and warehousing space and an electron beam sterilizer. Principal products assembled manually are I.V. therapy systems, the Lopez Valve, and CLAVE ancillary products and accessories. We also assemble I.V. therapy systems in our approximately 10,000 square foot leased facility in northern Italy that we acquired in June 2003.

Our state-of-the-art injection molding technology and highly automated assembly systems are designed to maintain a high level of product quality and achieve high volume production at low unit manufacturing costs. To achieve these advantages and to gain greater control over raw material and finished product delivery times, we mold our entire requirements of proprietary molded components. The raw materials for our molding operation are principally resins and silicones, and these materials are available from several sources. Generic, "off-the-shelf" items are purchased from outside vendors unless significant cost savings can be achieved by molding in-house. We are not dependent on any individual vendor for purchased parts and have no contracts with our suppliers beyond the terms of purchase orders issued.

Our products are sterilized in processes which use either gamma or electron beam ("e-beam") radiation. Most of the sterilization is by e-beam, which is less expensive and quicker than gamma radiation sterilization. While all sterilization was performed by independent companies through the end of 2003, we commenced limited operation of our own sterilization facility at our plant in Mexico in February 2004 and we will sterilize all of our products that are assembled in Mexico at that facility. We will continue to use independent contractors to sterilize products assembled in San Clemente and Italy.

We have an ongoing program to increase systems capabilities, improve manufacturing efficiency, reduce labor costs, reduce time needed to produce an order, and minimize investment in inventory. In the third quarter of 2002 we commenced use of automated assembly equipment for the 1o2 Valve and commenced use of automated assembly equipment for the CLC2000 in the fourth quarter of 2002. Throughout 2002 and through mid 2003 we added molding and automated assembly capacity for CLAVE production. In the third quarter of 2002 we commenced a significant expansion of our manual assembly capacity in Mexico; clean room and warehouse space was completed in June 2003, and we completed construction and installation and limited production start-up of an electron beam sterilizer in the first quarter of 2004. In late 2003 and early 2004, we commenced moving plastic injection molding done for our Connecticut Division (formerly Bio-Plexus) to our San Clemente facility, which is scheduled for completion by the end of the second quarter of 2004; the purpose of the move is to ensure more consistent quality in our molded components and decrease costs. Ongoing steps also include automation of the production of new products and other products for which volume is growing. We have been considering establishment of production facilities outside North America for some time, and in June 2003 we acquired a manufacturer of I.V. sets in Italy. We continue to consider establishment of production facilities in other areas. Because significant innovation is required to achieve these goals, there is no assurance that these steps will achieve the desired results. Further, our Connecticut and, more recently, our Italian facilities are transitioning to our manufacturing methods, but there is no assurance as to the completion or success of those transitions.

GOVERNMENT REGULATION

Government regulation is a significant factor in the development, marketing and manufacturing of our products. The FDA regulates medical product

manufacturers and their products under a number of statutes including the FDC Act, and we and our products are subject to the regulations of the FDA. The FDC Act provides two basic review procedures for medical devices. Certain products may qualify for a submission authorized by Section 510(k) of the FDC Act, under

which the manufacturer gives the FDA a pre-market notification of the manufacturer's intention to commence marketing the product. The manufacturer must, among other things, establish that the product to be marketed is substantially equivalent to another legally marketed product. Marketing may commence when the FDA issues a letter finding substantial equivalence. If a medical device does not qualify for the Section 510(k) procedure, the manufacturer must file a pre-market approval ("PMA") application. This requires substantially more extensive pre-filing testing than the Section 510(k) procedure and involves a significantly longer FDA review process. FDA approval of a PMA application occurs only after the applicant has established safety and efficacy to the satisfaction of the FDA. Each of our current products has qualified, and we anticipate that any new products that we are likely to market will qualify, for the expedited Section 510(k) clearance procedure. There is no assurance, however, that new products that we develop or any manufacturers that we might acquire, or claims that we may make concerning those products, will qualify for expedited clearance rather than the more time consuming PMA procedure or that, in any case, they will receive clearance from the FDA. FDA regulatory processes are time consuming and expensive. Uncertainties as to time required to obtain FDA clearances or approvals could adversely affect the timing and expense of new product introductions. All of the regulated products that we currently manufacture are classified as Class II medical devices by the FDA. Class II medical devices are subject to performance standards relating to one or more aspects of the design, manufacturing, testing and performance or other characteristics of the product in addition to general controls involving compliance with labeling and record keeping requirements.

We must comply with FDA regulations governing medical device manufacturing practices. The FDA and the California Department of Health Services ("DHS") require manufacturers to register and subject manufacturers to periodic FDA and DHS inspections of their manufacturing facilities. We are an FDA registered medical device manufacturer, and must demonstrate that we and our contract manufacturers comply with the FDA's current Quality System Regulations ("QSR"). Under these regulations, the manufacturing process must be regulated and controlled by the use of written procedures and the ability to produce devices that meet the manufacturer's specifications must be validated by extensive and detailed testing of every critical aspect of the process. They also require investigation of any deficiencies in the manufacturing process or in the products produced and detailed record keeping. Further, the FDA's interpretation and enforcement of these requirements has been increasingly strict in recent years and seems likely to be even more stringent in the future. Failure to adhere to QSRs would cause the products produced to be considered in violation of the applicable law and subject to enforcement action. The FDA monitors compliance with these requirements by requiring manufacturers to register with the FDA, and by subjecting them to periodic FDA inspections of manufacturing facilities. If an FDA inspector observes conditions that might be violative, the manufacturer must correct those conditions or explain them satisfactorily, or face potential regulatory action that might include physical removal of the product from the marketplace.

We believe that our products and procedures are in compliance with all applicable FDA and DHS regulations. There can be no assurance, however, that other products we are developing or products that we may develop in the future will be cleared by the FDA and classified as Class II products, or that additional regulations restricting the sale of our present or proposed products will not be promulgated by the FDA or DHS. In addition, changes in FDA, DHS or other federal or state health, environmental or safety regulations or their applications could adversely affect our business.

To market our products in the European Community ("EC"), we must conform to additional requirements of the EC and demonstrate conformance to established quality standards and applicable directives. As a manufacturer that designs, manufactures and markets its own devices, we must comply with the quality management standards of EN ISO 9001(1994) / EN 46001 (1996). Those quality standards are similar to the QSR regulations but incorporate the quality requirements for product design and development.

Manufacturers of medical devices must also conform to EC Directives such as Council Directive 93/42/EEC ("Medical Device Directive") and their applicable annexes. Those regulations assure that medical devices are both safe and effective and meet all applicable established standards prior to being marketed in the EC. Once a manufacturer and its devices are in conformance with the Medical Device Directive, the "CE" Mark may be affixed to its devices. The CE Mark gives devices an unobstructed entry to all the member countries of the EC.

We have demonstrated conformity to the regulations of both ISO 9001 (1994) / EN 46001 (1996), ISO 13485 (1996) and the Medical Device Directive and we affix the CE Mark to our device labeling for product sold in member countries of the EC.

We believe our products and systems are in compliance with all EC requirements. There can be no assurance, however, that other products we are developing or products that we may develop in the future will conform or that additional regulations restricting the sale of our present or proposed products will not be promulgated by the EC.

COMPETITION

The market for I.V. products is intensely competitive. We believe that our ability to compete depends upon our continued product innovation, the quality, convenience and reliability of our products, access to distribution channels, patent protection, and pricing. We encounter significant competition in this market both from large established medical device manufacturers and from smaller companies. Our ability to compete effectively depends on our ability to differentiate our products based on safety features, product quality, cost effectiveness, ease of use and convenience, as well as our ability to perceive and respond to changing customer needs. In the long term, we expect that our ability to compete will continue to be affected by our ability to reduce unit manufacturing costs through higher volume production.

In addition to competing with conventional needle I.V. connection systems and protected needle connection systems marketed by companies such as Baxter Healthcare Corporation ("Baxter") and Abbott, our present and future products will compete with needleless I.V. connection systems like those marketed by Baxter, Becton-Dickinson and Company ("BD"), B.Braun, Alaris Corporation and others. Although we believe that our needleless CLAVE has distinct advantages over competing systems, there is no assurance that it will be able to compete successfully with these products.

The blood collection needle market is highly competitive, and a large segment of the market continues to use non-safety devices that are generally less expensive than safety devices such as the Punctur-Guard products. The largest share of the blood collection needle market is held by BD.

Manufacturers of products with which we currently compete, or might compete in the future, include large companies with an established presence in the healthcare products market and substantially greater financial, marketing and distribution, managerial and other resources. In particular, Baxter, Abbott and B.Braun are leading distributors of I.V. therapy systems, while BD dominates the blood collection needle market. Several of these competitors have broad product lines and have been successful in obtaining full-line contracts with a significant number of hospitals to supply substantially all of their I.V. product requirements. In order to penetrate more of these hospitals, we have established a strategic supply and distribution relationship with Abbott.

We believe the success of the CLAVE has, and will continue to motivate others to develop one-piece needleless connectors, which may incorporate many of the same functional and physical characteristics as the CLAVE. We are aware of a number of such products. We believe most of those products were developed primarily by companies who currently do not have the distribution or financial capabilities that we have, although some of those products may be distributed in the future by larger companies that do have such capabilities. We believe these products have had a modest impact on our CLAVE business to date, but there is no assurance that our current or future products will be able to successfully compete with these or future products developed by others.

We believe that our ability to compete in the custom I.V. systems market depends upon the same factors affecting our existing products, but will

be particularly affected by cost to the customer and delivery times. While we believe we have advantages in these two areas, there is no assurance that other companies will not be able to compete successfully with our custom I.V. systems.

PATENTS

We have United States and certain foreign patents on the CLAVE, CLC2000, Punctur-Guard technology, Click Lock, and Piggy Lock I.V. connectors and have United States patents on the Lopez Valve connector. We have applications pending for additional United States and foreign patents on the 1o2 Valve, CLC2000, CLAVE, Punctur-Guard, Click Lock and Piggy Lock I.V. connectors. The expiration dates of our patents range from 2006 to 2019. (While we no longer manufacture and sell the Click Lock and Piggy Lock, the patents have considerable value for potential use in other devices.)

Our success may depend in part on our ability to obtain patent protection for our products and to operate without infringing the proprietary rights of third parties. While we have obtained certain patents and applied for additional United States and foreign patents covering certain of our products, there is no assurance that any additional patents will be issued, that the scope of any patent protection will prevent competitors from introducing similar devices or that any of our patents will be held valid if subsequently challenged. We also believe that patents on the Click Lock and the Lopez Valve products may have been, and that patent protection on the CLAVE may be, important in preventing others from introducing competing products that are as effective as our products. The loss of patent protection on CLAVE, CLC2000, Punctur-Guard, Click Lock or Lopez Valve products could adversely affect our ability to exclude other manufacturers from producing effective competitive products and could have an adverse impact on our financial results.

The fact that a patent is issued to us does not eliminate the possibility that patents owned by others may contain claims that are infringed by our products.

There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry. Litigation, which would result in substantial cost to us and in diversion of our resources, may be necessary to defend us against claimed infringement of the rights of others and to determine the scope and validity of the proprietary rights of others. Adverse determinations in such litigation could subject us to significant liabilities to third parties or could require us to seek licenses from third parties and could prevent us from manufacturing, selling or using our products, any of which could have a material adverse effect on our business. In addition, we have initiated litigation, and will continue to initiate litigation in the future, to enforce our intellectual property rights against those we believe to be infringing on our patents. Such litigation could result in substantial cost and diversion of resources.

ICU FINANCE

In 2002 we established ICU Finance, Inc., a wholly-owned consolidated subsidiary, to provide financing to healthcare entities. As of December 31, 2003 we had finance loans receivable of approximately $8.9 million; they are fully secured by real and personal property. We plan to hold the loans to maturity or payoff. Weighted average maturity (principal and interest) at December 31, 2003 was 2.2 years and the weighted average interest rate was 5.5%. We discontinued new lending activities in October 2003 but will honor existing lending commitments. Unfunded commitments were approximately $4.0 million at December 31, 2003.

EMPLOYEES

At January 31, 2004 we had 574 full-time employees, consisting of 94 engaged in sales, marketing and administration, and 480 in manufacturing, molding, product development and quality control, including approximately 300 in Mexico. We contract with an independent temporary agency to provide some of the production personnel at our manufacturing facility in San Clemente, California; we employ none of the personnel provided through the agency. At January 31, 2004, the number of temporary production personnel was approximately 30.

ITEM 2. PROPERTIES.

We own two adjacent 39,000 square foot buildings in San Clemente, California, another 28,000 square foot building in the same business park, a 37,500 square foot building in Vernon, Connecticut a 60,000 square foot building on approximately 94 acres of land in Ensenada, Baja California, Mexico and a 17,500 square foot building in Roncanova, Italy. We also lease a 10,000 square foot building in Roncanova, Italy.

ITEM 3. LEGAL PROCEEDINGS.

In an action filed August 21, 2001 entitled ICU MEDICAL, INC. V. B BRAUN MEDICAL, INC. pending in the United States District Court for the Northern District of California, we allege that B. Braun infringes ICU's patent by the manufacture and sale of its UltraSite medical connector. On December 30, 2003, we were awarded an additional patent and on December 30, 2003 we filed an additional action against B. Braun for patent infringement and moved to amend the 2001 action to include that allegation. The 2001 action has since been amended to include our claim of infringement of the additional patent. We seek monetary damages and injunctive relief and intend to vigorously pursue this matter. The outcome of this matter cannot be determined at this time.

We are from time to time involved in various other legal proceedings, either as a defendant or plaintiff, most of which are routine litigation in the normal course of business. We believe that the resolution of the legal proceedings in which we are involved will not have a material adverse effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not Applicable.

EXECUTIVE OFFICERS OF REGISTRANT.

The following table lists the names, ages, certain positions and offices held by our executive officers and key employees. Officers serve at the pleasure of the Board of Directors.

	Age	Office Held
George A. Lopez, M.D.	56	Chairman of the Board, President and Chief Executive Officer
Alison D. Burcar	31	Vice President of Marketing
Richard A. Costello	40	Vice President of Sales
Francis J. O'Brien	61	Chief Financial Officer, Secretary and Treasurer
Steven C. Riggs	45	Vice President of Operations

Dr. Lopez and Messrs. Costello and O'Brien have been employed by us in their current positions for more than five years.

Ms. Burcar became Vice President of Marketing in August 2002, after having been Marketing Operations Manager since March 1998. Ms. Burcar has been with us since 1995. She is the niece of Dr. Lopez

Mr. Riggs became Vice President of Operations in August 2002, after having been Director of Operations since 1998. Mr. Riggs has been with us since 1992.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our Common Stock has been traded on the Nasdaq Stock Market National Market Tier under the symbol "ICUI" since our initial public offering on March 31, 1992. The following table sets forth, for the quarters indicated, the high and low closing prices for our Common Stock quoted by the Nasdaq:

2002	High	Low
First Quarter	$37.30	$29.29
Second Quarter	41.97	29.55
Third Quarter	38.61	25.75
Fourth Quarter	43.89	32.60

2003	High	Low
First Quarter	$37.50	$25.87
Second Quarter	33.33	26.41
Third Quarter	30.22	22.95
Fourth Quarter	35.55	25.35

We have never paid dividends and do not anticipate paying dividends in the foreseeable future as the Board of Directors intends to retain future earnings for use in our business. Any future determination as to payment of dividends will depend upon our financial condition, results of operations and such other factors as the Board of Directors deems relevant.

As of December 31, 2003 we had 155 stockholders of record and believe we have approximately 5,000 beneficial stockholders.

We have a 1993 Stock Incentive Plan and a 2003 Stock Option Plan under which we grant options to purchase our Common Stock to our employees and have a 2001 Directors' Stock Option Plan under which we grant options to purchase our Common stock to our Directors. We also have an Employee Stock Purchase Plan. All plans were approved by our stockholders. Further information about the plans is in Note 5 to the consolidated financial statements. Certain information about the plans is as follows:

Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
4,367,330	$16.91	3,754,864

ITEM 6. SELECTED FINANCIAL DATA

ICU MEDICAL, INC.

SELECTED FINANCIAL DATA

	Year ended December 31, (in thousands, except per share data)				
	2003	2002	2001	2000	1999
INCOME DATA:					
Revenue					
Net Sales	$102,726	$ 84,218	$ 69,055	$ 56,191	$ 47,014
Other	4,628	3,589	--	--	--
Total Revenue	107,354	87,807	69,055	56,191	47,014
Cost of Sales	48,444	36,464	28,932	23,787	19,883
Gross profit	58,910	51,343	40,123	32,404	27,131
Selling, general and administrative expenses	23,029	19,871	16,816	14,302	12,529
Research and development expenses	1,757	1,472	1,188	1,480	1,214
Total operating expenses	24,786	21,343	18,004	15,782	13,743

Income from operations	34,124	30,000	22,119	16,622	13,388
Investment income	1,123	1,432	1,988	2,096	1,431
Income before income taxes	35,247	31,432	24,107	18,718	14,819
Provision for income taxes	12,950	11,750	8,720	6,930	5,400
Net income	$ 22,297	$ 19,682	$ 15,387	$ 11,788	$ 9,419
Net income per common share					
Basic	$ 1.62	$ 1.43	$ 1.20	$ 0.94	$ 0.77
Diluted	$ 1.48	$ 1.28	$ 1.06	$ 0.87	$ 0.72
Weighted average number of shares					
Basic	13,753	13,793	12,841	12,495	12,232
Diluted	15,050	15,352	14,454	13,588	13,036
CASH FLOW DATA:					
Cash flows from operations, excluding tax benefits from exercise of stock options	$ 21,987	$ 17,905	$ 20,565	$ 12,760	$ 14,767
Total cash flows from operations	$ 22,829	$ 28,097	$ 24,329	$ 13,462	$ 15,518
BALANCE SHEET DATA:					
Cash and liquid investments	$ 73,137	$ 88,465	$ 73,027	$ 50,786	$ 38,442
Working capital	102,932	102,564	79,736	57,718	42,024
Total assets	164,288	157,032	117,342	92,860	75,364
Long-term debt	--	--	--	--	--
Stockholders' equity	156,003	145,387	106,677	83,380	68,014

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We are a leader in the development, manufacture and sale of proprietary, disposable medical connection systems for use in intravenous ("I.V.") therapy applications. Our devices are designed to protect healthcare workers and their patients from exposure to infectious diseases such as Hepatitis B and C and Human Immunodeficiency Virus (HIV") through accidental needlesticks. We are also a leader in the production of custom I.V. systems and low cost generic I.V. systems and we incorporate our proprietary products on many of those custom I.V. systems. We also manufacture and sell the Punctur-Guard line of blood collection needles, which we acquired in October 2002.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements and our critical accounting policies are summarized below. In preparing our financial statements, we make estimates and assumptions that affect the expected amounts of assets and liabilities and disclosure of contingent assets and liabilities. We apply our accounting policies on a consistent basis. As circumstances change, they are considered in our estimates and judgments, and future changes in circumstances could result in changes in amounts at which assets and liabilities are recorded.

Investment securities are all marketable and considered "available for sale". See Item 7A. Quantitative and Qualitative Disclosures about Market Risk. Under our current investment policies, the securities in which we invest have no significant difference between cost and fair value. If our investment policies were to change, and there were differences between cost and fair value, that difference, net of tax effect, would be reflected as a separate component of stockholders' equity.

We record sales and related costs when ownership of the product transfers to the customer. Under the terms of most purchase orders, ownership transfers on shipment, but in some cases it transfers on delivery. If there are significant doubts at the time of shipment as to the collectibility of the receivable, we defer recognition of the sale in revenue until the receivable is collected. Most of our customers are medical product manufacturers or distributors, although some are end-users. Our only post-sale obligations are warranty and certain rebates. We warrant products against defects and have a policy permitting the return of defective products. We provide a reserve for warranty returns as an expense; amounts have been insignificant. Customers, with certain exceptions, do not retain any right of return and there is no price protection with respect to unsold products; returns from customers with return rights have not been significant. We accrue rebates as a reduction in revenue based on contractual commitments and historical experience. Adjustments of estimates of warranty claims, rebates or returns, which have not been, and are

not expected to be material, affect current operating results when they are determined.

Accounts receivable are stated at net realizable value. An allowance is provided for estimated collection losses based on specific past due accounts for which we consider collection to be doubtful. Loss exposure is principally with international distributors for whom normal payment terms are long in comparison to those of our other customers and, to a lesser extent, domestic distributors. Many of these distributors are relatively small and we are vulnerable to adverse developments in their businesses that can hinder our collection of amounts due. If actual collection losses exceed expectations, we could be required to accrue additional bad debt expense, which could have an adverse effect on our operating results in the period in which the accrual occurs.

Inventories are stated at the lower of cost or market. We need to carry many components to accommodate our rapid product delivery, and if we misestimate demand or if customer requirements change, we may have components in inventory that we may not be able to use. Most finished products are made only after we receive orders, but for those that are not, we need to estimate what may not be saleable. We regularly review inventory for slow moving items and write off all items we do not expect to use in manufacturing, or finished products we do not expect to sell. If actual usage of components or sales of finished goods inventory is less than our estimates, we would be required to write off additional inventory, which could have an adverse effect on our operating results in the period in which the write-off occurs.

Property and equipment is carried at cost and depreciated on the straight-line method over the estimated useful lives. The estimates of useful lives are significant judgments in accounting for property and equipment, particularly for molds and automated assembly machines that are custom made for us. We may retire them on an accelerated basis if we replace them with larger or more technologically advanced tooling. The remaining useful lives of all property and equipment are reviewed regularly and lives are adjusted or assets written off based on current estimates of future use. As part of that review, property and equipment is reviewed for other indicators of impairment, but to date we have not encountered circumstances indicating the carrying amount of an asset, or group of assets, may not be recoverable. An unexpected shortening of useful lives of property and equipment that significantly increases depreciation provisions, or other circumstances causing us to record an impairment loss on such assets, could have an adverse effect on our operating results in the period in which the related charges are recorded.

NEW ACCOUNTING PRONOUNCEMENTS

We have implemented all new accounting pronouncements that are in effect and that may impact our consolidated financial statements and do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our consolidated financial statements.

BUSINESS OVERVIEW

Until the late 1990s, our primary emphasis in product development, sales and marketing was disposable medical connectors for use in I.V. therapy, and our principal product was the CLAVE. In the late 1990s, we commenced a transition from a product-centered company to an innovative, fast, efficient, low-cost manufacturer of custom I.V. systems, using processes that we believe can be readily applied to a variety of disposable medical devices. This strategy enables us to capture revenue on the entire I.V. system, and not just a component of the system.

We are also increasing our efforts to acquire new products. We acquired the Punctur-Guard line of blood collection needles in 2002 and are continuing to seek other opportunities. However, there can be no assurance that we will be successful in finding acquisition opportunities, or in acquiring companies or products.

Custom I.V. systems and new products will be of increasing importance to us in future years. We expect CLAVE products to continue to grow in the U.S., but at a slower percentage growth rate than in the past because of our large

market penetration. Growth of all our products outside the U.S. could be substantial, although to date it has been modest. Therefore, we will be directing increasing product development, acquisition, sales and marketing efforts to custom I.V. systems and new products in the U.S. and increasing our emphasis on the markets outside the U.S.

Our relationship with Abbott has been and will continue to be of singular importance to our growth. In 2003, approximately 67% of our revenue was from sales to Abbott, and we expect this percentage to increase in the future. Abbott has a significant share of the I.V. set market in the U.S., and provides us access to that market. We expect that Abbott will be important to our growth for CLAVE, custom I.V. systems, and our other products in the U.S. and also outside the U.S.

We believe that achievement of our growth objectives, both within the U.S., and outside the U.S., will require increased efforts by us in sales and marketing and product development, and we expect to increase expenditures for those starting in 2004.

There is no assurance that we will be successful in implementing our growth strategy. The custom I.V. systems market is still small and we could encounter customer resistance to custom products. Further, we could encounter increased competition as other companies see opportunity. Product development or acquisition efforts may not succeed, and even if we do develop or acquire products, there is no assurance that we will achieve profitable sales of such products. An adverse change in our relationship with Abbott, or a deterioration of Abbott's position in the market, could have an adverse effect on us. Increased expenditures for sales and marketing and product acquisition and development may not yield desired results when expected, or at all. While we have taken steps to control all these risks, there are certain of those risks which may be outside of our control, and there is no assurance that steps we have taken will succeed.

OVERVIEW OF OPERATIONS

The following table sets forth, for the periods indicated, net revenues by product as a percentage of total net revenues:

Product Line	2003	2002	2001
CLAVE	59%	67%	74%
Custom and Generic I.V. Systems	22%	17%	13%
Punctur-Guard	7%	1%	-
CLC2000	4%	4%	3%
Other Products	4%	7%	10%
License, royalty and revenue share	4%	4%	-
Total	100%	100%	100%

Most custom I.V. systems include one or more CLAVEs. Total CLAVE sales including custom I.V. systems with at least one CLAVE were 77% of net revenue in 2002 and 73% of net revenue in 2003.

We sell our products to independent distributors and through agreements with Abbott (the "Abbott Agreements") and certain other medical product manufacturers. Most independent distributors handle the full line of our products. Abbott purchases CLAVE products, principally bulk, non-sterile connectors, and the CLC2000. In addition, we sell custom I.V. systems to Abbott under a program referred to as SetSource. In January 2004, we announced the execution of amendments to our existing agreements with Abbott. The amendments extend the terms of our agreements to 2014 and provide Abbott with rights to distribute all existing ICU Medical products worldwide. We signed another contract amendment with Abbott in January 2004 to distribute our Punctur-Guard line of blood collection needles in the U.S. and the rest of the world. We also sell certain other products to a number of other medical product manufacturers.

In August 2003, Abbott announced that it will spin off its core Hospital Products Division to its stockholders as an independent company. The Hospital Products Business, which will become Hospira, Inc., accounts for virtually all of our sales to Abbott. We believe the spin-off is a positive

development for us and will result in new business opportunities with the new Hospira.

We believe that as healthcare providers continue to either consolidate or join major buying organizations, our success in marketing and distributing CLAVE products will depend, in part, on our ability, either independently or through strategic relationships such as our Abbott relationship, to secure long-term CLAVE contracts with large healthcare providers and major buying organizations. As a result of this marketing and distribution strategy we derive most of our revenues from a relatively small number of distributors and manufacturers. The loss of a strategic relationship with a customer or a decline in demand for a manufacturing customer's products could have a material adverse effect on our operating results.

We believe the success of the CLAVE has motivated, and will continue to motivate others to develop one-piece, swabbable, needleless connectors that may incorporate many of the same functional and physical characteristics as the CLAVE. We are aware of a number of such products. In response to competitive pressure, we have been reducing prices to protect and expand our market, although overall pricing has been stable recently. The price reductions to date have been more than offset by increased volume. We expect that the average price of our CLAVE products may continue to decline. There is no assurance that our current or future products will be able to successfully compete with products developed by others.

The federal Needlestick Safety and Prevention Act, enacted in November 2000, modified standards promulgated by the Occupational Safety and Health Administration to require employers to use safety I.V. systems where appropriate to reduce risk of injury to employees from needlesticks. We believe this law has had and will continue to have a positive effect on sales of our needleless systems, although we are unable to quantify the current or anticipated effect of the law on our sales.

We are taking steps to reduce our dependence on our current proprietary products. We are seeking to substantially expand our custom I.V. systems business through increased sales to medical product manufacturers and independent distributors. Under one of our Abbott Agreements, we manufacture all new custom I.V. sets for sale by Abbott and jointly promote the products under the name SetSource. We expect continuing significant increases in sales of custom I.V. systems under this agreement. We also contract with group purchasing organizations and independent dealer networks for inclusion of our products among those available to members of those entities. Custom I.V. systems accounted for approximately $22.8 million of net sales in 2003, including net sales under the Abbott SetSource program of approximately $10.4 million. There is no assurance that either one of these initiatives will continue to succeed.

In the fourth quarter of 2002 we acquired Bio-Plexus. Inc. for approximately $8.8 million (before expenses), net of cash acquired, and Bio-Plexus has been included in our consolidated financial statements since October 31, 2002. Bio-Plexus's principal products are blood collection needles, under the Punctur-Guard name, that are designed to eliminate exposure to sharp, contaminated needles. Bio-Plexus's revenues in 2003, including royalties, were $8.4 million, and its effect on net income was immaterial.

We have an ongoing program to increase systems capabilities, improve manufacturing efficiency, reduce labor costs, reduce time needed to produce an order, and minimize investment in inventory. These include use of automated assembly equipment for new products and other products for which volume is growing, use of larger molds and molding machines, centralization of all proprietary molding in San Clemente, expansion of our production facility in Mexico, and the establishment of other production facilities outside the U.S.

We distribute products through three distribution channels. Net product revenues for each distribution channel were as follows:

Channel	2003	2002	2001
Medical product manufacturers	71%	73%	72%
Independent domestic distributors	23%	19%	20%

International	6%	8%	8%
Total	100%	100%	100%

QUARTERLY RESULTS: The healthcare business in the United States is subject to seasonal fluctuations, and activity tends to diminish somewhat in the summer months of June, July and August, when illness is less frequent than in winter months and patients tend to postpone elective procedures. This typically causes seasonal fluctuations in our business. In addition, we can experience fluctuations in net sales as a result of variations in the ordering patterns of our largest customers, which may be driven more by production scheduling and their inventory levels, and less by seasonality. Our expenses often do not fluctuate in the same manner as net sales, which may cause fluctuations in operating income that are disproportionate to fluctuations in our revenue.

YEAR-TO-YEAR COMPARISONS

We present summarized income statement data in Item 6. Selected Financial Data. The following table shows, for the three most recent years, the percentages of each income statement caption in relation to revenues, and the percentage change in each caption in each year. (We currently calculate our gross profit percentage based on net sales, which includes only product sales and excludes non-product revenue such as license fees. (See below for more information on non-product revenue. We present the alternative calculation based on total revenue for the convenience of readers who prefer to view it that way).

	Percentage of Revenues			Changes	
	2003	2002	2001	2003 v. 2002	2002 v. 2001
Revenue					
Net Sales	96%	96%	100%	22%	22%
Other	4%	4%	-	29%	100%
Total Revenues	100%	100%	100%	22%	27%
Cost of Sales	47%	43%	42%	33%	26%
Gross Profit					
Percentage of Net Sales	53%	57%	58%	14%	19%
Percentage of All Revenues	55%	58%	58%	15%	28%
Selling, General and Administrative expenses	21%	22%	24%	16%	17%
Research and Development expenses	2%	2%	2%	19%	24%
Total operating expenses	23%	24%	26%	16%	18%
Income from operations	32%	34%	32%	14%	36%
Investment income	1%	2%	3%	(22%)	(28%)
Income before income taxes	33%	36%	35%	12%	31%
Income taxes	12%	14%	13%	10%	35%
Net income	21%	22%	22%	13%	29%

As further explained below, our growth in net income of 13% in 2003 was less than our revenue growth of 22%, principally because our gross margin decreased and the decrease was only partially offset by a reduction of operating expenses and income taxes as a percentage or revenues.

COMPARISON OF 2003 TO 2002

In 2003 we had total revenues of $107,354,000, which was $19,547,000, or 22%, higher than the total revenues of $87,807,000 reported in 2002. The increase was primarily attributable to the increase in sales of custom I.V. systems, which increased $7,652,000, Punctur-Guard, which increased by $6,201,000 and CLAVE products, which increased by $4,393,000,

DISTRIBUTION CHANNELS: Net sales to Abbott were $71,294,000 in 2003, compared to $49,990,000 in 2002, an increase of 43%. CLAVE sales to Abbott increased 38% to $55,745,000 from $40,494,000 principally because of an increase

in unit volume as the CLAVE product penetration of Abbott customer accounts increased. Sales of custom I.V. systems to Abbott under the SetSource program approximated $10,447,000 for the year, up from $5,666,000 in 2002 principally because of an increase in the number of units sold. We expect a continued increase in CLAVE unit and dollar sales volume with Abbott, as well as a significant increase in SetSource unit and dollar sales volume in 2004. Net sales of the CLC2000 to Abbott increased to approximately $1,927,000 from $1,608,000 in 2002 and we expect sales of the CLC2000 to Abbott will continue to increase in the future. Net sales of Rhino decreased 14% to $1,674,000 for 2003.

Sales of Rhino started to decline in early 2001, and they are expected to continue to decline in the future as the market shifts to swabbable technology. There is no assurance as to the amount of any of the future sales increases to Abbott.

In connection with the November 2002 settlement of our contract litigation against B. Braun, we terminated the manufacture and supply agreement under which we sold CLAVE products to B. Braun effective December 31, 2002. We sold virtually no CLAVE products to B. Braun in 2003 as compared with $8,183,000 in 2002, and will not sell CLAVE product sales to B. Braun in the future. Revenue derived from B. Braun was $1,365,000 in 2003 compared to $9,861,000 in 2002. The termination of the CLAVE agreement has had a short-term adverse effect on us because B. Braun has been filling customer orders from its inventory of CLAVE products, with the result that some former B. Braun customers may not order from alternative CLAVE distribution channels until B. Braun's CLAVE inventory is exhausted. We do not believe the termination of the B. Braun agreement will have any material long-term adverse effect on us. We have lost some sales unit volume to B. Braun products that compete with CLAVE, but we believe many of B. Braun's customers prefer the CLAVE to B. Braun's products and will continue to buy CLAVE products from alternative distribution channels, which are either Abbott or our independent distributors. We estimate, based on information from distribution channels, that B. Braun customers that accounted for approximately 50% of the unit volume of CLAVE products formerly sold by B. Braun were purchasing CLAVE products from alternative distribution channels by December 31, 2003. We believe that the unit volume to former B. Braun CLAVE customers through other CLAVE distribution channels will increase when CLAVE products are no longer available from B. Braun. To the extent that customers' needs are filled through independent distributors, we generate higher revenue and profit per CLAVE connector, because independent distributors purchase packaged sterilized products, often complete I.V. sets, from us at higher prices than the bulk nonsterile CLAVE sites which accounted for most of the CLAVEs that we sold to B. Braun. We have contracts to supply B. Braun a protected needle product, and B. Braun pays us under the Safeline revenue sharing agreement. We expect both of these revenue streams to continue to decrease as the market shifts to one piece, swabbable, needleless technology.

Net sales to independent domestic distributors (including Canada) increased approximately 42% to $24,106,000 in 2003 from $16,966,000 in 2002. The increase was due principally to the inclusion of $6,260,000 of Punctur-Guard product sales which included 12 months of revenue compared to $1,063,000 in 2002, which included revenue only for the last two months of the year following our acquisition of Bio-Plexus on October 31, 2002. Also contributing to this increase is a 19% increase in custom I.V. systems, and a 9% increase in CLAVE product sales, both principally due to an increase in unit volume. We believe this increase in sales of CLAVE and custom I.V. systems with CLAVEs is because of acquisition by our independent distributors of market share from B. Braun and we expect a continued increase in unit sales of CLAVE and custom I.V. systems with CLAVEs to independent distributors. There is no assurance as to the amount of any future sales increases to the independent domestic distributors.

Net sales to international distributors (excluding Canada) were $5,111,000 in 2003, as compared with $7,085,000 in 2002. The decrease in 2003 was due primarily to a decrease in CLAVE product sales as distributors slowed their orders to reduce their inventory levels. This decrease was partially offset by an increase in custom I.V. system product sales and Punctur-Guard product sales. We expect increases in foreign sales in the future in response to increased sales and marketing efforts including additional business development managers. Also, we believe we will see a positive impact beginning late in 2004 or 2005 from our recently announced Abbott contract amendments with rights to distribute all ICU Medical products and Punctur-Guard products outside the United States. There is no assurance that these expectations will be realized.

PRODUCT AND OTHER REVENUE: Total net sales of CLAVE products (excluding custom CLAVE I.V. systems) increased approximately 8% to $62,864,000 in 2003 from $58,471,000 in 2002. Total net sales of CLAVE products including custom I.V. systems with CLAVE increased from $66,951,000 in 2002 to $78,748,000 in 2003, or 16%. This increase was due primarily to an increase in unit shipments of CLAVE products to Abbott and our domestic distributors, offset by a decrease in unit shipments to our international distributors and the absence of shipments to B. Braun. The aggregate average net selling price of CLAVE products in 2003 changed little from 2002 and while we expect some decrease in 2004, we expect the decreases to be minimal. We expect continued growth in CLAVE unit and dollar sales volume in 2004, notwithstanding the termination of distribution through B. Braun, because of the growth that we expect in our other distribution channels. However, there is no assurance that the expectations will be realized.

In October 2001, we commenced production of the MicroCLAVE. It is smaller than the existing CLAVE but is functionally similar. We market it as an extension of the CLAVE product line for use where its smaller size is advantageous, such as pediatric care. Sales are included in CLAVE product sales.

Net sales of custom and generic I.V. systems, which included custom I.V. sets, both with a CLAVE and without a CLAVE, were $22,823,000 in 2003 compared to $15,205,000 in 2002, an increase of $6,974,000, or 50%. The SetSource program with Abbott accounted for approximately 69% of the increase, with most of the balance in sales to independent domestic and international distributors.

We acquired the Punctur-Guard product line and technology with the purchase of Bio-Plexus on October 31, 2002. We now produce the Punctur-Guard line of products and also license the technology to two medical device manufacturers for use in catheters. After our acquisition of Bio-Plexus on October 31, 2002, we made significant improvements to the Punctur-Guard products and manufacturing processes. We did not actively promote sales of those products until completion of those product improvements. We completed improvements on the Winged Set products and re-launched them on March 1, 2003. We completed improvements on the BCN and started selling the improved product in late September 2003. Sales of Punctur-Guard products (excluding royalties) were $7,264,000 in 2003 compared to $1,063,000 for the last two months of 2002. We expect sales of these products to increase in the future, but we give no assurance that such increases will be achieved.

Net sales of the CLC2000 grew slightly from $3,744,000 in 2002 to $3,903,000 in 2003, an increase of 4%. Sales to Abbott and domestic distributors accounted for all the growth offset by a decrease in sales to foreign distributors. We expect sales of the CLC2000 to increase in 2004 and later years through all of our distribution channels, but there is no assurance as to the amount or timing of future CLC2000 sales.

Other products consist principally of the Lopez Valve and protected needle products. Increases in Lopez Valve sales in 2003 were offset by decreases in protected needle sales as the safe connector market continues its shift to needleless technology.

Other revenue consists of license, royalty and revenue share income, and has been presented separately in our financial statements since the fourth quarter of 2002; amounts were not significant prior to this. The principal component was ongoing royalties received for other companies' use of Punctur-Guard technology of $1,182,000, SafeLine revenue share payments from B. Braun of approximately $791,000 and one-time license fees of $2,657,000. We expect to receive ongoing royalties for the use of Punctur-Guard technology and SafeLine revenue share payments from B. Braun as well as additional payments under another license of approximately $235,000 per quarter for four years starting in the first quarter of 2004. We may receive other license fees or royalties in the future for the use of our technology. We give no assurance as to amounts or timing of any future payments, or whether such payments will be received.

We expect revenue growth in 2004 to be lower than it was in 2003. The percentage growth in our CLAVE business (including custom I. V. systems) in 2004 is expected to be lower than in 2003, although similar in dollar amount. We expect significant growth in custom I.V. systems and in the Punctur-Guard product line and modest growth in our international markets. We do expect

significant new revenues under the amendments to the Abbott contracts signed in January 2004, but we cannot, at this time, estimate how quickly such revenues will be achieved or whether they will have any significant effect on 2004 results. We do expect to have a greater percentage of revenue growth in 2005 than our current expectations for 2004. However, there can be no assurance that our expectations for 2004 and 2005 will be achieved.

GROSS MARGIN for 2003, calculated on net sales and excluding other revenue, was 53% as compared to 57% in 2002. We believe approximately half of this difference is due to several temporary factors, the principal one relating to improvements in our automated production in San Clemente during the third quarter which resulted in a period of unabsorbed overhead. The other half relates principally to gross margins in our Punctur-Guard products being lower than most of our other products. In the fourth quarter of 2003 gross margin had improved to 55%. We expect margins on the Punctur-Guard products to improve over the next year as we continue to improve sales and fully convert this product line to our manufacturing techniques. We anticipate that improvements in the Punctur-Guard margin and improvements in our automated production in San Clemente will result in a modest increase in the gross margin in 2004, but we do not expect it to be as high as it was in 2002. We give no assurance as to the amount or timing of future improvements to our gross margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A") in 2003, excluding research and development expenses, increased 16% to $23,029,000 and was approximately 21% of revenue in 2003 as compared with $19,871,000, or 23% of revenue in 2002. A portion of the increase was because of the inclusion of Bio-Plexus and a small increase in sales and marketing costs related to increased sales. Administrative costs were higher because of personnel additions and increased information technology expenses, but those higher costs were offset by decreased litigation expenses. We expect SG&A costs to increase in 2004 because of growth in the Company, and addition of new sales personnel and additional sales and marketing expenses in order to support sales growth, including support of the expanding business with Abbott.

RESEARCH AND DEVELOPMENT EXPENSES ("R&D") in 2003 increased 19% to $1,757,000 and was 1.6% of revenue in 2003 as compared to 1.7% in 2002. Spending was principally on new product development, product improvements to Punctur-Guard, and software development to support manufacturing and distribution of custom and generic I.V. systems. We estimate that R&D costs will increase in 2004 to support on-going new product development and various product and process improvements. However, R&D costs could differ from these estimates and the R&D may not be completed as expected.

INCOME FROM OPERATIONS increased $4,124,000 or 14% and was 32% of revenues as compared to 34% in 2002. The decline in income from operations as a percentage of revenue was because of the decrease in gross margin as a percentage of sales. The effect of that decrease was partially offset by the level of operating expenses, which increased only 16% while net revenue increased 22%.

INVESTMENT INCOME decreased in 2003 as compared with 2002, principally because of a decrease in the investment portfolio and declines in interest rates slightly offset by higher interest rates through our finance loans receivable.

INCOME TAXES: Our effective income tax rate in 2003 was 36.7%, a decrease from 37.4% in 2002 principally because of savings in state income taxes. We expect a slight increase in the effective tax rate in 2004.

NET INCOME in 2003 increased 13%. While revenues increased 22%, gross margin decreased from 57% to 53%. That decrease caused the amount of gross profit to increase only 15%. Operating expenses increased slightly more than that, 16%, causing income from operations to increase only 14%. The drop in investment income caused the increase in revenue before income taxes to be only 12%, and this was partially offset by a savings in income taxes, leaving the overall increase at 13%. Net income per share (diluted) increased $0.20 or 16%. The percentage increase in earnings per share was more than that of net income because there were fewer shares outstanding due to our stock repurchase of common shares and there were fewer dilutive shares as a result of the lower average market price of our common stock.

COMPARISON OF 2002 TO 2001

In 2002, we had total revenues of $87,807,000, which was $18,752,000, or 27%, higher than the total revenues of $69,055,000 reported in 2001. The increase was primarily attributable to the increase in sales of CLAVE products, which increased by $7,341,000 and custom I.V. systems, which increased $5,492,000.

Net sales to Abbott were $49,990,000 in 2002, compared to $36,793,000 in 2001. CLAVE sales to Abbott increased to $40,494,000 from $32,282,000 principally because of an increase in unit volume as the CLAVE product penetration of Abbott customer accounts increased. Sales of custom I.V. systems to Abbott under the SetSource program approximated $5,666,000 for the year, up from $1,171,000 in 2001, the year the program was initiated. Net sales of the CLC2000 to Abbott almost tripled to approximately $1.6 million from the low levels of 2001 when Abbott was balancing its inventory position. Net sales of Rhino were virtually unchanged, at just below $2.0 million for 2002.

Revenue from B.Braun, including revenue sharing, amounted to $9,861,000 in 2002, compared to $12,872,000 in 2001. The decrease was principally because of a decrease in sales of CLAVE products from $10,544,000 to $8,183,000, on lower unit volume. CLAVE product sales to B.Braun in the fourth quarter of 2002 accounted for approximately 40% of B.Braun's annual CLAVE volume, as B.Braun made its final purchases under the agreement to purchase CLAVE products. Most of the balance of the decrease in net revenue from B.Braun was in sales of the McGaw Protected Needle. SafeLine revenue sharing payments decreased slightly from last year.

Net sales to independent domestic distributors increased approximately 24% to $16,966,000 in 2002 from $13,669,000 in 2001. (These sales include $1,063,000 of Punctur-Guard sales after we acquired Bio-Plexus on October 31, 2002. The increase was due principally to an 18% increase in custom I.V. systems, the inclusion of Punctur-Guard sales for two months, and a 4% increase in CLAVE product sales. The increase in sales of custom I.V. systems was attributable to an increase in unit volume. The increase in CLAVE product sales was also because of higher unit volume. We believe the increase in sales of CLAVE products to independent distributors was principally because of acquisition of market share from B. Braun.

Total sales to international distributors (excluding Canada) were $7,085,000 in 2002, as compared with $5,384,000 in 2001. We have distribution arrangements in the principal countries in Western Europe, the Pacific Rim and Latin America and in South Africa.

Total net sales of CLAVE products (excluding custom CLAVE I.V. systems) increased approximately 14% to $58,471,000 in 2002 from $51,130,000 in 2001. Unit shipments of CLAVE products in 2002 increased approximately 15% over 2001. Abbott accounted for 112% of the growth in dollar sales of CLAVE, International approximately 18%, partially offset by the decline in sales to B.Braun. The aggregate average net selling price of CLAVE products in 2002 was virtually the same as in 2001.

Net sales of custom I.V. systems were $15,205,000 in 2002 compared to $9,263,000 in 2001, an increase of $5,942,000, or 64%. The SetSource program with Abbott accounted for about 75% of the increase, with most of the balance in sales to independent domestic distributors.

Net sales of the CLC2000 grew from $2,043,000 in 2001 to $3,744,000, an increase of 83%. Abbott accounted for approximately 60% of the increase, with the balance among domestic and international distributors.

Other products consist principally of the Lopez Valve and protected needle products. Net sales of the Lopez Valve increased 8% in 2002 to $1,563,000, on higher unit volume to domestic and international distributors. Net sales of protected needle products decreased 37%, principally because of a decrease in sales of the McGaw Protected Needle. Sales of Click Lock and Piggy Lock products were the same in both years at approximately $730,000. We discontinued sales of Click Lock and Piggy Lock Products in the first quarter of 2003, and sales of the other protected needle products decreased in 2003 as the safe connector market continues its shift to needleless technology.

Other revenue consisted primarily of a payment for a fully paid up license to use certain of our patents of $3.2 million received in December 2002,

royalties received for other companies' use of Punctur-Guard technology of $156,000 and SafeLine revenue share (fourth quarter only) of approximately $0.2 million.

Gross margin for 2002, calculated on Net sales and excluding Other Revenue, declined from 58% in 2001 to 57% in 2002 because of significant unabsorbed overhead in the fourth quarter of 2002. This occurred because of three weeks of substantially reduced production in Mexico as a result of difficulty in processing orders and preparing production orders at the time we implemented our new enterprise software, and because of a planned two-week shutdown of the automated production facility in San Clemente for preventive maintenance in December. Until the fourth quarter, gross margins had been at 58%.

Selling, general and administrative ("SG&A") costs increased by $3,055,000, or 18%, to $19,871,000 in 2002, compared to $16,816,000 in 2001. SG&A costs were 23% of net revenue in 2002 compared to 24% in 2001. Sales and marketing costs increased approximately $1.7 million, but decreased as a percentage of sales from 14% to 13%. Increases were principally in salaries and related costs and travel. General and administrative costs increased approximately $1.3 million, and were approximately 10% of net revenue in both years. Increases were principally in salary and benefits.

Research and development ("R&D") costs increased in 2002 by $284,000 to $1,472,000, and were approximately 2% of net revenue in both 2002 and 2001. The principal increase in spending was on product development for the Punctur-Guard product line to make product improvements that we felt were necessary to successfully market and sell the products. Spending on new product development also increased from 2001.

The operating margin increased to 34% in 2002, compared to 32% in 2001, principally because operating expenses decreased as a percentage of net sales.

Investment income decreased by $556,000 in 2002, notwithstanding an increase in the investment portfolio, because of the effect of continuing declines in interest rates since the beginning of 2001.

Our effective income tax rate in 2002 was 37%, up from 36% in 2001 principally because state tax credits were lower in 2002 than in 2001 and tax exempt investment income declined as a percentage of taxable income.

Net income in 2002 increased 28% from 2001 principally because the gross profit increased 28%, but operating expenses increased only 19%. This resulted in a 36% increase in operating margin that was partially offset by the decline in investment income and the increase in the effective income tax rate. Net income per share (diluted) increased $0.22, or 21%. The percentage increase in earnings per share was less than that for net income because there were more shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

During 2003, our working capital increased slightly by $368,000 to $102,932,000 from $102,564,000. The increase was due to working capital generated by operations which was virtually offset by the purchases of treasury stock, investment in property and equipment, acquisitions and new finance loans. Our cash and cash equivalents and investment securities position decreased in 2003 by $15,328,000 to $73,137,000 from $88,465,000 at December 31, 2002. This is because the purchase of $15,324,000 of treasury stock, purchases of property and equipment of $10,668,000, net advances of $8,907,000 made under finance loans and cash payment of $5,882,000 for acquisitions exceeded the aggregate of cash provided by operating activities (excluding the tax benefits from exercise of stock options) of $21,987,000 and cash provided by the company's employee equity plans of $3,466,000.

During 2002, our working capital increased approximately $22,828,000 to $102,564,000 from $79,736,000. Our cash and cash equivalents and liquid investment securities increased by $15,438,000 to $88,465,000 from $73,027,000. That increase was due primarily to $17,905,000 of cash flows from operating activities (excluding tax benefits from exercise of stock options) and $18,911,000 from exercise of stock options (including tax benefits), partially offset by $11,894,000 used to purchase property and equipment and $9,484,000

used to acquire Bio-Plexus (net of cash acquired).

INVESTING ACTIVITIES: Capital expenditures continued at a relatively high rate in 2003 principally because of our expansion in Mexico, including an electron-beam sterilizer, and investment in molds, molding equipment, automated assembly equipment, computers and software.

Capital expenditures increased in 2002 principally for investment in molding machines, molds and automated assembly machines, as well as recurring facilities improvements and acquisition of computer equipment and software. We also replaced our enterprise software with Oracle Corporation's R11i business suite in 2002.

Upon completing an evaluation of the design and capacity of our manufacturing facilities, we estimate that our current facilities will be adequate through 2004, but that production after 2004 may require additional clean room facilities for molding and automated assembly. We expect to decide in the future how to meet the need for any additional facilities and the location of additional clean room facilities for molding and automated assembly.

We currently estimate that capital expenditures for 2004 will be approximately $6 million and will be paid from cash we generate from operations. We expect the $6 million will be spent on molds, molding equipment and automated assembly equipment, computers and software to maintain current capacity including targeted growth for 2004. Of those amounts, approximately $1 million was committed under contracts at December 31, 2003, and we expect to commit the balance in 2004. Amounts of spending are estimates and actual spending may substantially differ from those amounts.

In June 2003 we acquired the assets of two affiliated manufacturers of I.V. systems located in northern Italy for a cash payment of approximately $4.6 million. Principal assets acquired are assembly facilities and related equipment and inventories and intangible assets. The acquired assets and related operating results are included in our consolidated financial statements since June 30, 2003. Their effect on our financial statements is immaterial. We may acquire other businesses or product lines in the future.

ICU Finance, Inc. is a wholly owned consolidated subsidiary that we established in 2002 as a licensed commercial lender to provide financing to companies involved in distribution of healthcare products and provision of healthcare services. Loans are made only to credit-worthy healthcare entites and are fully secured by real and personal property. At December 31, 2003, it had $8,907,000 in loans outstanding. Scheduled maturities are: 2004 $4,142,000; 2005 $1,336,000; 2006 $1,306,000; 2007 $1,289,000 and 2008 $834,000. Weighted average maturity (principal and interest) at December 31, 2003 was 2.2 years and the weighted average interest rate was 5.5%. In October 2003, we discontinued new lending activities. We will honor unfunded lending commitments on existing credit facilities, which totaled approximately $4,030,000 at December 31, 2003.

FINANCING ACTIVITIES: In 2003 we purchased 589,292 shares of our common stock for $15,324,000. Until those purchases, we had not purchased treasury stock since October 1999, except for a small amount in March 2000. We may purchase additional shares in the future. However, future purchases, if any, will depend on market conditions and other factors.

Cash provided by stock options and the employee stock purchase plan, including tax benefits, was $3,467,000 in 2003 as compared with $18,911,000 in 2002; options were exercised on 167,996 shares in 2003 as compared with 962,193 shares in 2002.

OPERATING ACTIVITIES: Our cash provided by operating activities tends to increase over time because of increases in our net income. However, it is subject to fluctuations, principally from changes in accounts receivable, inventories, current liabilities and tax benefits from exercise of stock options.

Normally the substantial majority of our accounts receivable are current or no more than thirty days past due. In recent years, the majority of each quarter's sales have been in that last half of the quarter with the result that the amount of accounts receivable reported as of the end of each quarter tend to be higher than the amounts at other times during a quarter.

Accounts receivable increased from $16,633,000 at December 31, 2002 to $24,943,000 at December 31, 2003, or 50%; the increase was because of a 25% increase in fourth quarter revenue from year-to-year, and because shipments in the fourth quarter of 2003 were generally made later in the quarter than in 2002.

We generally try to maintain a minimal amount of inventory of finished goods and work in process, but will maintain larger amounts of components (classified as raw material) acquired from third parties to avoid production delays if deliveries by our suppliers are late. However, in order to avoid production inefficiencies caused by fluctuating production levels, we will level out our production volumes and build finished goods of our standard (non-custom) products to meet future orders. This may cause fluctuations in our quarterly inventory levels.

Inventories decreased from $5,749,000 at December 31, 2002 to $3,398,000 at December 31, 2003 principally because of a $1,554,000 decrease in finished goods (offsetting the effect of shipments that were deferred from December 2002 to early 2003) and a $603,000 decrease in raw materials because of better inventory controls.

Our current liabilities tend to fluctuate based on the timing of when liabilities are incurred and paid. The largest single source of fluctuation has been income tax liabilities, and those fluctuations are generally a function of the timing and amount of estimated tax payments in relation to actual tax liabilities.

The tax benefits from the exercise of stock options, which we believe is more properly related to the sale of our stock which is a financing activity, fluctuates based principally on when employees choose to exercise their vested stock options.

Tax benefits from the exercise of stock options fluctuated from $842,000 in 2003 to $10,192,000 in 2002 to $3,764,000 in 2001. Options exercised were 167,996, 962,193 and 526,960 in the respective years, with the balance in the fluctuation related to differences between the market prices at date of exercise and exercise prices in each year.

We expect that sales of our products will continue to grow in 2004. If sales continue to increase, accounts receivable and inventories are expected to increase as well. As a result of these and other factors, we expect the use of working capital to fund our operations to continue to increase.

We have a large cash and liquid investment position generated from profitable operations and stock sales, principally from the exercise of employee stock options. We maintain this position to fund our growth, meet increasing working capital requirements, fund capital expenditures, and potentially to take advantage of acquisition opportunities that may arise. Our primary investment goal is capital preservation, as further described in Item 7A. Quantitative and Qualitative Disclosures about Market Risk, our liquid investments have very little credit risk or market risk.

We believe that our existing working capital, supplemented by income from operations, will be sufficient to fund our capital expenditures and increased working capital requirements for the foreseeable future.

OFF BALANCE SHEET ARRANGEMENTS

In the normal course of business, we have agreed to indemnify officers and directors of the Company to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters related to sales of our products. There is no maximum limit on the indemnification that may be required under these agreements. We have never incurred, nor do we expect to incur, any liability for indemnification. Except for indemnification agreements, we do not have any "off balance sheet arrangements".

CONTRACTUAL OBLIGATIONS

We have the following contractual obligations of approximately the following amounts. These amounts exclude purchase orders for goods and services

for current delivery; we do not have any long-term purchase commitments for such items.

	Total	Payments due: less than 1 year from December 31, 2003
Property and equipment	$1,000,000	$1,000,000

FORWARD LOOKING STATEMENTS

Various portions of this Report, including this Management's Discussion and Analysis, describe trends in our business and finances that we perceive and state some of our expectations and beliefs about our future. These statements about the future are "forward looking statements," and we identify them by using words such as "believe," "expect," "estimate," "plan," "will," "continue," "could," may," and by similar expressions and statements about aims, goals and plans. The forward looking statements are based on the best information currently available to us and assumptions that we believe are reasonable, but we do not intend the statements to be representations as to future results. They include, among other things, statements about:

- future operating results and various elements of operating results, including sales and unit volumes of products, future license, royalty and revenue share income, production costs, gross margins, SG&A, and R&D expense and income taxes;
- factors affecting operating results, such as shipments to specific customers, expansion in international markets, selling prices, the market shift to needleless technology, future increases or decreases in sales of certain products and in certain markets and distribution channels, impact of safety legislation, increases in systems capabilities, introduction and sales of new products, manufacturing efficiencies, unit manufacturing costs, acquisition and use of production equipment and expansion of facilities and assembly capacity, expansion of markets and the need for additional facilities, business seasonality and fluctuations in quarterly results, and customer ordering patterns;
- new or extended contracts with manufacturers and buying organizations, and dependence on a small number of customers, effect of Abbott's spin-off of its Hospital Products Division, effect of contract amendments with Abbott, long-term effects of termination of the B. Braun CLAVE agreement, ability to replace distributors, and the outcome of our strategic initiatives;
- regulatory approval and outcome of litigation; competitive and market factors, including continuing development of competing products by other manufacturers, consolidation of the healthcare provider market and downward pressure on selling prices; and working capital requirements, changes in accounts receivable and inventories, current liabilities, capital expenditures, acquisitions of other businesses or product lines, indemnification liabilities, contractual liabilities and common stock repurchases.

The kinds of statements described above and similar forward looking statements about our future performance are subject to a number of risks and uncertainties which one should consider in evaluating the statements. First, one should consider the factors and risks described in the statements themselves. Those factors are uncertain, and if one or more of them turn out differently than we currently expect, our operating results may differ materially from our current expectations.

Second, one should read the forward looking statements in conjunction with the Risk Factors in our Current Report on Form 8-K to the Securities and Exchange Commission dated February 15, 2002 which is incorporated by reference.

Third, our actual future operating results are subject to other important factors that we cannot predict or control, including among others the following:

- general economic and business conditions;
- the effect of price and safety considerations on the healthcare industry;
- competitive factors, such as product innovation, new technologies, marketing and distribution strength and price erosion;
- unanticipated market shifts and trends;
- the impact of legislation affecting government reimbursement of healthcare costs;
- changes by our major customers and independent distributors in their strategies that might affect their efforts to market our products;
- unanticipated production problems; and

- the availability of patent protection and the cost of enforcing and of defending patent claims.

We disclaim any obligation to update the statements or to announce publicly the result of any revision to any of the statements contained herein to reflect future events or developments.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have a portfolio of corporate preferred stocks and federal-tax-exempt state and municipal government debt securities. The securities are all "investment grade" and we believe that we have virtually no exposure to credit risk. Dividend and interest rates reset at auction for most of the securities from between seven and forty-nine day intervals, with some longer but none beyond twelve months, so we have very little market risk, that is, risk that the fair value of the security will change because of changes in market interest rates; they are readily saleable at par at auction dates, and can normally be sold at par between auction dates.

Our future earnings are subject to potential increase or decrease because of changes in short-term interest rates. Generally, each one-percentage point change in the discount rate will cause our overall yield to change by two-thirds to three-quarters of a percentage point, depending upon the relative mix of federal-tax-exempt securities and corporate preferred stocks in the portfolio and market conditions specific to the securities in which we invest.

At December 31, 2003 we had outstanding commercial loans of approximately $8,907,000. Loans are made only to credit worthy parties and are fully secured by real and personal property. We plan to hold the loans until maturity or payoff. Maturities are five years or less and the weighted average maturity (principal and interest payments) is 2.2 years. Because of the relatively small amount of the commercial loans, market risk is not significant to our financial statements.

We do not have any significant foreign currency risk. Sales to foreign distributors are all denominated in U.S. dollars. Cash and receivables in entities outside the United States, principally in Mexico and Italy, which are denominated in foreign currency are insignificant and are generally offset by accounts payable in the same foreign currency.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
ICU Medical, Inc.

We have audited the accompanying consolidated balance sheets of ICU Medical, Inc. (the "Company") and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended. Our audits also included the financial statement schedule for 2003 and 2002 listed in Item 15(a)2. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits. The consolidated financial statements and financial statement schedule of ICU Medical, Inc. and subsidiaries for the year ended December 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements (prior to adjustment for a three-for-two stock split described in Note 1) and stated that such 2001 financial statement schedule, when considered in relation to the 2001 basic financial statements taken as a whole presents fairly, in all material respects, the information set forth therein in their report dated January 29, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ICU Medical, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule for 2003 and 2002, when considered in relation to the basic 2003 and 2002 consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed above, the consolidated financial statements of ICU Medical, Inc. for the year ended December 31, 2001 were audited by other auditors who have ceased operations. As described in Note 1, these consolidated financial statements have been adjusted to reflect a three-for-two stock split that was effected on March 15, 2002, and have been revised to include certain disclosures required by Statement of Financial Accounting Standards No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION-TRANSITION AND DISCLOSURE, which disclosure provisions were adopted by the Company on December 31, 2002. We audited the adjustments described in Note 1 that were applied to revise the 2001 consolidated financial statements. Our audit procedures with respect to the pro forma disclosures in Note 1 pertaining to 2001 included agreeing the previously reported net income and pro forma net income amounts to previously issued financial statements and the adjustment to reported net income representing total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects, to the Company's underlying records obtained from management. In our opinion, such adjustments and disclosures are appropriate and such adjustments have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such adjustments and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Costa Mesa, California
March 10, 2004

The following report of Arthur Andersen LLP ("Andersen") is a copy of the original report dated January 29, 2002, rendered on the 2001 consolidated financial statements. The SEC has provided regulatory relief designed to allow public companies to dispense with the requirements to file a reissued report and consent of Andersen in certain circumstances. After reasonable efforts, we have not been able to obtain a reissued report or consent from Andersen.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of ICU Medical, Inc.:

We have audited the accompanying consolidated balance sheets of ICU MEDICAL, INC. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICU Medical, Inc. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed in Item 14(a)2 of this Form 10-K is presented for purposes of complying with the Securities and Exchange Commissions rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the consolidated financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ Arthur Andersen LLP
ARTHUR ANDERSEN LLP

Orange County, California
January 29, 2002

ICU MEDICAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,787,000	$ 4,165,000
Liquid investments	71,350,000	84,300,000
Cash and liquid investments	73,137,000	88,465,000
Accounts receivable, net of allowance for doubtful accounts of $742,000 in 2003 and $665,000 in 2002	24,943,000	16,633,000
Finance loans receivable - current portion	4,142,000	--
Inventories	3,398,000	5,749,000
Prepaid income taxes	1,662,000	--
Prepaid expenses and other current assets	1,927,000	1,652,000
Deferred income taxes - current portion	2,008,000	1,710,000
Total current assets	111,217,000	114,209,000
PROPERTY AND EQUIPMENT, at cost:		
Land, building and building improvements	16,887,000	15,197,000
Machinery and equipment	26,429,000	19,142,000
Furniture and fixtures	6,572,000	5,343,000
Molds	11,480,000	9,534,000
Construction in process	10,247,000	9,742,000
	71,615,000	58,958,000
Less--Accumulated depreciation	(30,574,000)	(24,350,000)
	41,041,000	34,608,000
FINANCE LOANS RECEIVABLE - non current portion	4,765,000	--
DEFERRED INCOME TAXES - non current portion	2,680,000	4,313,000
INTANGIBLE ASSETS, net	4,166,000	3,352,000
OTHER ASSETS	419,000	550,000
	$ 164,288,000	$ 157,032,000

The accompanying notes are an integral part of these consolidated financial statements.

ICU MEDICAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2003	2002
CURRENT LIABILITIES:		
Accounts payable	$ 3,051,000	$ 5,046,000
Accrued liabilities	5,234,000	6,599,000
Total current liabilities	8,285,000	11,645,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $1.00 par value Authorized--500,000 shares;		

Issued and outstanding--none	--	--
Common stock, $0.10 par value-		
Authorized--80,000,000 shares;		
Issued -- 14,158,612 and 14,087,026 shares in 2003 and 2002, respectively	1,416,000	1,409,000
Additional paid-in capital	63,535,000	63,284,000
Treasury stock, at cost -- 471,390 shares in 2003	(12,116,000)	--
Retained earnings	102,991,000	80,694,000
Accumulated other comprehensive income	177,000	--
Total stockholders' equity	156,003,000	145,387,000
	$ 164,288,000	$ 157,032,000

The accompanying notes are an integral part of these consolidated financial statements.

ICU MEDICAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the years ended December 31,		
	2003	2002	2001
REVENUES:			
Net sales	$102,726,000	$ 84,218,000	$ 69,055,000
Other	4,628,000	3,589,000	--
TOTAL REVENUE	$107,354,000	$ 87,807,000	$ 69,055,000
COST OF GOODS SOLD	48,444,000	36,464,000	28,932,000
Gross profit	58,910,000	51,343,000	40,123,000
OPERATING EXPENSES:			
Selling, general and administrative	23,029,000	19,871,000	16,816,000
Research and development	1,757,000	1,472,000	1,188,000
Total operating expenses	24,786,000	21,343,000	18,004,000
Income from operations	34,124,000	30,000,000	22,119,000
INVESTMENT INCOME	1,123,000	1,432,000	1,988,000
Income before income taxes	35,247,000	31,432,000	24,107,000
PROVISION FOR INCOME TAXES	12,950,000	11,750,000	8,720,000
NET INCOME	$ 22,297,000	$ 19,682,000	$ 15,387,000
NET INCOME PER COMMON SHARE			
Basic	$ 1.62	$ 1.43	$ 1.20
Diluted	$ 1.48	$ 1.28	$ 1.06
Weighted average number of shares			
Basic	13,752,732	13,792,760	12,840,556
Diluted	15,050,437	15,352,419	14,454,087

The accompanying notes are an integral part of these consolidated financial statements.

ICU MEDICAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock							
	Number of Shares Outstanding	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Comprehensive Income	Total
BALANCE, December 31, 2000	12,591,344	$ 887,000	$41,702,000	$ (4,819,000)	$ --	$ 45,610,000	$ --	$ 83,380,000
Exercise of stock options and related income tax benefits, and other	534,711	--	4,063,000	3,832,000	--	15,000		7,910,000
Net income	--	--	--	--	--	15,387,000	15,387,000	15,387,000
BALANCE, December 31, 2001	13,126,055	887,000	45,765,000	(987,000)	--	61,012,000		106,677,000
Exercise of stock options and related income tax benefits, and other	962,193	79,000	18,023,000	987,000	--	--		19,089,000
Stock split	(1,222)	443,000	(504,000)	--	--	--		(61,000)
Net income	--	--	--	--	--	19,682,000	19,682,000	19,682,000
BALANCE, December 31, 2002	14,087,026	1,409,000	63,284,000	--	--	80,694,000		145,387,000
Purchase of treasury stock	(589,292)	--	--	(15,324,000)	--	--		(15,324,000)
Exercise of stock options and related income tax benefits	166,994	6,000	14,000	2,885,000	--	--		2,905,000
Proceeds from employee stock purchase plan	22,493	1,000	237,000	323,000	--	--		561,000
Comprehensive income								
Net income	--	--	--	--	--	22,297,000	22,297,000	22,297,000
Other comprehensive income, net of tax: Foreign currency translation adjustment	--	--	--	--	177,000	--	177,000	177,000
Comprehensive income							$22,474,000	
BALANCE, December 31, 2003	13,687,221	$1,416,000	$63,535,000	$(12,116,000)	$ 177,000	$102,991,000		$156,003,000

The accompanying notes are an integral part of these consolidated financial statements.

ICU MEDICAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 22,297,000	$ 19,682,000	$ 15,387,000
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	7,361,000	5,288,000	5,034,000
Deferred income taxes, non-current	1,446,000	528,000	(74,000)
(Increase) decrease, net of acquisition, in:			
Accounts receivable	(8,310,000)	(3,188,000)	(637,000)
Inventories	3,462,000	(2,869,000)	(159,000)
Prepaid expenses and other assets	(1,649,000)	(831,000)	(208,000)
Increase (decrease), net of acquisition, in:			
Accounts payable	(774,000)	2,283,000	714,000
Accrued liabilities	(1,548,000)	(3,176,000)	471,000
Deferred income taxes, current	(298,000)	188,000	37,000
	21,987,000	17,905,000	20,565,000
Tax benefits from exercise of stock options	842,000	10,192,000	3,764,000
Net cash provided by operating activities	22,829,000	28,097,000	24,329,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(10,668,000)	(11,894,000)	(6,234,000)
Cash paid for acquisitions, net of cash acquired	(5,882,000)	(9,484,000)	--
Advances under finance loans, net	(8,907,000)	--	--

Net change in liquid investments	12,950,000	(15,174,000)	(20,285,000)
Net cash (used in) investing activities	(12,507,000)	(36,552,000)	(26,519,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and other	2,063,000	8,719,000	4,146,000
Proceeds from employee stock purchase plan	561,000	--	--
Purchase of treasury stock	(15,324,000)	--	--
Net cash provided by (used in) financing activities	(12,700,000)	8,719,000	4,146,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,378,000)	264,000	1,956,000
CASH AND CASH EQUIVALENTS, beginning of year	4,165,000	3,901,000	1,945,000
CASH AND CASH EQUIVALENTS, end of year	$ 1,787,000	$ 4,165,000	$ 3,901,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for income taxes	$ 14,065,000	$ 1,145,000	$ 5,685,000

The accompanying notes are an integral part of these consolidated financial statements.

ICU MEDICAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

ICU Medical, Inc. (the "Company" - a Delaware corporation) operates principally in one business segment engaged in the development, manufacturing and marketing of disposable medical devices designed to protect healthcare workers and patients from the spread of infectious diseases. The Company's devices are sold principally to distributors and medical product manufacturers throughout the United States and a small portion internationally. All subsidiaries are wholly owned and are included in the consolidated financial statements. All intercompany balances and transactions have been eliminated.

All share and per share data for periods prior to 2002 have been adjusted for a three-for-two stock split effected March 15, 2002 in the form of a stock dividend.

b. Cash Equivalents

Cash equivalents include certificates of deposit and money market funds with initial maturities of three months or less.

c. Inventories

Inventories are stated at the lower of cost or market with cost determined using the first-in, first-out method. Inventory costs include material, labor and overhead related to the manufacturing of medical devices.

Inventories consist of the following at December 31:

	2003	2002

Raw materials	$2,699,000	$3,302,000
Work in process	340,000	534,000
Finished goods	359,000	1,913,000
	$3,398,000	$5,749,000

d. Property and Equipment

The Company uses the straight-line method for depreciating property and equipment over their estimated useful lives. Estimated useful lives are:

Buildings	15 - 30 years
Building improvements	15 years
Machinery and equipment	2 - 10 years
Furniture, fixtures and molds	2 - 5 years

The Company follows the policy of capitalizing expenditures that materially increase the life of the related assets; maintenance and repairs are expensed as incurred. The costs and related accumulated depreciation applicable to property and equipment sold or retired are removed from the accounts and any gain or loss is reflected in the statements of income at the time of disposal.

e. Intangible Assets

At December 31, 2002 intangible assets consisted primarily of patents and licenses, which had a net book value of $3,352,000, net of accumulated amortization of $803,000, and they were being amortized using the straight-line method over 10 years, which was the estimated useful life of the patent or license.

Additions to intangible assets in 2003 were $1,422,000, principally from additional cost related to the acquisition of Bio-Plexus in October 2002, the acquisition of the I.V. systems company in Italy and the costs of obtaining patents.

Intangible assets were as follows:

		December 31, 2003		
	Amortization Life in Years	Cost	Accumulated Amortization	Net
Patents and licenses	10	$2,923,000	$1,020,000	$1,903,000
Royalty agreements	6	1,630,000	308,000	1,322,000
Non compete agreement	5	818,000	36,000	782,000
Other	5 to 10	206,000	47,000	159,000
Total		$5,577,000	$1,411,000	$4,166,000

		December 31, 2002		
	Amortization Life in Years	Cost	Accumulated Amortization	Net
Patents and licenses	10	$2,452,000	$755,000	$1,697,000
Royalty agreements	6	1,497,000	42,000	1,455,000
Other	5 to 10	206,000	6,000	200,000
Total		$4,155,000	$803,000	$3,352,000

Amortization expense in 2003 and 2002 was $717,000 and $181,000, respectively. Estimated annual amortization for each of the next five years is approximately $700,000.

f. Research and Development

The Company expenses research and development costs as incurred.

g. Net Income Per Share

"Basic" earnings per share is computed by dividing net income by the weighted average number of common shares outstanding. "Diluted" earnings per share is computed by dividing net income by the weighted average number of common shares outstanding plus dilutive securities. Dilutive securities are outstanding common stock options (excluding stock options with an exercise price in excess of average market value), less the number of shares that could have been purchased with the proceeds from the exercise of the options, using the treasury stock method.

h. Investment Securities

The Company accounts for investments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." That statement requires that securities classified as available for sale be carried at their fair values and changes in the securities' fair values be recorded, net of income tax effect, as a separate component of stockholders' equity. Debt securities that the Company would intend to hold to maturity would be carried at amortized cost reduced only for other than temporary impairment in values; the Company has no debt securities that it intends to hold to maturity.

i. Income Taxes

The Company accounts for income taxes in accordance with SFAS 109 "Accounting for Income Taxes" using the asset and liability approach. Under this approach, deferred taxes are determined based on the differences between the financial statements and the tax bases using rates as enacted in tax laws. A valuation allowance is established if it is "more likely than not" that all or a portion of the deferred tax assets will not be realized.

j. Revenue Recognition

Most of the Company's product sales are FOB shipping point and ownership of the product transfers to the customer on shipment by the Company. Certain other product sales are FOB destination and ownership of the product transfers to the customer at destination. The Company records sales and related costs when ownership of the product transfers to the customer. Most of the Company's customers are distributors or medical product manufacturers, although there are some sales to end-users. The Company's only post-sale obligations are warranty and certain rebates. Customers, with certain exceptions, do not retain any right of return and there is no price protection with respect to unsold product; returns from customers with return rights have not been significant.

The Company warrants products against defects and has a policy permitting the return of defective products. The Company provides a reserve for warranty returns as an expense; total warranty expense has been insignificant. The Company accrues rebates based on contractual commitments and on historical experience as a reduction in revenue at the time of sale; amounts have not been significant.

Other revenue consists of license, royalty and revenue sharing payments. Payments expected to be received are estimated and recorded in the period earned, and adjusted to actual amounts when reports are received from payers; if there is insufficient data to make such estimates, payments are not recorded until reported by the payers.

k. Post-retirement and Post-employment Benefits

The Company does not provide post-retirement or post-employment benefits to employees. The Company maintains a Section 401(k) retirement plan for employees. Company contributions to that plan in 2003 and 2002 were approximately $131,000 and $104,000, respectively.

l. Stock Options

The Company accounts for its stock options granted to employees and directors under Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations as permitted by SFAS No. 123 "Accounting for Stock-Based Compensation," and does not recognize compensation expense because the exercise price of the options equals the fair market value of the underlying shares at the date of grant. Under SFAS No. 123, the Company is required to present certain pro forma earnings information determined as if employee stock options were accounted for under the fair value method of that Statement. The fair value for options granted in 2003, 2002, and 2001 was estimated as of the date of grant using a Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating fair value of fully transferable traded options with no vesting restrictions, and, similar to other option valuation models, requires use of highly subjective assumptions, including expected stock price volatility. The characteristics of the Company's stock options differ substantially from those of traded stock options, and changes in the subjective assumptions can materially affect estimated fair values; therefore, in Management's opinion, existing option valuation models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The following information is provided pursuant to SFAS No. 123, as amended. The pro forma adjustment reflects stock-based compensation cost calculated under the fair value method, net of related tax effects, calculated pursuant to SFAS No. 123.

	2003	2002	2001
Net Income, as reported.....	$22,297,000	$19,682,000	$15,387,000
Pro forma adjustment.....	$5,131,000	$6,271,000	$3,970,000
Net Income, pro forma.....	$17,166,000	$13,411,000	$11,417,000
Net Income per share.....			
Basic, as reported	$1.62	$1.43	$1.20
Diluted, as reported	$1.48	$1.28	$1.06
Basic, pro forma	$1.28	$1.00	$0.92
Diluted, pro forma	$1.16	$0.89	$0.81

m. Impairment or Disposal of Long-Lived Assets

The Company accounts for any impairment or disposal of long-lived assets in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." This SFAS, which requires a periodic review of long-lived assets for indicators of impairment, was first effective for the year ended December 31, 2002, and had no effect on the Company's consolidated financial statements in 2003 and 2002.

n. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

2. ACQUISITION

On October 31, 2002, the Company acquired for cash 84% of the common stock of Bio-Plexus, Inc. ("Bio-Plexus") and notes payable by Bio-Plexus of $2,500,000, and in a series of transactions through November 13, 2002 acquired the remaining minority interest for cash and brought its ownership to 100%.

Bio-Plexus is engaged in the design, development, manufacture, sale and licensing of medical products designed to prevent infection of healthcare workers through accidental needlesticks. Bio-Plexus's principal products are blood collection needles, under the Punctur-Guard name, that are designed to eliminate exposure to sharp, contaminated needles. These products are an extension of the needlesafe products the Company already sells.

The acquisition was accounted for as a purchase, and Bio-Plexus is included in the Company's consolidated financial statements since October 31, 2002. The acquisition cost, net of cash acquired, was $9,484,000, consisting of the following:

Cash paid for stock and notes	$10,144,000
Transaction fees and expenses	708,000
Severance payment and other costs	741,000
Less: Cash acquired	(2,109,000)
Total acquisition cost	$ 9,484,000

The acquisition cost was allocated to the net tangible and intangible assets acquired, based on estimated fair values at date of purchase, as follows:

Accounts receivable	$ 383,000
Inventory	1,286,000
Other current assets	382,000
Property and equipment	2,711,000
Patents and royalty rights, and other	3,057,000
Deferred taxes	3,538,000
Current liabilities	(1,873,000)
Total	$ 9,484,000

Included in current liabilities at December 31, 2002 was a mortgage liability of $1,220,000 paid on January 2, 2003.

Property and equipment valuation is based on the estimated value of the land, building and improvements if sold ($1,605,000), and the depreciated replacement cost of automated assembly machines, molds and other equipment that the Company expects to use in the future ($1,106,000). Depreciable lives are thirty years for the building and improvements and two to three years for equipment. Patents and royalty rights valuations are based on the present value of the incremental cash flows which the Company estimates it will realize over the estimated duration of the patents ($1,354,000) and royalty agreements ($1,497,000). Other intangibles are customer contracts and trademarks. Amortization lives are ten years for patents and six years for royalty agreements; the overall weighted average amortization period is 7.2 years. All depreciation and amortization is provided on the straight-line method. The allocations reflect a reduction for a "bargain purchase" credit for the excess of the estimated values over the acquisition cost.

Deferred taxes arise principally from certain expenses of Bio-Plexus incurred before the acquisition which are capitalized for tax purposes but expensed for financial reporting purposes, the future benefit of a portion of Bio-Plexus's net operating loss carryforwards, and the tax basis in excess of the allocated acquisition cost of tangible assets acquired, partially offset by the excess of the acquisition cost of intangible assets over their tax basis.

Prior to October 31, 2003, the Company identified additional acquisition costs of $400,000 and these were allocated to property and equipment and intangible assets. At December 31, 2003, all but approximately $300,000 of costs accrued at the time of the acquisition or later have been incurred. If those amounts are ultimately not incurred, the acquisition cost will be adjusted and intangible assets reduced. If any additional costs of the acquisition are identified after October 31, 2003, they will be recorded as an expense in the income statement.

Unaudited pro forma combined results of operations of the Company and

Bio-Plexus for the past two years, assuming the acquisition occurred on January 1, 2001, are:

	2002	2001
Net revenues	$94,534,000	$75,426,000
Net income	20,002,000	14,387,000
Net income per share - diluted	$1.30	$1.00

Pro forma adjustments have been made to eliminate operating and financing costs not being incurred by Bio-Plexus since the acquisition, to adjust for differences in depreciation and amortization, and to account for the Company's cost of capital used for the acquisition, all net of income tax effects. This information does not reflect the actual results that would have occurred nor is it necessarily indicative of the future operations of the combined enterprise.

In June 2003 we acquired the assets of two affiliated manufacturers of I.V. systems located in northern Italy for a cash payment of approximately $4.6 million. Principal assets acquired are assembly facilities and related equipment of $2,443,000 and inventories of $1,110,000 and an agreement not to compete valued at approximately $818,000. The acquired assets and related operating results are included in our consolidated financial statements since June 30, 2003. Their effect on our financial statements is immaterial.

3. LIQUID INVESTMENTS

The Company's liquid investments, all of which are marketable securities and are considered "available for sale," consist principally of corporate preferred stocks and federal-tax-exempt state and municipal government debt securities that reset dividend or interest rates at auction, principally from between seven and forty-nine day intervals. They are carried at cost, which closely approximates both fair value and par value throughout the period they are held. They are readily saleable at par at auction dates, and can normally be sold at par between auction dates. All securities are "investment grade' and there have been no gains or losses on their disposal. Balances consist of the following at December 31:

	2003	2002
Corporate preferred stocks	$19,100,000	$31,500,000
Federal tax-exempt debt securities	52,250,000	52,800,000
	$71,350,000	$84,300,000

The scheduled maturities of the debt securities are: 2005-2008 $1,200,000; 2009-2013 $2,150,000; and after 2013 $48,900,000.

Investment income, including interest on certificates of deposit, money market funds and finance loans, consisted of the following for each year:

	2003	2002	2001
Corporate dividends	$ 280,000	$ 432,000	$ 527,000
Tax-exempt interest	605,000	874,000	1,330,000
Other interest	238,000	126,000	131,000
	$1,123,000	$1,432,000	$1,988,000

4. ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	2003	2002
Accrued incentive compensation	$1,555,000	$1,978,000
Taxes payable	-0-	1,513,000
Other accruals	3,679,000	3,108,000

$5,234,000	$6,599,000

5. COMMON STOCK AND COMMON STOCK OPTIONS GRANTED

In 1993, the Company adopted the 1993 Stock Incentive Plan (the "1993 Plan"). In 1996, the 1993 Plan was amended to increase the number of shares reserved for issuance to employees from 1,912,500 to 4,912,500, and in 1999 it was again amended to increase the number of shares reserved for issuance to employees to 7,162,500. No options may be granted under the 1993 Plan after January 2005. Options granted under the 1993 Plan expire eleven years from issuance and all options issued through early 2000 are time-accelerated options which vest upon the earlier of the Company attaining specific operating performance levels or ten years from the date of grant. Almost all options issued after early 2000 vest in equal amounts on the first, second and third anniversary of their issuance ("time vested"). The 1993 Plan includes conditions whereby options not vested are canceled if employment is terminated. All options have been granted at the fair market value of the Company's stock on the date of grant. Upon exercise of options, the Company is generally entitled to a tax deduction for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise.

In June 2003, stockholders approved the 2003 Stock Option Plan (the "2003 Plan"). The terms of the 2003 Plan are similar to those of the 1993 Plan, except that options expire no more than ten years from issuance, and the Company may grant "incentive stock options," as defined in Section 422 of the Internal Revenue Code of 1986, as amended; the Company is generally not entitled to any tax deduction on an incentive stock option.

In May 2002, stockholders approved the 2001 Directors' Stock Option Plan (the "Directors' Plan"), which had been adopted in November 2001. There are 750,000 shares reserved for issuance under the Directors' Plan. Options to purchase 1,875 shares of Common Stock are granted quarterly to non-employee Directors (of which there are currently six) at fair market value of the Common Stock at the date of grant. The options become exercisable six months after the grant date and expire eleven years after the grant date. Options not vested terminate if directorship is terminated. Options to purchase 101,250 shares of Common Stock were issued upon stockholder approval of the Directors' Plan; they included 11,250 granted subject to stockholder approval in November 2001 for which a compensation charge of $117,000 was recorded for the increase in the fair market value of the Common Stock from the grant date to the date of stockholder approval. An additional 22,500 options were granted later in 2002 and 45,000 in 2003.

Upon approval of the Directors' Plan by the stockholders, the existing Directors' Stock Award Plan, under which each non-employee Director was awarded 1,500 shares of Common Stock annually, was terminated and the award payable on the date of the 2002 annual meeting was not made.

In 2002, the Company adopted the 2002 Employee Stock Purchase Plan (the "ESPP") under which certain employees may purchase up to $25,000 annually of Common Stock at 85% of its fair market value at the beginning or the end of a six-month offering period, whichever is lower. There are 750,000 shares of Common Stock reserved for issuance under the ESPP, which number is subject to annual increase; the Board of Directors determined that the annual increase due January 1, 2003 and 2004 would not take place. The ESPP is intended to constitute an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code. Employees purchased 22,493 shares of Common Stock under the ESPP Plan in 2003 and are enrolled to purchase approximately 11,400 shares of Common Stock in the offering period ending February 13, 2004.

A summary of the Company's stock option activity is as follows:

		Exercise Price	
	Shares	Range	Weighted Average
Outstanding at December 31, 2000	4,486,581	$ 5.08 - $ 18.97	$ 9.03

Granted	548,565	17.00	-	29.17	23.23
Exercised	(526,960)	5.08	-	18.00	7.51
Forfeited	(119,588)	7.29	-	25.42	9.09
Outstanding at December 31, 2001	4,388,598	5.08	-	29.17	10.95
Granted	707,150	26.51	-	40.62	33.83
Exercised	(962,193)	5.33	-	32.48	9.13
Forfeited	(20,754)	12.17	-	29.89	19.72
Outstanding at December 31, 2002	4,112,801	5.08	-	40.62	13.62
Granted	457,250	24.83	-	37.29	31.25
Exercised	(166,994)	5.33	-	33.07	12.36
Forfeited	(47,127)	14.81	-	39.30	29.82
Outstanding at December 31, 2003	4,355,930	$ 5.08		$ 40.62	$ 16.88
Exercisable at December 31:					
2001	3,200,997	$ 5.08	-	$ 18.98	$ 8.81
2002	2,869,651	5.08	-	39.25	11.09
2003	3,368,078	5.08	-	40.62	13.06
Available for grant at December 31, 2003					
1993 Plan	207,507				
Directors' Plan	581,250				
2003 Plan	1,500,000				
	2,288,757				

There are 4,355,930 options outstanding at December 31, 2003 of which 4,187,180 were issued under the 1993 Plan and 168,750 were issued under the Directors' Plan. 3,368,078 of the outstanding options are vested. Of the 987,852 unvested options, 120,000 options are time accelerated options issued from 1999 to 2002 and the remaining are time vested options granted from 2000 to 2002 with vesting dates from 2003 to 2005. All options expire eleven years after issuance. Options outstanding at December 31, 2003 were issued as follows:

Year of Grant	Shares	Exercise Price Range			Weighted Average
1994	4,750	$5.54	-	$5.54	$5.54
1996	352,763	5.33	-	10.25	10.25
1997	587,115	5.08	-	7.92	6.32
1998	1,151,477	8.04	-	10.63	8.18
1999	237,720	8.50	-	14.29	10.75
2000	448,110	9.58	-	18.98	15.22
2001	476,137	17.00	-	29.16	23.68
2002	653,359	26.51	-	40.62	33.94
2003	444,500	24.83	-	37.29	31.33

All options granted before 1999 and in 2000 are vested. Of the options granted in 1999, 2001, 2002 and 2003, the number vested and average exercise prices are 220,220 at $10.72; 354,139 at $32.60; 167,554 at $ 27.21; and 23,500 at $30.35, respectively.

Dilutive stock options account for the difference in the number of shares used to calculate basic and diluted net income per share and were 1,297,705 in 2003, 1,559,659 in 2002 and 1,613,531 in 2001. The average number of options that are anti-dilutive because their average exercise price exceeded the average market price of the Company's common stock approximated 575,000, 130,000 and 30,000 in 2003, 2002, 2001, respectively. At December 31, 2003, 3,992,530 outstanding options had exercise prices less than the market price of the Company's common stock and 363,400 had exercise prices greater than the market price of the Company's common stock.

In 2000, two of the Company's wholly owned subsidiaries, Budget Medical Products, Inc. and SetFinder, Inc., adopted stock option plans. In 2002, non-Director employees of the subsidiaries exchanged the options to acquire stock of the subsidiaries, which options were estimated to have an exercise price no less than the fair value of the subsidiaries' stock, for options to buy

the Company's Common Stock at fair market value on the exchange date. In January 2003, the remaining option holders, consisting solely of the Company's Directors, agreed to surrender their options for no consideration, and the stock option plans of the subsidiaries were terminated.

The following information relates to the pro forma earnings information presented pursuant to SFAS No. 123, as amended. It pertains to options under the Company's 1993 Plan, the Directors' Plan in 2003 and 2002, and the ESPP in 2003 and 2002. The following weighted-average assumptions for 2003, 2002, and 2001 were used: risk-free interest rate of 2.7, 4.1, and 4.9 percent, respectively; expected option life of 4.6, 4.9, and 6.2 years, respectively; expected volatility of 51, 52, and 50 percent, respectively; and, no dividends. The weighted average fair value of stock options granted in 2003, 2002, and 2001 was $13.58 per share, $16.80 per share, and $12.49 per share, respectively. The total estimated fair value is amortized to expense over the vesting period. The weighted average number of common shares used in calculating pro forma net income per share is as follows: 2003 basic 13,378,000, diluted 14,720,000; 2002 basic 13,452,000, diluted 15,012,000; and 2001 basic 12,430,000, diluted 14,043,000.

The fair value of the options of the subsidiaries was estimated using the same methodology as for grants by the Company; substantially all options were granted in 2000, when assumptions were a 6.8 percent risk free interest rate, option life of 6.9 years, and expected volatility of 53 percent. Volatility was estimated using the Company's volatility since there is no market for the subsidiaries' shares. The effect of the pro forma amortization of the value of the subsidiaries' options on pro forma income was a net reduction of approximately $75,000 in 2002, and $400,000 in 2001.

6. STOCKHOLDER RIGHTS PLAN

In July 1997, the Board of Directors adopted a Stockholder Rights Plan. The Company distributed a Preferred Share Purchase Right (a "Right") for each share of the Company's Common Stock outstanding. The Rights generally will not be exercisable until a person or group has acquired 15% or more of the Company's Common Stock in a transaction that is not approved in advance by the Board of Directors or ten days after the commencement of a tender offer which could result in a person or group owning 15 percent or more of the Common Stock.

On exercise, each Right entitles the holder to buy one share of Common Stock at an exercise price of $115, as amended in April 2002. In the event a third party or group were to acquire 15 percent or more of the Company's outstanding Common Stock without the prior approval of the Board of Directors, each Right will entitle the holder, other than the acquirer, to buy Common Stock with a market value of twice the exercise price, for the Right's then current exercise price. In addition, if the Company were to be acquired in a merger, shareholders with unexercised Rights could purchase common stock of the acquirer with a value of twice the exercise price of the Rights.

The Company's Board of Directors may redeem the Rights for a nominal amount at any time prior to the tenth business day following an event that causes the Rights to become exercisable. The Rights will expire unless previously redeemed or exercised on August 7, 2007.

7. INCOME TAXES

The provision for income taxes for the years ended December 31, 2003, 2002 and 2001 is as follows:

	2003	2001	2000
Current:			
Federal	$ 10,762,000	$ 8,591,000	$ 7,165,000
State	1,040,000	2,443,000	1,592,000
	11,802,000	11,034,000	8,757,000
Deferred:			
Federal	838,000	759,000	(85,000)
State	310,000	(43,000)	48,000

1,148,000	716,000	(37,000)
$ 12,950,000	$ 11,750,000	$ 8,720,000

Current income taxes payable were reduced from the amounts in the above table by $842,000, $10,192,000 and $3,764,000 in 2003, 2002 and 2001, respectively, equal to the tax benefit that the Company receives upon exercise of stock options by employees and directors. That benefit is allocated to stockholders' equity.

A reconciliation of the provision for income taxes at the statutory rate to the Company's effective rate is as follows:

	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
Federal tax at the expected statutory rate	$ 12,336,000	35.0%	$ 10,687,000	34.0%	$ 8,196,000	34.0%
State income tax, net of federal benefit	994,000	2.8	1,562,000	5.0	1,347,000	5.7
Tax-exempt interest and dividends	(284,000)	(0.8)	(400,000)	(1.3)	(553,000)	(2.4)
Tax credits	(96,000)	(0.3)	(99,000)	(0.3)	(270,000)	(1.1)
Provision	$ 12,950,000	36.7%	$ 11,750,000	37.4%	$ 8,720,000	36.2%

The components of the Company's deferred income tax provision for the years ended December 31, 2003, 2002, and 2001 are as follows:

	2003	2002	2001
Allowance for doubtful accounts	$ (33,000)	$ (31,000)	$ (24,000)
Inventory reserves	101,000	(114,000)	(32,000)
Accruals	171,000	167,000	363,000
State income taxes	(508,000)	507,000	(270,000)
Acquired future tax deductions	359,000	585,000	--
Depreciation	1,058,000	(398,000)	(74,000)
	$ 1,148,000	$ 716,000	$ (37,000)

The components of the Company's deferred income tax benefit are as follows:

	2003	2002
Current deferred tax benefit:		
Allowance for doubtful accounts	$ 317,000	$ 284,000
Inventory reserves	276,000	377,000
Accruals	1,044,000	1,215,000
State income taxes	371,000	(166,000)
	$ 2,008,000	$ 1,710,000
Non-current deferred tax benefit:		
Depreciation	$ 61,000	$ 1,231,000
Acquired future tax deductions	2,723,000	3,082,000
Foreign currency translation adjustments	(104,000)	--
	$ 2,680,000	$ 4,313,000

Acquired future tax deductions are the benefits of future tax deductions in the Company's consolidated income tax returns originating in Bio-Plexus before its acquisition by the Company. They consist of: (a) the net benefit of items expensed for financial statement purposes but capitalized and amortized for tax purposes of $1,877,000 at acquisition date, less $284,000 realized since acquisition; most of the balance of $1,593,000 will be realized in approximately equal amounts over the next nine years; (b) the benefit of a portion of Bio-Plexus's net operating loss ("NOL") carryforward of $1,790,000, less $121,000 realized since acquisition, which will be realized in approximately equal amounts over the next nineteen years, (c) reduced by the tax effect of non-amortizable basis differences of $539,000.

At October 31, 2002, Bio-Plexus had federal NOL carryforwards of approximately $86 million. Under Section 382 of the Internal Revenue Code, certain ownership changes limit utilization of the NOL carryforwards, and the amount recorded is the net federal benefit. Bio-Plexus also has approximately $33 million of Connecticut State NOL carryforwards expiring through 2007. Realization of any of these is unlikely, and the Company has not ascribed any value to them.

The accounting for the benefits of the acquired future tax deductions as described above will not have any direct impact on net income in the future. However, if any benefits are realized in excess of those recorded, they will be allocated to reduce non-current intangible assets related to the acquisition (patent and royalty rights, and other) until those amounts are reduced to zero, with any excess then recognized as a reduction in tax expense.

Foreign currency translation adjustments, and related tax effects, are an element of "other comprehensive income" and are not included in net income.

8. PRODUCTS, MAJOR CUSTOMERS AND CONCENTRATIONS OF CREDIT RISKS

All of the Company's products are disposable medical devices. The Company's principal product is its CLAVE needleless I.V. connection system which accounted for $62,864,000 of consolidated net sales in 2003, $58,471,000 in 2002, and $51,130,000 in 2001. Custom I.V. systems, many of which incorporate the CLAVE connector, accounted for $22,179,000 of consolidated net revenues in 2003, $15,205,000 in 2002 and $9,263,000 in 2001. Each of the Company's other products account for less than 8% of net revenues.

The Company sells products, which are sold on credit terms, principally throughout the United States to medical product manufacturers, independent medical supply distributors, and in selected cases to hospitals and homecare providers. The manufacturers and distributors, in turn, sell the Company's products to healthcare providers. For the years ended December 31, 2003, 2002 and 2001, the Company had sales of 10 percent or greater to two manufacturers as follows:

	2003	2002	2001
Manufacturer A	67%	57%	53%
Manufacturer B	1%	11%	19%

Export sales accounted for 5%, 8% and 8% of consolidated net revenue in 2003, 2002, and 2001, respectively.

Approximately $13,933,000 of the Company's long-lived assets, principally property and equipment, are located outside the United States: approximately $10,406,000 in Mexico and approximately $3,527,000 in Italy.

9. FINANCE LOANS RECEIVABLE

Finance loans receivable are commercial loans by ICU Finance, Inc., a wholly-owned consolidated subsidiary. We plan to hold the loans to maturity or payoff. They are carried at their outstanding principal amount, and will be reduced for an allowance for credit losses and charge offs if any such reductions are determined to be necessary in the future. Interest is accrued as earned based on the stated interest rate and amounts outstanding. Loan fees and costs have not been material. Scheduled maturities are: 2004 $4,142,000; 2005 $1,336,000; 2006 $1,306,000; 2007 $1,289,000 and 2008 $834,000. Weighted average maturity (principal and interest) at December 31, 2003 is 2.2 years and the

weighted average interest rate is 5.5%. In October 2003, we decided to discontinue new lending activities; we will honor existing lending commitments; unfunded commitments were approximately $4.0 million at December 31, 2003.

10. COMMITMENTS AND CONTINGENCIES

The Company is from time to time involved in various legal proceedings, most of which are routine litigation, in the normal course of business. In the opinion of management, the resolution of the legal proceedings in which the Company is involved will not have a material adverse impact on the Company's financial position or results of operations.

In the normal course of business, we have agreed to indemnify officers and directors of the Company to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters related to sales of our products. There is no maximum limit on the indemnification that may be required under these agreements. We have never incurred, nor do we expect to incur, any liability for indemnification. Except for indemnification agreements, we do not have any "off balance sheet arrangements".

11. QUARTERLY FINANCIAL DATA -- UNAUDITED -- (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
2003				
Total Revenue	$30,776	$21,283	$25,524	$29,771
Gross Profit	17,732	12,135	12,278	16,765
Net Income	7,070	3, 899	4,125	7,203
Net Income Per Share:				
Basic	$0.50	$0.28	$0.31	$0.54
Diluted	$0.46	$0.26	$0.28	$0.48
2002				
Total Revenue	$20,905	$22,668	$20,105	$24,129
Gross Profit	12,349	13,336	11,564	14,094
Net Income	4,523	4,998	4,276	5,885
Net Income Per Share:				
Basic	$0.34	$0.36	$0.31	$0.42
Diluted	$0.30	$0.32	$0.28	$0.38

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our principal executive officer and principal financial officer have concluded, based on their evaluation of our disclosure controls and procedures (as defined in Regulations 13a-14(c) and 15a-14(c) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission. There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of the principal executive officer's and principal financial officer's evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT.

The information about Registrant's directors and disclosure of Form 3, 4 or 5 delinquent filers called for by Item 10, Part III of Form 10-K is set forth in Registrant's definitive Proxy Statement filed or to be filed pursuant to Regulation 14A within 120 days of Registrant's fiscal year ended December 31, 2003 and such information is incorporated herein by reference. Pursuant to Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, information about Registrant's executive officers called for by Item 10, Part III of Form 10-K is set forth in Part I of this Report in a separate item captioned "Executive Officers of Registrant."

ITEMS 11 THOUGH 14.

The information called for by Part III of Form 10-K (Item 11 - Executive Compensation, Item 12 - Security Ownership of Certain Beneficial Owners and Management, Item 13 - Certain Relationships and Related Transactions and Item 14 - Principal Accountant Fees and Services) is set forth in Registrant's definitive Proxy Statement filed or to be filed pursuant to Regulation 14A within 120 days of Registrant's fiscal year ended December 31, 2003, and such information is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 10-K.

(a) The following documents are filed as part of this Report:

1. Financial Statements

2. Financial Statement Schedules

The Financial Statement Schedules required to be filed as a part of this Report are:

Schedules other than those listed above are omitted since they are not applicable, not required or the information required to be set forth therein is included in Consolidated Financial Statements or Notes thereto included in this Report.

3. Exhibits

Exhibits required to be filed as part of this report are:

EXHIBIT NUMBER	DESCRIPTION
3.1	Registrant's Certificate of Incorporation, as amended.(1)

3.2 Registrant's Bylaws, as amended.(1)

10.1 Form of Indemnity Agreement with Executive Officers.(1)

10.2 Registrant's Amended and Restated 1993 Incentive Stock Plan.(2)

10.3 Manufacture and Supply Agreement dated September 13, 1993 between Registrant and B.Braun, Inc. relating to the Protected Needle product.(3)

10.4 Supply and Distribution Agreement dated April 3, 1995 between Registrant and Abbott Laboratories, Inc. relating to the CLAVE product.(4)

10.5 Rights Agreement dated July 15, 1998 between Registrant and ChaseMellon Shareholder Services, L.L.C. as Rights Agent.(5)

10.6 SafeLine Agreement effective October 1, 1999 by and between Registrant and B.Braun Medical, Inc.(6)

10.7 Amendment to April 3, 1995 Supply and Distribution Agreement, dated January 1, 1999, between Registrant and Abbott Laboratories.(7)

10.8 Amendment No. 1 to Rights Agreement, dated January 30, 1999, between Registrant and ChaseMellon Shareholder Services, L.L.C. as Rights Agent.(8)

10.9 Co-Promotion and Distribution Agreement, dated February 27, 2001 between Registrant and Abbott Laboratories.(9)

10.10 Amended and Restated Rights Agreement, dated as of May 10, 2002, between Registrant and Mellon Investor services, L.L.C., as Rights Agent.(10)

10.11 Registrant' 2001 Directors' Stock Option Plan.(11)

10.12 Registrants 2002 Employee Stock Purchase Plan.(11)

10.13 Securities Purchase Agreement (between Registrant and Sellers of Common Stock of Bio-Plexus, Inc.(12)

10.14 Note Purchase Agreement (between Registrant and Sellers of Notes Payable of Bio-Plexus, Inc.(12)

10.15 Registrant's 2003 Stock Option Plan.(13)

10.16 Amendment to April 3, 1995 Supply and Distribution Agreement, dated as of January 14, 2004, between Registrant and Abbott Laboratories.(14)

10.17 Amendment to February 27, 2001 Co-Promotion and Distribution Agreement, dated as of January 14, 2004, between Registrant and Abbott Laboratories.(14)

21.1 Subsidiaries of Registrant.

23.1 Consent of Deloitte & Touche LLP.

23.2 Consent of Arthur Andersen LLP.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Filed as an exhibit to Registrant's Registration Statement Form S-1 (Registration No. 33-45734) filed on February 14, 1992, and incorporated herein by reference.

(2) Filed as an Exhibit to Registrant's definitive Proxy Statement filed pursuant to Regulation 14A on March 4, 1999 and incorporated herein by reference.

(3) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 1993, and incorporated herein by reference.

(4) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1995, and incorporated herein by reference.

(5) Filed as an exhibit to Registrant's Registration Statement on Form 8-A dated July 23, 1998 and incorporated herein by reference.

(6) Filed as an exhibit to Registrant's Current Report on Form 8-K dated June 18, 1999, and incorporated herein by reference.

(7) Filed as an exhibit to Registrant's Current Report on Form 8-K dated February 23, 1999, and incorporated herein by reference.

(8) Filed as an exhibit to Registrant's Registration Statement on Form 8-A/A dated February 9, 1999 and incorporated herein by reference.

(9) Filed as an exhibit to Registrant's Current Report on Form 8-K dated March 7, 2001 and incorporated herein by reference.

(10) Filed as an Exhibit to Registrant's Registration Statement on Form 8A/A dated May 14, 2002, and incorporated herein by reference.

(11) Filed as an exhibit to Registrant's definitive Proxy Statement filed pursuant to Regulation 14A on April 2, 2002 and incorporated herein by reference

(12) Filed as an exhibit to Registrant's Schedule 13D dated November 12, 2002 and incorporated herein by reference.

(13) Filed as an exhibit to Registrant's definitive Proxy Statement filed pursuant to Regulation 14A on April 25, 2003 and incorporated herein by reference.

(14) Filed as an exhibit to Registrant's Current Report on Form 8-K dated January 15, 2004, and incorporated herein by reference.

(b) Reports on Form 8-K.

Item 2 (Form 8K/A) - October 2, 2003

The following financial statements were filed as part of the Report on Form 8-K/A of October 2, 2003:

(a) Financial Statements of Business Acquired

The financial statements of Bio-Plexus, Inc. at December 31, 2001 and for the three years then ended and the report of independent auditors: incorporated by reference to Bio-Plexus, Inc.'s Form 10-K filed with the Securities and Exchange Commission (Commission file number 0-24218) for the year ended December 31, 2001.

The unaudited condensed financial statements of Bio-Plexus, Inc. at June 30, 2002 and for the six months then ended: incorporated by reference to Bio-Plexus, Inc.'s Form 10-Q filed with the Securities and Exchange Commission for the quarter ended June 30, 2002.

(b) Pro Forma Financial Information

ICU Medical, Inc. and Bio-Plexus, Inc.:

Unaudited Pro Forma Condensed Combined Balance Sheets at June 30, 2002

Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations for the Year Ended December 31, 2001

Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations for the Six Months Ended June 30, 2002.

Items 7 and 12 - October 16, 2003

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICU MEDICAL, INC.

By: /s/ George A. Lopez, M.D.
George A. Lopez, M.D.
Chairman of the Board

Dated: March 11, 2004

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ George A. Lopez, M.D. George A. Lopez, M.D.	Chairman of the Board, President, and Chief Executive Officer, (Principal Executive Officer)	March 11, 2004
/s/ Francis J. O'Brien Francis J. O'Brien	Chief Financial Officer (Principal Financial Officer)	March 11, 2004
/s/ Scott E. Lamb Scott E. Lamb	Controller (Principal Accounting Officer)	March 11, 2004
/s/ Jack W. Brown Jack W. Brown	Director	March 11, 2004
/s/ John J. Connors John J. Connors	Director	March 11, 2004
/s/ Michael T. Kovalchik, III, M.D. Michael T. Kovalchik, III, M.D.	Director	March 11, 2004
/s/ Joseph R. Saucedo Joseph R. Saucedo	Director	March 11, 2004
/s/ Richard H. Sherman, M.D. Richard H. Sherman, M.D.	Director	March 11, 2004

/s/ Robert S. Swinney, M.D. Director March 11, 2004

Robert S. Swinney, M.D.

SCHEDULE II

ICU MEDICAL, INC.

VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Write-offs/ Disposals	Balance at End of Period
For the year ended December 31, 2001: Allowance for doubtful accounts	$505,000	$100,000	$ --	($24,000)	$581,000
For the year ended December 31, 2002: Allowance for doubtful accounts	$581,000	$100,000	$ 11,000	($27,000)	$665,000
For the year ended December 31, 2003: Allowance for doubtful accounts	$665,000	$170,000	$ --	($93,000)	$742,000

EXHIBIT INDEX

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

NAME	STATE OF INCORPORATION
ICU Medical Sales, Inc.	Delaware
ICU Finance, Inc.	California
Budget Medical Products, Inc.	California
ICU MedEurope Limited	United Kingdom
ICU MedEurope (NZ) Limited	New Zealand
ICU Medical Europe S.r.l.	Italy
BMP de Mexico, S.A. de C.V.	Mexico

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 333-04171 No. 333-58024, No. 333-90642 and No. 333-90464 of ICU Medical, Inc. on Form S-8 of our report dated March 10, 2004 relating to the consolidated financial statements and financial statement schedule of ICU Medical, Inc. and subsidiaries as of and for the years ended December 31, 2003 and 2002 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the application of procedures relating to certain disclosures and the adjustment of financial statement amounts for a three-for-two stock split related to the 2001 consolidated financial statements that were audited by other auditors who have ceased operations and for which we have expressed no opinion or other form of assurance other than with respect to such disclosures and adjustments), appearing in this Annual Report on Form 10-K of ICU Medical, Inc. for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Costa Mesa, California
March 10, 2004

Exhibit 23.2

The following consent of Arthur Andersen LLP ("Andersen") is a copy of the original consent dated February 19, 2002, included in the Form 10-K for December 31, 2001. The SEC has provided regulatory relief designed to allow public companies to dispense with the requirements to file a reissued report and consent of Andersen in certain circumstances. After reasonable efforts, we have not been able to obtain a reissued report or consent from Andersen.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 29, 2002 included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement File No. 33-49822. It should be noted that we have not audited any financial statements of the Company subsequent to December 31, 2001 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP
ARTHUR ANDERSEN LLP

Orange County, California
February 19, 2002

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of ICU Medical, Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ George A. Lopez, M.D.

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of ICU Medical, Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ Francis J. O'Brien

Chief Financial Officer

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ICU Medical, Inc. (the "Company") on Form 10-K for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George A. Lopez, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ George A. Lopez, M.D.

George A. Lopez, M.D.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ICU Medical, Inc. (the "Company") on Form 10-K for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis J. O'Brien, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Francis J. O'Brien

Francis J. O'Brien