
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-14643



STERIS Corporation

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

**5960 Heisley Road,
Mentor, Ohio**
(Address of principal executive offices)

34-1482024
(IRS Employer
Identification No.)

44060-1834
(Zip code)

440-354-2600
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of common shares outstanding as of July 31, 2007: 64,817,144

STERIS Corporation

Form 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STERIS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2007 (Unaudited)	March 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,946	\$ 52,296
Accounts receivable (net of allowances of \$8,513 and \$9,911, respectively)	207,650	251,207
Inventories, net	153,213	131,997
Current portion of deferred income taxes, net	14,838	14,560
Prepaid expenses and other current assets	33,022	34,660
Total current assets	466,669	484,720
Property, plant, and equipment, net	386,313	388,899
Goodwill and intangibles, net	331,993	332,947
Other assets	2,901	2,604
Total assets	\$ 1,187,876	\$ 1,209,170
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term indebtedness	\$ 777	\$ 777
Accounts payable	64,162	76,184
Accrued income taxes	13,978	18,761
Accrued payroll and other related liabilities	42,905	59,003
Accrued expenses and other	62,273	62,674
Total current liabilities	184,095	217,399
Long-term indebtedness	109,780	100,800
Deferred income taxes, net	24,025	17,826
Other liabilities	97,321	98,853
Total liabilities	415,221	434,878
Serial preferred shares, without par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common shares, without par value; 300,000 shares authorized; 70,040 shares issued; 64,741 and 64,982 shares outstanding, respectively	92,852	102,466
Retained earnings	668,778	667,267
Accumulated other comprehensive income (loss)	11,025	4,559
Total shareholders' equity	772,655	774,292
Total liabilities and shareholders' equity	\$ 1,187,876	\$ 1,209,170

See notes to consolidated financial statements.

STERIS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	June 30,	
	2007	2006
Revenues:		
Product	\$ 172,369	\$ 165,759
Service	108,575	99,308
Total revenues	280,944	265,067
Cost of revenues:		
Product	101,875	95,293
Service	60,357	56,399
Total cost of revenues	162,232	151,692
Gross profit	118,712	113,375
Operating expenses:		
Selling, general, and administrative	86,495	78,414
Research and development	9,259	8,395
Restructuring expenses	1,391	1,105
Total operating expenses	97,145	87,914
Income from continuing operations	21,567	25,461
Non-operating expenses, net:		
Interest expense	1,235	1,769
Interest and miscellaneous income	(462)	(679)
Total non-operating expenses, net	773	1,090
Income from continuing operations before income tax expense	20,794	24,371
Income tax expense	7,591	10,314
Net income from continuing operations	13,203	14,057
Discontinued operations:		
Gain on the sale of discontinued operations, net of tax	—	627
Net income	\$ 13,203	\$ 14,684
Basic earnings per common share:		
Income from continuing operations	\$ 0.20	\$ 0.21
Income from discontinued operations	\$ —	\$ 0.01
Net income	\$ 0.20	\$ 0.22
Diluted earnings per common share:		
Income from continuing operations	\$ 0.20	\$ 0.21
Income from discontinued operations	\$ —	\$ 0.01
Net income	\$ 0.20	\$ 0.22
Cash dividends declared per common share outstanding	\$ 0.05	\$ 0.04

See notes to consolidated financial statements.

STERIS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended June 30,	
	2007	2006
Operating activities:		
Net income	\$ 13,203	\$ 14,684
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, depletion, and amortization	15,582	14,884
Deferred income taxes	(2,705)	(7,159)
Share-based compensation	1,615	2,092
Loss on the disposal of property, plant, equipment, and intangibles, net	565	—
Gain on the sale of discontinued operations, net of tax	—	(627)
Other items	(365)	134
Changes in operating assets and liabilities, excluding the effects of business acquisitions:		
Accounts receivable, net	45,106	40,438
Inventories, net	(19,380)	(20,280)
Other current assets	1,685	(18,759)
Accounts payable	(12,422)	(19,393)
Accruals and other, net	(23,458)	(12,691)
Net cash provided by (used in) operating activities	19,426	(6,677)
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(9,691)	(12,415)
Proceeds from the sale of property, plant, equipment, and intangibles	22	—
Proceeds from the sale of discontinued operations	—	2,927
Net cash used in investing activities	(9,669)	(9,488)
Financing activities:		
Proceeds under credit facilities, net	8,980	73,660
Payments on long-term obligations and capital leases, net	—	(212)
Repurchases of common shares	(21,235)	(50,134)
Cash dividends paid to common shareholders	(3,259)	(2,679)
Stock option and other equity transactions, net	8,096	195
Tax benefit from stock options exercised	2,067	163
Net cash (used in) provided by financing activities	(5,351)	20,993
Effect of exchange rate changes on cash and cash equivalents	1,244	2,002
Increase in cash and cash equivalents	5,650	6,830
Cash and cash equivalents at beginning of period	52,296	72,732
Cash and cash equivalents at end of period	<u>\$ 57,946</u>	<u>\$ 79,562</u>

See notes to consolidated financial statements.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS Corporation, an Ohio corporation, develops, manufactures and markets infection prevention, contamination control, microbial reduction, and surgical and critical care support products and services for healthcare, pharmaceutical, scientific, research, industrial, and governmental customers throughout the world. As used in this Quarterly Report, STERIS Corporation and its subsidiaries together are called "STERIS," the "Company," "we," "us," or "our," unless otherwise noted.

We operate in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services ("Isomedix"). We describe our business segments in note 11 to our consolidated financial statements titled, "Business Segment Information." Our fiscal year ends on March 31. References in this Quarterly Report to a particular "year" or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below:

Interim Financial Statements

We prepared the accompanying unaudited consolidated financial statements of the Company according to accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. This means that they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Our interim consolidated financial statements contain all material adjustments (including normal recurring accruals and adjustments) management believes are necessary to fairly state our financial condition, results of operations, and cash flows for the periods presented.

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the Securities and Exchange Commission ("SEC") on May 30, 2007. The Consolidated Balance Sheet at March 31, 2007 was derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Principles of Consolidation

We use the consolidation method to report our investment in our subsidiaries. Consolidation means that we combine the accounts of our wholly-owned subsidiaries with our accounts. Therefore, the accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. We eliminate inter-company accounts and transactions when we consolidate these accounts.

Use of Estimates

We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available. This means that operating results for the three-month period ended June 30, 2007 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2008.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

Recently Adopted Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN No. 48”), “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109.” This interpretation clarifies the recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. Under FIN No. 48, the economic benefit associated with a tax position is only recognized if it is more likely than not that the tax position will be sustained. After this threshold is met, a tax position is reported at the largest amount of benefit that is more likely than not to be ultimately sustained. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 requires the cumulative effect of adoption to be recorded as an adjustment to the opening balance of retained earnings. We adopted FIN No. 48 effective April 1, 2007, as required. Prior to April 1, 2007, we regularly assessed our positions with respect to tax exposures and recorded liabilities for uncertain income tax positions according to Statement of Financial Accounting Standards No. 5 (“SFAS No. 5”), “Accounting for Contingencies.” We describe the impact of adopting FIN No. 48 further in note 8 to our consolidated financial statements titled, “Income Tax Expense.”

New Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (“SFAS No. 159”), “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115,” which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses arising after adoption are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting SFAS No. 159 on our consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (“SFAS No. 157”), “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting SFAS No. 157 on our consolidated financial statements.

Significant Accounting Policies

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2007, other than the adoption of FIN No. 48 as described above.

2. Restructuring

We recognize restructuring expenses as incurred as required under the provisions of Statement of Financial Accounting Standards No. 146 (“SFAS No. 146”), “Accounting for Costs Associated with Exit or Disposal Activities.” In addition, we assessed the property, plant and equipment associated with the related facilities for impairment under Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”), “Accounting for the Impairment or Disposal of Long-Lived Assets.” Asset impairment and accelerated depreciation expenses

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

primarily relate to an adjustment in the carrying value of the related facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were reevaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets.

Fiscal 2006 Restructuring Plan

During the three months ended June 30, 2007 and 2006, we recorded \$1,391 and \$1,105 in restructuring expenses, respectively, primarily related to the previously announced transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico (the "Fiscal 2006 Restructuring Plan"), which is intended to improve our cost structure. Additional information regarding the Fiscal 2006 Restructuring Plan is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

The costs incurred during the first quarter of fiscal 2008 and fiscal 2007 are associated with our Healthcare business segment. Since the inception of the Fiscal 2006 Restructuring Plan, we have incurred restructuring expenses of \$31,580, with restructuring expenses of \$31,166 and \$414 related to the Healthcare and Life Sciences segments, respectively, primarily related to the transfer of manufacturing operations to Monterrey, Mexico.

We anticipate incurring approximately an additional \$3,000 in restructuring expenses during fiscal 2008 in connection with the transfer of the manufacturing operations to Mexico. Restructuring expenses to be incurred include compensation and benefits, severance, accelerated depreciation and other expenses.

The following tables summarize our total restructuring expenses for the first quarter of fiscal 2008 and fiscal 2007:

<u>Fiscal 2006 Restructuring Plan</u>	<u>Three Months Ended</u>	
	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Asset impairment and accelerated depreciation	\$ 1,059	\$ 705
Severance, payroll and other related costs	332	390
Other	—	10
Total restructuring charges	<u>\$ 1,391</u>	<u>\$ 1,105</u>

Liabilities related to the Fiscal 2006 Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The following table summarizes our liabilities related to these restructuring activities:

	<u>March 31,</u>	<u>Fiscal 2006 Restructuring Plan</u>		<u>June 30,</u>
		<u>2007</u>	<u>Fiscal 2008</u>	
		<u>Provision</u>	<u>Payments</u>	
Severance and termination benefits	\$ 1,799	\$ 332	\$ (209)	\$ 1,922
Lease termination obligation	157	(13)	(144)	—
Total	<u>\$ 1,956</u>	<u>\$ 319</u>	<u>\$ (353)</u>	<u>\$ 1,922</u>

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

European Restructuring Plan

During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the “European Restructuring Plan”). We did not incur any restructuring expenses related to the European Restructuring Plan in the three months ended June 30, 2007. We are continuing to evaluate our European operations for opportunities to enhance performance, but we have not committed to any additional specific restructuring actions.

Liabilities related to the European Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued expenses and other.” The following table summarizes our liabilities related to these restructuring activities:

	March 31, 2007	European Restructuring Plan		June 30, 2007
		Provision	Payments	
Severance and termination benefits	\$ 638	\$ —	\$ (238)	\$ 400
Lease termination obligation	219	—	(33)	186
Fixed asset impairment	105	—	—	105
Total	<u>\$ 962</u>	<u>\$ —</u>	<u>\$ (271)</u>	<u>\$ 691</u>

3. Comprehensive Income

Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income,” establishes standards for reporting comprehensive income. Comprehensive income includes net income as currently reported under U.S. GAAP and other comprehensive income. Other comprehensive income considers the effects of additional economic events that are not required to be recorded in determining net income, but rather are reported as a separate component of shareholders’ equity. The following table illustrates the components of our comprehensive income:

	Three Months Ended June 30,	
	2007	2006
Net income	\$ 13,203	\$ 14,684
Cumulative foreign currency translation adjustment	6,131	8,823
Amortization of pension and postretirement benefit plans costs, net of tax	322	—
Unrealized gains on investments	13	—
Total comprehensive income	<u>\$ 19,669</u>	<u>\$ 23,507</u>

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

4. Property, Plant and Equipment

Information related to the major categories of our depreciable assets is as follows:

	<u>June 30, 2007</u>	<u>March 31, 2007</u>
Land and land improvements (1)	\$ 25,720	\$ 25,553
Buildings and leasehold improvements	182,471	180,672
Machinery and equipment	271,382	268,852
Information systems	123,793	115,137
Radioisotope	139,531	133,723
Construction in progress (1)	32,585	40,098
Total property, plant, and equipment	<u>775,482</u>	<u>764,035</u>
Less: accumulated depreciation and depletion	(389,169)	(375,136)
Property, plant, and equipment, net	<u>\$ 386,313</u>	<u>\$ 388,899</u>

(1) Land is not depreciated. Construction in progress is not depreciated until placed in service.

5. Inventories, Net

Inventories, net are stated at the lower of cost or market. We use the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. An actual valuation of inventory under the LIFO method is made only at the end of the fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final fiscal year-end LIFO inventory valuation. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	<u>June 30, 2007</u>	<u>March 31, 2007</u>
Raw materials	\$ 42,550	\$ 42,672
Work in process	39,626	30,443
Finished goods	71,037	58,882
Inventories, net	<u>\$ 153,213</u>	<u>\$ 131,997</u>

6. Debt

Indebtedness was as follows:

	<u>June 30, 2007</u>	<u>March 31, 2007</u>
Private Placement	\$ 100,000	\$ 100,000
Credit facility	8,980	—
Other debt	1,577	1,577
Total	<u>110,557</u>	<u>101,577</u>
Less: current portion	777	777
Long-term portion	<u>\$ 109,780</u>	<u>\$ 100,800</u>

Additional information regarding our indebtedness is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

7. Additional Consolidated Balance Sheets Information

Additional information related to our Consolidated Balance Sheets is as follows:

	June 30, 2007	March 31, 2007
Accrued payroll and other related liabilities:		
Compensation and related items	\$ 13,965	\$ 19,617
Accrued vacation	13,060	13,265
Accrued bonuses	2,804	8,436
Accrued employee commissions	5,295	9,989
Other postretirement benefit obligations-current portion	6,789	6,789
Other employee benefit plans' obligations-current portion	992	907
Total accrued payroll and other related liabilities	<u>\$ 42,905</u>	<u>\$ 59,003</u>
Accrued expenses and other:		
Deferred revenues	\$ 23,267	\$ 22,919
Self-insured risk retention-GRIC-current portion	4,396	4,096
Other self-insured risks	610	541
Accrued dealer commissions	6,270	6,474
Accrued warranty	6,393	5,893
Other	21,337	22,751
Total accrued expenses and other	<u>\$ 62,273</u>	<u>\$ 62,674</u>
Other liabilities:		
Self-insured risk retention-GRIC-long-term portion	\$ 12,223	\$ 12,506
Other postretirement benefit obligations-long-term portion	73,949	74,275
Defined benefit pension plans' obligations-long-term portion	10,112	11,466
Other employee benefit plans' obligations-long-term portion	1,037	606
Total other liabilities	<u>\$ 97,321</u>	<u>\$ 98,853</u>

8. Income Tax Expense

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates for continuing operations for the three-month periods ended June 30, 2007 and 2006 were 36.5% and 42.3%, respectively. We benefited from improved profitability from foreign locations during the three-month period ended June 30, 2007, while the three-month period ended June 30, 2006 was negatively impacted by discrete item adjustments.

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate, we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

Effective April 1, 2007, we adopted the provisions of FIN No. 48. In accordance with FIN No. 48, we recognized a cumulative-effect adjustment of \$8,433, increasing our liability for unrecognized tax benefits,

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

interest, and penalties and reducing the April 1, 2007 balance of retained earnings. At April 1, 2007, we had \$15,207 in unrecognized tax benefits, of which \$8,702 would affect the effective tax rate if recognized.

In conjunction with the adoption of FIN No. 48, we classified uncertain tax positions as long-term liabilities within “Deferred income taxes, net” in our accompanying Consolidated Balance Sheets, unless expected to be paid within 12 months. We currently do not anticipate any significant increase or decrease within the next 12 months. We recognize accrued interest and penalties related to unrecognized tax benefits within “Income tax expense” in our accompanying Consolidated Statements of Income. At April 1, 2007, we had accrued \$3,449 and \$2,906 for the potential payment of interest and penalties, respectively.

There were no significant changes to any of these amounts during the first quarter of fiscal 2008.

We file income tax returns in the United States and in various state, local, and foreign jurisdictions. As of April 1, 2007, we are subject to United States Federal income tax examinations for the tax years 1999 through 2007. In addition, with limited exceptions, we are subject to foreign, state and local tax examinations for the tax years 2002 through 2007.

9. Benefit Plans

We provide defined benefit pension plans for certain manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. In addition to providing pension benefits to certain employees, we sponsor an unfunded postretirement benefits plan for two groups of United States employees comprised substantially of the same employees who receive pension benefits under the United States defined benefit pension plans. Benefits under this plan include retiree life insurance and retiree medical insurance, including prescription drug coverage and Medicare supplemental coverage. Additional information regarding our defined benefit pension plans and other postretirement benefits plan is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

Components of the net periodic benefit cost for our defined benefit pension plans and other postretirement medical benefit plan were as follows:

Three Months Ended June 30,	Defined Benefit Pension Plans				Other Postretirement Benefits Plan	
	U.S. Qualified		International		2007	2006
	2007	2006	2007	2006		
Service cost	\$ 26	\$ 49	\$ 116	\$ 109	\$ —	\$ —
Interest cost	701	693	76	80	1,161	1,168
Expected return on plan assets	(801)	(680)	(110)	(97)	—	—
Recognized losses	103	94	—	—	247	231
Amortization of transition obligation	(27)	(27)	—	—	—	—
Net periodic benefit cost	\$ 2	\$ 129	\$ 82	\$ 92	\$ 1,408	\$ 1,399

We contribute amounts to the defined benefit pension plans at least sufficient to meet the minimum requirements as stated in applicable employee benefit laws and local tax laws. We record liabilities for the difference between the fair value of the plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for other postretirement benefits plans) on our accompanying Consolidated Balance Sheets.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

10. Contingencies

We are involved in various patent, product liability, consumer, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. In accordance with SFAS No. 5, we record accruals for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have estimated the likelihood of unfavorable outcomes and the amounts of such potential losses. In management's opinion, the ultimate outcome of these proceedings and claims is not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of litigation is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery.

The United States Food & Drug Administration ("FDA") and the United States Department of Justice are continuing to conduct an investigation involving our SYSTEM 1[®] sterile processing system. We received requests for documents in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance that the ultimate outcome of the investigation will not result in an action by the government agencies or that the government agencies will not initiate administrative proceedings, civil proceedings or criminal proceedings, or any combination thereof, against us.

The Internal Revenue Service ("IRS") routinely conducts audits of our federal income tax returns. During the fourth quarter of fiscal year 2006, we reached a settlement with the IRS with respect to federal income tax returns for the fiscal years 1997 and 1998 that were previously in appeals, and entered the appeals phase relative to audit results for fiscal years 1999 through 2001. The IRS began an audit of fiscal years 2002 through 2005 in fiscal year 2007. We also remain subject to tax authority audits in various other jurisdictions in which we operate.

We record accruals for tax positions taken or expected to be taken in a tax return in accordance with the provisions of FIN No. 48. If we were to prevail in matters for which accruals have been established, or are required to pay amounts in excess of established accruals, our effective income tax rate in a given financial statement period may be materially impacted.

11. Business Segment Information

We operate and report in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services.

Our Healthcare segment is a global provider of capital equipment and accessories used in surgical and critical care environments, emergency departments, gastrointestinal and sterile processing environments, and in infection control processes. We also manufacture and sell consumable products and provide services to this healthcare customer base.

Our Life Sciences segment manufactures and sells capital equipment, cleaning chemistries, and service solutions to pharmaceutical companies, public and private research facilities, government, military, aerospace, transportation, and food and beverage customers.

Our Isomedix Services segment operates through a network of 21 facilities located in North America. We sell a comprehensive array of contract sterilization services using Gamma Irradiation, Electron Beam Irradiation, and ethylene oxide ("EO") technologies. We provide sterilization, microbial reduction, and materials modification services to companies that supply products to the healthcare, industrial, and consumer products industries.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

Operating income (loss) for each segment reflects the full allocation of all distribution, corporate, and research and development expenses to the segments. These allocations are based upon variables such as segment headcount and revenues. The accounting policies for reportable segments are the same as those for the consolidated Company. Individual facilities, equipment and intellectual properties are utilized for production for multiple segments at varying levels over time. As a result, an allocation of depreciable assets is not meaningful to segment performance. For the three months ended June 30, 2007, revenues from a single customer did not represent ten percent or more of any segment's revenues. Additional information regarding our segments is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

Financial information for each of our segments is presented in the following tables:

	Three Months Ended June 30,	
	2007	2006
Revenues:		
Healthcare	\$ 195,691	\$ 187,131
Life Sciences	49,781	45,381
STERIS Isomedix Services	35,472	32,555
Total revenues	\$ 280,944	\$ 265,067
Operating income (loss):		
Healthcare	\$ 15,213	\$ 21,113
Life Sciences	(850)	(1,313)
STERIS Isomedix Services	7,204	5,661
Total operating income	\$ 21,567	\$ 25,461

For the three months ended June 30, 2007 and 2006, operating results of the Healthcare segment include restructuring expenses of \$1,391 and \$1,105, respectively.

Financial information for each of our United States and international geographic areas is presented in the following tables. Revenues are based on the location of our customers. Long-lived assets are those assets that are identified within the operations in each geographic area, including property, plant, equipment, goodwill, intangibles, and other assets.

	Three Months Ended June 30,	
	2007	2006
Revenues:		
United States	\$ 221,989	\$ 210,962
International	58,955	54,105
Total revenues	\$ 280,944	\$ 265,067
Long-lived assets:		
United States	\$ 565,373	\$ 570,851
International	155,834	153,599
Total long-lived assets	\$ 721,207	\$ 724,450

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

12. Common Shares

Basic earnings per common share is calculated based upon the weighted average number of common shares outstanding. Diluted earnings per common share is calculated based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method. The following is a summary of common shares and common share equivalents outstanding used in the calculations of basic and diluted earnings per common share:

	Three Months Ended June 30,	
	2007	2006
	(shares in thousands)	
Weighted average common shares outstanding - basic	65,017	66,197
Dilutive effect of common share equivalents.	892	466
Weighted average common shares outstanding and common share equivalents - diluted .	<u>65,909</u>	<u>66,663</u>

Options to purchase the following number of common shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per common share because the options were not vested or the exercise prices were greater than the average market price for the common shares during the periods:

	Three Months Ended June 30,	
	2007	2006
	(shares in thousands)	
Number of common share options	1,085	3,066
Weighted average exercise price	\$ 26.32	\$ 25.50

13. Repurchases of Common Shares

During the first three months of fiscal 2008, we repurchased 708,931 of our common shares for an aggregate of \$21,235, representing an average price of \$29.95 per common share. At June 30, 2007, 1,886,869 common shares remained authorized for repurchase and 5,298,118 common shares were held in treasury. We provide additional information regarding common share repurchase authorizations and common share repurchases in note 18 to our consolidated financial statements titled, "Subsequent Events."

14. Share-Based Compensation

STERIS has a long-term incentive plan that makes available up to 6,600,000 common shares for grants, at the discretion of the Compensation Committee of the Board of Directors to officers, directors, and key employees in the form of stock options, restricted shares, and restricted share units, or other forms permitted by the plan. STERIS previously granted stock options under various other plans. Stock options provide the right to purchase our common shares at the market price on the date of the grant, subject to the terms of option plans and agreements. Generally, stock options granted become exercisable in 25% increments for each full year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or earlier if the option holder is no longer employed by us. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule allowing the options to vest on a prorated basis, as defined by

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

the agreement, in the event of employee termination. Restricted shares and restricted share units generally cliff vest over an approximately three-year period. As of June 30, 2007, 6,009,556 shares remain available for grant under the long-term incentive plan.

On April 1, 2006, we adopted SFAS No. 123R using the modified prospective transition method. We estimate the fair value of share-based awards on the date of the grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general and administrative expenses in a manner consistent with the employee's compensation and benefits.

Under the modified prospective transition method, compensation cost recognized during the first quarter of fiscal 2008 and fiscal 2007 includes (a) compensation cost for all share-based compensation granted, but not yet vested, as of April 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based compensation granted on or subsequent to April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Total share based compensation expense recognized during the first quarters of fiscal 2008 and fiscal 2007 was \$1,615 and \$2,092, respectively, before income taxes (\$992 and \$1,285, respectively, net of income taxes).

We issued 468,414 and 50,860 common shares from treasury upon the exercise of stock options during the three months ended June 30, 2007 and 2006, respectively. During the three months ended June 30, 2007 and 2006, 10,241 and 55,045 shares were forfeited. No stock options were granted during the first quarter of fiscal 2008 or fiscal 2007.

During the three months ended June 30, 2007, we granted 30,000 restricted share units with a weighted average grant date fair value of \$26.81. No restricted shares or restricted share units were granted during the first quarter of fiscal 2007.

As of June 30, 2007, there was a total of \$8,790 in unrecognized compensation cost related to nonvested share-based compensation granted under our share-based compensation plans. We expect to recognize the cost over a weighted average period of 1.45 years.

We provide additional information regarding share-based compensation in note 18 to our consolidated financial statements titled, "Subsequent Events."

15. Financial and Other Guarantees

We generally offer a limited parts and labor warranty on capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the country where we conduct business. We record a liability for the estimated cost of product warranties at the time product revenues are recognized. The amounts we expect to incur on behalf of our customers for the future estimated cost of these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." Factors that affect the amount of our warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Changes in our warranty liability during the first three months of fiscal 2008 were as follows:

Balance, March 31, 2007	\$ 5,893
Warranties issued during the period	3,187
Settlements made during the period	<u>(2,687)</u>
Balance, June 30, 2007	<u>\$ 6,393</u>

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
(dollars in thousands, except per share amounts)

We also sell product maintenance contracts to our customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from customers under these contracts as a liability for deferred service contract revenue on our accompanying Consolidated Balance Sheets within "Accrued expenses and other." The liability recorded for such deferred service revenue was \$17,487 and \$16,751 as of June 30, 2007 and March 31, 2007, respectively. Such deferred revenue is then amortized on a straight-line basis over the contract term and recognized as service revenue on our accompanying Consolidated Statements of Income. The activity related to the liability for deferred service contract revenues is excluded from the table presented above.

16. Foreign Currency Forward Contracts

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. These contracts are marked to market, with gains and losses recognized on the accompanying Consolidated Statements of Income within "Selling, general, and administrative expenses." At June 30, 2007, we did not hold any foreign currency forward contracts.

17. Business Dispositions

On October 31, 2005, we sold our freeze dryer (lyophilizer) product line to GEA Group of Germany for 20.8 million euros (approximately \$25,161). As a result of the sale, we recognized an after-tax gain of \$7,292. The gain recognized through June 30, 2006 was preliminary because the purchase price was subject to post-closing adjustments. The freeze dryer product line, based in Cologne, Germany, was part of our Life Sciences segment. The gain from the sale of this product line, recorded in the first quarter of fiscal 2007, of \$627 is presented in our financial statements as a discontinued operation, net of tax.

18. Subsequent Events

On July 26, 2007, we announced that the Company's Board of Directors had declared a quarterly cash dividend in the amount of \$0.06 per common share, payable on September 12, 2007, to shareholders of record as of August 15, 2007.

On July 26, 2007, we announced that the Company's Board of Directors had authorized the purchase of up to \$300,000 in shares of our common stock. This common share repurchase authorization replaced the existing authorization to repurchase up to 3,000,000 shares that was approved on July 27, 2006. This new common share repurchase authorization does not have a stated maturity date. Under this new authorization, we may purchase shares from time to time through open market purchases or privately negotiated transactions, including transactions pursuant to Rule 10b5-1 plans.

On July 27, 2007, the Company's Board of Directors awarded a total of 402,718 stock options at an exercise price of \$27.68 per share and 77,136 restricted shares with a grant date fair value of \$27.68 per share to directors, officers, and certain key employees of the Company.

Subsequent to June 30, 2007 and prior to August 7, 2007, we repurchased 404,800 of our common shares for an aggregate of \$11,258, representing an average price of \$27.81 per common share.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
STERIS Corporation

We have reviewed the consolidated balance sheet of STERIS Corporation and subsidiaries as of June 30, 2007, and the related consolidated statements of income and cash flows for the three month periods ended June 30, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2007 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, not presented herein, and in our report dated May 24, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of March 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Cleveland, Ohio
August 7, 2007

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction. In Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A"), we explain the general financial condition and the results of operations for STERIS including:

- what factors affect our business;
- what our earnings and costs were in the first quarter of fiscal 2008 and 2007;
- why those earnings and costs were different from the year before;
- where our earnings came from;
- how this affects our overall financial condition; and
- where cash will come from to pay for future capital expenditures.

As you read the MD&A, it may be helpful to refer to information in our consolidated financial statements, which present the results of our operations for the first quarter of fiscal 2008 and 2007. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

Financial Measures. In the following sections of the MD&A, we may, at times, refer to financial measures that are not required to be presented in the consolidated financial statements under U.S. GAAP. We have used the following financial measures in the context of this report: backlog; debt to capital; and days sales outstanding. We define these financial measures as follows:

- **Backlog** - We define backlog as the amount of unfilled capital purchase orders at a point in time. We use this figure as a measure to assist in the projection of short-term financial results and inventory requirements.
- **Debt to capital** - We define debt to capital as total debt divided by the sum of total debt and shareholders' equity. We use this figure as a financial liquidity measure to gauge our ability to borrow, fund growth, and measure the risk of our financial structure.
- **Days sales outstanding ("DSO")** - We define DSO as the average collection period for accounts receivable. It is calculated as net accounts receivable divided by the trailing four quarter's revenues, multiplied by 365. We use this figure to help gauge the quality of accounts receivable and expected time to collect.

In the following sections of the MD&A, we may, at times, also refer to financial measures which are considered to be "non-GAAP financial measures" under the rules of the SEC. Non-GAAP financial measures we may use are as follows:

- **Free cash flow** - We define free cash flow as net cash flows provided by (used in) operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles, net, plus proceeds from the sale of property, plant, equipment, and intangibles, which is also presented in the Consolidated Statements of Cash Flows. We use this measure to gauge our ability to fund future growth outside of core operations, repurchase common shares, pay cash dividends, and reduce debt. The following table summarizes the calculation of our cash flow for the three months ended June 30, 2007 and 2006:

<i>(dollars in thousands)</i>	Three Months Ended	
	June 30,	
	2007	2006
Net cash flows provided by (used in) operating activities	\$19,426	\$ (6,677)
Purchases of property, plant, equipment and intangibles, net	(9,691)	(12,415)
Proceeds from the sale of property, plant, equipment and intangibles	22	—
Free cash flow	<u>\$ 9,757</u>	<u>\$ (19,092)</u>

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We may, at times, refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparative analysis between the periods presented. For example, when discussing changes in revenues, we may, at times, exclude the impact of recently completed acquisitions and dispositions.

We have presented these financial measures because we believe that meaningful analysis of our financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered alternatives to measures required by U.S. GAAP. Our calculations of these measures may be different from calculations of similar measures used by other companies and you should be careful when comparing these financial measures to those of other companies.

Revenues - Defined. As required by Regulation S-X under the Securities Exchange Act of 1934 (“Regulation S-X”), we separately present revenues generated as either product revenues or service revenues on our Consolidated Statements of Income for each period presented. When we discuss revenues, we may, at times, refer to revenues summarized differently than the Regulation S-X requirements. The terminology, definitions, and applications of terms that we use to describe revenues may be different from terms used by other companies. We use the following terms to describe revenues:

- **Revenues** - Our revenues are presented net of sales returns and allowances.
- **Product Revenues** - We define product revenues as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP[®] technology, water stills, and pure steam generators; surgical lights, tables and ceiling management systems; and the consumable family of products, which includes STERIS SYSTEM 1[®] consumables, sterility assurance products, skin care products, and cleaning consumables.
- **Service Revenues** - We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of our capital equipment, as well as revenues generated from contract sterilization offered through our Isomedix Services segment.
- **Capital Revenues** - We define capital revenues, a subset of product revenues, as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP[®] technology, water stills, and pure steam generators; and surgical lights, tables and ceiling management systems.
- **Consumable Revenues** - We define consumable revenues, a subset of product revenues, as revenues generated from sales of the consumable family of products, which includes STERIS SYSTEM 1[®] consumables, sterility assurance products, skin care products, and cleaning consumables.
- **Recurring Revenues** - We define recurring revenues as revenues generated from sales of consumable products and service revenues.

General Company Overview and Executive Summary. Our mission is to provide a healthier today and safer tomorrow through knowledgeable people and innovative infection prevention, decontamination and health science technologies, products, and services. Our dedicated employees around the world work together to supply a broad range of solutions by offering a combination of equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental customers.

We participate in industries that currently benefit from strong underlying demand, with the bulk of our revenues derived from the healthcare and pharmaceutical industries. As such, much of the growth in our markets is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years. In addition, each of our core industries also are benefiting from specific trends that drive growth. Within the healthcare market, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased FDA scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. In the contract sterilization industry, where our Isomedix segment competes, a trend toward the outsourcing of sterilization services continues to drive growth.

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Beyond our core markets, infection-control issues are becoming a global concern, and emerging threats have gained prominence in the news. Through the Life Sciences segment, we are actively pursuing new opportunities to adapt our proven technologies to meet the needs of emerging applications such as defense, aerospace, food and beverage, and industrial decontamination.

Fiscal 2008 first quarter revenues were \$280.9 million compared to \$265.1 million in the first quarter of fiscal 2007, representing an increase of \$15.8 million, or 6.0%, driven by revenue growth in all three business segments. Our gross margin percentage for the first quarter of fiscal 2008 was 42.3% compared to 42.8% in the first quarter of fiscal 2007, or a decline of 50 basis points, reflecting the impact of higher freight expenses and raw material costs, particularly for stainless steel, partially offset by price increases and productivity gains.

Free cash flow was \$9.8 million in the first quarter of fiscal 2008 compared to negative \$19.1 million in the prior year first quarter. The fiscal 2007 first quarter negative free cash flow of \$19.1 million primarily resulted from working capital changes, including payments to the IRS of taxes previously recognized. Our debt-to-capital ratio increased to 12.5% at June 30, 2007 from 11.6% at March 31, 2007, reflecting increased borrowings utilized to fund working capital changes and common share repurchases. During the first quarter of fiscal 2008, we repurchased approximately 0.7 million common shares at an average purchase price per share of \$29.95. We also declared and paid quarterly cash dividends in the first quarter of fiscal 2008 of \$0.05 per common share.

Additional information regarding our fiscal 2008 first quarter financial performance is included in the subsection below titled “Results of Operations.”

Matters Affecting Comparability

Accounting for Uncertain Tax Positions. On April 1, 2007, we adopted FIN No. 48, which provides guidance for the recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In accordance with FIN No. 48, we recorded a cumulative-effect adjustment of \$8.4 million, increasing our liability for unrecognized tax benefits, interest, and penalties and reducing the April 1, 2007 balance of retained earnings.

Additional information regarding our adoption of FIN No. 48 is included in note 1 titled, “Nature of Operations and Summary of Significant Accounting Policies,” and in note 8 titled, “Income Tax Expense,” of our accompanying consolidated financial statements.

Restructuring. On January 30, 2006, we announced that the manufacturing portion of our Erie, Pennsylvania operations will be transferred to Mexico to reduce production costs and improve our competitive position. Plans for other restructuring actions designed to reduce operating costs within the ongoing operations of both the Healthcare and Life Sciences segments also were approved.

During the first quarter of fiscal 2008 and 2007, we incurred pre-tax expenses of \$1.9 million and \$2.4 million, including \$1.4 million and \$1.1 million classified as restructuring expenses, respectively, primarily related to accelerated depreciation of assets, compensation and severance and termination benefits related to the transfer of our Erie, Pennsylvania manufacturing operations to Monterrey, Mexico.

Additional information regarding our restructuring actions is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007.

Business Dispositions. On October 31, 2005, we sold our freeze dryer (lyophilizer) product line to GEA Group of Germany for 20.8 million euros (approximately \$25.2 million). As a result of the sale, we recognized an after-tax gain of approximately \$7.3 million. The gain recognized through June 30, 2007 remained subject to adjustment as transaction costs were finalized. The freeze dryer product line, based in Cologne, Germany, was part of our Life Sciences segment. The gain from the sale of this product line recorded in the first quarter of fiscal 2007 of \$0.6 million is presented in our financial statements as a discontinued operation, net of tax.

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International Operations. Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the first quarter of fiscal 2008, our revenues were favorably impacted by \$2.2 million, or 0.8%, and income before taxes was unfavorably impacted by \$1.8 million, or 8.4%, compared with the first quarter of fiscal 2007, as a result of foreign currency movements relative to the U.S. dollar.

Results of Operations. In the following subsections, we discuss our earnings and the factors affecting them. We begin with a general overview of the results of operations of the Company and then separately discuss earnings for our operating segments.

Revenues. The following table compares our revenues for the three months ended June 30, 2007 to the three months ended June 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change	Percent of Total Revenues	
	2007	2006			2007	2006
Capital Revenues	\$ 102,849	\$ 100,053	\$ 2,796	2.8%	36.6%	37.7%
Consumable Revenues	69,520	65,706	3,814	5.8%	24.7%	24.8%
Product Revenues	172,369	165,759	6,610	4.0%	61.4%	62.5%
Service Revenues	108,575	99,308	9,267	9.3%	38.6%	37.5%
Total Revenues	\$ 280,944	\$ 265,067	\$ 15,877	6.0%	100.0%	100.0%
Service Revenues	\$ 108,575	\$ 99,308	\$ 9,267	9.3%	38.6%	37.5%
Consumable Revenues	69,520	65,706	3,814	5.8%	24.7%	24.8%
Recurring Revenues	178,095	165,014	13,081	7.9%	63.4%	62.3%
Capital Revenues	102,849	100,053	2,796	2.8%	36.6%	37.7%
Total Revenues	\$ 280,944	\$ 265,067	\$ 15,877	6.0%	100.0%	100.0%
United States	\$ 221,989	\$ 210,962	\$ 11,027	5.2%	79.0%	79.6%
International	58,955	54,105	4,850	9.0%	21.0%	20.4%
Total Revenues	\$ 280,944	\$ 265,067	\$ 15,877	6.0%	100.0%	100.0%

Revenues increased \$15.8 million, or 6.0%, to \$280.9 million for the quarter ended June 30, 2007, as compared to \$265.1 million for the same prior year quarter, driven by growth in all three business segments. As compared to the first quarter of fiscal 2007, service revenues increased \$9.3 million in the first quarter of fiscal 2008 primarily due to increases in revenues within the United States for all three business segments. Consumable revenues increased 5.8% for the quarter ended June 30, 2007, as compared to the same prior year quarter, primarily driven by growth in the Healthcare segment. Capital revenues increased 2.8% quarter-over-quarter primarily as a result of increases in revenues within the European markets for both the Healthcare and Life Sciences segments.

International revenues increased \$4.8 million, or 9.0%, to \$58.9 million for the quarter ended June 30, 2007, as compared to \$54.1 million for the same prior year quarter. International revenues were positively affected by growth in capital equipment revenues within the European markets for both our Healthcare and Life Sciences segments with increases of 9.9% and 44.3% over the comparable prior year quarter, respectively. Consumable revenues within our Healthcare segment's European market also experienced 16.8% growth during the first quarter of fiscal 2008 as compared to the same prior year quarter.

United States revenues increased \$11.0 million, or 5.2%, to \$221.9 million for the quarter ended June 30, 2007, as compared to \$210.9 million for the same prior year quarter. The increase in United States revenues was primarily driven by strong growth in recurring revenues, with increases of 3.9% and 9.7% in consumable

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and service revenues, respectively. United States capital revenues also increased for the first quarter of fiscal 2008 as compared to the prior year quarter, with 1.1% growth in our Healthcare segment, tempered by relatively flat capital revenues for our Life Sciences segment.

Revenues by segment are further discussed in the section of MD&A titled, "Business Segment Results of Operations."

Gross Profit. The following table compares our gross profit for the three months ended June 30, 2007 to the three months ended June 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2007	2006		
Gross Profit:				
Product	\$ 70,494	\$ 70,466	\$ 28	0.0%
Service	48,218	42,909	5,309	12.4%
Total Gross Profit	<u>\$118,712</u>	<u>\$113,375</u>	<u>\$5,337</u>	<u>4.7%</u>
Gross Profit Percentage:				
Product	40.9%	42.5%		
Service	44.4%	43.2%		
Total Gross Profit Percentage	<u>42.3%</u>	<u>42.8%</u>		

Our gross profit (margin) is affected by the volume, pricing, and mix of sales of our products and services, as well as the costs associated with the products and services that are sold. Our total gross margin decreased from the first quarter of fiscal 2007, reflecting increases in raw material costs, particularly for stainless steel, and freight costs, which more than offset price increases and productivity gains in our manufacturing facilities and service organization.

Operating Expenses. The following table compares our operating expenses for the three months ended June 30, 2007 to the three months ended June 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2007	2006		
Operating Expenses:				
Selling, General, and Administrative	\$86,495	\$78,414	\$8,081	10.3%
Research and Development	9,259	8,395	864	10.3%
Restructuring Expenses	1,391	1,105	286	25.9%
Total Operating Expenses	<u>\$97,145</u>	<u>\$87,914</u>	<u>\$9,231</u>	<u>10.5%</u>

Significant components of total selling, general, and administrative expenses ("SG&A") are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. As a percentage of total revenue, SG&A increased 120 basis points for the first quarter of fiscal 2008 as compared to the first quarter of fiscal 2007. The increases in SG&A and research and development expenses in the first quarter of fiscal 2008 reflect continued investments in developing new products and the related costs incurred for marketing, advertising, and supporting these new product introductions.

As a percentage of total revenues, research and development expenses were 3.3% and 3.2% for the three-month periods ended June 30, 2007 and 2006, respectively. Research and development expenses are influenced

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by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological innovations. During the first quarter of fiscal 2008, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of delivery systems in the defense and industrial areas, sterile processing combination technologies, surgical tables and accessories, and the areas of emerging infectious agents such as Prions and Nanobacteria.

Our operating expenses include restructuring expenses. We recognize restructuring expenses as incurred as required under the provisions of SFAS No. 146. In addition, we assessed the property, plant and equipment associated with the related facilities for impairment under SFAS No. 144. Asset impairment and accelerated depreciation expenses primarily relate to an adjustment to the carrying value of the related facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were reevaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets.

In the first quarter of fiscal 2008, we recorded \$1.4 million in restructuring expenses, as compared to \$1.1 million in the first quarter of fiscal 2007. These restructuring expenses primarily related to the previously announced transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico, which was part of the Fiscal 2006 Restructuring Plan. The restructuring expenses we recorded during the first quarter of fiscal 2008 and the first quarter of fiscal 2007 are summarized in the following table:

<i>(dollars in thousands)</i>	Fiscal 2006 Restructuring Plan Three Months Ended June 30,	
	2007	2006
Asset impairment and accelerated depreciation	\$ 1,059	\$ 705
Severance, payroll and other related costs	332	390
Other	—	10
Total restructuring charges	\$ 1,391	\$ 1,105

The costs incurred during the first quarter of fiscal 2008 and fiscal 2007 are associated with our Healthcare business segment. Since the inception of the Fiscal 2006 Restructuring Plan, we have incurred restructuring expenses of \$31.6 million, with restructuring expenses of \$31.2 million and \$0.4 million related to the Healthcare and Life Sciences segments, respectively.

We anticipate incurring approximately an additional \$3.0 million in restructuring expenses during fiscal 2008 in connection with the transfer of the manufacturing operations to Mexico. Restructuring expenses to be incurred include compensation and benefits, severance, accelerated depreciation and other expenses.

Liabilities related to the Fiscal 2006 Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The following table summarizes our liabilities related to these restructuring activities:

<i>(dollars in thousands)</i>	Fiscal 2006 Restructuring Plan			June 30, 2007
	March 31, 2007	Fiscal 2008		
		Provision	Payments	
Severance and termination benefits	\$ 1,799	\$ 332	\$ (209)	\$ 1,922
Lease termination obligation	157	(13)	(144)	—
Total	\$ 1,956	\$ 319	\$ (353)	\$ 1,922

During the third quarter of fiscal 2007, we adopted the European Restructuring Plan. For the three months ended June 30, 2007, we did not incur any restructuring expenses related to the European Restructuring Plan. We are continuing to evaluate our European operations for opportunities to enhance performance, but we have not committed to any additional specific restructuring actions.

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Liabilities related to the European Restructuring Plan activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued expenses and other.” The following table summarizes our liabilities related to these restructuring activities:

<i>(dollars in thousands)</i>	European Restructuring Plan			June 30, 2007
	March 31, 2007	Fiscal 2008		
		Provision	Payments	
Severance and termination benefits	\$ 638	\$ —	\$ (238)	\$ 400
Lease termination obligation	219	—	(33)	186
Fixed asset impairment	105	—	—	105
Total	<u>\$ 962</u>	<u>\$ —</u>	<u>\$ (271)</u>	<u>\$ 691</u>

Non-Operating Expense, Net. Non-operating expense (income), net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income. The following table compares our net non-operating expense for the three months ended June 30, 2007 and 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change
	2007	2006	
Non-Operating Expense, Net:			
Interest Expense	\$ 1,235	\$ 1,769	\$ (534)
Interest and Miscellaneous Income	(462)	(679)	217
Non-Operating Expense, Net	<u>\$ 773</u>	<u>\$ 1,090</u>	<u>\$ (317)</u>

Interest expense decreased \$0.5 million during the first three months of fiscal 2008 compared with the same prior year period, reflecting lower average debt levels and lower average interest rates. Interest and other miscellaneous income decreased \$0.2 million during the first three months of fiscal 2008 compared with the same prior year period. This decrease was due to lower cash balances in fiscal 2008, which resulted in a smaller amount of interest earnings on those balances.

Income Tax Expense. The following table compares our income tax expense and effective income tax rates for continuing operations for the three months ended June 30, 2007 to the three months ended June 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2007	2006		
Income Tax Expense	\$7,591	\$10,314	\$(2,723)	(26.4)%
Effective Income Tax Rate	36.5%	42.3%		

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates for continuing operations for the three-month periods ended June 30, 2007 and 2006 were 36.5% and 42.3%, respectively. We benefited from improved profitability from foreign locations during the three-month period ended June 30, 2007, while the three-month period ended June 30, 2006 was negatively impacted by discrete item adjustments.

We record income tax expense during interim periods based on our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. We analyze various factors to determine the estimated annual effective income tax rate, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

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Business Segment Results of Operations. We operate and report in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. Our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007, provides additional information regarding each business segment. The following table compares business segment revenues for the three months ended June 30, 2007 to the three months ended June 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2007	2006		
Revenues:				
Healthcare	\$195,691	\$187,131	\$ 8,560	4.6%
Life Sciences	49,781	45,381	4,400	9.7%
STERIS Isomedix Services	35,472	32,555	2,917	9.0%
Total Revenues	\$280,944	\$265,067	\$15,877	6.0%

Healthcare segment revenues were 69.7% of total revenues for the first quarter of fiscal 2008 as compared to 70.6% for the same prior year period. Healthcare revenues increased \$8.6 million, or 4.6%, to \$195.7 million for the quarter ended June 30, 2007, as compared to \$187.1 million for the first quarter of fiscal 2007. The increase in Healthcare revenues was driven by strong growth in service and consumable revenues. Service revenues grew 8.1% over the same prior year quarter, primarily due to an increase of 7.8% in the United States market. Consumable revenues increased 6.6% over the same prior year quarter, reflecting growth in the United States and European markets of 4.3% and 16.8%, respectively. Capital revenues grew 1.1% during the first quarter of fiscal 2008, reflecting increased demand for sterile processing equipment in the United States and European markets, partially offset by flat demand for surgical support products. At June 30, 2007, the Healthcare segment's backlog amounted to \$69.5 million, representing an increase of \$5.7 million, or 8.9%, compared to the March 31, 2007 level and an increase of \$2.6 million, or 3.8%, compared to the June 30, 2006 level.

Life Sciences segment revenues were 17.7% of total revenues for the first quarter of fiscal 2008 as compared to 17.1% for the same prior year quarter. Life Sciences revenues increased \$4.4 million, or 9.7%, to \$49.8 million for the quarter ended June 30, 2007, as compared to \$45.4 million for the first quarter of fiscal 2007. The growth in Life Sciences revenues was driven by increases of 10.7% and 14.0% in capital and service revenues, respectively. The increase in capital revenues was due to strong demand for sterilizers primarily in the European research market, which experienced 44.3% growth, tempered by relatively flat capital revenues in the United States research market. The increase in service revenues primarily resulted from a 14.1% increase in the United States market during the first quarter of fiscal 2008 as compared to the first quarter of fiscal 2007. At June 30, 2007, the Life Sciences segment's backlog amounted to \$46.5 million, representing a slight increase compared to \$46.4 million at March 31, 2007 and a decline of \$2.2 million, or 4.6%, compared to \$48.7 million at June 30, 2006.

STERIS Isomedix Services segment revenues were 12.6% of total revenues for the first quarter of fiscal 2008 as compared to 12.3% for the same prior year quarter. The segment's revenues increased \$2.9 million, or 9.0%, to \$35.5 million for the quarter ended June 30, 2007, as compared to \$32.6 million for the first quarter of fiscal 2007, driven by increased demand from medical device customers.

The following table compares our business segment operating results for the three months ended June 30, 2007 to the three months ended June 30, 2006:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2007	2006		
Operating Income (Loss):				
Healthcare	\$15,213	\$21,113	\$(5,900)	(27.9)%
Life Sciences	(850)	(1,313)	463	35.3%
STERIS Isomedix Services	7,204	5,661	1,543	27.3%
Total Operating Income	\$21,567	\$25,461	\$(3,894)	(15.3)%

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Segment operating income (loss) is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution, corporate, and research and development expenses. Corporate cost allocations are based on each segment's portion of revenues, headcount, or other variables to those of the total company.

Our Healthcare segment's operating income decreased \$5.9 million, or 27.9%, to \$15.2 million for the first quarter of fiscal 2008, as compared to \$21.1 million for the same prior year quarter. Our Healthcare segment's operating margins were 7.8% and 11.3% for the quarters ended June 30, 2007 and 2006, respectively. This decline in operating performance was primarily due to continued increases in raw material costs, particularly the cost of stainless steel, and higher freight expenses, which more than offset price increases and productivity improvements. In addition, the segment incurred costs related to marketing, advertising, and supporting new product introductions. Also included in our Healthcare segment's operating income are expenses of \$1.9 million and \$2.4 million, including expenses of \$1.4 million and \$1.1 million classified as restructuring expenses, in the first quarter of fiscal 2008 and fiscal 2007, respectively, associated with the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico.

Life Sciences segment operating loss was \$0.9 million and \$1.3 million for the quarters ended June 30, 2007 and 2006, respectively. The improvement in operating performance was primarily driven by from increased volume.

STERIS Isomedix Services segment operating income increased \$1.5 million, or 27.3%, to \$7.2 million for the first quarter of fiscal 2008 as compared to \$5.7 million for the same prior year period due to increased volume and the impact of expenses related to the disposal of depleted materials to comply with regulatory standards in the prior year period. The segment's operating margins were 20.3% and 17.4% for the quarters ended June 30, 2007 and 2006, respectively.

Liquidity and Capital Resources. The following table summarizes significant components of our cash flows for the three months ended June 30, 2007 and 2006:

<i>(dollars in thousands)</i>	Three Months Ended	
	June 30,	
	2007	2006
Operating activities:		
Net income	\$ 13,203	\$ 14,684
Non-cash items	14,692	9,324
Changes in operating assets and liabilities, excluding the effects of business acquisitions	(8,469)	(30,685)
Net cash provided by (used in) operating activities	\$ 19,426	\$ (6,677)
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	\$ (9,691)	\$ (12,415)
Proceeds from the sale of property, plant, equipment, and intangibles	22	—
Proceeds from the sale of discontinued operations	—	2,927
Net cash used in investing activities	\$ (9,669)	\$ (9,488)
Financing activities:		
Proceeds under credit facilities, net	\$ 8,980	\$ 73,660
Payments on long-term obligations and capital leases, net	—	(212)
Repurchases of common shares	(21,235)	(50,134)
Cash dividends paid to common shareholders	(3,259)	(2,679)
Stock option and other equity transactions, net	10,163	358
Net cash (used in) provided by financing activities	\$ (5,351)	\$ 20,993
Debt-to-capital ratio	12.5%	21.2%
Free cash flow	\$ 9,757	\$ (19,092)

Net Cash Provided by (Used In) Operating Activities. The net cash provided by our operating activities was \$19.4 million for the first three months of fiscal 2008 compared to net cash used in operating activities of \$6.7 million for the first three months of fiscal 2007. The following discussion summarizes the significant changes in our operating cash flows:

- **Non-cash items-** Our non-cash items include depreciation, depletion and amortization, share-based compensation expense, changes in deferred income taxes, and other items. Non-cash items were \$14.7 million for the first three months of fiscal 2008 compared with \$9.3 million for the first three months of fiscal 2007. Significant changes in these items for the first quarter of fiscal 2008 as compared to the same prior year period are summarized below:
 - **Depreciation, depletion, and amortization-** Depreciation, depletion, and amortization is the most significant component of non-cash items. This expense totaled \$15.6 million and \$14.9 million for the first three months of fiscal 2008 and fiscal 2007, respectively. The \$0.7 million increase in this expense was primarily the result of recording accelerated depreciation for certain assets included in the Fiscal 2006 Restructuring Plan.
 - **Share-based compensation expense-** We recorded share-based compensation expense of \$1.6 million and \$2.1 million for the first three months of fiscal 2008 and fiscal 2007, respectively.
 - **Deferred income taxes-** Our deferred income tax benefits increased \$2.7 million for the first three months of fiscal 2008, compared with an increase of \$7.2 million for the first three months of fiscal 2007 due to the timing and recognition of settlements.
- **Working Capital-** Excluding the impact of foreign currency translation adjustments, changes to our working capital amounted to a negative \$8.5 million and a negative \$30.7 million during the first quarters of fiscal 2008 and fiscal 2007, respectively. Significant changes in our working capital for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006 are summarized below:
 - **Accounts receivable, net-** Our net accounts receivable balances decreased \$45.1 million during the first three months of fiscal 2008. Our accounts receivable balances may change from period to period due to the timing of revenues and customer payments. Accounts receivable days sales outstanding decreased to 62 days at June 30, 2007, from 77 days at March 31, 2007. The decrease in the balance of accounts receivable and days sales outstanding from the March 31, 2007 level is reflective of lower revenues in the first quarter of fiscal 2008 compared to the fourth quarter of fiscal 2007 and improvements in collections.
 - **Inventories, net-** Our net inventory balances increased \$19.4 million during the first three months of fiscal 2008. The increase reflects a higher level of inventory related to the impact of increased raw material costs, new product and service initiatives, and a \$5.9 million inventory build associated with the transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico to ensure consistent availability of product for our customers during the transition.
 - **Other current assets-** Our other current assets primarily consist of prepaid expenses for insurance and other general corporate items. Other current assets decreased \$1.7 million during the first three months of fiscal 2008, primarily due to the timing of payments under our insurance contracts, which are generally paid near the beginning of the coverage period. The increase of \$18.8 million during the first three months of fiscal 2007 was driven by a portion of the tax payment that remains on deposit with the IRS, subject to final resolution of certain matters under audit.
 - **Accounts payable, net-** Accounts payable, net decreased \$12.4 million during the first three months of fiscal 2008. Cash flows related to accounts payable may change from period to period due to varying payment due dates and other terms of our accounts payable obligations.
 - **Accruals and other, net-** Our net accruals and other liabilities balances decreased \$23.5 million during the first three months of fiscal 2008, reflecting payments made in the first quarter of fiscal 2008 against

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amounts accrued in fiscal 2007 for incentive compensation and income taxes. Cash flows related to our accruals and other liabilities balances may change from period to period primarily due to the timing of accruals and payments under our incentive compensation programs. Accruals under our various incentive compensation programs rise during the course of the fiscal year and decline significantly in the first fiscal quarter as payments are made under these programs. Changes in accruals for deferred revenues also contribute to the increase or decrease in these balances.

Net Cash Used In Investing Activities- The net cash we used in investing activities totaled \$9.7 million for the first three months of fiscal 2008 compared with \$9.5 million for the first three months of fiscal 2007. The following discussion summarizes the significant changes in our investing cash flows for the first three months of fiscal 2008 and fiscal 2007:

- Purchases of property, plant, equipment, and intangibles, net- Capital expenditures decreased \$2.7 million to \$9.7 million during the first three months of fiscal 2008 as compared to \$12.4 million during the same prior year period. Capital spending was higher during the first three months of fiscal 2007 primarily due to the purchase of a license to distribute an instrument tracking solution in North America and the timing of projects for certain Healthcare manufacturing facilities.
- Proceeds from the sale of discontinued operations- During the first three months of fiscal 2007, we recorded additional proceeds of \$2.9 million for the October 31, 2005 sale of our freeze dryer product line.

Net Cash (Used In) Provided by Financing Activities- The net cash we used in financing activities amounted to \$5.4 million for the first three months of fiscal 2008 compared with net cash provided by financing activities of \$21.0 million for the first three months of fiscal 2007. The following discussion summarizes the significant changes in our financing cash flows for the first three months of fiscal 2008 and fiscal 2007:

- Net proceeds under credit facilities- We borrowed \$9.0 million and \$73.7 million under our revolving credit facility during the first three months of fiscal 2008 and fiscal 2007, respectively. Proceeds borrowed are generally used to fund share repurchases and working capital changes. Working capital changes during the first three months of fiscal 2007 included a \$27.6 million payment to the IRS for taxes previously accrued.
- Repurchases of common shares- The Company's Board of Directors has provided authorization to repurchase the Company's common shares. During the first three months of fiscal 2008, we repurchased 708,931 common shares at an average purchase price of \$29.95 per common share. During the first three months of fiscal 2007, we repurchased 2,202,600 common shares at an average purchase price of \$22.76 per common share.
- Cash dividends paid to common shareholders- During the first three months of fiscal 2008, we paid total cash dividends of \$3.3 million, or \$0.05 per outstanding common share. During the first three months of fiscal 2007, we paid total cash dividends of \$2.7 million, or \$0.04 per outstanding common share.
- Stock option and other equity transactions, net- We receive cash for issuing common shares under our various employee stock compensation programs. During the first three months of fiscal 2008 and fiscal 2007, we received cash proceeds totaling \$8.1 million and \$0.7 million, respectively, under these programs.

Sources of Credit and Contractual and Commercial Commitments. Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our commercial commitments were approximately \$28.9 million at June 30, 2007 reflecting a net increase of \$3.0 million in surety bonds and other commercial commitments from March 31, 2007. Our contractual commitments have not changed materially from March 31, 2007. The maximum aggregate borrowing limits under our revolving credit facility ("Facility") have

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not changed since March 31, 2007. At June 30, 2007, the maximum amount available under this Facility was \$246.4 million. The maximum aggregate borrowing limit of \$275.0 million under the Facility is reduced by outstanding borrowings (\$9.0 million) and letters of credit issued under a sub-limit within the Facility (\$19.6 million).

Cash Requirements. Currently, we intend to use our existing cash and cash equivalent balances, cash generated by operations, and our existing credit facilities for short and long-term capital expenditures and our other liquidity needs. We believe that these amounts will be sufficient to meet working capital needs, capital requirements, and commitments for at least the next twelve months. However, our capital requirements will depend on many uncertain factors, including our rate of sales growth, our customers' acceptance of our products and services, the costs of obtaining adequate manufacturing capacities, the timing and extent of our research and development projects, and changes in our operating expenses. To the extent that our existing sources of cash are not sufficient to continue our future activities, we may need to raise additional funds through additional borrowing or selling equity securities. We cannot assure you that we will be able to obtain additional funds on terms favorable to us, or at all.

Critical Accounting Policies, Estimates, and Assumptions. We adopted FIN No. 48, which provides guidance for the recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In accordance with FIN No. 48, we recorded a cumulative-effect adjustment of \$8.4 million, increasing our liability for unrecognized tax benefits, interest, and penalties and reducing the April 1, 2007 balance of retained earnings.

Additional information regarding our adoption of FIN No. 48 is included in note 1 titled, "Nature of Operations and Summary of Significant Accounting Policies," and in note 8 titled, "Income Tax Expense" of our accompanying consolidated financial statements.

Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2007, other than the adoption of FIN No. 48 as described above.

Contingencies. We are involved in various patent, product liability, consumer, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. In accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," we record accruals for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse affect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of litigation is unpredictable and actual results could be materially different from our estimates. We record anticipated recoveries under applicable insurance contracts when assured of recovery.

The IRS routinely conducts audits of our federal income tax returns. During the fourth quarter of fiscal year 2006, we entered the appeals phase relative to audit results for fiscal years 1999 through 2001. The IRS began an audit of fiscal years 2002 through 2005 in fiscal year 2007. We also remain subject to tax authority audits in various other jurisdictions in which we operate.

We record accruals for tax positions taken or expected to be taken in a tax return in accordance with the provisions of FIN No. 48. If we were to prevail in matters for which accruals have been established, or are required to pay amounts in excess of established accruals, our effective income tax rate in a given financial statement period could be materially impacted.

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International Operations. Since we conduct operations outside the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the first quarter of fiscal 2008, our revenues were favorably impacted by \$2.2 million, or 0.8%, and income before income taxes was unfavorably impacted by \$1.8 million, or 8.4%, compared with the first quarter of fiscal 2007 as a result of foreign currency movements relative to the U.S. dollar. We have taken steps to reduce the foreign currency volatility by converting foreign currency denominated inter-company loans to equity for certain foreign legal entities. We cannot predict future changes in foreign currency exchange rates or the effect they will have on our operations.

Forward-Looking Statements. This Quarterly Report on Form 10-Q may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to us or our industry that are intended to qualify for the protections afforded “forward-looking statements” under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date of this report, and may be identified by the use of forward-looking terms such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” and “seeks,” or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to be materially different from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, and changes in government regulations or the application or interpretation thereof. Many of these important factors are outside of our control. No assurances can be provided as to any future financial results. Unless legally required, we do not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to be materially different from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing or raw material cost that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or our business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that application of or compliance with laws, court rulings, regulations, certifications or other requirements or standards may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect our performance, results, or value, (d) the potential of international unrest, (e) effects of fluctuations in currencies, tax assessments or rates, raw material costs, benefit or retirement plan costs, or other regulatory compliance costs, (f) the possibility of reduced demand, or reductions in the rate of growth in demand, for our products and services, (g) the possibility that anticipated cost savings may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental or other issues or risks associated with our expansion, transfer, executive recruitment or retention or other initiatives may adversely impact our performance, results, or value, (h) our ability to identify, select, hire and transition to a new President and Chief Executive Officer, (i) the success of our restructuring plans, and (j) those risks described in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007, under Item 1A, “Risk Factors.”

Availability of Securities and Exchange Commission Filings. We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after we file such material with, or furnish such material to, the SEC. You may access these documents on the Investor Relations page of our website at <http://www.steris-ir.com>. The information on our website is not incorporated by reference into this report. You may also obtain copies of these documents by visiting the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, or by accessing the SEC’s website at <http://www.sec.gov>. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are subject to interest rate, foreign currency, and commodity risks. Information related to these risks and our management of these exposures is included in Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in our Annual Report on Form 10-K for the year ended March 31, 2007, filed with the SEC on May 30, 2007. Our exposures to market risks have not changed materially since March 31, 2007.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of our management, including the Principal Executive Officer (“PEO”) and Principal Financial Officer (“PFO”), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based on that evaluation, including the assessment and input of our management, the PEO and PFO concluded that, as of June 30, 2007, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in a number of legal proceedings and claims, which we believe arise from the ordinary course of our business, given our size, history, complexity, nature of our business, and industries in which we participate. These legal proceedings and claims generally involve a variety of legal theories and allegations, including without limitation, personal injury (e.g., slip and falls, automobile accidents), product liability (e.g., based on the operation or claimed malfunction of products), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants), property damage (e.g., claimed damage due to leaking equipment, fire), economic loss (e.g., breach of contract, other commercial claims), employment (e.g., wrongful termination), and other claims for damage and relief.

The FDA and the United States Department of Justice are continuing to conduct an investigation involving our SYSTEM 1[®] sterile processing system. We have received requests for documents in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance that the ultimate outcome of the investigation will not result in an action by the government agencies or that the government agencies will not initiate administrative proceedings, civil proceedings or criminal proceedings, or any combination thereof, against us.

We believe we have adequately reserved for our current litigation and that the ultimate outcome of pending lawsuits and claims will not have a material adverse affect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, proceedings, investigations, or claims or their effect. We presently maintain product liability insurance coverage, and other liability coverage in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims against us.

From time to time, STERIS is also involved in legal proceedings as a plaintiff involving contract, patent protection, and other claims asserted by us. Gains, if any, from these proceedings are recognized when they are realized.

We believe there have been no material recent developments concerning our legal proceedings since March 31, 2007 and no new material pending legal proceedings required to be reported.

ITEM 1A. RISK FACTORS

We believe there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007, filed with the SEC on May 30, 2007, that would materially affect our business, results of operations, or financial condition.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the first quarter of fiscal 2008, we repurchased 708,931 of our common shares. These repurchases were pursuant to a single repurchase program which was approved by the Company's Board of Directors and announced on July 27, 2006. As of June 30, 2007, 1,886,869 shares remained authorized for repurchase under this authorization. This common share repurchase authorization does not have a stated maturity date. The following table summarizes the common shares repurchased during the first quarter of fiscal 2007 under our common share repurchase program:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans (1)
April 1-30	—	—	—	2,595,800
May 1-31	—	—	—	2,595,800
June 1-30	708,931	\$ 29.95	708,931	1,886,869
Total	708,931(2)	\$ 29.95(2)	708,931	1,886,869

- (1) On July 26, 2007, we announced that the Company's Board of Directors authorized the purchase of up to \$300 million in shares of our common stock. This common share repurchase authorization replaced the existing authorization to repurchase up to 3 million common shares that was approved on July 27, 2006. At the time of the replacement, we had repurchased 1,113,131 shares under the prior authorization. The new common share repurchase authorization does not have a stated maturity date.
- (2) Does not include approximately 29 common shares purchased during the quarter at an average price per share of \$27.60 by the STERIS Corporation 401(k) Plan on behalf of an executive officer who may be deemed to be an affiliated purchaser.

ITEM 5. OTHER INFORMATION

As required by the STERIS Corporation Senior Executive Management Incentive Compensation Plan, the Compensation and Corporate Governance Committee of the Company's Board of Directors approved the performance objectives and the formula for determining the amount of incentive compensation payable to the President and CEO, Mr. Vinney, upon the full achievement of those objectives. For fiscal 2008, the performance objectives are based on a combination of Company revenue, free cash flow and earnings before interest and taxes.

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

Exhibit Number	Exhibit Description
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended July 26, 2007.
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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.

STERIS Corporation

/s/ MICHAEL J. TOKICH
Michael J. Tokich
Vice President and Corporate Controller
August 7, 2007

EXHIBIT INDEX

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**STERIS CORPORATION
AMENDED AND RESTATED REGULATIONS,
AS AMENDED JULY 26, 2007**

**ARTICLE I
SHAREHOLDERS**

Section 1. *Annual Meeting.* The annual meeting of the shareholders of the corporation for the election of directors, the consideration of reports to be laid before the meeting, and the transaction of such other business as may properly be brought before the meeting shall be held at the principal office of the corporation or at such other place either within or without the State of Ohio and/or in whole or in part by means of communications equipment (in the manner provided in Section 9 of this Article I), at such time and on such date as may be designated by the Board of Directors, the Chairman of the Board, or the President and specified in the notice of the meeting.

Section 2. *Special Meetings.* Special meetings of the shareholders of the corporation may be held on any business day when called by the Chairman of the Board, the President, a Vice President, the Board of Directors acting at a meeting, a majority of the directors acting without a meeting, or the persons who hold fifty percent of all the shares outstanding and entitled to vote at the meeting.

Upon request in writing delivered either in person or by registered mail to the President or the Secretary by any persons entitled to call a meeting of the shareholders, that officer shall forthwith cause to be given to the shareholders entitled thereto notice of a meeting to be held on the date not less than seven or more than sixty days after receipt of the request, as that officer may fix; if the notice is not given within thirty days after the delivery or mailing of the request, the persons calling the meeting may fix the time of the meeting and give notice thereof in the manner provided by law or as provided in these Regulations or cause the notice to be given by any designated representative. Each special meeting shall be called to convene between nine o'clock a.m. and five o'clock p.m., and shall be held at the principal office of the corporation unless the meeting is called by the directors, acting with or without a meeting, in which case the meeting may be held at any place either within or without the State of Ohio and/or in whole or in part by means of communications equipment (in the manner provided in Section 9 of this Article I) as may be designated by the Board of Directors and specified in the notice of the meeting.

Section 3. *Notice of Meetings.* Not less than seven or more than sixty days before the date fixed for a meeting of the shareholders, written notice stating the time, place, and purposes of the meeting shall be given by or at the direction of the Secretary, an Assistant Secretary, or any other person or persons required or permitted by these Regulations to give the notice. The notice shall be given to each shareholder entitled to notice of the meeting who is of record as of the day next preceding the day on which notice is given or, if a record date therefor is duly fixed, of record as of that date, by personal delivery or by mail, overnight delivery service, or any other means of communication authorized by the shareholder to whom the notice is given. If mailed or sent by overnight delivery, the notice shall be addressed to the shareholders at their respective addresses as they appear on the records of the corporation. If sent by another means of communication authorized by a shareholder, the notice shall be sent to the address furnished by the shareholder for such communications. Notice of the time, place, and purposes of any meeting of the shareholders may be waived in writing, either before or after the holding of the meeting, by any shareholder, which writing shall be filed with or entered upon the records of the corporation. Attendance of any shareholder at any meeting without protesting, prior to or at the commencement of the meeting, the lack of proper notice shall be deemed to be a waiver by the shareholder of notice of the meeting.

Section 4. *Quorum; Adjournment.* Except as may be otherwise provided by law or by the Articles of Incorporation, at any meeting of the shareholders the holders of shares entitling them to exercise a majority of the voting power of the corporation present in person, by proxy, or by the use of communications equipment shall

constitute a quorum for the meeting, except that no action required by law, the Articles of Incorporation, or these Regulations to be authorized or taken by a designated proportion of the shares of any particular class or of each class of the corporation may be authorized or taken by a lesser proportion and except that the holders of a majority of the voting shares represented at the meeting, whether or not a quorum is present, may adjourn the meeting from time to time. If any meeting is adjourned, notice of adjournment need not be given if the time and place, if any, to which the meeting is adjourned and the means, if any, by which shareholders can be present and vote at the adjourned meeting through the use of communications equipment are fixed and announced at the meeting.

Section 5. *Action Without a Meeting.* Any action which may be authorized or taken at a meeting of the shareholders may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by or on behalf of, all of the shareholders who would be entitled to notice of a meeting of the shareholders held for the purpose, which writing or writings shall be filed with or entered upon the records of the corporation.

Section 6. *Proxies.* A person who is entitled to vote shares or to act with respect to shares may vote or act in person or by proxy and may appoint a proxy by a writing or verifiable communication authorized by the person. The person appointed as proxy need not be a shareholder. Unless the appointment of a proxy otherwise provides, the presence at a meeting of the person who appointed a proxy shall not operate to revoke the appointment. Notice to the corporation, in writing or in open meeting, of the revocation of the appointment of a proxy shall not affect any vote or act previously taken or authorized.

Section 7. *Approval and Ratification of Acts of Officers and Directors.* Except as otherwise provided by the Articles of Incorporation or by law, any contract, action, or transaction, prospective or past, of the corporation or of the Board of Directors or of any director or officer may be approved or ratified by the affirmative vote in person or by proxy of the holders of record of a majority of the shares held by persons not interested in the contract, action, or transaction and entitled to vote in the election of directors (without regard to voting powers which may thereafter exist upon a default, failure, or other contingency), which approval or ratification shall be as valid and binding as though affirmatively voted for or consented to by every shareholder of the corporation.

Section 8. *Shareholder Proposals.* No proposal made by a shareholder of the corporation shall be eligible to be submitted to the shareholders for their approval or adoption at any annual or special meeting of shareholders unless all of the following requirements are met:

(1) the shareholder submitting the proposal (the "proponent") submits the proposal to the corporation in writing at the corporation's principal executive offices;

(2) at the time the proponent submits such proposal the proponent is a shareholder of record of the corporation and continues to be a shareholder of record of the corporation as of the close of business on the record date for determining shareholders entitled to notice of and to vote at such annual or special meeting of shareholders, in both instances as reflected in the shareholder records of the corporation;

(3) at the time the proponent submits such proposal the proponent provides the corporation in writing with the proponent's name, address, the number of voting securities held of record, the date upon which the proponent acquired such securities, and a list of all other proposals submitted by the proponent to the corporation during the preceding five years; and

(4) the proposal is received at the corporation's principal executive offices (a) in the case of a proposal to be acted upon at an annual meeting of shareholders, not less than 120 calendar days in advance of the date of the previous year's annual meeting of shareholders, or, if no annual meeting was held in the previous year, a reasonable time (as determined by the corporation in its sole discretion) before the current year's annual meeting; and (b) in the case of a proposal to be acted upon at a special meeting of shareholders, a reasonable time (as determined by the corporation in its sole discretion) before the special meeting.

(5) Notwithstanding the foregoing provisions of this Section 8, in the case of any proposal that the corporation is required to include in its proxy statement and form of proxy under the provisions of Rule 14a-8 (as from time to time amended) promulgated under the Securities Exchange Act of 1934 (or any similar or successor rule or regulation under that or any successor act), compliance by the proponent with all of the requirements of such rule shall be deemed to constitute compliance with the provisions of this Section 8.

Section 9. *Participation in Meeting by Means of Communications Equipment.* The Board of Directors may determine that an annual or special meeting will not be held at any physical place, but instead will be held solely by means of communications equipment. The Board of Directors may also determine that shareholders and proxy holders who are not physically present at a meeting of shareholders that is held at a physical place may attend the meeting by use of communications equipment. In either such case, the communications equipment shall enable the shareholder or proxy holder to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting and to speak or otherwise participate in the proceedings contemporaneously with those physically present. Any shareholder using communications equipment will be deemed present in person at the meeting. The Board of Directors may adopt guidelines and procedures for the use of communications equipment in connection with a meeting of shareholders to permit the corporation to verify that a person is a shareholder or proxy holder and to maintain a record of any vote or other action.

ARTICLE II BOARD OF DIRECTORS

Section 1. *Number; Term of Office.* Commencing with the annual meeting of shareholders in 2005 and at all times thereafter, directors shall be elected at each annual meeting of shareholders for terms to expire at the next annual meeting of shareholders thereafter occurring. In each instance, directors shall hold office until their successors are chosen and qualified.

At the 2004 annual meeting of shareholders, the authorized number of members of the Board of Directors shall be nine. The Board of Directors or the shareholders may from time to time thereafter change the authorized number of members of the Board of Directors to a total number of no fewer than seven directors and no more than twelve directors. The shareholders may change the authorized number of members of the Board of Directors as provided in the immediately preceding sentence at a meeting of the shareholders called for the purpose of electing directors at which a quorum is present by the affirmative vote of the holders of a majority of the voting power represented at the meeting and entitled to elect the directors. The Board of Directors may change the authorized number of members of the Board of Directors by a vote of two-thirds of the directors then in office. Neither the provision for annual election of directors from and after the 2005 annual meeting of shareholders nor any reduction in the authorized number of directors shall of itself have the effect of shortening the term of any incumbent director.

Except as provided in the immediately preceding paragraph, the authorized number of directors may not be fixed or changed by the shareholders or directors, except (i) by amending these Regulations in accordance with the provisions of Article X of these Regulations, or (ii) pursuant to an agreement of merger or consolidation recommended by two-thirds of the members of the Board of Directors and adopted by the shareholders at a meeting held for such purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power on such proposal.

This Section 1 and other provisions of these Regulations are subject to the provisions of the Articles of Incorporation with respect to special voting rights of holders of Preferred Shares in the event of certain defaults by the corporation in redeeming or paying dividends on such Preferred Shares.

Section 2. *Election of Directors; Nominations; Vacancies.* The directors shall be elected at each annual meeting of shareholders or at a special meeting called for the purpose of electing directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of

persons for election as directors may be made at a meeting of shareholders by or at the direction of the Board of Directors by any nominating committee or person appointed by the Board of Directors, or by any shareholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy-five (75) days' notice to the shareholders or prior public disclosure of the date of the meeting is given or made, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth (15th) day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person who is not an incumbent director when the shareholder proposes to nominate such person for election as a director: (i) the name, age, business address and residence address of such person; (ii) the principal occupation or employment of such person for the past five years; (iii) the class and number of shares of the corporation which are beneficially owned by such person; and (iv) any other information relating to such person that is required to be disclosed in solicitations for proxies for election of director pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice: (i) the name and record address of such shareholder and (ii) the class and number of shares of the corporation which are beneficially owned by such shareholder. Such notice shall be accompanied by the written consent of each proposed nominee to serve as a director of the corporation, if elected. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 2.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section 2, and if he should so determine, the defective nomination shall be disregarded.

In the event of the occurrence of any vacancy in the Board of Directors, however caused, or in the event of the creation of any director's office by an increase in the number of directors, the remaining directors, though less than a majority of the whole authorized number of members of the Board of Directors, may, by the vote of two-thirds of their number, fill the vacancy or the newly created office, as the case may be, for the unexpired term.

Section 3. *Resignations; Removal of Directors.* The office of a director becomes vacant if the director dies or resigns. Any director may resign at any time by oral statement to that effect made at a meeting of the Board of Directors or in a writing to that effect delivered to the Secretary, which resignation shall take effect immediately or at such other time as the director may specify.

The Board of Directors may remove any director and thereby create a vacancy in the Board: (a) if by order of court the director has been found to be of unsound mind or if the director is adjudicated a bankrupt; (b) if within sixty days from the date of the director's election the director does not qualify by accepting in writing the election to such office or by acting at a meeting of directors.

All the directors or any individual director, may be removed from office, without assigning any cause, by the vote of the holders of 75% of the voting power entitling them to elect directors in place of those to be removed. In case of any such removal, a new director may be elected at the same meeting for the unexpired term of each director removed. Failure to elect a director to fill the unexpired term of any director removed shall be deemed to create a vacancy in the Board. Any vacancy created by virtue of a resignation or removal under this Section 3 shall be filled by the Board in accordance with Section 2 hereof.

Section 4. *Organization Meeting.* Immediately after each annual meeting of the shareholders, the newly elected directors shall hold an organization meeting for the purpose of electing officers and transacting any other business. Notice of the organization meeting need not be given.

Section 5. *Regular Meetings.* Regular meetings of the Board of Directors may be held at such times and places within or without the State of Ohio or through any communications equipment if all persons participating can hear each other as may be provided for in bylaws or resolutions adopted by the Board of Directors and upon such notice, if any, as shall be so provided. Unless otherwise indicated in the notice of a regular meeting, any business may be transacted at that regular meeting.

Section 6. *Special Meetings.* Special meetings of the Board of Directors may be held at any time within or without the State of Ohio, or through any communications equipment if all persons participating can hear each other, upon call by the Chairman of the Board, the President, a Vice President, or any two directors. Notice of the place, if any, and time of each special meeting shall be given to each director either by personal delivery or by mail, telegram, cablegram, overnight delivery service, or any other means of communication authorized by the directors at least two days before the meeting, which notice need not specify the purposes of the meeting, except that attendance of any director at any special meeting, whether in person or through communications equipment, without protesting, prior to or at the commencement of the meeting, the lack of proper notice shall be deemed to be a waiver by the director of notice of the meeting and except that notice of a special meeting may be waived in writing, either before or after the holding of the meeting, by any director, which writing shall be filed with or entered upon the records of the corporation. Unless otherwise indicated in the notice of a special meeting, any business may be transacted at that special meeting.

Section 7. *Quorum; Adjournment.* A quorum of the Board of Directors at an organization, regular, or special meeting shall consist of at least two-thirds of the directors then in office. A majority of the directors present at a meeting duly held, whether or not a quorum is present, may adjourn the meeting from time to time; if any meeting is adjourned, notice of adjournment need not be given if the place, if any, and time to which the meeting is adjourned and the means, if any, by which directors can be present and participate in the meeting through the use of communications equipment, are fixed and announced at the meeting. At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by a vote of at least two-thirds of the directors then in office, except as in these Regulations otherwise expressly provided.

Section 8. *Action Without a Meeting.* Any action which may be authorized or taken at a meeting of the Board of Directors may be authorized or taken without a meeting with the affirmative vote or approval of, and in a writing or writings signed by, all of the directors, which writing or writings shall be filed with or entered upon the records of the corporation. A telegram, cablegram, electronic mail, or an electronic or other transmission capable of authentication that appears to have been sent by a director and that contains an affirmative vote or approval by the director is a signed writing for the purposes of this Section 8. The date on which the telegram, cablegram, electronic mail, or electronic or other transmission is sent is the date on which the writing is signed.

Section 9. *Committees.* The Board of Directors may at any time appoint from its members an Executive, Finance, or other committee or committees, consisting of such number of members as the Board of Directors may deem advisable, together with such alternates as the Board of Directors may deem advisable, to take the place of any absent member or members at any meeting of the committee. Each member and each alternate shall hold office during the pleasure of the Board of Directors. Any committee shall act only in the intervals between meetings of the Board of Directors and shall have such authority of the Board of Directors as may, from time to time, be delegated by the Board of Directors, except the authority to fill vacancies in the Board of Directors or in any committee of the Board of Directors. Subject to these exceptions, any person dealing with the corporation shall be entitled to rely upon any act or authorization of an act by any committee to the same extent as an act or authorization of the Board of Directors. Each committee shall keep full and complete records of all meetings and actions, which shall be open to inspection by the directors. Unless otherwise ordered by the Board of Directors, any committee may prescribe its own rules for calling and holding meetings, including meetings by telephone or other communications equipment, and for its own method of procedure, and may act at a meeting, including a meeting by telephone or other communications equipment, by two-thirds of its members or without a meeting by a writing or writings signed by all of its members.

ARTICLE III OFFICERS

Section 1. *Election and Designation of Officers.* The Board of Directors shall elect a President, a Secretary, and a Treasurer and, in its discretion, may elect a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as the Board of Directors may deem necessary. The Chairman of the Board and the President shall be directors, but no one of the other officers need be a director. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if the instrument is required to be executed, acknowledged, or verified by two or more officers.

Section 2. *Term of Office; Vacancies.* Each officer of the corporation shall hold office until the next organization meeting of the Board of Directors and until the officer's successor is elected or until the officer's earlier resignation, removal from office, or death. The Board of Directors may remove any officer at any time with or without cause by a two-thirds vote of the directors then in office. Any vacancy in any office may be filled by the Board of Directors.

Section 3. *Chairman of the Board.* The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors, shall, unless that duty has been delegated by the Board of Directors to the President or another officer, preside at all meetings of the shareholders, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

Section 4. *President.* The President shall preside at all meetings of the shareholders and at all meetings of the Board of Directors, except for meetings at which the Chairman of the Board, if any, presides in accordance with the provisions of the preceding Section. Subject to directions of the Board of Directors and to the delegation by the Board of Directors to the Chairman of the Board of specific or general executive supervision, the President shall have general executive supervision over the property, business, and affairs of the corporation. The President may execute all authorized deeds, mortgages, bonds, contracts, and other obligations in the name of the corporation and shall have such other authority and shall perform such other duties as may be determined by the Board of Directors.

Section 5. *Vice Presidents.* The Vice Presidents shall, respectively, have such authority and perform such duties as may be determined by the Board of Directors.

Section 6. *Secretary.* The Secretary shall keep the minutes of meetings of the shareholders and of the Board of Directors. The Secretary shall keep such books as may be required by the Board of Directors, shall give notices of meetings of the shareholders and of meetings of the Board of Directors required by law or by these Regulations or otherwise, and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

Section 7. *Treasurer.* The Treasurer shall receive and have in charge all money, bills, notes, bonds, securities of other corporations, and similar property belonging to the corporation and shall do with this property as may be ordered by the Board of Directors. The Treasurer shall keep accurate financial accounts and hold them open for the inspection and examination of the directors and shall have such authority and shall perform such other duties as may be determined by the Board of Directors.

Section 8. *Other Officers.* The Assistant Secretaries and Assistant Treasurers, if any and any other officers whom the Board of Directors may elect shall, respectively, have such authority and perform such duties as may be determined by the Board of Directors.

Section 9. *Delegation of Authority and Duties.* The Board of Directors is authorized to delegate the authority and duties of any officer to any other officer and generally to control the action of the officers and to require the performance of duties in addition to those mentioned herein.

ARTICLE IV
COMPENSATION OF AND TRANSACTIONS WITH DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. *Directors and Members of Committees.* Members of the Board of Directors and members of any committee of the Board of Directors shall, as such, receive such compensation, which may be either a fixed sum for attendance at each meeting of the Board of Directors or at each meeting of the committee or stated compensation payable at intervals, or shall otherwise be compensated as may be determined by or pursuant to authority conferred by the Board of Directors or any committee of the Board of Directors, which compensation may be in different amounts for various members of the Board of Directors or any committee. No member of the Board of Directors and no member of any committee of the Board of Directors shall be disqualified from being counted in the determination of the presence of a quorum or from acting at any meeting of the Board of Directors or of a committee of the Board of Directors by reason of the fact that matters affecting the member's own compensation as a director, member of a committee of the Board of Directors, officer, or employee are to be determined.

Section 2. *Officers and Employees.* The compensation of officers and employees of the corporation, or the method of fixing their compensation, shall be determined by or pursuant to authority conferred by the Board of Directors or any committee of the Board of Directors. Compensation may include pension, disability, and death benefits, and may be by way of fixed salary, on the basis of earnings of the corporation, any combination thereof, or otherwise, as may be determined or authorized from time to time by the Board of Directors or any committee of the Board of Directors.

Section 3. *Transactions with Directors, Officers, and Employees.* No contract, action, or transaction shall be void, or be voidable by the corporation, for the reason that it is between or affects the corporation and one or more of the directors, officers, or employees of the corporation or is between or affects the corporation and another corporation, partnership, joint venture, trust, or other enterprise in which one or more of the directors, officers, or employees of the corporation are directors, trustees, or officers or have a financial or personal interest or for the reason that one or more interested directors, officers, or employees of the corporation participate in or vote at the meeting of the Board of Directors or a committee of the Board of Directors that authorizes the contract, action, or transaction if, in any such case, the contract, action, or transaction is approved, ratified, or authorized in the manner prescribed in the Articles of Incorporation, these Regulations, or by law or if, in any such case, the contract, action, or transaction is fair as to the corporation as of the time it is authorized or approved by the directors, a committee of the Board of Directors, or the shareholders.

ARTICLE V
STANDARD OF CARE AND INDEMNIFICATION

Section 1. *Standard of Care of Directors.* A director of the corporation shall perform the director's duties as a director, including the director's duties as a member of any committee of the directors upon which the director may serve, in good faith, in a manner the director reasonably believes to be in or not opposed to the best interests of the corporation, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In performing a director's duties a director is entitled to rely on information, opinions, reports, and statements that are prepared or presented by such person or persons and under such circumstances that the director's reliance on the information, opinions, reports, or statements is at the time found warranted under the provision of the Ohio General Corporation Law. Other than in connection with an action or suit in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, a director shall not be found to have violated the director's duties as specified under the preceding sentences of this Section unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the director has not acted in good faith, in a manner the director reasonably believes to be in or not opposed to the best interests of the corporation, or with the care that an ordinarily prudent person in a like position would use under similar circumstances, in any action brought against a director, including actions involving or effecting a change or potential change in control of the corporation, a termination or potential termination of the director's service to the corporation, and the director's service in any other position or relationship with the corporation.

Section 2. *Limitation of Liability in Damages.* Other than in connection with an action or suit in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, a person who is a director or officer of the corporation shall be liable in damages for any action the person takes or fails to take as a director or as an officer, as the case may be, only if it is proved by clear and convincing evidence in a court of competent jurisdiction that the person's act or failure to act involved an act or omission either undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation.

Section 3. *Third Party Action Indemnification.* The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action, suit, or proceeding by or in the right of the corporation), by reason of the fact that the person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit, or proceeding unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation and that, with respect to any criminal action or proceeding, the person had reasonable cause to believe the person's conduct was unlawful; the termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, constitute proof.

Section 4. *Derivative Action Indemnification.* Other than in connection with an action or suit in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation, except that the corporation shall indemnify the person to the extent the court in which the action or suit was brought determines upon application that, despite the proof but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Section 5. *Determinations of Indemnification Rights.* Any indemnification under Section 3 or Section 4 of this Article V (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances. The determination shall be made (a) by a majority vote of those directors who, in number constitute a quorum of the directors and who also were not and are not parties to or threatened with any such action, suit, or proceeding or (b), if such a quorum is not obtainable (or even if obtainable) and a majority of disinterested directors so directs, in a written opinion by independent legal counsel (compensated by the corporation) or (c) by the affirmative vote in person or by proxy of the holders of record of a majority of the shares held by persons who were not and are not parties to or threatened with any such action, suit, or proceeding and entitled to vote in the election of directors without regard to voting power that may thereafter exist upon a default, failure, or other contingency or (d) by the court in which the action, suit, or proceeding was brought.

Section 6. *Advances of Expenses.* Unless the action or suit is one in which the liability of a director under Section 1701.95 of the Ohio Revised Code is the only liability asserted, expenses (including attorney's fees) incurred by a director, officer, employee, or agent of the corporation in defending any action, suit, or proceeding

referred to in Section 3 or Section 4 of this Article V shall be paid by the corporation, as they are incurred, in advance of final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent in which the person agrees both (a) to repay the amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that the person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation and (b) to cooperate with the corporation concerning the action, suit, or proceeding.

Section 7. *Purchase of Insurance.* The corporation may purchase and maintain insurance or furnish similar protection, including trust funds, letters of credit, and self-insurance, on behalf of or for any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, against any liability asserted against the person and incurred by the person in any capacity, or arising out of the person's status as such, whether or not the corporation would have the power to indemnify the person against liability under the provisions of this Article or of the Ohio General Corporation Law. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

Section 8. *Mergers.* Unless otherwise provided in the agreement of merger pursuant to which there is a merger into this corporation of a constituent corporation that, if its separate existence had continued, would have been required to indemnify directors, officers, employees, or agents in specified situations, any person who served as a director, officer, employee, or agent of the constituent corporation, or served at the request of the constituent corporation as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, shall be entitled to indemnification by this corporation (as the surviving corporation) to the same extent the person would have been entitled to indemnification by the constituent corporation if its separate existence had continued.

Section 9. *Heirs; Non-Exclusivity.* The limitation of liability in damages and the indemnification provided by this Article V shall continue as to a person who has ceased to be a director, officer, employee, or agent of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person and shall not be deemed exclusive of, and shall be in addition to, any other rights granted to a person seeking indemnification as a matter of law or under the Articles of Incorporation, these Regulations, any agreement, a vote of shareholders or disinterested directors, any insurance purchased by the corporation, any action by the directors to take into account amendments to the Ohio General Corporation Law that expand the authority of the corporation to indemnify a director, officer, employee, or agent of the corporation, or otherwise, both as to action in the person's official capacity and as to action in another capacity while holding an office.

ARTICLE VI RECORD DATES

For any lawful purpose, including, without limitation, the determination of the shareholders who are entitled to receive notice of or to vote at a meeting of the shareholders, the Board of Directors may fix a record date in accordance with the provisions of the Ohio General Corporation Law. The record date for the purpose of the determination of the shareholders who are entitled to receive notice of or to vote at a meeting of the shareholders shall continue to be the record date for all adjournments of the meeting unless the Board of Directors or the persons who shall have fixed the original record date shall, subject to the limitations set forth in the Ohio General Corporation Law, fix another date and shall cause notice thereof and of the date to which the meeting shall have been adjourned to be given to shareholders of record as of the newly fixed date in accordance with the same requirements as those applying to a meeting newly called. The Board of Directors may close the share transfer books against transfers of shares during the whole or any part of the period provided for in this Article, including the date of the meeting of the shareholders and the period ending with the date, if any, to which adjourned. If no

record date is fixed therefor, the record date for determining the shareholders who are entitled to receive notice of or to vote at a meeting of the shareholders shall be the date next preceding the day on which notice is given or the date next preceding the day on which the meeting is held, as the case may be.

ARTICLE VII SHARES

Section 1. *Form of Certificates and Signatures.* Each holder of shares shall be entitled to one or more certificates, signed by the Chairman of the Board, the President, or a Vice President and by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer of the corporation, which shall certify the number and class of shares held by the shareholder in the corporation, but no certificate for shares shall be executed or delivered until the shares are fully paid. When a certificate is countersigned by an incorporated transfer agent or registrar, the signature of any officer of the corporation may be facsimile, engraved, stamped, or printed. Although any officer of the corporation whose manual or facsimile signature is affixed to a certificate ceases to be that officer before the certificate is delivered, the certificate nevertheless shall be effective in all respects when delivered. Notwithstanding anything to the contrary in the foregoing, the Board of Directors may provide by resolution or resolutions that some or all of any or all classes and series of shares may be uncertificated, except that any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation.

Section 2. *Transfer of Shares.* The Board of Directors shall have authority to make such rules and regulations as it deems appropriate concerning the issuance, transfer and registration of shares and may appoint or revoke the appointment of transfer agents and registrars for shares.

Section 3. *Lost, Stolen, or Destroyed Certificates.* The corporation may issue a new certificate for shares in place of any certificate theretofore issued by it and alleged to have been lost, stolen, or destroyed; the Board of Directors may, however, in its discretion, require the owner, or the owner's legal representatives, to give the corporation a bond containing such terms as the Board of Directors may require to protect the corporation or any person injured by the execution and delivery of a new certificate.

ARTICLE VIII AUTHORITY TO TRANSFER AND VOTE SECURITIES

The Chairman of the Board, the President, any Vice President, the Secretary, the Treasurer of the corporation, and each such officer are authorized to sign the name of the corporation and to perform all acts necessary to effect a sale, transfer, assignment, or other disposition of any shares, bonds, other evidences of indebtedness or obligations, subscription rights, warrants, or other securities of another corporation owned by the corporation and to issue the necessary powers of attorney; and each such officer is authorized, on behalf of the corporation, to vote the securities, to appoint proxies with respect thereto, to execute consents, waivers, and releases with respect thereto, or to cause any such action to be taken.

ARTICLE IX CORPORATE SEAL

The Ohio General Corporation Law provides in effect that the absence of a corporate seal from any instrument executed on behalf of the corporation does not affect the validity of the instrument; if in spite of that provision a seal is imprinted on or attached, applied, or affixed to an instrument by embossment, engraving, stamping, printing, typing, adhesion, or other means, the impression of the seal on the instrument shall be circular in form and shall contain the name of the corporation and the words "corporate seal".

ARTICLE X
AMENDMENTS

These Regulations may be amended, or new Regulations may be adopted, by the shareholders at a meeting held for that purpose, by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power on that proposal. Notwithstanding anything to the contrary contained in these Regulations or in this Article X, to amend or add to or repeal Article I—Section 2 and Section 8, Article II—Sections 2 and 3, and this Article X shall require the affirmative vote at a meeting of holders of shares entitled to exercise 75% of the voting power on such proposal, unless such action is recommended by two-thirds of the members of the Board of Directors.

LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Board of Directors and Shareholders
STERIS Corporation

We are aware of the incorporation by reference in the following Registration Statements and related Prospectuses of our report dated August 7, 2007 relating to the unaudited consolidated interim financial statements of STERIS Corporation and Subsidiaries that are included in its Form 10-Q for the quarter ended June 30, 2007:

Registration Number	Description
333-137167	Form S-8 Registration Statement — STERIS Corporation Deferred Compensation Plan
333-136239	Form S-8 Registration Statement — STERIS Corporation 2006 Long-Term Equity Incentive Plan
333-40058	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Les C. Vinney
333-40082	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Laurie Brlas and the Nonqualified Stock Option Agreement between STERIS Corporation and David L. Crandall
333-65155	Form S-8 Registration Statement — STERIS Corporation 1998 Long-Term Incentive Compensation Plan
333-55839	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and John Masefield and the Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. DeAngelo
333-32005	Form S-8 Registration Statement — STERIS Corporation 1997 Stock Option Plan
333-06529	Form S-3 Registration Statement — STERIS Corporation
333-01610	Post-effective Amendment to Form S-4 on Form S-8 Registration Statement — STERIS Corporation
33-91444	Form S-8 Registration Statement — STERIS Corporation 1994 Equity Compensation Plan
33-91442	Form S-8 Registration Statement — STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan
33-55976	Form S-8 Registration Statement — STERIS Corporation 401(k) Plan
33-55258	Form S-8 Registration Statement — STERIS Corporation Amended and Restated Non-Qualified Stock Option Plan
33-63770	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Charles L. Immel and Restricted Shares Agreement between STERIS Corporation and Charles L. Immel
333-09733	Form S-8 Registration Statement — STERIS Corporation 401(k) Plan.
333-63774	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Peter A. Burke
333-101308	Form S-8 Registration Statement — STERIS Corporation 2002 Stock Option Plan
333-91302	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Mark D. McGinley

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
August 7, 2007

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Les C. Vinney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2007

/s/ LES C. VINNEY

Les C. Vinney
President and Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael J. Tokich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2007

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Vice President and Corporate Controller

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS Corporation (the "Company") for the quarter ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (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 results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ LES C. VINNEY

Name: Les C. Vinney
Title: President and Chief Executive Officer

/s/ MICHAEL J. TOKICH

Name: Michael J. Tokich
Title: Vice President and Corporate Controller

Dated: August 7, 2007