AMERICAN BIO MEDICA CORP
Form 10QSB
August 12, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-QSB

[x] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended June 30, 2003.

[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____

Commission File Number: 0-28666

AMERICAN BIO MEDICA CORPORATION
(Exact name of small business issuer as specified in its charter)

New York	14-1702188
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

122 Smith Road, Kinderhook, New York 12106
(Address of principal executive offices)

800-227-1243
(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date:

20,638,548 Common Shares as of August 12, 2003

Transitional Small Business Disclosure Format: Yes [ ] No [X]

PART I

FINANCIAL INFORMATION

American Bio Medica Corporation
Balance Sheets

	June 30, 2003 (Unaudited)	D
Assets		
Current assets:		
Cash and cash equivalents	$ 201,000	
Accounts receivable, net of allowance of $70,000 at June 30, 2003 and December 31, 2002	1,750,000	
Inventory	2,420,000	
Prepaid and other current assets	102,000	
Total current assets	4,473,000	
Property, plant and equipment, net	1,371,000	
Total Assets	$5,844,000	
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 722,000	
Accrued liabilities	502,000	
Current portion of mortgages and notes payable and capital lease obligations	143,000	
Total current liabilities	1,367,000	
Long term portion of mortgages payable	666,000	
Long term portion of unearned grant	75,000	
Total liabilities	2,108,000	
Stockholders' equity:		
Preferred stock; par value $.01 per share; 5,000,000 shares authorized; none issued and outstanding		
Common stock; par value $.01 per share; 50,000,000 shares authorized; 20,609,548 shares issued and outstanding at June 30, 2003 and December 31, 2002	206,000	
Additional paid-in capital	17,788,000	
Accumulated deficit	(14,019,000)	
Treasury stock; 225,000 shares	(239,000)	

Total stockholders' equity	3,736,000
Total liabilities and stockholders' equity	$5,844,000

See accompanying notes to financial statements

American Bio Medica Corporation
Statements of Operations
(Unaudited)

	For The Six Months End June 30,	
	2003	2
Net sales	$5,820,000	$ 4,
Cost of goods sold	2,588,000	2,
Gross profit	3,232,000	2,
Operating expenses:		
Research and development	339,000	
Selling and marketing	1,314,000	1,
General and administrative	1,321,000	1,
	2,974,000	2,
Operating income	258,000	
Other income (expense):		
Other income	198,000	
Interest income	10,000	
Interest expense	(49,000)	
	159,000	
Income before provisions for income taxes	417,000	
Provision for (benefit from) income taxes	0	
Net income	$ 417,000	$
Basic and diluted income per common share	$ 0.02	$
Weighted average shares outstanding -		

basic	20,609,548	20,
Dilutive effect of stock options and warrants	461,227	
Weighted average shares outstanding - diluted	21,070,775	21,

See accompanying notes to financial statements

American Bio Medica Corporation
Statements of Operations
(Unaudited)

	For The Three Months En June 30,	
	2003	2
Net sales	$ 3,171,000	$ 2,
Cost of goods sold	1,418,000	1,
Gross profit	1,753,000	1,
Operating expenses:		
Research and development	133,000	
Selling and marketing	694,000	
General and administrative	660,000	
	1,487,000	1,
Operating income	266,000	
Other income (expense):		
Other income	186,000	
Interest income	3,000	
Interest expense	(31,000)	
	158,000	
Income before provisions for income taxes	424,000	
Provision for (benefit from) income taxes	0	

Net income	$ 424,000	$
Basic and diluted income per common share	$ 0.02	$
Weighted average shares outstanding - basic	20,609,548	20,
Dilutive effect of stock options and warrants	250,652	1,
Weighted average shares outstanding - diluted	20,860,200	21,

See accompanying notes to financial statements

American Bio Medica Corporation
Statements of Cash Flows
(Unaudited)

	F
	2
Cash flows from operating activities:	
Net income	$ 4
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	
Non cash compensation expense	
Accrued interest, related party	
Gain on sale of land	(
Changes in:	
Accounts receivable	(6
Inventory	3
Prepaid expenses and other current assets	(
Restricted cash	
Accounts payable	(1
Accrued liabilities	(
Customer advance deposits	
Net cash provided by/(used in) operating activities	(
Cash flows from investing activities:	
Purchase of property, plant and equipment	(1
Sale of land	1
Net cash provided by/(used in) investing activities	

Cash flows from financing activities:	
Proceeds from grant	
Proceeds from sale of treasury stock	
Debt payments	(
Capital lease payments	
Proceeds from line of credit	
Line of credit payments	
Net cash provided by/(used in) financing activities	(
Net increase/(decrease) in cash and cash equivalents	(
Cash and cash equivalents - beginning of period	2
Cash and cash equivalents - end of period	$ 2
Supplemental disclosures of cash flow information	
Cash paid during year for:	
Interest	$

See accompanying notes to financial statements

Notes to financial statements (unaudited)

June 30, 2003

Note A - Basis of Reporting

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items), which are considered necessary for a fair presentation of the financial position of American Bio Medica Corporation (the "Company" or "ABMC") at June 30, 2003, and the results of its operations, and cash flows for the six-month and three-month periods ended June 30, 2003 and 2002. The results of operations for the six-month and three-month periods ended June 30, 2003 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the Company's audited financial statements and related disclosures for the year ended December 31, 2002 included in the Company's Form 10-KSB.

During the year ended December 31, 2002, the Company earned net income of $719,000 from net sales of $10,312,000, and had net cash outflows from operating activities of $400,000. During the six months ended June 30, 2003, the Company earned a net income of $417,000 from net sales of $5,820,000. Included in 2003 net income is $185,000 from the release of an accrual related to a royalty agreement executed in 1998 and terminated by mutual agreement in the second quarter of 2003. Net sales in the three months ended June 30, 2003 were $3,171,000, which resulted in net income of $424,000, including the $185,000

accrual reversal previously mentioned. The Company had net cash used in operating activities of $33,000 for the first six months of 2003 primarily as the result of accounts receivable increases and inventory decreases. The Company continued to take steps to improve its financial prospects including focusing on research and development and sales and marketing, continued development of new products, continued evaluation of a potential "CLUB-DRUG" panel, entering into an agreement with an unaffiliated third party to develop test components for an HIV test, and other measures to enhance profit margins.

The Company's continued existence is dependent upon several factors, including its ability to raise revenue levels and reduce costs to generate positive cash flows, and to sell additional shares of the company's common stock to fund operations, if necessary.

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, Accounting for Asset Retirement Obligation. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, an entity capitalizes a cost by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of this Statement is not expected to have a material impact on the Company's financial statements.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This Statement is effective for exit and disposal activities initiated after December 31, 2002. The adoption of this Statement did not have a material impact on the Company's financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statement No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34 ("FIN 45"). FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. FIN 45 specifically excludes certain guarantee contracts from its scope. Additionally, certain guarantees are not subject to FIN 45's provisions for initial recognition and measurement but are subject to its disclosure requirements. The initial recognition and measurement provisions are effective for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for our annual financial statements for the year ended December 31, 2002. The Company has adopted the provisions of this statement, which did not have a material impact on its financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for

Stock Based Compensation--Transition and Disclosure, an amendment to FASB Statement No. 123. This Statement amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Finally, SFAS No. 148 amends APB Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial reporting. For entities that voluntarily change to the fair value based method of accounting for stock-based employee compensation, the transition provisions are effective for fiscal years ending after December 15, 2002. For all other companies, the disclosure provisions and the amendment to APB No. 28 are effective for interim periods beginning after December 15, 2002. The following pro forma information gives effect to fair value of the options on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, volatility ranging from 84% to 85% for 2003 and 87% to 90% for 2002, risk free interest rates of ranging from 4.69% to 4.98% for 2003 and 4.98% - 6.04% for 2002, and an expected life of 10 years for both 2003 and 2002. The pro-forma net income represents three months amortization of expense associated with the option grants.

	Six months ended June 30, 2003	Six months ended June 30, 2002
Net Income/(loss):		
As reported	$ 417,000	$ 306,000
Pro forma	$ 235,000	$ 137,000
Basic and fully diluted income/(loss) per share		
As reported	$ .02	$ .01
Pro forma	$ .01	$ .01

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not believe the adoption of this Statement will have a material impact on its financial statements.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and

clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003. The Company does not believe the adoption of this Statement will have a material impact on its financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity. The Statement improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position. This Statement is effective for all financial instruments entered into or modified after May 31, 2003. The Company does not believe the adoption of this Statement will have a material impact on its financial statements.

Note B - Net Income Per Common Share

Basic net income or loss per share is calculated by dividing the net income or loss by the weighted average number of outstanding common shares during the period. Diluted net income or loss per share includes the weighted average dilutive effect of stock options and warrants.

Potential common shares outstanding as of June 30, 2003 and 2002:

	June 30, 2003	June 30, 2002
Warrants	2,651,703	2,651,703
Options	5,940,000	5,063,250

For the three months and six months ended June 30, 2003 the number of securities not included in the dilutive EPS, because the effect would have been anti-dilutive, were 5,433,920 and 3,298,420 respectively. For the three months and six months ended June 30, 2002 the number of securities not included in the dilutive EPS, because the effect would have been anti-dilutive, were 2,988,670 and 3,018,670 respectively.

Note C - Litigation

The Company has no pending litigation as of the date of this report.

Note D - Sale of Land

On March 31, 2003 the Company sold approximately 85 acres of land at its Kinderhook headquarters for $150,000 recognizing a gain of $30,000.

Note E - Reclassifications

Certain items have been reclassified to conform to the current presentation.

Item 2. Management's Discussion and Analysis or Plan of Operation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2003 AND 2002

The following discussion of the Company's financial condition and the results of operations should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this document.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that in addition to the description of historical facts contained herein, this report contains certain forward-looking statements that involve risks and uncertainties as detailed herein and from time to time in the Company's other filings with the Securities and Exchange Commission and elsewhere. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those, described in the forward-looking statements. These factors include, among others: (a) the Company's fluctuations in sales and operating results; (b) risks associated with international operations; (c) regulatory, competitive and contractual risks; (d) product development risks; and (e) the ability to achieve strategic initiatives, including but not limited to the ability to achieve sales growth across the business segments through a combination of enhanced sales force, new products, and customer service.

Critical accounting policies

There have been no significant changes to the Company's critical accounting policies, which are included in the Company's 10KSB filing for the year ended December 31, 2002, during the six months ended June 30, 2003.

The Company has entered into several arrangements with third parties that have agreed to fund Research and Development activities. The arrangements include milestones that must be achieved to receive payment. The Company records revenue based upon the lesser of costs incurred to date, or the milestone value (for the milestone value to be used, the milestone must be achieved). In the first six months of 2003 the Company recognized sales and cost of sales totaling $60,000 from two separate arrangements for the performance of Research and Development activities.

Results of operations for the six months ended June 30, 2003 as compared to the six months ended June 30, 2002

Net sales were $5,820,000 for the six months ended June 30, 2003 as compared to $4,963,000 for the six months ended June 30, 2002, representing an increase of $857,000 or 17.3%. Direct sales, telemarketing sales and international sales continued as the primary sources of sales contributing approximately $4,872,000 or 83.7% of the net sales for the first six months of 2003 compared to $3,462,000 or 69.8% of the net sales for the same period in 2002. During the six months ended June 30, 2003, the Company continued its extensive program to market and distribute its primary product lines, the Rapid Drug Screen(R) and Rapid One(R), in addition to its saliva based test, the Oralstat(R) and its recently developed Rapid Tec(R) series.

The Company continued its programs for the development of diagnostic tests or test components using immunoassay lateral flow technology to diversify its product line into the areas of veterinary medicine, mycotoxin detection, and tuberculosis. In addition, components for a HIV test are being developed for a third party and new drugs of abuse tests are being explored. The Company also signed agreements for the purchase and sale of the CA 2000 Alcohol Analyzer, a digital analyzer suitable for field use for the detection of alcohol via breath

analysis. Finally, the Company entered into an agreement with a manufacturer of alcohol and adulterant tests to further expand and enhance its product lines. Management believes that sales from its urine based drug test kits and the OralStat saliva based test will continue to grow as a result of its focus on the core business and renewed focus in marketing, and future sales will increase from new product development.

Cost of goods sold for the six months ended June 30, 2003 was $2,588,000 or 44.5% of net sales as compared to $2,211,000 or 44.5% of net sales for the six months ended June 30, 2002. The increase in cost of goods sold is commensurate with the increase in sales. Gross margins remained consistent year to year at 55.5%; however, the current year sales and cost of sales include amounts billed to entities for which the Company performed R&D services, which were not billed in the prior year. In 2003 sales and cost of sales include $60,000 for amounts billed to entities for which the Company performed R&D services. Gross margins net of amounts billed for R&D work are 56.1% in 2003 and 55.5% for 2002. The cost of labor and materials has remained relatively consistent and the Company continued its efforts to control the costs to produce its product.

Operating expenses increased 20.6% to $2,974,000 in first six months of 2003 as compared to $2,467,000 in the same period in 2002. This increase of $507,000 is attributable to increased research and development expense of $170,000 with the addition of a scientist and two technicians, increased sales and marketing expense of $172,000 with the hiring of a director of marketing and an assistant as well as increased commission costs associated with increased sales, and net increases in general and administrative expenses totaling $165,000.

Management believes that the amount of research and development, sales and marketing and general and administrative costs may increase as the Company invests in long term growth and creates the necessary infrastructure to: achieve its worldwide drug test marketing and sales goals, continue its penetration of the direct sales market, reinforce its distributor based sales, and leverage new product initiatives. However, management has implemented programs to control the rate of increase of these costs to be more consistent with the expected sales growth rate of the Company.

Research and development

Research and development ("R&D") expenses for the six months ended June 30, 2003 were $339,000 or 5.8% of net sales compared to $169,000 or 3.4% of net sales for the six months ended June 30, 2002. The increase in expense is primarily due to several new positions added to the R&D group during 2002 and the first quarter of 2003 and consulting fees offset by savings in project development relating to a license fee for the saliva project expensed in 2002 which did not recur in 2003 and $60,000 of funding received in 2003 from entities for which the Company performed R&D services, which offset current year expense. A research scientist, along with two laboratory technicians were added in late 2002 and the first quarter of 2003. These resources were added as part of management's initiatives to: focus on new product development to meet the changing needs of the on-site drug of abuse testing market, continue evaluation of a potential "CLUB-DRUG" panel, develop test components for a HIV test currently under development by an unrelated party, and develop new uses of immunoassay lateral flow technology, specifically in the areas of veterinary medicine and mycotoxin detection. The Company announced it had received FDA 510(k) clearance for its newly developed test for Propoxyphene and its Rapid Tec 3 and Rapid Tec 4 tests. Management expects increases in R&D expenses as it explores new markets and uses for its immunoassay technology.

Selling and marketing expense

Selling and marketing expense was $1,314,000 or 22.6% of net sales in the first six months of 2003, an increase of $172,000, from $1,142,000 or 23.0% of net sales in the same six months in 2002. This increase is primarily due to additional commissions expense in sales and the hiring of a director of marketing and marketing assistant in early 2003. This increased expense in marketing has been made to support the Company's other efforts in penetrating direct sales markets and reinforcing distributor sales. Increased spending in advertisement, promotion, sales literature and trade show attendance has been offset by savings in sales expense resulting from changes to the sales commissions plan in late 2002 and early 2003.

General and administrative expense

General and administrative expense was $165,000 higher in the first half of 2003 than the same period in 2002. Total G&A expense in the first quarter of 2003 was $1,321,000 or 22.7% of net sales compared to $1,156,000 or 23.3% of net sales in the first six months of 2002. Increases in personnel expense, directors fees, insurance, accounting fees, licenses and permits, bad debts and office travel offset by savings in legal fees, non cash compensation and postage contributed to the increase in G & A expense. Increases in G&A expense are commensurate with company growth. Further, expenses related to accounting fees, the annual meeting, the annual report and some directors fees result from the timing of these events in the current year and will not recur in the remainder of 2003 to the extent they have occurred in the first six months.

Results of operations for the three months ended June 30, 2003 as compared to the three months ended June 30, 2002

Net sales were $3,171,000 for the three months ended June 30, 2003 as compared to $2,710,000 for the three months ended June 30, 2002, representing an increase of $461,000 or 17.0%. Direct sales, telemarketing sales and international sales combined to contribute approximately $2,693,000 or 84.9% of the net sales for the quarter compared to $1,932,000 or 71.3% in the second quarter of 2002. During the three months ended June 30, 2003, the Company continued its extensive program to market and distribute its primary product lines, the Rapid Drug Screen and Rapid One, in addition to its saliva based test, the Oralstat, and its recently developed Rapid Tec series.

The Company continued its program of rebuilding relationships with key distributors, executed agreements with several new distributors, expanded its marketing, and continued the development of diagnostic tests or test components using immunoassay lateral flow technology to diversify its product line into the areas of veterinary medicine, mycotoxin detection, and tuberculosis. In addition, components for an HIV test are being developed for an unaffiliated third party and new drugs of abuse tests are being explored. Management believes that sales from its urine based drug test kits and the OralStat saliva based test will continue to grow as a result of this focus on the core business and new sales will increase from new product development.

Cost of goods sold for the three months ended June 30, 2003 was $1,418,000 or 44.7% of net sales as compared to $1,226,000 or 45.2% of net sales for the three months ended June 30, 2002. The increase in cost of goods sold is commensurate with the increase in sales. Gross margins remained consistent at 55.3% in 2003 and 54.8% in 2002. The cost of labor and materials has remained relatively consistent and the Company continued its efforts to control the costs to produce their product.

Operating expenses increased $249,000, or 20.1%, to $1,487,000 in first three months of 2003 as compared to $1,238,000 in the same period in 2002. This increase is attributable to increased research and development expenditures with the addition of a scientist and two technicians, increased marketing expense with the hiring of a director of marketing and an assistant, and net increases in general and administrative expenses.

Management believes that the amount of research and development, sales and marketing and general and administrative costs may increase as the Company continues its focus on long term growth and creates the necessary infrastructure to: achieve its worldwide drug test marketing and sales goals, continue its penetration of the direct sales market, reinforce its distributor based sales, and leverage new product initiatives. However, management has implemented programs to control the rate of increase of these costs to be more consistent with the expected sales growth rate of the Company.

Research and development

Research and development ("R&D") expenses for the three months ended June 30, 2003 were $133,000 or 4.2% of net sales compared to $37,000 or 1.4% of net sales for the three months ended June 30, 2002. R&D expense in the second quarter of 2003 is net of $60,000 reclassified to cost of sales to match revenues recognized for amounts received from entities for which the Company performed R&D services. The increase in expense is primarily due to several new positions added to the R&D group during 2002 and the first quarter of 2003. A research scientist, along with two laboratory technicians were added in late 2002 and the first quarter of 2003. These resources were added as part of management's initiatives to: focus on new product development to meet the changing needs of the on-site drug of abuse testing market, continue evaluation of a potential "CLUB-DRUG" panel, develop test components for a HIV test currently under development by an unaffiliated third party, and develop new uses of immunoassay lateral flow technology, specifically in the areas of veterinary medicine and mycotoxin detection. Management expects increases in R&D expenses as it explores new markets and uses for its immunoassay technology.

Selling and marketing expense

Selling and marketing expense was $694,000 or 21.9% of net sales in the second quarter of 2003, an increase of $86,000, from $608,000 or 22.4% of net sales in the same three months in 2002. This increase is primarily due to increases in commission costs associated with the increase in sales in the current year as compared to 2002 and the hiring of a director of marketing and marketing assistant in early 2003. This increased expense in marketing has been made to support the Company's other efforts in penetrating direct sales and reinforcing distributor sales. Increased spending in advertisement, promotion, sales literature and trade show attendance has been offset by savings in sales expense resulting from changes to the sales commissions plan in late 2002 and early 2003.

General and administrative expense

General and administrative expense was $67,000 higher in the second quarter of 2003 than the same period in 2002. Total G&A expense in the second quarter of 2003 was $660,000 or 20.8% of net sales compared to $593,000 or 21.9% of net sales in the three months ended June 30, 2002. Contributing to the increase in G & A expense were increases in personnel expense, directors fees and expenses, accounting fees, travel, outside services and insurance costs offset by savings in legal fees, non-cash compensation, and consulting fees.

LIQUIDITY AND CAPITAL RESOURCES AS OF JUNE 30, 2003

The Company's cash requirements depend on numerous factors, including product development activities, ability to penetrate the direct sales market, market acceptance of its new products, and effective management of inventory levels in response to sales forecasts. The Company expects to devote substantial capital resources to continue its product development, expand manufacturing capacity and continue research and development activities. The Company will examine other growth opportunities including strategic alliances and expects such activities will be funded from existing cash and cash equivalents, issuance of additional equity or debt securities or additional borrowings subject to market and other conditions. The Company believes that its current cash balances, and cash generated from future operations will be sufficient to fund operations for the next twelve months. If cash generated from operations is insufficient to satisfy the Company's working capital and capital expenditure requirements, the Company may be required to sell additional equity or obtain additional credit facilities. There is no assurance that such financing will be available or that the Company will be able to complete financing on satisfactory terms, if at all.

The Company has working capital of $3,106,000 at June 30, 2003 as compared to working capital of $2,586,000 at December 31, 2002. The Company has historically satisfied its net working capital requirements through cash generated by proceeds from private placements of equity securities with institutional investors. The Company has never paid any dividends on its common shares and anticipates that all future earnings, if any, will be retained for use in the Company's business and it does not anticipate paying any cash dividends.

Net cash used in operating activities was $33,000 for the six months ended June 30, 2003 compared to net cash provided by operating activities of $132,000 for the six months ended June 30, 2002. The net cash used in operating activities for the six months ended June 30, 2003 was primarily due to and increase in accounts receivable of $645,000, resulting from increased sales, an increase in prepaid expenses of $42,000, primarily due to increased insurance costs, and decreases in accounts payable and accrued expenses of $186,000 and $11,000 respectively. These uses were partially offset by a decrease in inventory of $374,000, resulting from increased sales and continued efforts to control inventory levels, depreciation of $90,000 and net income of $417,000.

Net cash provided by investing activities was $27,000 for the six months ended June 30, 2003 compared to net cash used in investing activities of $43,000 for the six months ended June 30, 2002. The net cash provided by investing activities in the second quarter of 2003 was comprised of proceeds from the sale of approximately 85 acres of land at the Company's headquarters in Kinderhook, NY totaling $150,000, offset by $123,000 for the purchase of property, plant and equipment.

Net cash used in financing activities was $24,000 for the six months ended June 30, 2003, consisting of capital lease and debt payments totaling $89,000 offset by proceeds from the Company's line of credit totaling $40,000 and receipt of a $25,000 grant from the Columbia Economic Development Corporation ("CEDC"). The CEDC grant is convertible to a loan payable to the CEDC should the number of employees at the Company's Kinderhook, NY facility

fall below an established minimum. The loan would be based on a percentage of the total grant outstanding beginning with 100% if the number of employees drops below the established minimum at any time before 2004. Beginning in 2004 the percentage that would be repayable to the CEDC is reduced by 10% for each calendar year during which the number remains above the established threshold (i.e., 90% in 2004, 80% in 2005, etc).

At June 30, 2003 and 2002, the Company had cash and cash equivalents of $201,000 and $537,000, respectively.

The Company's primary short-term capital and working capital needs relate to continued support of its research and development programs, opening new distribution opportunities, focusing sales efforts on segments of the drugs of abuse testing market that will yield high volume sales, increasing its manufacturing and production capabilities, and establishing adequate inventory levels to support expected sales.

DISCLOSURE CONTROLS AND PROCEDURES

On July 25, 2003, the Company's CEO and CFO reviewed the Company's disclosure controls and procedures. Based on this evaluation, the Company, including the CEO and CFO, have concluded that the Company's disclosure controls and procedures are adequate to ensure the clarity and material completeness of the Company's disclosure in its periodic reports required to be filed with the SEC. Additionally, based upon this most recent evaluation, we have concluded that there were no significant changes in internal controls or other factors that could significantly affect the internal controls of the company subsequent to the date of evaluation.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security-Holders

The following matters were voted upon at the Company's Annual Meeting of Shareholders (the "Meeting") held at the Marriott Hotel in Albany, New York

on June 18, 2003.

PROPOSAL 1 - ELECTION OF DIRECTORS

Total shares voted: 20,346,463 Outstanding shares: 20,609,548
Percent of shares voted: 98.7

Director	For	Pct.	Withheld	Pct.
Stan Cipkowski	18,552,060	91.2	1,794,403	8.8
Edmund Jaskiewicz	18,567,095	91.3	1,779,368	8.7
Gerald Moore	19,422,589	95.5	923,874	4.5
D. Joseph Gersuk	13,489,047	66.3	6,857,416	33.7
Denis O'Donnell, M.D.	13,488,297	66.3	6,858,166	33.7
Dr. Gerald W. Lynch	17,484,134	85.9	2,862,329	14.1
Daniel W. Kollin	19,456,889	95.6	889,574	4.4

All seven nominees for election to the Board of Directors were elected.

PROPOSAL 1 - RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT AUDITORS OF THE COMPANY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

For:	20,274,572	or	99.6%
Against:	21,580	or	.06%
Abstain:	50,311	or	.4%

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Certification of the Chairman of the Board and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On June 23, 2003, the Company filed a Form 8-K related to the resignation of D. Joseph Gersuk from the Company's Board of Directors.

On July 1, 2003, the Company filed a Form 8-K related to the resignation of Stan Cipkowski as an Executive Vice President of the Company.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN BIO MEDICA CORPORATION
(Registrant)

By: /s/Keith E. Palmer

EVP of Finance, Chief Financial Officer and Treasurer (Principal Accounting Officer and duly authorized Officer)

Dated: August 12, 2003

CERTIFICATIONS

I, Gerald A. Moore, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of American Bio Medica Corporation;

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-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 12, 2003

/s/ Gerald A. Moore

Gerald A. Moore
Chairman, CEO and President

CERTIFICATIONS

I, Keith E. Palmer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of American Bio Medica Corporation;

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-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this

quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 12, 2003

/s/ Keith E. Palmer

Keith E. Palmer
Chief Financial Officer
and Vice President