FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: JUNE 30, 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 provided in 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)

(949) 366-2183
(Registrant's Telephone No. Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports 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 the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes XXX No____

Indicate the number of shares outstanding in each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 8, 2003
Common	13,537,531

ICU MEDICAL, INC.

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ICU MEDICAL, INC.
Condensed Consolidated Balance Sheets
June 30, 2003 and December 31, 2002
(all dollar amounts in thousands except share data)
(unaudited)

ASSETS

	6/30/03	12/31/02
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,503	$ 4,165
Liquid investments	65,050	84,300
Cash, cash equivalents and liquid investments	69,553	88,465
Accounts receivable, net of allowance for doubtful accounts of $641 and $665 as of June 30, 2003 and December 31, 2002, respectively	17,890	16,633
Finance loans receivable - current portion	1,703	--
Inventories	7,267	5,749
Prepaid income taxes	2,377	--
Prepaid expenses and other	1,096	1,652
Deferred income taxes - current portion	1,716	1,710
Total current assets	101,602	114,209
PROPERTY AND EQUIPMENT, at cost:	68,023	58,958
Less--Accumulated depreciation	(27,151)	(24,350)
Property and equipment, net	40,872	34,608
FINANCE LOANS RECEIVABLE	5,411	--
DEFERRED INCOME TAXES	4,313	4,313
INTANGIBLE ASSETS - net	4,322	3,352
OTHER ASSETS	463	550
	$ 156,983	$ 157,032

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 3,870	$ 5,046
Accrued liabilities	6,140	6,599
Total current liabilities	10,010	11,645

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 -- 14,098,807 and 14,087,026		
shares at June 30, 2003 and December 31, 2002, respectively	1,410	1,409
Additional paid-in capital	63,434	63,284
Treasury stock, at cost -- 348,776 shares at June 30, 2003	(9,534)	--
Retained earnings	91,663	80,694
Total stockholders' equity	146,973	145,387
	$ 156,983	$ 157,032

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

ICU MEDICAL, INC.
Condensed Consolidated Statements of Income
For the Three Months Ended
June 30, 2003 and June 30, 2002 (all dollar amounts in thousands except per share data)
(unaudited)

	For the Three Months Ended	
	6/30/03	6/30/02
REVENUES		
Net Sales	$ 19,864	$ 22,668
Other	1,419	--
TOTAL REVENUE	21,283	22,668
COST OF GOODS SOLD	9,148	9,332
Gross profit	12,135	13,336
OPERATING EXPENSES:		
Selling, general and administrative	5,543	5,416
Research and development	537	346
Total operating expenses	6,080	5,762
Income from operations	6,055	7,574
INVESTMENT INCOME	274	364
Income before income taxes	6,329	7,938
PROVISION FOR INCOME TAXES	2,430	2,940
NET INCOME	$ 3,899	$ 4,998
NET INCOME PER SHARE		
Basic	$ 0.28	$ 0.36
Diluted	$ 0.26	$ 0.32

WEIGHTED AVERAGE NUMBER OF SHARES		
Basic	13,763,120	13,854,070
Diluted	15,081,815	15,403,283

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

ICU MEDICAL, INC.
Condensed Consolidated Statements of Income
For the Six Months Ended
June 30, 2003 and June 30, 2002 (all dollar amounts in thousands except per share data)
(unaudited)

	For the Six Months Ended	
	6/30/03	6/30/02
REVENUES		
Net Sales	$ 48,600	$ 43,573
Other	3,459	--
TOTAL REVENUE	52,059	43,573
COST OF GOODS SOLD	22,172	17,888
Gross profit	29,887	25,685
OPERATING EXPENSES:		
Selling, general and administrative	11,630	10,655
Research and development	1,008	649
Total operating expenses	12,638	11,304
Income from operations	17,249	14,381
INVESTMENT INCOME	570	740
Income before income taxes	17,819	15,121
PROVISION FOR INCOME TAXES	6,850	5,600
NET INCOME	$ 10,969	$ 9,521
NET INCOME PER SHARE		
Basic	$ 0.79	$ 0.70
Diluted	$ 0.72	$ 0.62
WEIGHTED AVERAGE NUMBER OF SHARES		
Basic	13,885,425	13,616,595
Diluted	15,209,580	15,234,070

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

Condensed Consolidated Statements of Cash Flows
For the Six Months Ended
June 30, 2003 and June 30, 2002
(all dollar amounts in thousands)
(unaudited)

	For the Six Months Ended	
	06/30/03	06/30/02
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 10,969	$ 9,521
Adjustments to reconcile net income to net cash		
Provided by operating activities		
Depreciation and amortization	3,416	2,703
Net change in current assets and current liabilities, and other, net of acquisitions	(4,383)	(7,342)
	10,002	4,882
Tax benefits from exercise of stock options	186	7,446
Net cash provided by operating activities	10,188	12,328
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,071)	(4,664)
Net change in liquid investments	19,250	(17,000)
Cash payments in connection with acquisitions	(5,346)	--
Advances under finance loans	(7,114)	--
Net cash (used in) investing activities	(281)	(21,664)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	473	7,025
Proceeds from employee stock purchase program	271	--
Purchase of treasury stock	(10,313)	--
Net cash provided by (used in) financing activities	(9,569)	7,025
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	338	(2,311)
CASH AND CASH EQUIVALENTS, beginning of the period	4,165	3,901
CASH AND CASH EQUIVALENTS, end of the period	$ 4,503	$ 1,590

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(All dollar amounts in thousands)
(unaudited)

NOTE 1: The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments, which consist of only normal recurring adjustments, which are, in the opinion of Management, necessary to a fair statement of the consolidated

results for the interim periods presented. Results for the interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2002 Annual Report to Stockholders.

NOTE 2: Inventories consisted of the following:

	6/30/03	12/31/02
Raw material	$ 4,957	$ 3,302
Work in process	1,035	534
Finished goods	1,275	1,913
Total	$ 7,267	$ 5,749

NOTE 3: Property and equipment, at cost, consisted of the following:

	6/30/03	12/31/02
Land, building and building improvements	$ 18,915	$ 15,197
Machinery and equipment	23,343	19,142
Furniture and fixtures	5,527	5,343
Molds	11,226	9,534
Construction in process	9,012	9,742
Total	$ 68,023	$ 58,958

NOTE 4: 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 chargeoffs 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: remainder of 2003 $716,000; 2004 $1,583,000; 2005 $1,234,000; 2006 $1,151,000; 2007 $1,157,000 and 2008 $1,273,000. Weighted average maturity (principal and interest) at June 30, 2003 is 2.3 years and the weighted average interest rate is 4.8%.

NOTE 5: Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average number of common shares outstanding plus dilutive securities. Our dilutive securities are outstanding common stock options (excluding stock options with an exercise price in excess of 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, and were 1,318,695 and 1,549,213 for the three months ended June 30, 2003 and June 30, 2002, respectively and 1,324,155 and 1,617,475 for the six months ended June 30, 2003 and June 30, 2002, respectively. Options that are antidilutive because their average exercise price exceeded the average market price of our common stock for the period approximated 500,000 and 100,000 for the three months ended June 30, 2003 and 2002, respectively, and approximately 400,000 and 200,000 for the six months ended June 30, 2003 and 2002, respectively.

At the 2003 Annual Meeting of Stockholders, the 2003 Stock Option Plan, under which 1,500,000 common shares were reserved for issuance to employees, was approved. Shares reserved for issuance under all of our stock plans at June 30, 2003 are: 1993 Stock Incentive Plan 338,756; 2003 Stock Option Plan 1,500,000; 2001 Directors' Stock Option Plan 603,750; 2002 Employee Stock Purchase Plan 739,392.

We account for our 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 do 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 and 2002 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 our 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 our 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.

	Quarter ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Net Income, as reported.....	$3,899,000	$4,998,000	$10,969,000	$9,521,000
Pro forma adjustment.....	1,317,000	1,547,000	2,659,000	2,676,000
Net Income, pro forma.....	$2,582,000	$3,451,000	$8,310,000	$6,845,000
Net Income per share.....				
Basic, as reported	$0.28	$0.36	$0.79	$0.70
Diluted, as reported	$0.26	$0.32	$0.72	$0.62
Basic, pro forma	$0.19	$0.26	$0.61	$0.52
Diluted, pro forma	$0.18	$0.23	$0.56	$0.46

NOTE 6: The effective tax rate differs from that computed at the federal statutory rate of 35% principally because of the effect of state income taxes partially offset by the effect of tax-exempt investment income and state tax credits.

NOTE 7: We have revenues equal to ten percent or greater of total net revenues from two customers, as follows:

	Quarter ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Abbott Laboratories	67%	65%	68%	66%
B. Braun Medical Inc.	1%	10%	1%	9%

NOTE 8: We are from time to time involved in various 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 effect on our financial position or results of operations.

In the normal course of business, we have made certain indemnities, including indemnities to our officers and directors, to the maximum extent permitted under Delaware law and intellectual property indemnities to customers in connection with sales of its products. These indemnities do not provide a maximum amount. We have not recorded any liability for these in our financial

statements and do not expect to incur any.

NOTE 9: In the fourth quarter of 2002, we acquired Bio-Plexus. Inc. for approximately $8.8 million, 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 the first quarter of 2003 were $1.8 million, and its effect on net income was immaterial. Unaudited pro forma combined revenues of the Company and Bio-Plexus for the first quarter of 2002, assuming the acquisition occurred on January 1, 2002, were $22,813,000; the pro forma effect on net income was immaterial.

Bio-Plexus's revenues in the second quarter of 2003 and the first half of 2003 were $2.0 million and $3.8 million, respectively, and its effect on net income was immaterial for both periods. Unaudited pro forma combined revenues of the Company and Bio-Plexus for the second quarter and first half of 2002, assuming the acquisition occurred on January 1, 2002, were $24,711,000 and $47,524,000, respectively; the pro forma effect on net income was immaterial for both periods.

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 $4.3 million. Principal assets acquired are assembly facilities and related equipment and inventories. It is included in our consolidated financial statements at June 30, 2003. Its effect on our financial statements is immaterial.

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

We develop, manufacture, sell and distribute disposable medical connection products. Our principal products are proprietary safe medical connector devices for use in intravenous ("I.V.") therapy applications. We also produce custom I.V. systems that incorporate our proprietary products, and since October 31, 2002, blood collection needles.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements included in our 2002 Annual Report to Shareholders. In preparing our financial statements, we make estimates and assumptions that affect the reported 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 "Quantitative and Qualitative Disclosures about Market Risk" below. Under our current investment policies, there is 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.

Most of our product sales are FOB shipping point and ownership of the product transfers to the customer when we ship it. Certain other product sales are FOB destination and ownership of the product transfers to the customer at destination. We record sales and related costs when ownership of the product transfers to the customer. Most of our customers are distributors or medical product manufacturers, although there are some sales to end-users. Our only post-sale obligations are warranty and certain rebates. Customers, with certain rare exceptions, do not retain any right of return and there is no price protection with respect to unsold products. 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. We accrue rebates as a reduction in revenue based on contractual commitments and historical experience; amounts have not been significant. 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 made.

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 there are significant doubts as to the collectibility of receivables at the time of shipment, we do not recognize the sale until the receivable is collected. 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 their 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 the effect of such adoption was not material. We 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.

GENERAL

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

PRODUCT LINE	2000	2001	2002	Q2-02	Q2-03	YTD Q2-02	YTD Q2-03
CLAVE(R)	71%	74%	67%	71%	54%	74%	60%
Custom I.V. Systems	12%	13%	17%	17%	22%	15%	17%
Punctur-Guard	-	-	1%	-	8%	-	6%
CLC2000(R)	4%	3%	4%	5%	3%	4%	4%
Lopez Valve(R)	3%	2%	2%	2%	1%	2%	2%
RF100-RF150 ("Rhino")	5%	3%	2%	2%	3%	2%	2%
Protected Needle Products and Other	5%	5%	3%	3%	2%	3%	2%

License, royalty and revenue share	-	-	4%	-	7%	-	7%
Total	100%	100%	100%	100%	100%	100%	100%

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. Abbott also purchases the Rhino, a low-priced connector specifically designed for Abbott, the CLC2000, and custom I.V. sets. The Abbott Agreements extend to December 2009 and have extension provisions beyond that date. We also sell certain other products to a number of other medical product manufacturers.

We believe that as the healthcare provider market continues to consolidate, our success in marketing and distributing CLAVE products will depend, in part, on our ability, either independently or through strategic supply and distribution arrangements, to secure long-term CLAVE contracts with major buying organizations. Further, our marketing and distribution strategy may result in a significant share of our revenues being concentrated among a small number of distributors and manufacturers. The loss of a strategic supply and distribution agreement with a customer or the loss of a large contract by such a customer 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. The price reductions to date have been more than offset by increased volume in the aggregate. 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 needleless systems where appropriate to reduce risk of injury to employees from needlesticks. We believe the effect of this law has helped to accelerate sales of our needleless systems, although we are unable to estimate the amount or timing of such 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 with products sold to medical product manufacturers and independent distributors. On February 27, 2001, we signed an agreement with Abbott under which we manufacture all new custom I.V. sets for sale by Abbott, and we jointly promote the products under the name SetSource(TM). We expect continuing significant increases in sales of custom I.V. systems under this agreement. We also launched efforts to 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 $9.5 million of net sales in the first six months of 2003, including net sales under the Abbott SetSource program of approximately $4.4 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, 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 the first half of 2003 were $3.8 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. The original focus on labor-intensive production of custom I.V. systems was expanded to include all automated manufacturing operations in San Clemente, California and has most recently been expanded to include the Punctur-Guard manual and automated manufacturing in Connecticut. Manual assembly, except for that done in

Connecticut, is performed at our facility in Ensenada, Baja California, Mexico. Molding and automated assembly, except for that done in Connecticut, takes place in our San Clemente, California facility. We continue to make investments in automated molding and assembly equipment. In the third quarter of 2002 we commenced use of automated assembly equipment for the 1o2 Valve(R) and commenced use of automated assembly equipment for the CLC2000 in the fourth quarter of 2002. Throughout 2002, 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 expect to complete construction and installation of an electron beam sterilizer in the third quarter of 2003. All these steps have reduced and will continue to reduce unit production 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.

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

CHANNEL	2000	2001	2002	Q2-02	Q2-03	YTD Q2-02	YTD Q2-03
Medical product manufacturers	74%	72%	73%	75%	73%	75%	75%
Independent domestic distributors	21%	20%	19%	19%	24%	18%	22%
International	5%	8%	8%	6%	3%	7%	3%
Total	100%	100%	100%	100%	100%	100%	100%

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 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.

QUARTER ENDED JUNE 30, 2003 COMPARED TO THE QUARTER ENDED JUNE 30, 2002

NET REVENUES decreased $1,385,000, or approximately 6%, to $21,283,000 in the second quarter of 2003, compared to $22,668,000 during the same period last year.

As explained below, the principal reason for the decrease in net revenues was a $4,573,000 decrease in CLAVE product sales across all distribution channels partially offset by the addition of the Punctur-Guard product line purchased in October 2002 ($1,682,000), increases in licenses and other non-product revenue ($1,419,000) and increases in custom I.V. system sales to Abbott ($1,120,000). Our quarterly results can fluctuate on a quarter-to-quarter basis as well as a year-to-year basis because of fluctuations in orders from our medical product manufacturer customers that may not reflect their current sales volumes and normal seasonal fluctuations due to lower censuses in healthcare facilities in summer months. For these reasons, it is

particularly useful to consider our results for the first six months of 2003 as part of considering our results for the second quarter of 2003. We believe part of the decrease in CLAVE product sales in the second quarter of 2003 resulted in part from seasonal fluctuations, in part from the timing of sales to Abbott, and

in part from the termination of CLAVE sales to B. Braun Medical Inc. ("B. Braun"). B. Braun is filling orders from inventory of CLAVE products, and we will not receive orders to replenish that inventory until such time as the customer orders from alternative CLAVE distribution channels.

Net sales to Abbott in the second quarter of 2003 were $14,046,000, as compared with net sales of $14,591,000 in the second quarter of 2002. (Abbott sales discussed in this paragraph do not include export sales.) Net sales of CLAVE Products to Abbott, excluding custom CLAVE I.V. systems, decreased to $10,355,000 in the second quarter of 2003 from $12,135,000 in the second quarter of 2002 due principally to a decrease in unit volume because of the timing of orders. Sales to Abbott under the SetSource program approximated $2,369,000 in the second quarter of 2003 as compared with approximately $1,249,000 in the second quarter of 2002, a 90% increase almost entirely because of increased unit volume. We expect a substantial increase in CLAVE unit and dollar sales volume with Abbott through the balance of 2003, as well as a significant increase in SetSource unit and sales volume. Net sales of CLC2000 were $455,000 in the second quarter of 2003, a 25% decrease as compared with the second quarter of 2002 principally because of lower pricing. We expect sales of the CLC2000 to Abbott will increase in the future. Sales of the Rhino were virtually unchanged at approximately $500,000; sales of Rhino started to decline in early 2001, and while they have leveled off recently, we expect them to decline in the future as the market shifts to one piece, swabbable, needleless technology. There is no assurance as to the amount of any future sales to Abbott.

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 continue to vigorously pursue patent litigation that we brought against B. Braun in 2001. See Part II, Item 1. Legal Proceedings. As a result of the termination of the manufacture and supply agreement for CLAVE products, CLAVE product sales to B. Braun declined from $1,755,000 in the second quarter of 2002 to zero in the second quarter of 2003, and total net revenue from B. Braun was $274,000 in the second quarter of 2003, as compared to $2,291,000 in the second quarter of 2002. There will be no CLAVE product sales to B. Braun in the future. While the termination of the B. Braun CLAVE agreement could have an adverse effect on us, we do not believe that it will. We do expect to lose 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 that many of them will continue to buy CLAVE products through either Abbott or independent distributors when they 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 increased approximately 19% from $4,235,000 in the second quarter of 2002 to $5,040,000 in the second quarter of 2003. This increase in sales to independent distributors is attributed to the inclusion of $1,590,000 of Punctur-Guard sales, partially offset by reduced sales to independent distributors in all other product lines. Although the dollar amount of CLAVE product sales decreased, unit sales increased, which we believe 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 products to independent domestic distributors. There is no assurance as to the amount of any future sales increases to the independent domestic distributors.

Total sales to international distributors (excluding Canada) were $611,000 in the second quarter of 2003, as compared with $1,389,000 in the second quarter of 2002. The decrease was principally because of a decrease in CLAVE product sales as our distributors sold existing inventories. We expect continued weakness through the third quarter, but expect to resume growth in international sales in the fourth quarter of 2003 or the first quarter of 2004. We have distribution arrangements in the principal countries in Western Europe, the Pacific Rim and Latin America and in South Africa. Furthermore, we have been increasing the number of our international business development managers. We expect increases in sales to foreign distributors in the future, although there

is no assurance that those expectations will be realized.

Total net sales of CLAVE Products (excluding custom CLAVE I.V. systems) decreased to $11,527,000 in the second quarter of 2003 from $16,100,000 in the second quarter of 2002. Substantially all of the decrease was because of a decrease in unit shipments in all of our medical product manufacturer and International distribution channels, as described above: Abbott decreased $1,800,000, B. Braun decreased $1,755,000 and International decreased $898,000. Independent domestic distributors' sales decreased $143,000, notwithstanding an increase in unit volume, and was the only distribution channel experiencing any significant price decreases. We expect continued significant growth in CLAVE unit and dollar sales volume in the second half of 2003, notwithstanding the termination of distribution to B. Braun because of the growth that we expect in our other distribution channels. However, we give no assurance that the expectations will be realized.

We believe that sales of CLAVE products to B. Braun, which were terminated as of December 31, 2002, will ultimately be replaced in part as independent distributors and Abbott commence sales to customers who will no longer be able to obtain CLAVE products from B. Braun. We do not know how much CLAVE product inventory B. Braun had at the end of 2002 or how much of it they had sold by June 30, 2003. We believe that they were still filling customer orders for CLAVE product at June 30, 2003. Further, we believe that because B. Braun continued to supply customers from inventory, customers were not forced to switch to other distribution sources, and the decline in sales to B. Braun has not yet been replaced. As B. Braun exhausts its inventory of CLAVE products, we may experience an increase in sales of CLAVE products as Abbott and the independent distributors build inventory of CLAVE products to service their new customers. While we anticipate that it may occur in the second half of 2003, we give no assurance that our expectations will be realized.

In October 2001, we commenced production of the "MicroCLAVE(R)." It is smaller than the existing CLAVE but is functionally similar. We will initially 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 I.V. systems were $4,619,000 in the second quarter of 2003 compared to $3,880,000 in the second quarter of 2002, a $739,000, or 19%, increase. The SetSource program with Abbott accounted for about $1,120,000 of the increase, partially offset by a decrease in sales by independent distributors because of a change in the sales mix to less expensive I.V. sets.

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. We spent most of the first half making improvements on the Punctur-Guard products and manufacturing processes. Pending completion of those efforts, we did not actively promote sales of those products. Improvements were completed on the Winged Set products and they were re-launched on March 1, 2003. Improvements on the blood collection needles are ongoing. Sales of Punctur-Guard products (excluding royalties) were $1,682,000 in the second quarter of 2003 as compared to $1,618,000 in the first quarter of 2003. We expect sales of those products to increase in the future, but we give no assurance that such increases will be achieved.

The 1o2 Valve is the first one-way or two-way drug delivery system in the marketplace. In the third quarter of 2002, we began using automated assembly equipment that will enable us to better meet demand for the 1o2 Valve. We are selling the 1o2 Valve only as a part of our custom I.V. systems, and sales, which are included in that category, were approximately $740,000 in the second quarter of 2003, as compared with approximately $740,000 in the first quarter of 2003.

Net sales of the CLC2000 were $723,000 in the second quarter of 2003, a $383,000, or 35%, decrease from the second quarter of 2002, principally because of lower pricing on sales to Abbott and lower unit volumes in other distribution channels. We expect sales of the CLC2000 to increase moderately in the second half 2003 and later years, but there is no assurance as to the amount or timing of future CLC2000 sales.

Net sales of the Lopez Valve decreased 23% in the second quarter

compared to the same period last year principally because of lower unit volume sold to independent domestic distributors. We believe that the focus of the sales and marketing efforts of our personnel and those of our distributors on other products has and may continue to dilute sales of the Lopez Valve and may contribute to quarterly fluctuations, but we do expect modest sales increases throughout the balance of 2003.

Net sales of protected needle products are no longer significant. We discontinued the Click Lock and Piggy Lock products in the first quarter of 2003. The remaining protected needle product is the McGaw Protected Needle, and we expect its sales will continue to decline as the market shifts to one piece, swabbable, 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. The principal component in the second quarter of 2003 was an initial payment on a license to use certain of our patents of $988,000. The remainder of the $1,419,000 was ongoing royalties for use of Punctur-Guard technology and Safeline revenue share payments from B. Braun. We expect to receive ongoing royalties for the use of Punctur-Guard technology and SafeLine revenue share payments from B. Braun, which have been aggregating approximately $450,000 per quarter, as well as additional payments under another license of approximately $240,000 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.

GROSS MARGIN for the second quarter of 2003, calculated on net sales and excluding other revenue, was 54% as compared to 59% for the second quarter of 2002. The following factors caused a decline in the gross margin in the second quarter: (i) inclusion of Bio-Plexus which has a lower gross margin than the average for our other products, (ii) lower gross margin on international sales because of price reductions, (iii) a shift in the product mix to a greater proportion of bulk non-sterile product which has a lower margin than the average for our other products, and (iv) exclusion of Safeline revenue share payments from net sales (now included in other revenue). We expect gross margins for the entire year 2003 to be somewhat lower than the 57% recorded in 2002. If Bio-Plexus has a significant increase in sales before production improvements are made, there could be a near-term adverse effect on overall gross margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A"), excluding research and development expenses, increased $127,000, or 2%, to $5,543,000, and was approximately 26% of revenue in 2003 as compared with 24% of revenue in 2002. The increase was because of the inclusion of Bio-Plexus and increased administrative costs, partially offset by savings in sales and marketing costs principally from internal organizational changes and other reductions in expenses. We expect to add sales and administrative personnel as 2003 progresses, and those personnel and related costs will cause a modest increase in total SG&A costs, which we expect to be 22% to 24% of total revenue for the entire year 2003. However, actual costs may differ from our expectations.

RESEARCH AND DEVELOPMENT EXPENSES ("R&D") increased in the second quarter of 2003 by $191,000 to $537,000, and were approximately 2.5% of revenues in the second quarter of 2003 as compared with 1.5% in the second quarter of 2002. The principal increase was on product development for the Punctur-Guard product line to make improvements that we felt were necessary to successfully market and sell the products. We estimate that R&D costs for the remainder of 2003 will be at approximately the same percentage of total revenue as in 2002. However R&D costs could differ from those estimates and the R&D may not be completed as expected.

We launched an infusion device using Punctur-Guard technology in the second quarter of 2003. These devices will be used for short-term intravenous administration therapy.

We plan to launch, in limited markets, a new I.V. connector currently under development. We expect to apply later in 2003 to the FDA under Section 510(k) of the 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.

INCOME FROM OPERATIONS decreased $1,519,000 or 20% and was 28% of net

revenues in the second quarter of 2003, as compared with 33% in the second quarter of 2002. Gross profit, including license, royalty and revenue share income, decreased 9% over that in 2002, while operating expenses increased 6%, causing a decrease in the operating margin that was disproportionately high in relation to the six percent decrease in net revenues.

INVESTMENT INCOME decreased in the second quarter of 2003 as compared with the second quarter of 2002, because of a decrease in the investment portfolio and declines in interest rates.

INCOME TAXES were accrued at an effective tax rate of 38.4% in the second quarter of 2003, as compared with 37% in the second quarter of 2002. The increase is principally because of a one percentage point increase in the estimated federal tax rate applicable to the Company and a decline in tax exempt income as a percentage of taxable income. We expect our effective tax rate to be approximately 38.4% for the entire year 2003.

NET INCOME decreased 22% to $3,899,000 in the second quarter of 2003 as compared with $4,998,000 in the comparable period last year, principally because of the decrease in income from operations. NET INCOME PER SHARE - DILUTED decreased $0.06, or 19%, in the second quarter of 2003 from the second quarter of 2002.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2002

NET REVENUES increased $8,486,000, or approximately 19%, to $52,059,000 in the first six months of 2003 compared to $43,573,000 during the same period last year. The increase was primarily attributable to a $2,616,000, or 38%, increase in sales of custom I.V. systems, the inclusion of $3,323,000 of Punctur-Guard product sales from the company bought last year, and $3,459,000 of non-product income related to use by others of our technology.

Net sales to Abbott in the first half of 2003 were $34,751,000, as compared with net sales of $28,560,000 in the first half of 2002. Net sales of CLAVE Products to Abbott, excluding custom CLAVE I.V. systems increased to $27,697,000 in the first half of 2003 from $24,476,000 in the first half of 2002 principally due to an increase in unit volume. Sales to Abbott under the SetSource program approximated $4,448,000 in the first half of 2003 as compared with $2,104,000 in the first half of 2002.

Net revenue from B. Braun was $686,000 in the first half of 2003, as compared with $3,951,000 in the first half of 2002. CLAVE product sales to B. Braun in the first half of 2002 were $3,122,000, but less than $100,000 in the first half of 2003. As discussed above, there will be no CLAVE product sales to B. Braun in the future.

Net sales to independent domestic distributors increased approximately $3,712,000, or 48%, from $7,706,000 in the first half of 2002 to $11,418,200. This is attributed to the inclusion of Punctur-Guard sales of $3,138,000 during the first half of 2003, and increases in sales of all the other principal product lines. Independent domestic distributors had a 26% increase in CLAVE product sales on an increase in unit volume of approximately 50%, partially offset by a reduction in average sales prices. We believe the increased CLAVE product sales reflects acquisition of market share from B. Braun.

Total sales to foreign distributors (excluding Canada) were $1,820,000 in the first half of 2002, as compared with $3,071,000 in the first half of 2001. The decrease is almost entirely accounted for by a decrease in CLAVE product sales as the timing of distributor orders was adversely impacted by their reduction of inventory levels.

Total sales of CLAVE Products (excluding custom CLAVE I.V. systems) decreased from $32,141,000 in the first half of 2002 to $31,054,000 in the first half of 2003, or 3%. CLAVE product sales to Abbott increased 13%, principally due to increased unit volume. Independent domestic distributors had a 26% increase in CLAVE product sales. These were partially offset by the absence of CLAVE product sales to B. Braun of approximately $3 million, before the effect of sales to former B. Braun customers filled through other distribution channels, and the decline in International CLAVE product sales.

Net sales of custom and generic I.V. systems increased approximately 38% to $9,513,000 in the first half of 2003 over those in the first half of 2002. Most of the increase was in the Abbott SetSource program. Unit volume accounted for the majority of the increase.

Net sales of the CLC2000 increased from $1,601,000 in the first half of 2002 to $1,889,000 in the first half of 2003. Independent domestic distributors accounted for most of the net increase on increased unit sales.

Net sales of the Lopez Valve increased 19% in the first half of 2003, principally because of an increase in unit sales to Bard Medical, which has a contract to distribute the Lopez Valve.

GROSS MARGIN, calculated on net sales and excluding other revenue, was 54% for the first six months of 2003 as compared to 59% during the first six months of 2002. The reasons for the decrease in gross margin for the first half of the year are essentially the same as for the second quarter, with the additional factor of some non-recurring production expenses in the first quarter of 2003.

SG&A excluding research and development expenses, increased by $975,000 to $11,630,000, and were 22% of revenues in the first half of 2003, as compared with 24% in the first half of 2002. The net increase was because of the inclusion of Bio-Plexus offset by savings in sales and marketing costs.

R&D increased for the first half of 2003 by approximately 55% principally because of product development expenditures for the Punctur-Guard product line.

INCOME FROM OPERATIONS increased $2,868,000, or 20%, principally because of the increase in net revenue; the decrease in the gross margin as a percentage of net sales was offset by other revenues and a low rate of growth in operating expenses in relation to growth in total revenue. The operating margin was 33% of revenues in the first half of both years.

INVESTMENT INCOME decreased $170,000, or 23%, as compared with the first half of 2002, notwithstanding an increase in the average investment portfolio in the first half of 2003 compared with the first half of 2002. This was because of the effect of declines in interest rates since the beginning of 2001.

INCOME TAXES were accrued at an effective tax rate of 38.4% in the first half of 2003 as compared to 37% in the first half of 2002.

NET INCOME increased $1,448,000, or 15%, to $10,969,000 as compared with $9,521,000 for the first six months of 2002. NET INCOME PER SHARE - diluted increased 16% to $0.72 per share in the first six months of 2003 as compared with $0.62 for the first six months of 2002.

LIQUIDITY AND CAPITAL RESOURCES

During the first half of 2003, our working capital decreased $10,972,000 to $91,592,000. The decrease was principally because purchases of treasury stock, investment in property and equipment, acquisitions and new finance loans exceeded working capital generated by operations. During the six months ended June 30, 2003, our cash and cash equivalents and investment securities position decreased $18,932,000 to $69,533,000 from $88,465,000 at December 31, 2002. Cash provided by operating activities and the exercise of stock options (including the stock purchase program) totaling $10.9 million was more than offset by the $10.3 million spent on purchasing our stock, $7.1 million of capital expenditures, $7.1 million of finance loans and $5.3 million on acquisitions.

We expect that sales of our products will continue to grow in 2003. If sales continue to increase, accounts receivable and inventories are expected to increase as well. As a result of these and other factors, including increased capital expenditures, our working capital requirements may increase in the foreseeable future.

Inventories increased from $5,749,000 at December 31, 2002 to

$7,267,000 at June 30, 2003. The increase of $1,518,000 is solely related to inventory at Bio-Plexus acquired in October 2002 and the manufacturer in Italy acquired in June 2003.

We currently estimate that capital expenditures for property and equipment will be approximately $12 million in 2003 (excluding any acquisitions). We expect that $4 million will be spent on completion of the $7.2 million expansion in Mexico, including an electron-beam sterilizer, $6.8 million on molds, molding equipment and automated assembly equipment, and $1.2 million on computers and software. Of those amounts, approximately $7 million has been incurred, approximately $3 million was committed under contracts at June 30, 2003, and we expect to commit the balance later in 2003. Amounts of spending are estimates and actual spending may substantially differ from those amounts.

We are currently evaluating the design and capacity of our manufacturing facilities. We estimate that our current facilities and additions in process will be adequate through 2003, but that production after 2003 will require additional clean room facilities for molding and automated assembly. We expect to decide later in the year how to meet the need for additional facilities and the location of additional clean room facilities for molding and automated assembly.

In the first half of 2003, we purchased 376,792 shares of our common stock for $10.3 million. Since then, through August 5, 2003, we have purchased an additional 212,500 shares for $5.0 million. 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.

On April 15, 2003, we announced that we were considering payment of a dividend. Since then, we have determined that we will not take any action to pay a dividend, but will consider additional purchases of our stock on the market.

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 customers on a fully secured basis. It has $7,114,000 loans outstanding, most of which were made in June 2003. Scheduled maturities are: remainder of 2003 $716,000; 2004 $1,583,000; 2005 $1,234,000; 2006 $1,151,000; 2007 $1,157,000 and 2008 $1,273,000. Weighted average maturity (principal and interest) at June 30, 2003 is 2.3 years and the weighted average interest rate is 4.8%.

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 take advantage of acquisition opportunities that may arise. Our primary investment goal is capital preservation, so, as further described below in "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 capital expenditures and increased working capital requirements for the foreseeable future.

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 "believes," "expects," "estimates," "plans," "will," "continue," "could," 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, product mix, selling prices, warranty claims, rebates, returns, the market shift to needleless products, future increases or decreases in sales of certain products, impact of safety legislation, achievement of business expansion goals, development of innovative systems capabilities,

introduction and sales of new products, manufacturing efficiencies, labor costs, unit production 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, customer ordering patterns, and the effect of accounting pronouncements;
- new or extended contracts with manufacturers and buying organizations, and dependence on a small number of customers, effect of termination of B. Braun CLAVE agreement;
- 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, capital expenditures, acquisitions of other businesses or product lines, 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 3. 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.

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.

In June 2003, we made a number of commercial loans, which brought the total outstanding to $7.1 million. Loans are made only to credit worthy parties on a fully secured basis and 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 2.3 years. Because of the relatively small amount of the commercial loans, market risk is not significant to our financial statements.

ITEM 4. 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-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) within 90 days of filing 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 II
OTHER INFORMATION

ITEM 1. 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 Medical, Inc. infringes two of our patents by the manufacture and sale of its UltraSite medical connector. 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 2. CHANGES IN SECURITIES

Inapplicable

ITEM 3. DEFAULT UPON SENIOR SECURITIES

Inapplicable

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

The following is a description of matters submitted to a vote of our stockholders at our annual Meeting of Stockholders held on June 13, 2003:

A. Jack W. Brown and Richard H. Sherman, M.D. were elected as directors to hold office until the 2006 Annual Meeting. Votes cast for and withheld with respect to the nominee were as follows:

	Votes For	Votes Withheld
Jack W. Brown	12,077,730	511,882
Richard H. Sherman, M.D.	12,096,506	493,462

The terms of the following directors were continued after the Annual Meeting: John J. Connors, Michael T. Kovalchik, III, M.D., George A. Lopez, M.D., Joseph R. Saucedo, and Robert S. Swinney, M.D.

B. A proposal to approve the 2003 Stock Option Plan was approved. Votes cast were as follows:

For	Against	Abstain	Broker Non-Vote
5,767,360	5,554,412	57,288	1,210,552

C. A proposal to ratify the selection of Deloitte & Touche LLP as our auditors was approved. Votes cast were as follows:

For	Against	Abstain	Broker Non-Vote
12,514,711	26,287	48,614	-0-

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 31: Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

Reports on Form 8-K:

The Registrant filed the following Report on Form 8-K during the quarter for which this Report is filed:

Item 5 - April 15, 2003

Item 5 - June 23, 2003

SIGNATURES

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

ICU Medical, Inc.
(Registrant)

/s/ Francis J. O'Brien Date: August 8, 2003
Francis J. O'Brien
Chief Financial Officer

(Principal Financial Officer and)
Chief Accounting Officer)

Exhibit 31

I, the Chief Executive Officer, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers 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 quarterly report is being prepared;

b) 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

c) 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 officers 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

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

Chief Executive Officer

Exhibit 31

I, the Chief Financial Officer, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers 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 quarterly report is being prepared;

b) 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

c) 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 officers 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

/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 Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 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 Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 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