

United States Securities and Exchange Commission

Washington, D. C. 20549

Form 10-K

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

For the fiscal year ended March 31, 2003

Commission file number 0-20165

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 44060-1834
(Address of principal
executive offices)

34-1482024
(IRS Employer Identification No.)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Shares, without par value

Name of Exchange on Which Registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock as of September 30, 2002: \$1,716,670,533

The number of Common Shares outstanding as of May 31, 2003: 69,130,240

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2003 Annual Meeting – Part III

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Part I

ITEM 1. BUSINESS

Reference to “STERIS Corporation”, “STERIS”, or the “Company” refers to STERIS Corporation and its subsidiaries, except where the context makes it clear the reference is to STERIS Corporation itself and not to its subsidiaries.

Description of Business

STERIS Corporation, an Ohio corporation organized in 1987 (the “Company” or “STERIS”), develops, manufactures, and markets infection prevention, contamination control, microbial reduction, and surgical and critical care support products and services for healthcare, scientific, research, industrial and government customers throughout the world. STERIS is focused on helping customers address today’s needs primarily in the healthcare and pharmaceutical industries. The healthcare industry is changing rapidly due to the growth of minimally invasive surgical and diagnostic procedures; heightened public and professional awareness and concern for the increasing number of transmittable and antibiotic-resistant infectious diseases; and the overall need to reduce the cost of healthcare delivery. These trends have expanded the demand for rapid, safe, and efficient infection prevention systems for critical tasks such as the sterile processing of devices and the handling, decontamination, destruction, and disposal of potentially infectious biohazardous waste. The pharmaceutical industry is also expanding to meet increased demand for new and generic drugs. Pharmaceutical, biotech, medical device, and other manufacturers are under increasing pressure to adhere to stricter guidelines for the validation and control of their antimicrobial processes, as well as the trend towards global standardization of protocols.

As of March 31, 2003, the Company had over 5,100 employees worldwide, with over 2,300 involved in direct sales, service, and field support. Customer support and training facilities are located in major global market centers, and production and manufacturing operations are found in the United States, Australia, Canada, Germany, Finland, and Sweden.

Through March 31, 2003, the Company has operated in a single business segment. See the accompanying consolidated financial statements beginning on page 27 of this Form 10-K for financial information regarding the Company. Beginning in the first quarter of fiscal 2004, the Company has repositioned its businesses into three market-focused segments. As a result of this realignment, the Company will operate in and report as three business segments beginning with the first quarter of fiscal 2004.

Principal Products and Services

STERIS is a leader in low temperature sterilization, high temperature sterilization, washing and decontamination systems, surgical tables, surgical lights, and associated consumables and service. The Company is a multi-faceted global organization that serves healthcare, scientific, research, industrial, and government customers. Revenues by principal customer group are as follows (in thousands):

Years Ended March 31,	2003	2002	2001
Healthcare	\$ 660,923	\$ 607,638	\$ 566,567
Scientific and Industrial	311,164	259,059	233,520
Total Net Revenues	\$ 972,087	\$ 866,697	\$ 800,087

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Healthcare. The Healthcare business is comprised of products and services utilized by healthcare professionals to significantly reduce or eliminate microbial contamination within the healthcare environment. The portfolio includes infection prevention processing systems and specialty chemical products used for cleaning, disinfecting, sterilizing, drying, and aerating medical and surgical instruments, devices, and hard surfaces. Specialty chemical products are generally employed in material processing systems or used for high risk and routine skin care, hard surface disinfection, and surgical preparation. STERIS is also a supplier of equipment that makes up the basic infrastructure of the hospital critical care and surgical environments, including operating tables, surgical lighting and ceiling mounted equipment management systems. STERIS systems support cost containment, productivity increases, and risk reduction in a wide variety of healthcare settings through process standardization, automatic monitoring and documentation, processing site flexibility, and reduction in processing time.

Among the Company's Healthcare products is the STERIS SYSTEM 1[®] Low Temperature Liquid Sterile Processing System, used for just-in-time sterile processing at or near the site of patient care. SYSTEM 1[®] sterile processors enable healthcare professionals to economically sterilize immersible surgical and diagnostic devices between patient procedures in approximately thirty minutes. The use of SYSTEM 1[®] sterile processors eliminates time-consuming transportation to and from central processing sites and allows customers to use delicate, expensive, heat-sensitive devices and instrument sets many times per day.

The Company's thermal sterilization systems use saturated steam to sterilize items through a combination of heat, moisture, and pressure. Thermal sterilizers are offered in a number of sizes based on customer throughput requirements, and are designed for use in centralized and decentralized processing environments. The product line includes a versatile microprocessor-based control system designed to monitor each phase of the sterilization cycle and provide the customer a permanent record of important cycle information, including type and parameters of sterilization cycle, temperature, pressure, vacuum, and total cycle time.

In addition to thermal sterilization systems, the Company manufactures low temperature ethylene oxide (EO) gas sterilizers, which provide customers the ability to sterilize heat sensitive medical devices in a controlled processing environment. Each sterilization system includes a microprocessor-based control system, which monitors cycle parameters and provides the customer a permanent record of each sterilization cycle. The Company's most popular EO gas sterilization system, the Amsco[®] Eagle[®] 3017 100% EO Sterilizer, utilizes a proprietary, single-use sterilant cartridge and includes a built-in exhaust system.

A variety of Amsco[®] Reliance[®] automated washer/disinfector systems are also manufactured by STERIS for Healthcare customers and are typically used in conjunction with thermal sterilization systems. These systems clean, thermally disinfect, and dry everything from rolling instrument carts and other large healthcare equipment to the smallest surgical instruments. The latest system in the line is the compact Reliance 333 Washer/Disinfector, which is the ideal solution for smaller outpatient surgery centers and same-day surgery centers that are prevalent today.

STERIS develops, manufactures, and distributes infection prevention consumables and supplies that are used to prevent the spread of infectious diseases and to monitor sterilization and decontamination processes. STERIS consumable products offer quality choices for infection and contamination prevention, including products used in instrument cleaning and decontamination systems, high risk and routine skin care products, hard surface disinfectants, and surgical scrubs. STERIS quality

assurance products used to monitor sterilization processes include biological monitoring systems, barrier wraps, integrator/indicator monitoring systems, and record-keeping systems.

The Company's Healthcare product line also includes general and specialty surgical tables, surgical and examination lights, operating room storage cabinets, warming cabinets, scrub sinks, and other complementary products and accessories for hospitals and other healthcare facilities. The Company's versatile surgical table product line includes powered and manual general surgical tables, as well as specialty tables for orthopedics and image guided surgical procedures. A wide variety of general and specialty surgical procedures are accommodated through the use of attachable accessories, which increase the versatility of the tables. The Company produces and sells a line of related accessories and also sells accessories manufactured by outside sources.

The Company's illumination and space management systems are designed for a wide variety of locations where diagnostic and therapeutic procedures are performed, including the emergency room, general surgery suite, OB/GYN suite, ICU/CCU suite, and ambulatory surgery suite. The lighting products combine optical performance with positioning flexibility that accommodate the surface and cavity illumination needs of virtually all types of surgical procedures. The Company's SurgiVision® Surgical Lighting and Video System combines high quality illumination with a technically advanced video system to provide innovative and cost-effective systems for both acute care and non-acute care customers. The Company's products range from major surgical lights to small examination lights, and include the Harmony® Equipment Management Systems line of ceiling management products for the hospital operating room, emergency and critical care, and ambulatory surgery markets.

STERIS also provides sterilization management and outsourcing services for healthcare facilities and is developing comprehensive solutions to meet the instrument reprocessing needs of hospitals and healthcare facilities, to capitalize on the current hospital trend of outsourcing non-revenue generating operations such as central sterile processing.

Scientific and Industrial. The STERIS Scientific and Industrial offerings include contamination prevention and control systems, products, and services for pharmaceutical, biotechnology, medical device, critical research, laboratory research, and industrial customers throughout the world. These products and services assist customers in following the stringent sterility assurance and microbial reduction processes demanded by the United States Food and Drug Administration ("FDA"), as well as worldwide regulatory and compliance agencies.

The Scientific offering is a broad range of systems and products with several of the most trusted brand names in the industry: Finn-Aqua® and Amsco® sterilizers, Reliance® and Basil® washers, Detach™ automated cage and bedding processing systems, VHP® (Vaporized Hydrogen Peroxide) biodecontamination systems, Finn-Aqua® high-purity water systems, and Lyovac® freeze dryers, research and pharmaceutical washing systems, as well as an extensive line of consumable products for contamination prevention, surface cleaning, and sterility assurance.

STERIS also provides contract sterilization and microbial reduction services to manufacturers of pre-packaged healthcare and consumer products. As a result of acquisitions — beginning with STERIS's 1998 purchase of Isomedix Inc., a leading North American provider of contract sterilization and microbial reduction services — and internal expansion, STERIS now has a network of 16 contract sterilization facilities with available gamma irradiation, ethylene oxide, and electron beam processing technologies. STERIS's contract sterilization subsidiaries work closely with customers to provide high-quality processing and logistical support to minimize the time it takes to move a product from the factory to its final destination.

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STERIS field service personnel are available worldwide to install, maintain, upgrade, and troubleshoot equipment. Additionally, STERIS offers services such as facility planning, engineering support, device testing, process and cleaner evaluation, education, and preventative maintenance and repair services.

In both the Healthcare and Scientific and Industrial Groups, the products and services of STERIS and its subsidiaries are sold under a variety of brand and product names. As acquired businesses have been integrated and consolidated, the STERIS name is increasingly visible on the product and service offerings.

Manufacturing

The Company, as of March 31, 2003, manufactures, assembles, and packages products in Erie, Pennsylvania; Mentor, Ohio; Montgomery, Alabama; St. Louis, Missouri; Cologne, Germany; Helsinki, Finland; Quebec City, Canada; Stockholm, Sweden; and Sydney, Australia. Each of the production facilities are dedicated facilities with each focusing on particular processes and products. The majority of the Company's equipment manufacturing facilities throughout the world are ISO 9001 certified. These facilities supply products to both Healthcare and Scientific and Industrial customers.

Raw materials, sub-assemblies, and other components essential to the Company's business are generally available within the lead times specified to vendors. While some raw materials are sole sourced, the supply of such raw materials has posed no significant problem in the operation of the Company's business.

International Operations

The Company's international operations are subject to various risks that are more likely to affect those operations than the Company's domestic operations. These include, among other things, exchange controls and currency restrictions, currency fluctuations, changes in local economic conditions, unsettled political, regulatory or business conditions, and foreign government-sponsored boycotts of the Company's products or services for noncommercial reasons. Most of the identifiable assets associated with the Company's international operations are located in countries where the Company believes such risks are minimal. For certain financial information regarding the Company's international operations, see Note 11 — Business Segment Information to the accompanying consolidated financial statements.

Customers and Methods of Distribution

As of March 31, 2003, STERIS employed over 1,110 direct field sales and service representatives in North America. The representatives generally reside in metropolitan market areas throughout the United States and Canada. Sales and service activities are supported by a staff of regionally based clinical specialists, systems planners, corporate account managers, and in-house customer service and field support departments.

The Company has adopted a strategy focused on employing direct sales, service, and support personnel in developed international markets while contracting with distributors in other selected markets. STERIS currently has sales offices in Belgium, Canada, Costa Rica, Finland, France, Germany, Italy, Japan, Korea, Puerto Rico, Singapore, Spain, Sweden, and the United States. STERIS has distribution agreements with medical supply distributors in Australia, and various countries in North and South America, Asia, and Europe.

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Customer training is an important aspect of STERIS's business. In addition to training at customer locations, STERIS provides a variety of courses for customers at the Company's training and education centers and over the internet. The programs enable customer representatives to understand the science, technology, and operation of STERIS products. Many of the Operator Training Programs are approved by professional certifying organizations for continuing education credits to eligible course participants.

Many of the Company's customers are subject to government payment, reimbursement or funding requirements. Changes in those requirements could adversely impact the Company. STERIS believes, however, that one of its strengths is its broad customer base with no single customer accounting for more five percent of revenue during the fiscal year ended March 31, 2003. Customers who are part of a buying group generally make independent purchasing decisions and are invoiced directly by the Company.

Competition

STERIS is competitively positioned with its unique combination of capital equipment, consumable products, and value added services. However, a number of competing methodologies and commercial products are available in individual product lines. Getinge AG, Advanced Sterilization Products (Johnson & Johnson), and 3M Corporation are well-known companies offering products for general sterilization and disinfection. Skytron (division of KMW Group, Inc.) and Getinge AG are competitors in providing general surgical tables. Berchtold Corporation, Getinge AG, Heraeus Surgical, Inc., and Skytron are competitors in major surgery operating room light products. Competitors in sterility assurance products include Kimberly-Clark Corporation and 3M Health Care. Competitors in environmental and instrument decontamination products include Getinge AG, Ecolab Inc., and Allegiance. The Company's high risk and routine skin care products compete against the products of Ecolab, Inc., Gojo (Provon), and Kimberly-Clark (SaniFresh). Allegiance, Becton Dickinson, Ecolab, Inc. and Purdue Frederick are competitors in providing surgical scrubs. Competitors in the original equipment manufacturing service business include local and in-hospital service groups. In contract sterilization, the Company primarily competes with Griffith Micro Science and SteriGenics International, Inc. (business units of Ion Beam Applications), and companies that sterilize products in-house. The primary competitor for the Company's Scientific and Industrial sterilization systems is Getinge AG.

In 1998, the FDA established 501(k) submission exemptions for many Class I devices, including certain surgical support products, which lessened the regulatory requirements for the introduction of these products. The lower regulatory barriers could accelerate new product introductions for the Company and its domestic competitors, as well as improve the ability of foreign competitors to introduce products into the United States market and, as a result, increase competition.

Competition for the products provided by the Company is based upon product design and quality, product innovation, price, and product serviceability that result in the greatest overall value to the customer. In addition, there is significant price competition among various instrument preparation processes and services provided by STERIS and its competitors.

STERIS anticipates that it may face increased competition in the future as new infection prevention, sterile processing, contamination control, and surgical support products and services enter the market. Numerous organizations, including several smaller early-stage companies, are likely to be working with a variety of technologies and sterilizing agents, including microwave, ozone, plasma, chlorine

dioxide, peracids, and formaldehyde. In addition, a number of companies have developed disposable medical instruments and other devices designed to address the risk of contamination. There can be no assurance that new products or services developed by the Company's competitors will not be more commercially successful than those provided or developed by STERIS or that may be developed by STERIS in the future. In addition, some of STERIS's existing or potential competitors may have greater financial, technical, and human resources than the Company. Accordingly, the Company's competitors may succeed in developing and commercializing products more rapidly than the Company.

Government Regulation

Many of the Company's products and manufacturing processes are subject to regulation by the FDA, the United States Environmental Protection Agency ("EPA"), the United States Nuclear Regulatory Commission, and other governmental authorities. Similar regulatory agencies exist in other countries with a wide variety of regulatory review processes and procedures. Many products offered for sale in Europe must meet the CE marking requirements, and must be manufactured in accordance with the Medical Devices Directive, ISO 9001, and EN 46001 Quality System Standards. The Company's products are also subject to review or certification by various nongovernmental certification authorities, such as Underwriter's Laboratories, Canadian Standards Association, British Standards Institute, and TUV (Germany). Compliance with the regulations and certification requirements of domestic and foreign government regulatory and certification authorities may delay or prevent product introductions, require additional studies or tests prior to product introduction, require product modification, reclassification, relabeling or recalls, or mandate cessation of production and marketing of existing products. The cost of compliance with applicable regulations represents a considerable expense, and changes in such regulations or their interpretation or application could have a material adverse impact on the Company.

In the United States, the FDA regulates the introduction, manufacturing, labeling, reclassification, record keeping, and recall requirements for medical devices and drugs. The FDA regulates the majority of the products manufactured by the Company, through marketing clearance, pre-market approvals, new drug approvals, or compliance with established monographs. The process of obtaining marketing clearance from the FDA for new products, new applications for existing products, and changes to existing products can be time-consuming and expensive. In addition, whether separate marketing clearance is required under applicable regulations for any particular product is often a matter of interpretation and judgment. There is no assurance that marketing clearances will be granted, that the FDA will agree or continue to agree with all judgments made from time to time by the Company with respect to whether or not marketing clearance, reclassification or relabeling is required for any particular new or existing product, or that review by the FDA will not involve delays, costs or proceedings that will adversely affect the Company or its ability to commercialize additional products or existing products. Similar approvals and requirements by comparable agencies are present in most countries. Foreign regulatory requirements may vary widely from country to country. The time required to obtain market clearance from a foreign country may be longer or shorter than that required by the FDA or other agencies, and clearance or approval or other product requirements may differ.

Even if regulatory clearances to market a product are obtained from the FDA or comparable foreign agencies, these clearances may entail limitations on the indicated uses of the product. Product clearances granted by the FDA or comparable foreign agencies can also be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial approval. Regulatory requirements could also limit or prevent the manufacture or distribution of the Company's

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products and require the post market review, reclassification, relabeling, or recall of such products. The application of these regulations depend heavily on administrative interpretation, and there can be no assurance that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect the Company. Further, additional government regulation may be established that could prevent, delay, revoke, or result in the rejection of regulatory clearance of the Company's products. The effect of government regulation or interpretation or application thereof, which may arise from current or future legislation or administrative action cannot be predicted.

The FDA, various state agencies, and foreign regulatory agencies also have the right to inspect the Company's facilities from time to time to determine, among other things, whether the Company is in compliance with various regulations relating to the Quality System Regulation ("QSR"). In complying with the QSR, manufacturers must continue to expend time, money, and effort in the areas of production and quality control to ensure full regulatory compliance.

In addition, the Company is subject to regulation under local, state, federal, and foreign law regarding occupational safety, environmental protection, import/export controls, tax matters, product sales and marketing, hazardous and toxic substance control, and to other present (and possible future) local, state, federal, and foreign regulation. The cost of compliance with these regulations represents a considerable expense to the Company, and changes in such regulations or their interpretations or application could have a material adverse impact on the Company.

Failure to comply with any applicable regulatory requirements could result in sanctions being imposed on the Company, including warning letters, injunctions, civil money penalties, enforcement actions, investigations, cost recovery actions, civil litigation, failure of the FDA or comparable foreign agencies to grant pre-market clearance or pre-market approval of medical devices, product recalls, operating restrictions, and, in extreme cases, criminal sanctions. The Company has previously received warning letters, paid civil penalties, conducted product recalls, and been subject to other regulatory sanctions, none of which the Company believes would have a material adverse effect on the Company's consolidated financial condition. The Company believes that it is currently in conformity in all material respects with applicable regulatory requirements. However, there can be no assurance that future regulatory, governmental, or private legal action will not be commenced and concluded in a manner adverse to the Company.

The Company has received all material licenses and permits it believes necessary to conduct its current manufacturing and contract sterilization businesses and believes that it will be able to obtain any permits necessary for the future conduct of its manufacturing and contract sterilization businesses. The Company is committed to maintaining compliance with applicable FDA, EPA, and other governmental laws and regulations and the standards promulgated by applicable nongovernmental certification authorities.

Employees

As of March 31, 2003, the Company had over 5,100 employees. Management considers its relations with employees, including employees covered under collective bargaining agreements, to be good.

Intellectual Property and Research and Development

The Company protects its technology and products by, among other means, filing United States and foreign patent applications that it considers important to its business. There can be no assur - -

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ance, however, that any patent will provide adequate protection for the technology, system, product, service, or process it covers. In addition, the process of obtaining and protecting patents can be long and expensive. The Company also relies upon trade secrets, technical know-how, and continuing technological innovation to develop and maintain its competitive position.

Research activities are important to the Company's business. The costs of the Company's research activities relating to the discovery and development of new products and the improvement of existing products amounted to \$25.5 million, \$21.7 million, and \$24.0 million, in fiscal years 2003, 2002, and 2001, respectively. These costs are charged directly to income in the year in which incurred.

As of March 31, 2003, the Company held 220 United States patents and 464 foreign patents (with expiration dates ranging from 2003 to 2020) and had 74 United States patents and 150 foreign patents pending.

The Company also considers its various trademarks to be valuable in the marketing of its products. The Company has a total of 667 trademark registrations in the United States and in various foreign countries in which the Company does business.

Seasonality

The Company's financial results have been subject to recurring seasonal fluctuations. A number of factors have contributed to the seasonal patterns, including sales promotion and compensation programs, customer buying patterns of capital equipment, and international business practices. Sales and profitability of certain of the Company's acquired and consolidated product lines have historically been disproportionately weighted toward the latter part of each quarter and generally weighted toward the latter part of each fiscal year. There can be no assurance that such patterns or trends will or will not continue.

Backlog

As of March 31, 2003, the Company maintained backlog orders in the amount of \$147.5 million. As of March 31, 2002, the Company maintained backlog orders in the amount of \$96.8 million. The majority of orders in both years were expected to ship in the subsequent fiscal year.

Subsequent Events

Effective April, 1, 2003, the Company began operating in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. The Company's new Healthcare segment will encompass surgical support and sterile processing products, including related consumable products and services. It will also include our skincare business, now known as Applied Infection Control. The former Scientific and Industrial group has been split into Life Sciences and STERIS Isomedix Services. The new Life Sciences segment includes pharmaceutical production and research products, including associated services and the Defense and Industrial business (the Company's Strategic Technology Enterprises subsidiary). The new STERIS Isomedix Services segment is the Company's industrial contract sterilization business.

STERIS management realigned the Company into three operating segments to focus resources on specific missions and customer groups to achieve the Company's long term strategic initiatives and capture targeted growth opportunities.

On April 8, 2003, the Company acquired Hamo Holding AG headquartered in Pieterlen, Switzerland. The purchase price of \$49.1 million, including debt assumed, is subject to final settlement of certain

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adjustments to working capital. Hamo is a leading provider of washing/decontamination systems used in healthcare, pharmaceutical, and research industries with annual revenues of approximately \$43.0 million. The acquisition provides an established distribution channel to expand the marketing of the Company's sterilization and washing/decontamination products in Europe and Asia, and adds manufacturing capacity in Switzerland.

Effective April 8, 2003, the Company amended its existing Credit Agreement that provided funds for the acquisition of Hamo Holding AG. The amendment also revised terms and conditions in the agreement which relieves restrictions on foreign investment.

As of June 20, 2003, the Company purchased 0.6 million of its Common Shares during the first quarter of fiscal 2004 at an average price of \$22.08 per Common Share leaving 2.4 million Common Shares authorized for purchase.

Availability of Securities and Exchange Commission Filings

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other information with the Securities and Exchange Commission ("SEC"). The public can obtain copies of these materials by visiting the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330, or by accessing the SEC's website at <http://www.sec.gov>. In addition, as soon as reasonably practicable, after such materials are filed with or furnished to the SEC, the Company makes copies available to the public, free of charge, on or through its website at <http://www.steris.com>.

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ITEM 2. PROPERTIES

The following table sets forth the principal plants and other materially important properties of the Company and its subsidiaries as of March 31, 2003. The Company believes that its facilities are adequate for operations and are maintained in good condition. The Company is confident that, if needed, it will be able to acquire additional facilities at commercially reasonable rates.

USA

Mentor, OH (6 locations)	Corporate Headquarters/ Manufacturing/Warehousing	Owned
Erie, PA (2 locations)	Manufacturing	Owned (1), Leased (1)
Montgomery, AL	Manufacturing	Owned
St. Louis, MO (2 locations)	Manufacturing/Warehousing	Owned (1), Leased (1)
Reno, NV	Warehousing	Leased
Alei, HI	Warehousing	Leased
Morton Grove, IL	Contract Sterilization	Leased
Libertyville, IL (2 locations)	Contract Sterilization	Owned
Spartanburg, SC	Contract Sterilization	Owned
Groveport, OH	Contract Sterilization	Owned
Northborough, MA	Contract Sterilization	Owned
Chester, NY	Contract Sterilization	Owned
Ontario, CA	Contract Sterilization	Owned
Minneapolis, MN	Contract Sterilization	Leased
El Paso, TX	Contract Sterilization	Owned
Sandy, UT	Contract Sterilization	Owned
Whippany, NJ	Contract Sterilization	Owned
Temecula, CA	Contract Sterilization	Owned
Nogales, AZ	Contract Sterilization	Owned
Vega Alta, PR	Contract Sterilization/Sales Office	Owned
Aliso Viejo, CA	Sales Office	Leased
Miami, FL	Sales Office	Leased
Worcester, MA	Healthcare Sterilization	Leased
Fitchburg, MA	Healthcare Sterilization	Leased
Nashville, TN	Healthcare Sterilization	Leased

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Foreign Countries

Basingstoke, England	European Headquarters	Leased
Quebec City, Canada (2 locations)	Manufacturing/Warehousing	Owned (1), Leased (1)
Sydney, Australia	Manufacturing	Leased
Helsinki, Finland	Manufacturing/Sales Office	Owned
Cologne, Germany	Manufacturing/Sales Office	Leased
Stockholm, Sweden	Manufacturing/Sales Office	Leased
Mississauga, Canada	Warehousing/Sales Office	Leased
Whitby, Canada	Contract Sterilization	Owned
Segrate, Italy	Sales Office	Leased
Madrid, Spain	Sales Office	Leased
Paris, France	Sales Office	Leased
Kobe, Japan	Sales Office	Leased
Seoul, S. Korea	Sales Office	Leased
Singapore	Sales Office	Leased
Brussels, Belgium	Sales Office	Leased
San Jose, Costa Rica	Sales Office	Leased

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note 10 — Commitments and Contingencies in the accompanying consolidated financial statements.

The Company is involved in a number of legal proceedings and claims, which the Company believes arise from the ordinary course of its business, given its size, history, complexity, the nature of its business, and the industries in which it participates. 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, and other 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 Company believes it is adequately reserved for these claims and that the ultimate outcome of its pending lawsuits and claims will not have a material adverse effect on STERIS's 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 or claims or its effect. STERIS presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

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

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

No matters were submitted to a vote of security holders during the fourth quarter of the Company's 2003 fiscal year.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company, as of April 1, 2003.

Name	Age	Position
Les C. Vinney	54	President and Chief Executive Officer
William L. Aamoth	49	Vice President and Corporate Treasurer
Laurie Brlas	45	Senior Vice President and Chief Financial Officer
Peter A. Burke	54	Senior Vice President and Chief Technology Officer
David L. Crandall	56	Vice President and Group President, Applied Infection Control
Charles L. Immel	41	Senior Vice President and Group President, Healthcare
Mark D. McGinley	46	Vice President, General Counsel, and Secretary
Robert E. Moss	58	Vice President and Group President, STERIS Isomedix Services
Morten C. Nielsen	47	Vice President and Group President, Life Sciences
Gerard J. Reis	51	Senior Vice President and Group President, Defense and Industrial
Michael J. Tokich	34	Vice President and Corporate Controller

The following is a brief account of the business experience during the past five years of each such executive officer:

Les C. Vinney serves as President and Chief Executive Officer. He assumed this role in July 2000. Mr. Vinney joined the Company's Board of Directors in March 2000 at the same time as he was appointed to his previous role as the Company's President and Chief Operating Officer. Mr. Vinney joined STERIS as Senior Vice President and Chief Financial Officer in August 1999. He became Senior Vice President Finance and Operations in October 1999. Immediately before his employment with STERIS, Mr. Vinney served as Senior Vice President and Chief Financial Officer at The BF Goodrich Company, a manufacturer of advanced aerospace systems, performance materials, and engineered industrial products. During his eight year career with BF Goodrich, Mr. Vinney held a variety of senior operating and financial management positions, including Vice President and Treasurer, President and CEO of the former Tremco subsidiary, and Senior Vice President, Finance and Administration of BF Goodrich Specialty Chemicals.

William L. Aamoth serves as Vice President and Corporate Treasurer. He joined the Company in March 2001. Prior to joining the Company, Mr. Aamoth was employed by Hayes Lemmerz International, a manufacturer of automotive wheels, brakes, and related systems, from January 2000 through January 2001, serving as Treasurer. From May 1992 to December 1999, Mr. Aamoth was employed by TRW, Inc., a manufacturer and service provider of automotive, aerospace, and information technology products, serving most recently as Assistant Treasurer, International.

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Laurie Brlas serves as Senior Vice President and Chief Financial Officer. She joined the Company in April 2000. Prior to joining STERIS, Ms. Brlas was employed by OfficeMax, Inc., a retailer of goods and services to business customers and consumers, from September 1995 through April 2000, serving most recently as Senior Vice President and Corporate Controller.

Peter A. Burke serves as Senior Vice President and Chief Technology Officer. He became Senior Vice President in March 2002. Dr. Burke joined the Company in March 2001 as Vice President and Chief Technology Officer. Prior to joining STERIS, Dr. Burke was employed by Carter-Wallace, Inc., a manufacturer and distributor of consumer and pharmaceutical products, from January 1996 to March 2001, serving most recently as Vice President, Research and Development.

David L. Crandall serves as Vice President and Group President, Applied Infection Control. He joined the Company in April 2000 and served as Vice President, Manufacturing and Distribution until April 2003. Prior to joining the Company, Mr. Crandall was employed by United Technologies Group, a manufacturer of high technology products for the aerospace and building systems industries, from December 1968 to April 2000, serving most recently as Director of Manufacturing, North American Operations.

Charles L. Immel serves as Senior Vice President and Group President, Healthcare. He joined the Company in May 2001 and served as Senior Vice President, Sales and Marketing and President, Commercial Products until April 2003. Prior to joining STERIS, Mr. Immel was employed by Baxter Healthcare Corporation, a medical products and services company specializing in critical care applications, from July 1983 to May 2001, serving most recently as Vice President and General Manager of Baxter's Therapeutic Commercial Business.

Mark D. McGinley serves as Vice President, General Counsel, and Secretary. He joined the Company in March 2002. Prior to joining STERIS, Mr. McGinley was employed by Noveon, Inc., an international specialty chemicals manufacturer. Mr. McGinley also served as Associate General Counsel of The Glidden Company and was employed by the BF Goodrich Company from 1990 to 2000 in various legal capacities, including General Counsel of BF Goodrich Sealants, Coatings and Adhesives Group.

Robert E. Moss serves as Vice President and Group President, STERIS Isomedix Services. He served as Vice President and General Manager of Isomedix Services from 1999 until April 2003. Mr. Moss joined the Company in 1990 serving as Vice President Operations until 1999. Prior to joining the Company, Mr. Moss held senior leadership positions with Cardinal Health and Divisions of the American Hospital Supply Corporation.

Morten C. Nielsen serves as Vice President and Group President, Life Sciences. He joined the Company in March 2002 serving as President Commercial Operations Europe until April 2003. Prior to joining the Company he served as Vice President Europe for the Boston Scientific Corporation, a manufacturer of medical devices for less invasive therapies, from 1997 until March 2002, and held senior management positions with American Home Products.

Gerard J. Reis serves as Senior Vice President and Group President, Defense and Industrial. He joined the Company in July 1994 as Vice President, Administration. He served as Senior Vice President, Administration from October 1999 until April 2003.

Michael J. Tokich serves as Vice President and Corporate Controller. He joined the Company in May 2000 as Assistant Corporate Controller. He became Corporate Controller in December 2000. Prior to joining the Company, Mr. Tokich was employed by OfficeMax, Inc., a retailer of goods and services to business customers and consumers, from July 1994 to May 2000, serving most recently as Divisional Vice President, Assistant Controller.

Part II

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

Market Information and Dividends

The Company's Common Shares are traded on the New York Stock Exchange under the symbol "STE." The following table sets forth, for the periods indicated, the high and low sales prices for the Company's Common Shares.

Quarters Ended	March 31	December 31	September 30	June 30
Fiscal 2003				
High	\$ 27.00	\$ 27.66	\$ 25.11	\$23.25
Low	22.50	21.49	16.30	17.08
Fiscal 2002				
High	\$ 21.42	\$ 24.91	\$ 22.75	\$20.34
Low	16.35	16.62	15.20	12.14

The Company has not paid any cash dividends on its Common Shares since its inception and does not anticipate paying any such dividends in the foreseeable future. The Company currently intends to retain its earnings for the operation and expansion of its businesses. At May 29, 2003, there were 1,723 shareholders of record of the Company's Common Shares.

Information concerning the Company's equity compensation plans is contained in "Item 12 — Security Ownership of Certain Beneficial Owners and Management."

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ITEM 6. SELECTED FINANCIAL DATA

Years Ended March 31,	2003(1)(5)	2002(1)(4)(5)	2001(1)(2)(4)(5)	2000(3)(4)(5)	1999(4)(5)
(in thousands, except per share data)					
Statements of Income Data:					
Net revenues	\$ 972,087	\$ 866,697	\$ 800,087	\$ 760,626	\$ 797,611
Gross profit	408,821	355,201	311,458	298,825	368,591
Income from operations	125,769	80,613	24,174	29,706	136,379
Net income	\$ 79,436	\$ 46,202	\$ 1,317	\$ 10,485	\$ 84,854
Net income per Common Share—basic	\$ 1.14	\$ 0.67	\$ 0.02	\$ 0.16	\$ 1.24
Shares used in computing net income per share—basic	69,434	69,163	67,946	67,489	68,200
Net income per Common Share—diluted	\$ 1.12	\$ 0.65	\$ 0.02	\$ 0.15	\$ 1.20
Shares used in computing net income per share—diluted	70,870	70,607	68,981	68,567	70,592
Balance Sheet Data:					
Working capital	\$ 163,381	\$ 146,534	\$ 180,286	\$ 228,200	\$ 232,300
Total assets	894,992	841,572	844,980	903,574	865,996
Long-term indebtedness	59,704	115,228	205,825	268,700	221,500
Total liabilities	325,462	354,427	420,596	482,480	430,059
Total shareholders' equity	569,530	487,145	424,384	421,094	435,937

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Earnings for fiscal 2001 include a charge of \$41,476, primarily related to plans for manufacturing consolidations, productivity improvements, and associated workforce reductions. Of the \$41,476 charge, \$21,510 was charged to cost of products sold and \$19,966 was charged to selling, general, and administrative expenses in the consolidated statement of operations.

(3) Earnings for fiscal 2000 include a charge of \$39,722, primarily related to plans for manufacturing consolidations, productivity improvements, and associated workforce reductions. Of the \$39,722 charge, \$24,808 was charged to cost of products sold and \$14,914 was charged to selling, general, and administrative expenses in the consolidated statement of operations.

(4) Certain reclassifications have been made to conform to the fiscal 2003 presentation.

(5) Beginning in fiscal 2003, the Company ceased amortizing goodwill in accordance with Statement of Financial Accounting Standard 142. Goodwill amortization, net of tax, in the preceding years was \$5,227 in fiscal 2002; \$4,974 in fiscal 2001; \$3,296 in fiscal 2000; and \$3,565 in fiscal 1999.

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

Fiscal Year 2003 Compared to Fiscal Year 2002

Overview

During fiscal 2003, the Company continued to strengthen financially due to the successful execution of the Company's operational and strategic initiatives. Revenues for fiscal 2003 increased \$105.4 million or 12.2% to \$972.1 million, compared to \$866.7 million in fiscal 2002. Year over year revenue growth was driven by increased demand in both the Company's Healthcare and Scientific and Industrial Groups. The most predominate revenue growth was realized from the sale of capital equipment and services with moderate revenue growth from consumable products.

Gross margins increased 15.1% or \$53.6 million to \$408.8 million, which was 42.1% of revenue during fiscal 2003 compared to \$355.2 million or 41.0% of revenue in fiscal 2002. The gross margin improvement realized in fiscal 2003 was due to effective price improvement initiatives, cost savings generated from the deployment of more efficient distribution strategies, and benefits of plant consolidations. Gross margins in fiscal 2002 were negatively impacted by plant consolidation costs and inefficiencies caused by capacity constraints.

Operating expenses decreased as a percentage of revenues to 29.1% in fiscal 2003, as compared to 31.7% in fiscal 2002. The improvement in fiscal 2003 was due to the Company's successful efforts to effectively leverage its selling, general, and administrative resources to generate additional revenue during fiscal 2003. While the Company held selling, general, and administrative expenses relatively flat year over year, the Company increased investment in research and development in an effort to stimulate new product development.

Net income increased \$33.2 million or 71.9% to \$79.4 million, or \$1.12 per diluted share in fiscal 2003, compared with fiscal 2002 net income of \$46.2 million, or \$0.65 per diluted share. The Company's development and successful execution of strategies to improve earnings and strengthen its financial position resulted in increased earnings. Increased revenues combined with effective efforts to control costs and create efficiencies, including lowering interest costs by reducing debt levels, generated the year over year net income improvement. In addition, the effective tax rate declined 1.0% to 36.0% in fiscal 2003 from 37.0% in fiscal 2002.

The Company produced cash flows from operations of \$133.3 million in fiscal 2003, a decrease of 6.1% compared with fiscal 2002 operating cash flows of \$142.0. The Company used the cash flows primarily to reduce its outstanding debt by \$58.1 million and to purchase \$16.1 million of the Company's Common Shares. The reduction of the Company's debt levels reduced its debt-to-capital ratio (defined as total long-term debt divided by total long-term debt plus total capital) to 9.5% at March 31, 2003 as compared to 19.1% at March 31, 2002. The Company also utilized these cash flows to invest in \$58.6 million of property, plant, and equipment as the Company continued to increase its production capacity and began the implementation of a new ERP system.

Results of Operations**Net Revenues and Cost of Revenues**

	Fiscal 2003	Fiscal 2002	Increase	
			Dollar	Percentage
(in thousands, except percentages)				
Healthcare	\$660,923	\$607,638	\$ 53,285	8.8%
Scientific and Industrial	311,164	259,059	52,105	20.1%
Total net revenues	972,087	866,697	105,390	12.2%
Cost of revenues	563,266	511,496	51,770	10.1%
Gross profit	\$408,821	\$355,201	\$ 53,620	
Gross profit percentage	42.1%	41.0%		

The increase in Healthcare revenues for fiscal 2003 reflected a higher level of capital spending among U.S. hospitals. The increase in Scientific and Industrial revenues reflected strong demand primarily from pharmaceutical producers and from capacity expansions. Both groups benefited in fiscal 2003 from the successful introduction of new products.

Net revenues for fiscal 2003 from capital goods were \$467.6 million, or 48.1% of consolidated revenues, as compared to \$405.3 million, or 46.8%, in fiscal 2002. Revenues from capital goods increased \$62.3 million, or 15.4% in fiscal 2003 compared to fiscal 2002. Fiscal 2003 revenues from consumables and services contributed \$504.5 million, or 51.9% of consolidated revenues, as compared to \$461.4 million, or 53.2%, in fiscal 2002. Revenues from consumables and services increased \$43.1 million, or 9.3% in fiscal 2003 compared to fiscal 2002.

United States revenues for fiscal 2003 were \$786.2 million, or 80.9% of consolidated revenues, with \$185.9 million, or 19.1% from international markets. United States revenues for fiscal 2002 were \$733.6 million, or 84.6% of total revenues, with \$133.1 million, or 15.4% from international markets.

Cost of revenues increased 10.1% in fiscal 2003 to \$563.3 million from \$511.5 million in fiscal 2002. The cost of revenues as a percentage of revenues was 57.9% in fiscal 2003 compared to 59.0% in fiscal 2002. The corresponding gross profit percentage for fiscal 2003 was 42.1% compared to 41.0% in fiscal 2002. Gross profit increased in fiscal 2003 due to successful pricing improvements and cost savings from distribution efficiencies. These margin improvements were offset by an increase in sales of lower gross profit scientific and industrial capital equipment. In fiscal 2002, gross profit was negatively impacted by inefficiencies related to the Company's capacity expansion efforts and continuing plant consolidation costs associated with selected product lines. These continuing plant consolidation costs consisted primarily of moving costs for inventory and machinery and equipment that will be utilized at other locations, as well as continuing employee relocation and retraining costs. Most plant consolidation efforts were completed by March 2002.

Operating Expenses

	Fiscal 2003	Fiscal 2002	Increase	
			Dollars	Percentage
(in thousands, except percentages)				
Selling, general, and administrative	\$ 257,527	\$ 252,882	\$4,645	1.8%
Research and development	25,525	21,706	3,819	17.6%
Total operating expenses	\$ 283,052	\$ 274,588	\$8,464	3.1%

Selling, general, and administrative expenses, as a percent of revenues, were 26.5% and 29.2% in fiscal 2003 and fiscal 2002, respectively, as management continued its focus on controlling costs while supporting revenue growth.

Selling, general, and administrative expenses increased \$4.6 million, or 1.8%, to \$257.5 million in fiscal 2003 compared to \$252.9 million in fiscal 2002. Compensation increased \$6.3 million as a result of merit increases as well as increased benefit costs and a redesigned commission plan. Professional fees increased \$7.5 million as a result of increased consulting hours related to the Company's system implementation project. Travel and entertainment expenses increased \$1.3 million in fiscal 2003 due to additional travel resulting from increased revenue growth, as well as lower expenses in fiscal 2002 due to a period of time following September 11, 2001 when all nonessential travel was cut. Insurance and tax expenses increased \$5.0 million as a result of an increase in casualty and property premiums and self-insurance loss experience. These increases were offset by decreased commission expenses of \$3.8 million due to the redesigned commission plan, decreased marketing expenses of \$3.4 million as a result of the Company's cost control efforts, decreased administrative expenses of \$4.9 million reflecting the benefit of a legal settlement, and decreased depreciation and amortization expenses of \$3.2 million resulting from the adoption of SFAS 142 and the elimination of goodwill amortization.

Research and development expenses increased 17.6% to \$25.5 million in fiscal 2003 compared to \$21.7 million in fiscal 2002. Research and development expenses as a percent of revenues were 2.6% in fiscal 2003 compared to 2.5% in fiscal 2002. The increase is related to an increased emphasis on product development, as well as increased salary and facility expansion expenses.

Interest Expense

Interest expense, net, decreased 76.7% to \$1.7 million in fiscal 2003 compared to \$7.3 million in fiscal 2002. The decrease was due primarily to the effects of lower interest rates and the reduction in the amount of debt outstanding. The weighted average interest rate applicable to the Company's outstanding debt was 2.07% in fiscal 2003, compared to 2.97% in fiscal 2002. Additionally, the Company reduced its outstanding debt \$58.1 million in fiscal 2003 to \$61.7 million at March 31, 2003.

Income Taxes

Income tax expense was 36.0% of pretax income in fiscal 2003, compared to 37.0% in fiscal 2002. The comparable effective tax rates for both years are different from the U.S. federal statutory income tax rate primarily because of state and local income taxes, goodwill amortization (in 2002), and a favorable change in the method in which research and development credits are calculated.

Fiscal Year 2002 Compared to Fiscal Year 2001

Overview

During fiscal 2002, the Company made substantial progress financially, operationally, and strategically. Demand improved for the Company's Healthcare products and services throughout the year, and continued strength in the Scientific and Industrial markets contributed to a strong fourth quarter. Revenues for fiscal 2002 increased 8.3% to \$866.7 million as compared to fiscal 2001 revenues of \$800.1 million.

Gross margins increased to 41.0% for fiscal 2002 from 38.9% in fiscal 2001. However, fiscal 2001 results included a charge of \$21.5 million that was included in cost of products sold. Excluding the impact of this charge, gross margins would have been 41.6% in fiscal 2001. Gross margins in fiscal 2002 were negatively impacted by costs associated with the Company's plant consolidation efforts and inefficiencies caused by capacity constraints.

Gross Margins Adjusted for Pre Tax Charges as a Percentage of Revenues

	Years Ended March 31,			
	2002	% Revenue	2001	% Revenue
	(in thousands, except percentages)			
Net Revenues	\$ 866,697		\$ 800,087	
Cost of Revenues	511,496	59.0%	488,629	61.1%
Gross Margin (as reported)	355,201	41.0%	311,458	38.9%
Exclusion of Pre-tax Charge	—	—	21,500	2.7%
Adjusted Gross Margin (before pre-tax charge)	\$ 355,201	41.0%	\$ 332,958	41.6%

Operating expenses decreased as a percentage of revenues to 31.7% as compared to 35.9% in fiscal 2001. Fiscal 2001 operating expenses included \$20.0 million of the fourth quarter charge. Excluding the impact of this charge, fiscal 2001 operating expenses as a percentage of revenues were 33.4%.

Operating Expenses Adjusted for Pre Tax Charges as a Percentage of Revenues

	Years Ended March 31,			
	2002	% Revenue	2001	% Revenue
	(in thousands, except percentages)			
Net Revenues	\$ 866,697		\$ 800,087	
Operating Expenses (as reported)	\$ 274,588	31.7%	\$ 287,284	35.9%
Exclusion of Pre-tax Charge	—	—	(20,000)	-2.5%
Adjusted Operating Expenses (excludes pre-tax charge)	\$ 274,588	31.7%	\$ 267,284	33.4%

Net income for fiscal 2002 increased to \$46.2 million, or \$0.65 per diluted share, compared with fiscal year 2001 net income of \$1.3 million, or \$0.02 per diluted share. The prior fiscal year's results

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included a pre-tax charge of \$41.5 million (\$28.2 million net of tax, or \$0.41 per diluted share) recorded in the fourth quarter of the fiscal year. Excluding the charge, net income for fiscal 2001 was \$29.5 million, or \$0.43 per diluted share. On a comparable basis, net income increased 56.6% for fiscal 2002 as compared to fiscal 2001.

Net Income Adjusted for After Tax Charges

	Years Ended March 31,	
	2002	2001
	(in thousands, except per share amounts)	
Net Income (as reported)	\$ 46,202	\$ 1,317
Exclusion of After Tax Charge	—	28,200
Net Income (excluding after tax charge)	\$ 46,202	\$ 29,517
Net Income Per Share—Diluted:		
Diluted Net Income Per Share (as reported)	\$ 0.65	\$ 0.02
Effect on EPS of Excluding the After Tax Charge	—	0.41
Diluted Net Income Per Share Excluding the After Tax Charge	\$ 0.65	\$ 0.43

The Company produced cash flows from operations of \$142.0 million in fiscal 2002, an increase of 38.8% compared with fiscal 2001 operating cash flows of \$102.3 million. The Company used these cash flows primarily to reduce its outstanding debt by \$92.2 million during fiscal 2002. The reduction in the Company's debt levels reduced its debt-to-capital ratio (defined as total long-term debt divided by total long-term debt plus total capital) to 19.1% at March 31, 2002 as compared to 32.7% at March 31, 2001. The Company also utilized these cash flows to invest \$65.7 million in property, plant, and equipment as the Company continued to increase its production capacity and invest in its management information systems.

Results of Operations

Net Revenues and Cost of Revenues

	Fiscal 2002	Fiscal 2001	Increase	
			Dollar	Percentage
	(in thousands, except percentages)			
Healthcare	\$607,638	\$566,567	\$ 41,071	7.2%
Scientific and Industrial	259,059	233,520	25,539	10.9%
Total net revenues	866,697	800,087	66,610	8.3%
Cost of revenues	511,496	488,629	22,867	4.7%
Gross profit	\$355,201	\$311,458	\$ 43,743	
Gross profit percentage	41.0%	38.9%		

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The increase in Healthcare revenues for fiscal 2002 reflected a second half upturn in demand from U.S. hospitals, particularly for capital equipment. The increase in Scientific and Industrial revenues reflected strong demand primarily from pharmaceutical production and lab research customers. The Company's response to this demand, however, was curbed by capacity constraints in certain manufacturing facilities of the Company.

Net revenues for fiscal 2002 from capital goods were \$405.3 million, or 46.8% of consolidated revenues, as compared to \$380.6, or 47.6%, in fiscal 2001. Revenues from capital goods increased \$24.7 million, or 6.5%, for fiscal 2002 as compared to fiscal 2001. Fiscal 2002 revenues from consumables and services contributed \$461.4 million, or 53.2% of total revenues, for fiscal 2002 compared to \$419.5 million, or 52.4% of total revenues, in the prior year. Revenues from consumables and services increased \$41.9 million, or 10.0%, for fiscal 2002 as compared to fiscal 2001 due to the increase in the installed base of capital equipment as well as a newly acquired long-term contract to service infection prevention and decontamination equipment for a division of a Fortune 500 Company.

United States revenues for fiscal 2002 were \$733.6 million, or 84.6% of total revenues, with \$133.1 million, or 15.4%, from international markets. United States revenues for fiscal 2001 were \$675.3 million, or 84.4% of total revenues, with \$124.8 million, or 15.6%, from international markets.

A pre-tax charge of \$41.5 million (\$28.2 million net of tax, or \$.41 per diluted share) was recorded in the fiscal 2001 fourth quarter after the Company completed a review of certain manufacturing and support functions. The charge to cost of products sold included \$10.9 million for inventory write-downs and disposals, and also included \$10.6 million principally for the consolidation of certain of the Company's manufacturing operations. Costs to consolidate the operations primarily included severance and property abandonment. In addition, certain costs (primarily distribution costs) incurred in fiscal 2001 were reclassified from operating expenses to cost of products sold to improve accountability of expenses company-wide and to conform to the fiscal 2002 presentation.

Excluding the charge incurred during fiscal 2001, the fiscal 2002 cost of products sold increased by 9.5% to \$511.5 million compared to \$467.1 million in fiscal 2001. The cost of products sold as a percentage of revenues was 59.0% in fiscal 2002 compared to 58.4% in fiscal 2001, excluding the charge. The corresponding gross margin percentages were 41.0% and 41.6% for fiscal 2002 and fiscal 2001, respectively.

Cost of Revenues Adjusted for Pre Tax Charges as a Percentage of Revenues

	Years Ended March 31,			
	2002	% Revenue	2001	% Revenue
	(in thousands, except percentages)			
Revenues	\$ 866,697		\$ 800,087	
Cost of Revenues (as reported)	\$ 511,496	59.0%	\$ 488,629	61.1%
Exclusion of Pre-tax Charge	—	—	21,500	2.7%
Adjusted Cost of Revenues (before pre-tax charge)	\$ 511,496	59.0%	\$ 467,129	58.4%

Gross margins were negatively impacted by inefficiencies related to the Company's capacity expansion efforts and continuing plant consolidation costs associated with selected product lines. On

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going plant consolidation costs consist primarily of moving costs for inventory and machinery and equipment that will be utilized, as well as continuing employee relocation and retraining costs. Most plant consolidation efforts were completed by March 2002. The increase in revenues from lower gross margin scientific and industrial capital equipment products was also a contributor to the decrease in the gross margin percentage. During fiscal 2002, the Company relieved \$1.0 million from the restructuring reserves related to the fiscal 2001 fourth quarter charge because actual costs associated with the finalization of the Medina, Ohio facility closing were less than anticipated. This benefit was offset by a comparable charge to write off inventory related to a product line that was replaced by a newly acquired surgical table line.

Operating Expenses

	Fiscal 2002	Fiscal 2001	Decrease	
			Dollars	Percentage
(in thousands, except percentages)				
Selling, general, and administrative	\$ 252,882	\$ 263,309	\$(10,427)	-4.0%
Research and development	21,706	23,975	(2,269)	-9.5%
Total operating expenses	\$ 274,588	\$ 287,284	\$(12,696)	-4.4%

Selling, general, and administrative expenses as a percent of revenues, excluding the fiscal 2001 charge, were 29.2% and 30.4% in fiscal 2002 and fiscal 2001, respectively, as management continued its focus on controlling costs while supporting revenue growth.

Selling, general, and administrative expenses adjusted for pre-tax charges as a percentage of revenues

	Years Ended March 31,			
	2002	% Revenue	2001	% Revenue
(in thousands, except percentages)				
Net revenues	\$ 866,697		\$ 800,087	
Selling, general, and administrative expenses (as reported)	252,882	29.2%	263,309	32.9%
Exclusion of pre-tax charge	—	—	(20,000)	-2.5%
Adjusted selling, general, and administrative expenses (excludes pre-tax charge)	252,882	29.2%	243,309	30.4%

The following comparisons and discussion exclude the \$20.0 million of selling, general, and administrative expenses included in the fiscal 2001 charge. Selling, general, and administrative expenses increased in fiscal 2002 by 3.9% to \$252.9 million from \$243.3 million in fiscal 2001. Selling, general, and administrative expenses decreased as a result of lower depreciation expense of \$1.2 million driven by the absence of depreciation related to assets charged-off as part of the fiscal 2001 charge. Additionally, compensation savings of approximately \$6.4 million resulted from the reductions in force reflected in the fiscal 2001 charge. Marketing and administrative expenses decreased by \$1.1 million. These decreases in selling, general, and administrative expenses were offset by increased incentive compensation due to

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overall Company profitability and cost of living and merit wage increases aggregating \$9.9 million, asset write-offs of \$1.9 million related to equity investments, notes receivable and other receivables, and increases in professional fees, occupancy, insurance, and franchise and property tax costs of \$3.9 million. Also during fiscal 2002, additional severance costs of \$2.6 million were recorded.

Change in selling, general, and administrative expenses adjusted for pre-tax charges

	Years Ended March 31,		Increase / (Decrease)	
	2002	2001	Dollars	Percentage
				(in thousands, except percentages)
Selling, general, and administrative expenses (as reported)	\$ 252,882	\$ 263,309	\$ (10,427)	-4.0%
Exclusion of pre-tax charge	—	(20,000)	20,000	n/a
Adjusted selling, general, and administrative expenses (excludes pre-tax charge)	\$ 252,882	\$ 243,309	\$ 9,573	3.9%

Research and development expenses decreased in both gross dollars and as a percentage of revenues in fiscal 2002 as compared to fiscal 2001. Research and development expenses as a percentage of revenues were 2.5% in fiscal 2002 compared to 3.0% in fiscal 2001. The decrease is primarily attributable to the increased capitalization of engineering costs of \$1.7 million for products that have passed the development stage as described in Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs." Additionally, the Company reduced the number of projects it focused on, which reduced expenditures in fiscal 2002. Direct project expenses and outside fees related to development projects decreased \$1.2 million. These decreases in costs were partially offset by increased depreciation and occupancy costs of \$0.7 million as the Company re-affirmed its commitment to development efforts with expanded research facilities and equipment.

Interest Expense

Interest expense, net, decreased by 60.3% to \$7.3 million in fiscal 2002 from \$18.4 million in fiscal 2001. The decrease was due principally to the effects of lower interest rates and the reduction in the amount of debt outstanding. The weighted average interest rate applicable to the Company's outstanding debt was 2.97% as of March 31, 2002 compared to 7.74% as of March 31, 2001. Additionally, the Company paid down its long-term debt by approximately \$92.2 million during fiscal 2002.

Income Taxes

Income tax expense was 37.0% of pretax earnings in fiscal 2002. In fiscal 2001, excluding the impact of the fourth quarter charge, the comparable income tax rate was 37.5%. The reported effective tax rate for fiscal 2001 was 77.1%. The comparable effective tax rates for both fiscal years are different from the U.S. federal statutory income tax rate primarily because of state and local income taxes, goodwill amortization, and a favorable change in the method in which research and development credits are calculated.

Liquidity and Capital Resources**Cash Flows**

			<u>Increase (Decrease)</u>	
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Dollars</u>	<u>Percentage</u>
	<u>2003</u>	<u>2002</u>		
			<u>(in thousands, except percentages)</u>	
Operating activities:				
Net income	\$ 79,436	\$ 46,202	\$ 33,234	71.9%
Non-cash items	63,429	65,848	(2,419)	-3.7%
Changes in operating assets and liabilities	(9,574)	29,973	(39,547)	-131.9%
Net cash provided by operating activities	\$133,291	\$142,023	\$ (8,732)	-6.1%
Investing activities:				
Purchases of property, plant, equipment, and patents	\$ (58,592)	\$ (65,678)	\$ 7,086	-10.8%
Other	(140)	(2,933)	2,793	-95.2%
Net cash used in investing activities	\$ (58,732)	\$ (68,611)	\$ 9,879	-14.4%
Financing activities:				
Payments on long-term obligations and line of credit, net	\$ (58,100)	\$ (92,173)	\$ 34,073	-37.0%
Purchase of treasury shares	(16,070)	—	(16,070)	N.A.
Stock option and other equity transactions, net	11,344	6,736	4,608	68.4%
Net cash used in financing activities	\$ (62,826)	\$ (85,437)	\$ 22,611	-26.5%

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The decrease in operating cash flows for fiscal 2003 compared to fiscal 2002 was due to unfavorable working capital changes consisting of a decrease in cash provided from deferred income taxes totaling \$8.9 million and the year over year unfavorable cash flow impact of accounts receivable and inventory fluctuations totaling \$18.8 million and \$16.5 million, respectively. These decreases in operating cash flows were offset by an increase in net income, which increased \$33.2 million in fiscal 2003 compared to fiscal 2002.

The decrease in cash used in investing activities resulted from a decrease in purchases of property, plant, equipment, and patents of \$7.1 million. This decrease is due to reduced spending upon the completion of the Company's capacity expansion projects. The Company also experienced lower activity relating to investments in businesses and cash proceeds from the sale of assets, which reduced cash used for investing activities \$2.8 million as compared to the prior year.

Net cash used for financing activities was \$62.8 million in fiscal 2003. Fiscal 2003 financing activities include the repayment of \$55.8 million to reduce the outstanding balance on the unsecured \$325.0 million Revolving Credit Facility (the "Facility"). The Company also repurchased \$16.1 million of STERIS's shares in fiscal 2003, pursuant to a stock repurchase program announced on July 24, 2002. These uses of cash were offset by increased proceeds from the exercise of Company stock options of \$11.3 million.

Working Capital

	Fiscal 2003	Fiscal 2002	Increase (Decrease)	
			Dollars	Percentage
			(in thousands, except percentages)	
Cash and cash equivalents	\$ 25,941	\$ 12,424	\$ 13,517	108.8%
Accounts receivable, net	211,687	196,631	15,056	7.7%
Inventories	90,135	77,922	12,213	15.7%
Deferred income taxes	14,904	20,011	(5,107)	-25.5%
Prepaid expenses and other assets	11,765	9,656	2,109	21.8%
Total current assets	\$354,432	\$316,644	\$ 37,788	11.9%
Current portion of long-term indebtedness	\$ 1,959	\$ 1,663	\$ (296)	-17.8%
Accounts payable	72,969	56,734	(16,235)	-28.6%
Accrued income taxes	15,098	20,067	4,969	24.8%
Accrued expenses and other	101,025	91,646	(9,379)	-10.2%
Total current liabilities	\$191,051	\$170,110	\$ (20,941)	-12.3%
Working capital	\$163,381	\$146,534	\$ 16,847	11.5%
Debt-to-total capital ratio	9.5%	19.1%		

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During fiscal 2003, the Company's investment in working capital increased. The increase in working capital as of March 31, 2003 compared to March 31, 2002 was primarily attributable to increases in cash and cash equivalents, accounts receivable, and inventories, which offset increases in accounts payable and accrued expenses and other.

However, the Company was able to maintain financial flexibility, and as of March 31, 2003, had \$271.8 million available on its Facility. This is a substantial increase over the unused revolving line of credit facility of \$216.0 million as of March 31, 2002, and it allows the Company to reduce its need to maintain a large cash and cash equivalent balance.

As described further in the cash flows discussion, cash increased by \$13.5 million to \$25.9 million at March 31, 2003 compared to \$12.4 million at March 31, 2002.

Accounts receivable increased \$15.1 million to \$211.7 million at March 31, 2003 compared to \$196.7 million at March 31, 2002 attributable to increased revenue in the fourth quarter of fiscal 2003 compared to the fourth quarter of fiscal 2002.

Inventories increased \$12.2 million to \$90.1 million at March 31, 2003 compared to \$77.9 million at March 31, 2002. This increase was due to inventory level loading at some of the Company's manufacturing facilities.

Accounts payable increased, and therefore decreased working capital, by \$16.2 million at March 31, 2003 compared to March 31, 2002. This increase is primarily due to the increase in inventory receipts in the fourth quarter.

Accrued expenses and other liabilities increased, and therefore decreased working capital, by \$9.4 million at March 31, 2003 compared to March 31, 2002. Accrued vacation increased \$2.5 million due to increased compensation levels. Accrued insurance increased \$3.0 million due to the increase of estimated incurred but not reported claims as actuarially determined. Accrued warranty increased \$1.6 million based on the shift in product mix toward capital equipment in 2003. Deferred service contract revenue increased \$1.3 million also due to the increase in capital equipment sales during the fiscal year.

Financing Activities

On March 28, 2002, STERIS entered into an unsecured \$325.0 million credit facility with a consortium of banks (the "Facility") which replaced a prior credit facility. The Facility provides a multi-currency borrowing option, may be used for general corporate purposes, and bears interest at the Company's option at either LIBOR plus 0.68% to 1.60% or the lending agent's prime rate plus 0.00% to 0.75%. The Facility also requires the payment of a facility fee ranging from 0.20% to 0.40% of the total facility commitment amount. The interest rate and facility fee are determined based on the Company's leverage ratio. The Facility requires the maintenance of certain financial covenants including minimum net worth, leverage, and interest coverage. At March 31, 2003, the weighted average interest rate on the Company's outstanding borrowings under the Facility was 2.07%. At March 31, 2002, the weighted average interest rate was 2.97%. At March 31, 2003, the Company was in compliance with the Facility covenants and as of March 31, 2003 had \$53.2 million outstanding under the Facility.

Other debt consisted mainly of industrial development revenue bonds which bear interest at a variable rate based on the bank/marketing agent's demand note index. The bond agreements contain various covenants relating to minimum net worth, leverage, and interest coverage. At March 31, 2003 and

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2002, outstanding obligations under the industrial development revenue bonds were \$4.3 million and \$5.0 million, respectively, with a weighted average interest rate of 1.55% and 1.70%, respectively. The Company was in compliance with the industrial development revenue bond covenants as of March 31, 2003. Other debt also includes a \$2.0 million note related to an acquisition. At March 31, 2003 and 2002, outstanding obligations under this note were \$1.6 million and \$2.0 million, respectively, with an annual interest rate of 5.25%.

The Company believes that its available cash, cash flow from operations, and sources of credit will be adequate to satisfy its operating and capital needs for the foreseeable future.

Contingencies and Commitments

As of March 31, 2003 and 2002, the Company was contingently liable in the amount of \$53.8 million and \$37.8 million, respectively, under standby letters of credit and guarantees. Approximately \$8.4 million and \$11.3 million, respectively, of the totals at March 31, 2003 and 2002 relate to letters of credit required as security under the Company's self-insured risk retention policies. The remaining balance in each year relates to performance bonds on long-term contracts.

The Company has no material commitments for capital expenditures as of March 31, 2003. At March 31, 2003, the Company had commitments under non-cancelable operating leases aggregating \$52.6 million.

The following tables reflect the Company's contractual obligations and commercial commitments as of March 31, 2003. Commercial commitments include standby letters of credit, guarantees, and other potential cash outflows resulting from a contingent event that requires performance by the Company. Open purchase orders for raw materials and supplies used in the normal course of business have been excluded from the following tables.

Contractual Obligations

	Payments due by March 31,					Total
	2004	2005	2006	2007	2008 and thereafter	
	(in thousands)					
Revolving credit facility	\$ —	\$ 53,200	\$ —	\$ —	\$ —	\$ 53,200
Industrial development revenue bonds and other	1,959	1,725	1,705	1,574	1,500	8,463
Operating leases	12,751	10,707	8,551	6,189	14,355	52,553
Total contractual obligations	\$ 14,710	\$ 65,632	\$ 10,256	\$ 7,763	\$ 15,855	\$ 114,216

Commercial Commitments

	Amount of Commitment Expiring March 31,				Total
	2004	2005	2006	2007 and thereafter	
	(in thousands)				
Performance bonds on long-term contracts	\$ 30,020	\$ 2,722	\$ 150	\$ 12,478	\$ 45,370
Letters of credit as security for self-insured risk retention policies	8,403	—	—	—	8,403
Total commercial commitments	\$ 38,423	\$ 2,722	\$ 150	\$ 12,478	\$ 53,773

Restructuring Reserves

Reductions to the fiscal 2001 restructuring reserves during fiscal 2003 related to employee severance payments of \$1.5 million and other payments and adjustments. The Company paid \$0.5 million in settlement of pension liabilities for terminated employees. The restructuring reserves were reduced by approximately \$1.0 million during fiscal 2003 as the Company received favorable rulings regarding certain salary continuation and severance benefits under a collective bargaining agreement. These adjustments were recorded as reductions of costs of revenues on the accompanying consolidated statements of income for fiscal 2003. Restructuring reserves of \$1.2 million and \$4.2 million remained as of March 31, 2003 and 2002, respectively, and related primarily to severance obligations. These remaining severance payments at March 31, 2003, which relate to 7 former employees, will continue until December 2004.

Reductions to the fiscal 2000 restructuring reserves during fiscal 2003 related primarily to employee severance and lease payments of \$0.4 million. Restructuring reserves of \$0.4 million remained as of March 31, 2002.

Inflation

The overall effects of inflation on the Company's business during the periods discussed have not been significant. The Company monitors the prices it charges for its products and services on an ongoing basis and believes that it will be able to adjust those prices to take into account future changes in the rate of inflation.

Critical Accounting Policies, Estimates, and Assumptions

This discussion and analysis of the Company's results of operations and financial condition is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Preparation of the consolidated financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, costs, and expenses, and the related disclosure of contingencies. Management believes that the estimates, judgments, and assumptions made in preparing the consolidated financial statements are reasonable. However, due to the inherent nature of estimates, actual results will likely be different from the estimates made.

The critical accounting policies that affect the Company's consolidated financial statements and which rely on judgments and assumptions are discussed below.

Revenue Recognition

Revenues earned on product sales and consumables to unaffiliated customers are generally recognized upon shipment and title transfer to the customer. After-sales and service revenues are recognized upon completion of the work. Revenues related to long-term service contracts are recognized on a straight-line basis over the life of the related contract.

Revenues on long-term construction contracts are recognized under the cost-to-cost type of percentage-of-completion method, resulting in revenue being recorded as costs are incurred. Revenues recognized under the percentage-of-completion method aggregated approximately 4% of revenues for the fiscal years ended March 31, 2003 and 2002, respectively. This method requires the use of estimates of costs to be incurred for the manufacture of complex products and systems. Such costs are typically incurred over a period of several months and require substantial judgment. The cost estimation process is based upon the professional knowledge and experience of the Company's employees. The cost estimates are updated on a quarterly basis. Adjustments to projected costs are recognized in net earnings when determinable.

The Company records amounts billed to customers for shipping and handling as revenue. All outbound shipping and handling expenses are included in cost of products sold.

Accounts Receivable

The Company records estimated allowances for uncollectible accounts receivable based upon the number of days the accounts are past due, the current business environment, and specific information such as bankruptcy or liquidity issues of customers. Historically, losses for uncollectible accounts receivable have been within management's estimates. However, if actual losses exceed management's expectations, additional allowances may be required.

The Company maintains an allowance for sales returns and allowances on product sales. Management estimates the related allowance for sales returns and allowances based upon known returns granted and estimated returns of both capital equipment and consumables. The estimated returns of capital equipment are based upon recent historical experience and include estimates for the recoverability of the inventory value of the returned goods. The Company estimates that returned consumables do not carry any value due to the limited shelf life of such products.

Inventories

Management continually reviews inventories for excess and obsolete goods based upon a combination of historical and forecasted usage. Additionally, discrete provisions are made when facts and circumstances indicate that particular inventories will not be utilized. If future market conditions are different than those estimated, changes to inventory valuation reserves may be required and would be reflected in the period the revision is made.

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represent approximately 74.3% and 68.7% of total inventories at March 31, 2003 and 2002, respectively. Inventory costs include material, labor, and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$10.0 million and \$10.8 million higher than those reported at March 31, 2003 and 2002, respectively.

Asset Impairment

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability; the measurement of the impairment would be based on the amount by which the carrying value of the asset exceeds its fair value.

The Company performs annual valuations for impairment of goodwill and indefinite life intangibles. Goodwill and indefinite life intangibles are allocated to reporting units, which are either the operating segment or one reporting level below the operating segment. The Company's reporting units for purposes of applying the provisions of SFAS 142 are STERIS and Isomedix. SFAS 142 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill and indefinite life intangibles within the reporting unit is less than the carrying value. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized. Fair values for goodwill and indefinite life intangibles are determined based on the discounted cash flows, market multiples or appraised values as appropriate.

Deferred Tax Assets

The Company has deferred tax assets, which are subject to assessments for recoverability. Realization of the Company's deferred tax assets is dependent upon the achievement of projected future taxable income and tax planning strategies. While management believes that it is more likely than not that the net assets will be realized, there can be no assurance that the Company will meet management's expectations for future taxable income and tax planning strategies. The Company evaluates the realizability of deferred tax assets on an annual basis and assesses the need for valuation allowances.

Self-Insurance Liabilities

The Company records a liability for self-insured risk retention for general and product liability, workers compensation, and automobile losses. The Company maintains a captive insurance company, Global Risk Insurance Company ("GRIC"), to fund such losses. The Company employs an outside actuary that utilizes GRIC's historical loss experience and actuarial judgment to determine the estimated liability. Such liability includes estimated provisions for both loss reserves and incurred but not reported claims. GRIC funds the Company's losses up to the following limits per occurrence: general and product liability — \$0.5 million, workers' compensation — \$0.5 million, and automobile — \$0.5 million. The Company pays a monthly premium to GRIC. Losses greater than these limits are covered by third party insurance. The Company's accrual for the self-insurance risk retention as of March 31, 2003 and 2002 was \$11.1 million and \$8.1 million, respectively.

The Company is also self-insured for employee medical claims. The Company estimates a liability for incurred but not reported claims based upon recent claims experience and an analysis of the average period of time between the occurrence of a claim and the time it is reported to and paid by the Company. The Company's accrual for medical claims as of March 31, 2003 and 2002 was \$4.4 million and \$3.7 million, respectively.

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There can be no guarantee that the Company's insurance coverages will continue to be adequate and actual loss experience may exceed the amounts provided for incurred but not reported claims. Any excess of the actual claims over the amounts estimated for loss reserves and incurred but not reported claims will result in increased insurance costs in subsequent periods.

Warranties

The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in extensive quality programs and processes, including actively monitoring and evaluating the quality of suppliers, warranty experience could differ from management's estimates. If actual product failure rates, material usage, or service costs differ from management's estimates, revisions to the estimated warranty liability will be required. As of March 31, 2003 and 2002, the Company had accrued \$4.9 million and \$3.3 million, respectively for warranty exposures.

Contingencies

The Company is subject to various claims and lawsuits as well as unasserted claims that arise in the ordinary course of business. Liabilities, costs, and disclosures associated with these matters require estimates and judgment based on professional knowledge and experience of management and its legal counsel. Management has made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. When estimates of the Company's exposure for claims or pending or threatened litigation matters meet the criteria of Statement of Financial Account Standards No. 5, "Accounting for Contingencies," amounts are recorded as charges to net earnings. The ultimate resolution of any exposure to the Company may change as further facts and circumstances are made available.

Benefit Plans

Assumptions used in determining the projected benefit obligations and fair value of plan assets for the Company's pension plans and postretirement benefit plan are evaluated periodically by management in consultation with outside actuaries. Changes in assumptions are based upon relevant Company and outside data, such as increases in compensation levels, the long-term rate of return on plan assets, and increases in medical costs. Critical assumptions such as the discount rate used to measure the Company's benefit obligations, the expected long-term rate of return on plan assets, and expected changes in healthcare costs are updated annually.

Total pension plan assets as of March 31, 2003 and 2002 were \$34.2 million and \$35.1 million, respectively. Total pension benefit obligations as of March 31, 2003 and 2002 were \$45.6 million and \$41.4 million, respectively. The Company's pension plans are funded in conformity with the funding requirements of applicable government regulations. Plan assets are invested principally in diversified mutual funds, equity securities, and government and corporate obligations. There is no guarantee that the actual return on the plans' assets will equal the expected long-term rate of return on plan assets or that the trusts will not incur investment losses.

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A one-fourth percent change in discount rate for the Company's pension plans, holding other assumptions constant, would have the following effect on the pension benefit obligation. Additionally, a one-fourth percent change in the expected long-term rate of return, holding other assumptions constant, would have the following effect on costs on an annual basis:

	One-Fourth- Percentage Point	
	Increase	Decrease
	(in thousands)	
Discount rate	\$(1,038)	\$ 1,038
Expected long-term rate of return	\$ (78)	\$ 78

The Company maintains an unfunded postretirement benefit plan. The postretirement benefit obligation as of March 31, 2003 and 2002 was \$73.8 million and \$63.7 million, respectively. The net postretirement accrued benefit cost as of March 31, 2003 and 2002 was \$53.1 million and \$51.3 million, respectively. The Company experienced an actuarial loss of \$9.2 million during fiscal 2003 due to a larger than expected increase in per capita prescription drug costs and decrease in the assumed discount rate. Actuarial gains and losses are amortized over the average expected working lifetime of plan participants of approximately 12 years. Should healthcare cost rates continue to rise, the Company will revise its estimated annual healthcare cost trend rates. Any increase in the healthcare cost trend rates will increase the net period postretirement costs for future periods as the actuarial losses are amortized.

A one percent change in the healthcare trend rates (including medical, prescription drug, and long-term rates) for the Company's postretirement plan, holding all other assumptions constant, would have the following effect on benefit costs and the post retirement benefit obligation:

	One-Percentage Point	
	Increase	Decrease
	(in thousands)	
Effect on total service and interest cost components	\$ 738	\$ (607)
Effect on postretirement benefit obligation	\$ 7,967	\$ (6,713)

Stock Compensation Plans

The Company has granted nonqualified stock options to certain employees to purchase the Company's Common Shares at the market price on the date of grant. Generally, Stock options granted become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and expire approximately 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. The Company accounts for stock based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" and accordingly recognizes no compensation expense when the exercise price equals the market price of the stock on the date of grant.

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Had the compensation cost for the stock options granted in fiscal 2003, 2002, and 2001 been determined based on the value at the grant date consistent with the fair value method, the Company's net income and earnings per share would have been reduced as indicated below:

Years Ended March 31,	2003	2002	2001
	(in thousands, except per share data)		
Net income (loss):			
As reported	\$ 79,436	\$ 46,202	\$ 1,317
Add: Expense included in reported results	—	—	—
Deduct: Fair value	5,388	4,978	6,072
Pro forma	\$ 74,048	\$ 41,224	\$ (4,755)
Earnings (loss) per share:			
Basic:			
As reported	\$ 1.14	\$ 0.67	\$ 0.02
Pro forma	\$ 1.06	\$ 0.60	\$ (0.07)
Diluted:			
As reported	\$ 1.12	\$ 0.65	\$ 0.02
Pro forma	\$ 1.04	\$ 0.58	\$ (0.07)

Fair value was estimated at the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions for the years ended March 31, 2003, 2002, and 2001: risk-free interest rate of 3.75% to 6.1%; dividend yield of 0%; expected volatility of 45%; and an expected option life of 5 years.

Recently Issued Accounting Standards

In June 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method and establishes criteria to be used in determining whether acquired intangible assets are to be separated from goodwill.

SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. SFAS 142 requires the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The Company adopted SFAS 142 on April 1, 2002. Upon adoption, the Company conducted valuations of its reporting units for transition purposes and, based on these valuations, concluded that goodwill was not impaired. The Company has also conducted its annual valuations for impairment of these assets, and based on these valuations, concluded that goodwill is not impaired.

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The following table reflects the reconciliation of reported net income and net income per share to the amounts adjusted for the exclusion of goodwill amortization:

Years Ended March 31,	2003	2002	2001
	(in thousands, except per share data)		
Net income:			
Reported net income	\$ 79,436	\$ 46,202	\$ 1,317
Add back: Goodwill amortization, net of tax	—	5,227	4,974
Adjusted net income	<u>\$ 79,436</u>	<u>\$ 51,429</u>	<u>\$ 6,291</u>
Net income per share:			
Basic:			
Reported net income per share—basic	\$ 1.14	\$ 0.67	\$ 0.02
Add back: Goodwill amortization, net of tax	—	0.08	0.07
Adjusted net income per share—basic	<u>\$ 1.14</u>	<u>\$ 0.75</u>	<u>\$ 0.09</u>
Diluted:			
Reported net income per share—diluted	\$ 1.12	\$ 0.65	\$ 0.02
Add back: Goodwill amortization, net of tax	—	0.07	0.07
Adjusted net income per share—diluted	<u>\$ 1.12</u>	<u>\$ 0.72</u>	<u>\$ 0.09</u>

In August 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," was issued. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the associated retirement costs by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the remaining estimated useful life of the related asset. The Company is required to adopt this Statement for the year ending March 31, 2004. The Company believes that the impact of the adoption on the Company's consolidated financial statements will not be material.

In October 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS 144") was issued. The Company adopted SFAS 144 on April 1, 2002 and the impact of the adoption on the Company's consolidated financial statements was not considered material.

In June 2002, Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," ("SFAS 146") was issued. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value and when the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002 and had no impact on the Company's 2003 consolidated financial statements.

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In November 2002, the Emerging Issues Task Force reached a consensus on Issue 00-21 (“EITF 00-21”), “Accounting for Revenue Arrangements with Multiple Deliverables.” EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The final consensus will be applicable to agreements entered into in fiscal years beginning after June 15, 2003 with early adoption permitted. The Company will adopt EITF 00-21 effective April 1, 2004, as required, and has not determined what impact, if any, the adoption of this statement will have on the Company’s consolidated financial statements.

In December 2002, Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure” (“SFAS 148”) was issued providing alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation,” (“SFAS 123”) to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, while the interim disclosure provisions are effective for periods beginning after December 15, 2002. As permitted by SFAS 123 and SFAS 148, the Company has adopted the disclosure only provisions and does not recognize expense for stock options granted to employees when the exercise price equals the market price of the stock on the date of grant. See Note 12 – Common Shares.

In December 2002, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others” (“FIN 45”). FIN 45 requires that certain guarantees be recorded at fair value and also that a guarantor make certain disclosures, even when the likelihood of making any payments under the guarantee is remote. The initial recognition and measurement provision of FIN 45 are applicable only to guarantees issued or modified after December 31, 2002. The related disclosure requirements are effective for interim or annual periods ending after December 15, 2002 and are applicable to all guarantees issued by the guarantor subject to FIN 45’s scope, including guarantees entered into prior to its issuance. See Note 15 – Financial and Other Guarantees.

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”). FIN 46 clarifies the application of Accounting Research Bulletin (“ARB”) No. 51, “Consolidated Financial Statements” for certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 requires that variable interest entities, as defined, should be consolidated by the primary beneficiary, which is defined as the entity that is expected to absorb the majority of the expected losses, receive the majority of the gains, or both. The Interpretation requires that companies disclose certain information about a variable interest entity created prior to February 1, 2003 if it is reasonably possible that the enterprise will be required to consolidate that entity. The application of this Interpretation is required on July 1, 2003 for entities created prior to February 1, 2003 and immediately for any variable interest entities created subsequent to January 31, 2003. The Company has evaluated its affiliated entities and does not believe that any entity it is affiliated with but does not currently consolidate will meet the definition of a variable interest entity.

Forward-Looking Statements

This discussion may contain statements and data concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to the Company or its 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 or earlier if indicated by the context, 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 differ materially 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 STERIS’s control. No assurances can be provided as to any future financial results. Unless legally required, the Company does 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 differ materially from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or the Company’s business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that compliance with laws, court rulings, regulations, or certification requirements of domestic and foreign authorities may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect Company performance, (d) the potential of international unrest or effects of fluctuations in foreign currencies of countries where the Company does a sizeable amount of business, and (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for the Company’s products and services.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the ordinary course of business, the Company is subject to interest rate and foreign currency risks. The risks primarily relate to changes in interest rates on the Company’s short-term and long-term debt instruments and the sale of the Company’s products to international customers through foreign subsidiaries.

Interest Rate Risk

Consistent with the prior year, the Company is exposed to market risk through various debt instruments, including fixed rate and floating rate debt instruments. As of March 31, 2003 the Company had \$53.2 million outstanding under its revolving credit facility and \$8.5 million outstanding under other borrowing agreements. Based on March 31, 2003 debt levels, a 1.0% change in interest rates would impact interest expense by approximately \$0.6 million annually. The Company monitors its interest rate risk, but does not engage in any hedging activities using derivative financial instruments to mitigate such risk.

Foreign Currency Risk

The financial results of the Company's foreign operations are measured in their functional currencies. Assets and liabilities are translated to U.S. dollars at the rates of exchange at the end of the fiscal year and revenues and expenses are translated at average rates of exchange during the fiscal year. The resulting translation adjustments are recorded as a component of comprehensive income or loss. Since the Company operates internationally and approximately 19% of the Company's fiscal 2003 revenues were generated outside of the United States, it is exposed to foreign currency fluctuations. Historically, the Company has not experienced any significant foreign currency gains or losses involving U.S. dollars or other currencies. This is primarily due to the natural hedges of revenues and expenses in the functional currencies of the countries in which the Company's foreign operations are located. Movements in foreign currency exchange rates affect the U.S. dollar value of sales made and costs incurred in foreign currencies. Changing currency exchange rates also affect the Company's competitive position, as exchange rate changes may affect profitability and business and/or pricing strategies of non-U.S. based competitors. Specifically, the exposure includes intercompany loans and third party sales or payments. The Company does not consider the market risk associated with its international operations to be material. The Company does not currently use derivative financial instruments for hedging or speculative purposes.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF MANAGEMENT

Board of Directors and Shareholders
STERIS Corporation

The management of STERIS Corporation (the "Company") is responsible for the preparation, integrity, and objectivity of the consolidated financial statements and the accuracy and consistency of all other financial information included in this report. Management believes that the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and that any amounts included herein which are based on estimates of the expected effects of events and transactions have been made with sound judgment and approved by qualified personnel.

The Company maintains internal controls to provide reasonable assurance that assets are safeguarded against unauthorized acquisition, use, or disposition and that transactions and events are recorded properly in the Company's books and records. The internal controls are regularly reviewed, evaluated, and revised as necessary by management. The design, review, and revision of the Company's internal controls involve, among other things, management judgments with respect to the relative cost and expected benefits of specific control measures.

The independent accounting firm of Ernst & Young LLP has audited the consolidated financial statements included in this report. Management believes their audits were conducted in accordance with auditing standards generally accepted in the United States and included such study and evaluation of the Company's internal controls as they considered necessary to determine the extent of tests and audit procedures required for expressing an opinion on the Company's consolidated financial statements. Management has made available to the independent auditors all of the Company's financial records and related data as well as minutes of shareholders' and directors' meetings. Furthermore, management believes that all representations made to the independent auditors during their audits were valid and appropriate.

The Board of Directors pursues its oversight responsibility for the financial statements through its Audit Committee, composed of Directors who are not employees of the Company. The Audit Committee meets regularly with management, the Company's internal auditor, and the independent auditors in connection with its review of matters relating to the Company's financial statements, internal audit program, and internal controls, and the services of the independent auditors. The Audit Committee also meets with the internal auditor as well as the independent auditors, without management present, to discuss appropriate matters. The independent auditors have full and free access to the Audit Committee and its individual members at any time.

/s/ LES C. VINNEY

Les C. Vinney
President and Chief Executive Officer
(Principal Executive Officer), Director

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
STERIS Corporation

We have audited the accompanying consolidated balance sheets of STERIS Corporation and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of STERIS Corporation and subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2003 the Company changed its method of accounting for goodwill in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
April 22, 2003

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

March 31,	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,941	\$ 12,424
Accounts receivable (net of allowances of \$8,637 and \$8,031, respectively)	211,687	196,631
Inventories	90,135	77,922
Deferred income taxes	14,904	20,011
Prepaid expenses and other assets	11,765	9,656
Total current assets	354,432	316,644
Property, plant, and equipment, net	345,621	328,329
Intangibles, net	192,416	190,822
Other assets	2,523	5,777
Total assets	\$894,992	\$841,572
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term indebtedness	\$ 1,959	\$ 1,663
Accounts payable	72,969	56,734
Accrued income taxes	15,098	20,067
Accrued expenses and other	101,025	91,646
Total current liabilities	191,051	170,110
Long-term indebtedness	59,704	115,228
Deferred income taxes	18,256	19,381
Other liabilities	56,451	49,708
Total liabilities	325,462	354,427
Shareholders' equity:		
Serial preferred shares, without par value, 3,000 shares authorized; no shares issued or outstanding	—	—
Common Shares, without par value, 300,000 shares authorized; issued and outstanding shares of 69,741 and 69,466, respectively	224,355	223,244
Retained earnings	357,303	277,867
Accumulated other comprehensive loss:		
Minimum pension liability	(7,281)	(1,038)
Cumulative foreign currency translation adjustment	(4,847)	(12,928)
Total shareholders' equity	569,530	487,145
Total liabilities and shareholders' equity	\$894,992	\$841,572

See notes to consolidated financial statements.

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

Years Ended March 31,	2003	2002	2001
Net revenues			
Product	\$ 687,024	\$ 609,410	\$ 567,860
Service	285,063	257,287	232,227
Total net revenues	<u>972,087</u>	<u>866,697</u>	<u>800,087</u>
Cost of revenues			
Product	392,964	358,776	334,973
Service	170,302	152,720	153,656
Total cost of revenues	<u>563,266</u>	<u>511,496</u>	<u>488,629</u>
Gross Profit	408,821	355,201	311,458
Operating Expenses			
Selling, general, and administrative	257,527	252,882	263,309
Research and development	25,525	21,706	23,975
	<u>283,052</u>	<u>274,588</u>	<u>287,284</u>
Income from operations	125,769	80,613	24,174
Interest expense, net	1,651	7,276	18,417
Income before income taxes	124,118	73,337	5,757
Income taxes	44,682	27,135	4,440
Net Income	<u>\$ 79,436</u>	<u>\$ 46,202</u>	<u>\$ 1,317</u>
Net income per share—basic	<u>\$ 1.14</u>	<u>\$ 0.67</u>	<u>\$ 0.02</u>
Net income per share—diluted	<u>\$ 1.12</u>	<u>\$ 0.65</u>	<u>\$ 0.02</u>

See notes to the consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Years Ended March 31,	2003	2002	2001
Operating activities			
Net income	\$ 79,436	\$ 46,202	\$ 1,317
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	46,515	46,884	46,571
Deferred income taxes	3,982	12,866	1,652
Asset impairment	—	—	10,163
Other items	12,932	6,098	4,962
Changes in operating assets and liabilities:			
Accounts receivable	(14,115)	4,674	8,143
Inventories	(12,213)	4,317	32,483
Other current assets	(2,044)	(1,736)	(2,370)
Accounts payable, accruals, and other items, net	18,798	22,718	(582)
Net cash provided by operating activities	133,291	142,023	102,339
Investing activities			
Purchases of property, plant, equipment, and patents	(58,592)	(65,678)	(51,017)
Proceeds from sales of assets	—	2,164	90
Investment in businesses, net	(140)	(5,097)	—
Net cash used in investing activities	(58,732)	(68,611)	(50,927)
Financing activities			
Payments on long-term obligations	(2,300)	(1,173)	(1,947)
Payments on line of credit, net	(55,800)	(91,000)	(63,000)
Purchase of treasury shares	(16,070)	—	—
Stock option and other equity transactions	11,344	6,736	3,368
Net cash used in financing activities	(62,826)	(85,437)	(61,579)
Effect of exchange rate changes on cash and cash equivalents	1,784	(261)	(599)
Increase (decrease) in cash and cash equivalents	13,517	(12,286)	(10,766)
Cash and cash equivalents at beginning of period	12,424	24,710	35,476
Cash and cash equivalents at end of period	\$ 25,941	\$ 12,424	\$ 24,710

See notes to the consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number	Amount			
Balance at April 1, 2000	67,517	\$ 198,253	\$ 230,348	\$ (7,507)	\$ 421,094
Net income	—	—	1,317	—	1,317
Foreign currency translation adjustment	—	—	—	(3,534)	(3,534)
Comprehensive loss	—	—	—	—	(2,217)
Stock options exercised	1,223	5,147	—	—	5,147
Tax benefit of stock options exercised	—	4,449	—	—	4,449
Other equity transactions	(75)	(4,089)	—	—	(4,089)
Balance at March 31, 2001	68,665	203,760	231,665	(11,041)	424,384
Net income	—	—	46,202	—	46,202
Minimum pension liability	—	—	—	(1,038)	(1,038)
Foreign currency translation adjustment	—	—	—	(1,887)	(1,887)
Comprehensive income	—	—	—	—	43,277
Stock options exercised	786	6,450	—	—	6,450
Tax benefit of stock options exercised	—	3,380	—	—	3,380
Expiration of put held by former executive	—	9,000	—	—	9,000
Other equity transactions	15	654	—	—	654
Balance at March 31, 2002	69,466	223,244	277,867	(13,966)	487,145
Net income	—	—	79,436	—	79,436
Minimum pension liability	—	—	—	(6,243)	(6,243)
Foreign currency translation adjustment	—	—	—	8,081	8,081
Comprehensive income	—	—	—	—	81,274
Purchase of treasury shares	(900)	(16,070)	—	—	(16,070)
Stock options exercised	1,170	10,993	—	—	10,993
Tax benefit of stock options exercised	—	5,837	—	—	5,837
Other equity transactions	5	351	—	—	351
Balance at March 31, 2003	69,741	\$ 224,355	\$ 357,303	\$ (12,128)	\$ 569,530

See notes to the consolidated financial statements.

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

1. Accounting Policies

STERIS Corporation (the "Company" or "STERIS") develops, manufactures, and markets infection prevention, contamination control, microbial reduction, and surgical and critical care support products and services for healthcare, scientific, research, industrial and government customers throughout the world.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation.

Revenue Recognition

The Company's net revenues include revenues earned on product sales and related after-sales, service contracts, and long-term construction contracts. The Company recognizes product revenues upon shipment and title transfer to the customer. After-sales and service revenues are recognized upon completion of the work. Revenues related to long-term service contracts are recognized on a straight-line basis over the life of the related contract. Advance billings for service contract work are recorded as deferred revenue and amortized over the life of the contract. Revenue on long-term construction contracts is recognized under the cost-to-cost type of percentage-of-completion method, resulting in revenue being recorded as costs are incurred.

The Company records amounts billed to customers for shipping and handling as revenue. All outbound shipping and handling expenses are included in cost of products sold.

Accounts Receivable

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral on sales. The Company maintains allowances for potential credit losses and historically such credit losses have been within the Company's expectations. The Company sells to customers who are in widely diverse geographic locations and markets with no single customer accounting for more than five percent of revenues during the year ended March 31, 2003.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represented approximately 74.3% and 68.7% of total inventories at March 31, 2003 and 2002, respectively. Inventory costs include material, labor, and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$10,018 and \$10,750 higher than those reported at March 31, 2003 and 2002, respectively.

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

Property, Plant and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation. The Company provides for depreciation of the net carrying cost less anticipated salvage value over the estimated remaining useful lives of property, plant, and equipment principally by using the straight-line method. Depreciation of radioisotope is determined by use of the annual decay factor inherent in the material, which is similar to the sum-of-the-years-digits method. The estimated useful lives, in years, by asset type are as follows:

Asset Type	Useful Life
Land improvements	10
Buildings and leasehold improvements	7-40
Machinery and equipment	3-15
Information Systems	3-8
Radioisotope	20

Expenditures that increase the value or productive capacity of assets, including information systems, are capitalized. Repair and maintenance expenditures are expensed as incurred. The Company capitalizes interest costs incurred during construction of long-lived assets in accordance with the requirements of Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost." The Company capitalized \$809 and \$818 of interest costs during the years ended March 31, 2003 and 2002, respectively.

Intangible Assets

Costs incurred to obtain product technology rights, including patents, have been capitalized and are amortized over their estimated useful lives using the straight-line method. The Company currently provides for the amortization of intangible assets over lives ranging from 5 to 17 years. Goodwill represents the excess of the purchase price over the estimated fair value of the tangible and intangible net assets acquired. Beginning April 1, 2002, the Company ceased recording goodwill amortization in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142").

Asset Impairment

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability; the measurement of the impairment would be based on the amount by which the carrying value exceeds its fair value.

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

The Company performs annual valuations for impairment of goodwill and indefinite life intangibles. Goodwill and indefinite life intangibles are allocated to reporting units, which are either the operating segment or one reporting level below the operating segment. The Company's reporting units for purposes of applying the provisions of SFAS 142 are STERIS and Isomedix. SFAS 142 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill and indefinite life intangibles within the reporting unit is less than the carrying value. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized. Fair values for goodwill and indefinite life intangibles are determined based on the discounted cash flows, market multiples or appraised values as appropriate.

Self-Insurance Liabilities

The Company records a liability for self-insured risk retention for general and product liability, workers compensation, and automobile losses that is actuarially determined. The Company employs an outside actuary that utilizes the Company's historical loss experience and actuarial judgment to determine the liability. Such liability includes estimated provisions for both loss reserves and incurred but not reported claims.

The Company is also self-insured for employee medical claims. The Company estimates a liability for incurred but not reported claims based upon recent claims experience and an analysis of the average period of time between the occurrence of a claim and the time it is reported to and paid by the Company.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from these estimates.

Foreign Currency Translation

Revenues and expenses are translated at the average currency exchange rates prevailing during the period. Assets and liabilities of foreign operations are translated using the exchange rate at the end of the period. The related translation adjustments are recorded as a separate component of shareholder's equity. Foreign currency gains and losses from changes in exchange rates have not been material to the consolidated statements of income.

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

Advertising Expenses

The costs of advertising are expensed as incurred in accordance with the requirements of AICPA Statement of Position 93-7, "Reporting for Advertising Costs." The Company incurred \$15,756, \$18,942, and \$20,481, in advertising costs during the years ended March 31, 2003, 2002, and 2001, respectively.

Cash Equivalents and Supplemental Cash Flow Information

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consisted primarily of interest-bearing savings accounts, commercial paper, and United States government securities.

Supplemental disclosure of cash flow information follows:

Years Ended March 31,	2003	2002	2001
<hr/>			
Cash paid during the year for:			
Interest	\$ 2,583	\$ 9,519	\$ 18,335
Income taxes	\$37,800	\$ 4,603	\$ 8,024
Cash received during the year for income tax refunds	\$ (787)	\$(6,279)	\$ —

Reclassifications

Certain reclassifications have been made to the Company's prior years' consolidated financial statements to conform to current year classifications.

Fair Value of Financial Instruments

The recorded value of the Company's financial instruments, which includes cash, cash equivalents, and long-term debt, approximates fair value. Financial instruments potentially subject the Company to concentration of credit risk. The Company invests its excess cash in high-quality securities placed with major banks and financial institutions and government securities. The Company has established guidelines relative to diversification and maturities to maintain safety and liquidity.

Stock Compensation Plans

The Company has granted nonqualified stock options to certain employees to purchase the Company's Common Shares at the market price on the date of grant. Generally, Stock options granted become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and expire 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. The Company accounts for stock based compensation under the provi - -

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

sions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" and accordingly recognizes no compensation expense when the exercise price equals the market price of the stock on the date of grant.

Years Ended March 31,	2003	2002	2001
Net income (loss):			
As reported	\$ 79,436	\$ 46,202	\$ 1,317
Add: Expense included in reported results	—	—	—
Deduct: Fair value	5,388	4,978	6,072
Pro forma	\$ 74,048	\$ 41,224	\$(4,755)
Earnings (loss) per share:			
Basic:			
As reported	\$ 1.14	\$ 0.67	\$ 0.02
Pro forma	\$ 1.06	\$ 0.60	\$ (0.07)
Diluted:			
As reported	\$ 1.12	\$ 0.65	\$ 0.02
Pro forma	\$ 1.04	\$ 0.58	\$ (0.07)

Recently Issued Accounting Standards

In June 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method and establishes criteria to be used in determining whether acquired intangible assets are to be separated from goodwill.

SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. SFAS 142 requires the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The Company adopted SFAS 142 on April 1, 2002. Upon adoption, the Company conducted valuations of its reporting units for transition purposes and, based on these valuations, concluded that goodwill was not impaired. The Company has also conducted its annual valuations for impairment of these assets, and based on these valuations, concluded that goodwill is not impaired.

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

The following table reflects the reconciliation of reported net income and net income per share to the amounts adjusted for the exclusion of goodwill amortization:

Years Ended March 31,	2003	2002	2001
Net income:			
Reported net income	\$ 79,436	\$ 46,202	\$ 1,317
Add back: Goodwill amortization, net of tax	—	5,227	4,974
Adjusted net income	<u>\$ 79,436</u>	<u>\$ 51,429</u>	<u>\$ 6,291</u>
Net income per share:			
Basic:			
Reported net income per share—basic	\$ 1.14	\$ 0.67	\$ 0.02
Add back: Goodwill amortization, net of tax	—	0.08	0.07
Adjusted net income per share—basic	<u>\$ 1.14</u>	<u>\$ 0.75</u>	<u>\$ 0.09</u>
Diluted:			
Reported net income per share—diluted	\$ 1.12	\$ 0.65	\$ 0.02
Add back: Goodwill amortization, net of tax	—	0.07	0.07
Adjusted net income per share—diluted	<u>\$ 1.12</u>	<u>\$ 0.72</u>	<u>\$ 0.09</u>

In August 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," was issued. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the associated retirement costs by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the remaining estimated useful life of the related asset. The Company is required to adopt this Statement for the year ending March 31, 2004. The Company believes that the impact of the adoption on the Company's consolidated financial statements will not be material.

In October 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") was issued. The Company adopted SFAS 144 on April 1, 2002 and the impact of the adoption on the Company's consolidated financial statements was not considered material.

In June 2002, Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") was issued. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value and when the liability is

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

incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002 and had no impact on the Company's 2003 consolidated financial statements.

In November 2002, the Emerging Issues Task Force reached a consensus on Issue 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The final consensus will be applicable to agreements entered into in fiscal years beginning after June 15, 2003 with early adoption permitted. The Company will adopt EITF 00-21 effective April 1, 2004, as required, and has not determined what impact, if any, the adoption of this statement will have on the Company's consolidated financial statements.

In December 2002, Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" ("SFAS 148") was issued providing alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002, while the interim disclosure provisions are effective for periods beginning after December 15, 2002. As permitted by SFAS 123 and SFAS 148, the Company has adopted the disclosure only provisions and does not recognize expense for stock options granted to employees when the exercise price equals the market price of the stock on the date of grant. See Note 12 to the Company's consolidated financial statements.

In December 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that certain guarantees be recorded at fair value and also that a guarantor make certain disclosures, even when the likelihood of making any payments under the guarantee is remote. The initial recognition and measurement provisions of FIN 45 are applicable only to guarantees issued or modified after December 31, 2002. The related disclosure requirements are effective for interim or annual periods ending after December 15, 2002 and are applicable to all guarantees issued by the guarantor subject to FIN 45's scope, including guarantees entered into prior to its issuance. See Note 15 – Financial and Other Guarantees.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements" for certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 requires that variable interest entities, as defined, should be consolidated by the primary beneficiary, which is defined as the entity that is expected to absorb the majority of the expected losses, receive the majority of the gains, or both. The Interpretation requires that companies disclose certain information about a variable interest entity created prior to February 1, 2003 if it is reasonably possible that the enterprise will be re - -

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

quired to consolidate that entity. The application of this Interpretation is required on July 1, 2003 for entities created prior to February 1, 2003 and immediately for any variable interest entities created subsequent to January 31, 2003. The Company has evaluated its affiliated entities and does not believe that any entity it is affiliated with but does not currently consolidate will meet the definition of a variable interest entity.

2. Inventories

Inventories consisted of the following:

March 31,	2003	2002
Raw materials	\$ 26,774	\$ 22,746
Work in process	8,018	16,680
Finished goods	55,343	38,496
Total inventories	\$ 90,135	\$ 77,922

3. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

March 31,	2003	2002
Assets		
Land and land improvements	\$ 21,359	\$ 20,810
Buildings and leasehold improvements	145,520	125,830
Machinery and equipment	206,991	181,140
Information Systems	68,029	56,046
Radioisotope	84,634	74,829
Construction in progress	28,169	44,030
Total	554,702	502,685
Less: accumulated depreciation	(209,081)	(174,356)
Property, plant, and equipment, net	\$ 345,621	\$ 328,329

Depreciation expense was \$45,244, \$40,665, and \$39,573, for the years ended March 31, 2003, 2002, and 2001, respectively. Rental expense for leases was \$13,806, \$13,734, and \$12,656, for the years ended March 31, 2003, 2002, and 2001, respectively. Operating leases relate principally to warehouse and office space, service facilities, vehicles, equipment, and communication systems.

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Future minimum annual rentals payable under noncancelable leases at March 31, 2003 were as follows:

	Operating Leases
2004	\$ 12,751
2005	10,707
2006	8,551
2007	6,189
2008	4,396
Thereafter	9,959
Total minimum lease payments	\$ 52,553

4. Intangible Assets

Intangible assets consisted of the following:

March 31,	2003	2002
Goodwill	\$ 183,130	\$ 182,688
Patents, trademarks, and other intangible assets, net of accumulated amortization of \$16,074 and \$15,932, respectively	9,286	8,134
Total	\$ 192,416	\$ 190,822

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the five succeeding years will be approximately \$1.1 million annually for fiscal years 2004 through 2006, \$1.0 million in fiscal 2007, and \$0.8 million in fiscal 2008.

5. Long-Term Debt

Long-term indebtedness was as follows:

March 31,	2003	2002
Credit facility	\$ 53,200	\$ 109,000
Other debt	8,463	7,891
Total	61,663	116,891
Less: current portion	1,959	1,663
Long-term portion	\$ 59,704	\$ 115,228

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On March 28, 2002, STERIS entered into an unsecured \$325,000 Revolving Credit Facility ("Facility") which replaced a prior credit facility. The Facility matures March 28, 2005 and provides a multi-currency borrowing option. The Facility may be used for general corporate purposes and bears interest at the Company's option at either LIBOR plus 0.68% to 1.60% or the lending agent's prime rate plus 0.00% to 0.75%. At March 31, 2003, the weighted average interest rate on the Company's outstanding borrowings under the Facility was 2.07%. At March 31, 2002, the weighted average interest rate was 2.97%. The Facility also requires the payment of a facility fee ranging from 0.20% to 0.40% of the total facility commitment amount. The interest rate and the facility fee are determined based on the Company's leverage ratio. The Facility requires the maintenance of certain financial covenants including minimum net worth, leverage, and interest coverage. The Company was in compliance with the Facility covenants as of March 31, 2003.

Other debt consisted mainly of industrial development revenue bonds which bear interest at a variable rate based on the bank/marketing agent's demand note index. These bond agreements contain various covenants relating to minimum net worth, leverage, and interest coverage. At March 31, 2003 and 2002, outstanding obligations under the industrial development revenue bonds were \$4,300 and \$5,000, respectively, with a weighted average interest rate of 1.55% and 1.70%, respectively. The Company was in compliance with the industrial development revenue bond covenants as of March 31, 2003. Other debt also includes a \$2.0 million note related to an acquisition. At March 31, 2003 and 2002, outstanding obligations under this note were \$1,576 and \$2,000, respectively, with an annual interest rate of 5.25%.

The combined annual aggregate amount of maturities are as follows:

2004	\$ 1,959
2005	54,925
2006	1,705
2007	1,574
2008 and thereafter	1,500
	<hr/>
	\$ 61,663

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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6. Accrued Expenses and Other

Accrued expenses and other consisted of the following:

March 31,	2003	2002
Sales and property taxes	\$ 7,378	\$ 7,363
Employee compensation and related items	26,194	25,875
Self-insured risk retention	16,864	15,965
Deferred service contract revenue	11,149	9,771
Pension and postretirement benefit obligations—current portion	7,330	6,787
Restructuring reserves	1,466	4,637
Other	30,644	21,248
Total	\$ 101,025	\$ 91,646

7. Income Taxes

Income (loss) from continuing operations before income taxes was as follows:

Years Ended March 31,	2003	2002	2001
United States operations	\$ 106,856	\$ 58,862	\$ (4,872)
Non-United States operations	17,262	14,475	10,629
	<u>\$ 124,118</u>	<u>\$ 73,337</u>	<u>\$ 5,757</u>

The components of the provision for income taxes consisted of the following:

Years Ended March 31,	2003	2002	2001
Current provision:			
United States federal	\$ 26,060	\$ 8,393	\$ (992)
United States state and local	3,110	2,855	1,634
Non-United States	7,440	3,021	2,146
Total current provision	36,610	14,269	2,788
Deferred expense	8,072	12,866	1,652
Total provision for income taxes	\$ 44,682	\$ 27,135	\$ 4,440

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The total provision for income taxes can be reconciled to the tax computed at the United States federal statutory rate as follows:

Years Ended March 31,	2003	2002	2001
Tax computed at the United States federal statutory tax rate	\$43,441	\$25,668	\$ 2,015
(Reduction) increase of income tax accruals	(1,101)	(366)	1,151
State and local taxes, net of federal income tax benefit	2,680	1,856	1,062
Goodwill	—	985	2,220
Foreign income tax deduction	(1,418)	—	—
Difference in non-United States tax rates	1,896	(2,045)	(1,574)
All other, net	(816)	1,037	(434)
Total provision for income taxes	\$44,682	\$27,135	\$ 4,440

The significant components of the deferred tax assets and liabilities recorded in the accompanying balance sheets at March 31, 2003 and 2002 were as follows:

March 31,	2003	2002
Net Deferred Tax (Liabilities) / Assets		
Post-retirement benefit accrual	\$ 16,503	\$ 16,298
Net operating loss carryforwards	11,204	8,667
Accrued expenses and other	21,167	22,705
Plant and equipment	(33,478)	(30,589)
Intangibles	(5,473)	(4,688)
Inventory and other	(2,071)	(3,096)
Valuation allowance	(11,204)	(8,667)
Total net deferred tax (liabilities) / assets	\$ (3,352)	\$ 630

For tax return purposes, at March 31, 2003, the Company had domestic net operating loss carryforwards of \$3,599 which expire in years 2009 through 2017. Additionally, the Company had foreign net operating loss carryforwards of \$27,492 of which \$5,990 expire in years 2015 through 2017, and \$21,502 that have an indefinite carryforward period. A valuation allowance has been applied to these net operat - -

ing loss carryforwards as the Company anticipates that it may not receive future benefit for all of these carryforwards.

At March 31, 2003, cumulative undistributed earnings of non-United States subsidiaries included in consolidated retained earnings amounted to \$56,184. These earnings are indefinitely reinvested in non-United States operations. Accordingly, no provision has been made for taxes related to such earnings, nor is it practicable to determine the amount of this liability.

8. Benefit Plans

The Company has non-contributory pension plans covering certain manufacturing and plant administrative personnel as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. Benefits are determined based on the employee's years of service and compensation. The Company's plans are funded in conformity with the funding requirements of applicable government regulations. All pension plans covering United States operations have been closed to entrance by new participants. Plan assets are invested principally in diversified mutual funds, equity securities, and government and corporate obligations as directed by the Plan's trustee.

In addition to providing pension benefits to certain employees, the Company sponsors an unfunded postretirement medical benefit plan for a group of employees comprised substantially of the same employees who receive pension benefits. Benefits under this plan include retiree life insurance, retiree medical insurance including prescription drug coverage, and Medicare supplement coverage. This plan has certain retiree contributions such as deductibles. Covered employees are generally eligible for these benefits when they have reached 55 years of age and 10 years of service.

The Company also maintains a defined contribution plan for eligible employees. The Company provides a match on a specified portion of an employee's contribution as approved by the Board of Directors. The defined contribution plan assets are held in trust and invested as directed by the plan participants. As of March 31, 2003, the plan owned 1.6 million shares of the Company's common stock with a fair value of \$41,653. The aggregate fair value of plan assets was \$157,069 as of March 31, 2003. The Company paid no dividends to the plan for the year ended March 31, 2003. The Company's contributions to defined contribution plans were \$4,174, \$3,942, and \$3,798, for the years ended March 31, 2003, 2002, and 2001, respectively.

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The following table sets forth the funded status and amounts recognized in the accompanying consolidated balance sheets for the Company's defined benefit plans:

	Pension Benefits		Other Postretirement Benefits	
	March 31,		March 31,	
	2003	2002	2003	2002
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 41,368	\$ 39,598	\$ 63,671	\$ 58,768
Service cost	848	798	623	526
Interest cost	2,957	2,895	4,595	4,238
Actuarial loss	3,977	727	9,154	4,138
Benefits paid	(2,789)	(2,650)	(4,278)	(3,999)
Settlements	(1,450)	—	—	—
Impact of foreign currency exchange rate changes	658	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Benefit obligation at end of year	\$ 45,569	\$ 41,368	\$ 73,765	\$ 63,671
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$ 35,069	\$ 37,501	\$ —	\$ —
Actual return (loss) on plan assets	(2,974)	216	—	—
Employer contribution	7,000	—	4,278	3,999
Benefits paid	(2,893)	(2,648)	(4,278)	(3,999)
Settlement	(1,962)	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fair value of plan assets at end of year	\$ 34,240	\$ 35,069	\$ —	\$ —
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Funded status of the plan	\$ (11,329)	\$ (6,299)	\$ (73,765)	\$ (63,671)
Unamortized transition amount	(730)	(844)	—	—
Unamortized prior service cost	1,873	2,160	—	(162)
Unamortized loss	12,924	3,776	20,696	12,580
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net prepaid (accrued) benefit cost	\$ 2,736	\$ (1,207)	\$ (53,069)	\$ (51,253)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Net periodic cost of the Company's defined benefit plans includes the following components:

	Pension Benefits			Other Postretirement Benefits		
	2003	2002	2001	2003	2002	2001
Service cost	\$ 848	\$ 798	\$ 883	\$ 623	\$ 526	\$ 452
Interest cost	2,957	2,895	2,722	4,595	4,238	3,876
Expected return on plan assets	(2,652)	(2,884)	(3,571)	—	—	—
Effect of settlement	1,047	—	(152)	—	—	—
Net amortization and deferral	203	285	(1,132)	876	520	504
Net periodic cost (benefit)	\$ 2,403	\$ 1,094	\$(1,250)	\$ 6,094	\$ 5,284	\$ 4,832

The assumptions used in the measurement of actuarial present value of the projected benefit obligations for the Company's pension plans are shown in the following table:

	2003	2002	2001
Actuarial assumptions:			
Discount rate	6.5%	7.5%	7.5%
Expected long-term return on plan assets	8.0%	8.0%	8.0%

Unrecognized gains and losses and the initial net pension asset are amortized over a fifteen-year period. The projected benefit obligation applicable to pension plans with accumulated benefit obligations in excess of plan assets was \$45,224 and \$38,609 at March 31, 2003 and 2002, respectively. The accumulated benefit obligations related to these plans was \$44,258 and \$37,730 while the fair value of the related plan assets were \$33,641 and \$31,317 at March 31, 2003 and 2002, respectively.

The Company recorded intangible assets in recognition of unrecognized prior service cost of \$1,873 and \$2,113, and recorded additional minimum pension liabilities of \$13,249 and \$3,760 in connection with the pension plan obligations on the accompanying consolidated balance sheets as of March 31, 2003 and 2002, respectively. Accumulated other comprehensive income, as reported in the Consolidated Statement of Shareholder's Equity, included a loss of \$7,281 (\$4,095 net of tax), and a loss of \$1,038 (\$609 net of tax) as of March 31, 2003 and 2002, respectively. There was no effect of pension obligations recorded as other comprehensive income during the fiscal year ended March 31, 2001. The Company has recorded prepaid pension costs related to pension plans that have plan assets in excess of benefit obligations of \$253 and \$1,564 as of fiscal years ended March 31, 2003 and 2002, respectively.

The Company has made actuarial assumptions regarding healthcare costs in computing its postretirement benefit obligations. The assumed rates of increase generally decline ratably over a five-year period from the assumed current year healthcare cost trend rate to the assumed long-term healthcare cost trend rate noted below. The Company experienced an actuarial loss of \$9,154 during fiscal 2003 due to a larger than expected increase in per capita prescription drug costs and a decrease in the assumed discount rate. Actuarial gains and losses are amortized over the average expected working lifetime

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of plan participants of approximately 12 years. The liability for other post retirement benefit obligations, less current portions of \$4,689 and \$4,000 as of March 31, 2003 and 2002, respectively, were included in other long-term liabilities on the accompanying consolidated balance sheets.

The assumptions used in the measurement of the actuarial present value of the projected benefit obligations for the Company's postretirement medical benefit plans are shown in the following table:

	2003	2002	2001
Actuarial assumptions:			
Discount rate	6.5%	7.5%	7.5%
Healthcare cost trend rate—medical	12.0%	9.0%	9.0%
Healthcare cost trend rate—prescription drug	15.0%	13.0%	12.0%
Long-term healthcare cost trend rate	5.0%	5.0%	5.0%

A one percent annual change in the assumed healthcare cost trend rate (including medical, prescription drug and long-term rates) would have the following effect:

	One-Percentage Point	
	Increase	Decrease
	(in thousands)	
Effect on total service and interest cost components	\$ 738	\$ (607)
Effect on post-retirement benefit obligation	\$ 7,967	\$ (6,713)

9. Non-recurring Transactions

Fiscal 2001 Charge

The Company concluded its review of manufacturing, service, and support functions during the fourth quarter of fiscal 2001. Those efforts were used to identify opportunities for efficiency and productivity improvements beyond those initiated during the fourth quarter of fiscal 2000. As a result of this review and the related plan to initiate improvements in those and other functions, a charge of \$41,476 (\$28,204 net of tax, or \$0.41 per diluted share) was recorded. This charge primarily related to plans for manufacturing consolidations, upgrading of the Company's service, sales, and distribution organizations, and associated workforce reductions. The implementation of these actions began in the fourth quarter of fiscal 2001 and resulted in a reduction of approximately 335 employees in the manufacturing and support functions by the end of the fourth quarter of fiscal 2002. Of the \$41,476 charge, \$21,510 was charged to cost of products sold and \$19,966 was charged to selling, general, and administrative expenses in the consolidated statement of income.

The charge to cost of revenues included \$10,923 for inventory write-downs and asset disposals relating to the restructuring of the Company's production, distribution, service, and sales activ - -

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ities. The charge to cost of products sold also included \$10,587 for the consolidation of manufacturing operations. The Company's production operations in Medina, Ohio were consolidated into the Company's Montgomery, Alabama facility in August 2001. The Company's two St. Louis, Missouri manufacturing facilities were consolidated into one facility in March 2002. The consolidation costs primarily included severance and property abandonment costs.

The charge to selling, general, and administrative expenses included \$10,163 to write-off goodwill related to purchased product lines that the Company discontinued. The remaining \$9,803 was composed of severance and asset write-offs related to portions of the sales, service, and distribution organizations.

Reductions to the restructuring reserves during fiscal 2003 related to employee severance payments of \$1,460. The Company paid \$555 in settlement of pension liabilities for terminated employees. The restructuring reserves were reduced by approximately \$1,058 during fiscal 2003 as the Company received favorable rulings regarding certain salary continuation and severance benefits under a collective bargaining agreement. These adjustments were recorded as reductions of costs of revenues on the accompanying consolidated statements of income for fiscal 2003. Restructuring reserves of \$1,150 and \$4,223 remained as of March 31, 2003 and 2002, respectively, and related primarily to severance obligations. These remaining severance payments at March 31, 2003, which relate to 7 former employees, will continue until December 2004.

Fiscal 2000 Charge

The Company performed a review of certain manufacturing and support functions during the fourth quarter of fiscal 2000. The review of manufacturing operations included an outside consultant's study and evaluation of manufacturing practices at several manufacturing plants. As a result of the review and study performed and the related plan to initiate improvements in these and other functions, a charge of \$39,722 (\$24,628 net of tax, or \$0.36 per diluted share) was recorded in the fourth quarter of fiscal 2000. The Company has completed all aspects of the operational changes related to the fiscal 2000 charge.

Reductions to the restructuring reserves during fiscal 2003 related primarily to employee severance and lease payments of \$392. Restructuring reserves of \$22 and \$414 remained as of March 31, 2003 and 2002, respectively.

10. Commitments and Contingencies

There are various pending lawsuits and claims arising out of the conduct of STERIS's business. In the opinion of management, the ultimate outcome of these lawsuits and claims will not have a material adverse effect on STERIS's consolidated financial position or results of operations. See Item 3. STERIS presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

As of March 31, 2003 and 2002, the Company was contingently liable in the amount of \$53,773 and \$37,790, respectively, under standby letters of credit and guarantees. Approximately \$8,403 and \$11,330, respectively, of the totals at March 31, 2003 and 2002 relate to letters of credit required as security

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under the Company's self-insured risk retention policies. The remaining balance in each year relates to performance bonds on long-term contracts.

11. Business Segment Information

The Company operates in a single business segment. The following is information about the Company's operations by geographic area:

Years Ended March 31,	2003	2002	2001
Net revenues			
United States	\$ 786,239	\$ 733,560	\$ 675,347
Non-United States	185,848	133,137	124,740
Total net revenues	\$ 972,087	\$ 866,697	\$ 800,087
Long-lived assets			
United States	\$ 316,492	\$ 310,778	\$ 295,245
Non-United States	31,652	23,328	21,612
Total long-lived assets	\$ 348,144	\$ 334,106	\$ 316,857

Long-lived assets are those assets that are identified with the operations in each geographic area including property, plant, and equipment and other assets. Revenues are based on the location of these operations and their customers. During the year ended March 31, 2003, revenues from a single customer did not aggregate to five percent or more of total net revenues. Revenues by principal market are as follows:

Years Ended March 31,	2003	2002	2001
Healthcare	\$ 660,923	\$ 607,638	\$ 566,567
Scientific and Industrial	311,164	259,059	233,520
Total net revenues	\$ 972,087	\$ 866,697	\$ 800,087

12. Common Shares

Basic earnings per share is based on weighted average Common Shares outstanding. Diluted earnings per share is based on the weighted average Common Shares outstanding plus the dilutive effect of common stock options calculated using the treasury stock method. The following is a summary of

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Common Shares and Common Share equivalents outstanding used in the calculations of earnings per share:

Years Ended March 31,	2003	2002	2001
		(in thousands)	
Weighted average Common Shares outstanding—basic	69,434	69,163	67,946
Dilutive effect of common stock options	1,436	1,444	1,035
	<u>70,870</u>	<u>70,607</u>	<u>68,981</u>

Options to purchase the following number of shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price for the common shares during the period:

Years Ended March 31,	2003	2002	2001
Number of common stock options	613,000	1,087,545	1,618,657
Weighted average exercise price	\$ 30.61	\$ 27.28	\$ 25.15

The Company has granted nonqualified stock options to certain employees to purchase the Company's Common Shares at the market price on the date of grant. Stock options granted become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and expire approximately 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. The Company accounts for stock based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148, and accordingly recognizes no compensation expense when the exercise price equals the market price of the stock on the date of grant.

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The following is a summary of option share information:

	Shares	Weighted Average Price	Fair Value
March 31, 2000	6,614,348	\$ 13.25	
Granted	1,476,200	9.27	\$ 4.34
Exercised	(1,223,487)	4.21	
Canceled	(664,398)	18.06	
March 31, 2001	6,202,663	13.58	
Granted	1,340,640	14.61	6.46
Exercised	(785,745)	8.21	
Canceled	(528,161)	16.52	
March 31, 2002	6,229,397	14.22	
Granted	1,248,194	19.75	8.76
Exercised	(1,169,655)	9.40	
Canceled	(248,678)	20.51	
March 31, 2003	6,059,258	16.03	

Shares available for future grants were 5,844,739 at March 31, 2003. At March 31, 2003, the range and weighted average per share exercise prices of options outstanding and exercisable, and the weighted average remaining contract life, were as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Option Shares	Weighted Average Exercise Price	Weighted Average Contract Life (Years)	Option Shares	Weighted Average Exercise Price
\$5.34—\$9.00	961,761	\$8.75	3.4	446,404	\$8.46
\$9.01—\$13.45	2,288,068	12.21	4.0	1,414,867	11.99
\$13.46—\$18.25	357,500	15.52	3.5	235,125	14.72
\$18.26—\$30.66	2,451,929	22.52	2.8	1,292,121	25.05
	<u>6,059,258</u>	16.03	3.4	<u>3,388,517</u>	16.69

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At March 31, 2002, options with an average exercise price of \$15.22 were exercisable on 3,631,335 shares; at March 31, 2001, options with a weighted average exercise price of \$14.08 were exercisable on 3,564,734 shares.

Had the compensation cost for the stock options granted in fiscal 2003, 2002, and 2001 been determined based on the value at the grant date consistent with the fair value method, the Company's net income and earnings per share would have been reduced as indicated below:

Years Ended March 31,	2003	2002	2001
	(in thousands, except per share data)		
Net income (loss):			
As reported	\$ 79,436	\$ 46,202	\$ 1,317
Add: Expense included in reported results	—	—	—
Deduct: Fair value	5,388	4,978	6,072
Pro forma	\$ 74,048	\$ 41,224	\$(4,755)
Earnings (loss) per share:			
Basic:			
As reported	\$ 1.14	\$ 0.67	\$ 0.02
Pro forma	\$ 1.06	\$ 0.60	\$ (0.07)
Diluted:			
As reported	\$ 1.12	\$ 0.65	\$ 0.02
Pro forma	\$ 1.04	\$ 0.58	\$ (0.07)

Fair value was estimated at the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions for the years ended March 31, 2003, 2002, and 2001: risk-free interest rate of 3.75% to 6.1%; dividend yield of 0%; expected volatility of 45%; and an expected option life of 5 years.

Under a Shareholder Rights Agreement, one Common Share Purchase Right ("Right") is attached to each outstanding Common Share. Each Right is exercisable only if a person or group acquires 15% or more of the outstanding Common Shares. If the Rights become exercisable, each Right will entitle the holder (other than the acquiring person or group) to acquire one Common Share for an exercise price of \$.50 per share. The Rights will expire on November 7, 2006, unless redeemed earlier at one half cent per Right.

13. Treasury Shares

On January 30, 1997, the Company announced that its Board of Directors had authorized the periodic repurchase of up to 6.0 million STERIS Common Shares (adjusted for a 2-for-1 stock split on Au - -

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gust 24, 1998). As of March 31, 2002, the Company had purchased and subsequently reissued 3.7 million STERIS Common Shares. At March 31, 2003, 0.03 million Common Shares were held in treasury.

On June 27, 2002, the Company purchased 0.9 million Common Shares at an average purchase price of \$17.86 per Common Share.

On July 24, 2002 the Company announced that its Board of Directors had authorized the purchase of up to 3.0 million STERIS Common Shares. The shares may be used for the Company's employee benefit plans or for general corporate purposes. This share repurchase authorization replaced the existing authorization from which 1.4 million remained available.

On July 25, 2002, the Company's unsecured \$325,000 Facility was amended to allow for the repurchase of Common Shares for an amount up to \$125,000 from June 27, 2002 to October 25, 2002. The amendment also modified the definition of "consolidated net worth" for the purposes of certain covenant calculations to exclude any reductions to shareholders' equity resulting from the repurchase of Common Shares during this time period.

14. Business Combinations

During the third quarter of fiscal 2002, the Company completed the acquisition, for cash, of American Table Manufacturing, Inc., a surgical table manufacturer. The acquisition was accounted for as a purchase transaction and resulted in goodwill that, in accordance with the requirements of SFAS 142, will not be amortized. The acquisition did not have a material effect on the operations of the Company.

15. Financial and Other Guarantees

The Company generally offers a limited one-year warranty on its products that covers parts and labor necessary to ensure proper product operation. The specific terms and conditions of those warranties vary depending on the product sold and the country where the Company does business. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Amounts due to customers for the Company's future performance under these warranties are recorded as a current liability on the accompanying balance sheets. Factors that affect the Company's warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. As noted below, accrued warranty increased in fiscal 2003 based on the Company's shift in product mix toward capital equipment.

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

Changes in the Company's warranty liability during the periods presented are as follows:

Years Ended March 31,	2003	2002	2001
Balance, beginning of period	\$ 3,256	\$ 3,168	\$ 4,460
Warranties issued during the period	8,590	6,686	6,211
Settlements made during the period	(6,985)	(6,598)	(7,503)
Balance, end of period	<u>\$ 4,861</u>	<u>\$ 3,256</u>	<u>\$ 3,168</u>

The Company also issues product maintenance contracts to its customers that are accounted for in accordance with the requirements of FASB Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts." Such contracts range in terms from 1 to 5 years and require the Company to maintain and repair the Company's product over the maintenance contract term. Amounts due from customers under these contracts are initially recorded as a liability for deferred service contract revenue on the accompanying consolidated balance sheets. The liability recorded for deferred service revenue was \$11,149 and \$9,771 as of March 31, 2003 and 2002, respectively. Such deferred revenue is then amortized on a straight-line basis over the contract term and recognized as service revenue on the accompanying consolidated statements of income. The activity related to the liability for deferred service revenue has been excluded from the table presented above.

16. Subsequent Events

Effective April, 1, 2003, the Company began operating in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. The Company's new Healthcare segment will encompass surgical support and sterile processing products, including related consumable products and services. It will also include our skincare business, now known as Applied Infection Control. The former Scientific and Industrial group has been split into Life Sciences and STERIS Isomedix Services. The new Life Sciences segment includes pharmaceutical production and research products, including associated services and the Defense and Industrial business (the Company's Strategic Technology Enterprises subsidiary). The new STERIS Isomedix Services segment is the Company's industrial contract sterilization business.

STERIS management realigned the Company into three operating segments to focus resources on specific missions and customer groups to achieve the Company's long term strategic initiatives and capture targeted growth opportunities.

On April 8, 2003, the Company acquired Hamo Holding AG headquartered in Pieterlen, Switzerland. The purchase price of \$49.1 million, including debt assumed, is subject to final settlement of certain adjustments to working capital. Hamo is a leading provider of washing/decontamination systems used in healthcare, pharmaceutical, and research industries with annual revenues of approximately \$43.0 million. The acquisition provides an established distribution channel to expand the marketing of the Company's sterilization and washing/decontamination products in Europe and Asia, and adds manufacturing capacity in Switzerland.

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

Effective April 8, 2003, the Company amended its existing Credit Agreement that provided funds for the acquisition of Hamo Holding AG. The amendment also revised terms and conditions in the agreement which relieves restrictions on foreign investment.

As of June 20, 2003, the Company purchased 0.6 million of its Common Shares during the first quarter of fiscal 2004 at an average price of \$22.08 per Common Share leaving 2.4 million Common Shares remain authorized for purchase.

17. Quarterly Data (Unaudited)

Quarters Ended	March 31	December 31	September 30	June 30
Fiscal 2003				
Net revenues				
Product	\$197,463	\$ 173,245	\$ 161,556	\$154,760
Service	76,229	71,067	71,176	66,591
Total net revenues	273,692	244,312	232,732	221,351
Cost of revenues				
Product	111,307	97,101	93,890	90,666
Service	45,717	43,268	42,447	38,870
Total cost of revenues	157,024	140,369	136,337	129,536
Gross profit	116,668	103,943	96,395	91,815
Percentage of revenues	43%	43%	41%	41%
Net income	\$ 26,709	\$ 21,480	\$ 18,411	\$ 12,836
Net income per share — basic	\$ 0.38	\$ 0.31	\$ 0.27	\$ 0.18
Net income per share — diluted	\$ 0.38	\$ 0.30	\$ 0.26	\$ 0.18
Fiscal 2002				
Net revenues				
Product	\$175,156	\$ 153,974	\$ 144,437	\$135,843
Service	69,437	64,663	61,956	61,231
Total net revenues	244,593	218,637	206,393	197,074
Cost of revenues				
Product	101,309	91,642	85,764	80,061
Service	42,815	38,150	35,955	35,800
Total cost of revenues	144,124	129,792	121,719	115,861
Gross profit	100,469	88,845	84,674	81,213
Percentage of revenues	41%	41%	41%	41%
Net income	\$ 18,597	\$ 14,003	\$ 9,219	\$ 4,383
Net income per share — basic (1)	\$ 0.27	\$ 0.20	\$ 0.13	\$ 0.06
Net income per share — diluted	\$ 0.26	\$ 0.20	\$ 0.13	\$ 0.06

(1) Per share amounts for the quarters and the full year have been computed separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the average shares outstanding during each period due to the effect of potentially dilutive securities only in the periods in which such effect would be dilutive and the effect of the Company purchasing shares of its outstanding common stock.

STERIS CORPORATION AND SUBSIDIARIES
FINANCIAL STATEMENT SCHEDULE
(dollars in thousands)
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
Description	Balance at Beginning of Period	Additions		Deductions (1)	Balance at End of Period
		Charges to Costs and Expenses	Charges to Other Accounts		
Year ended March 31, 2003					
Deducted from asset accounts:					
Allowance for trade accounts receivable (2)	\$ 8,031	\$ 3,478	\$ —	\$ 2,872	\$8,637
Year ended March 31, 2002					
Deducted from asset accounts:					
Allowance for trade accounts receivable (2)	\$ 9,006	\$ 1,030	\$ —	\$ 2,005	\$8,031
Year ended March 31, 2001					
Deducted from asset accounts:					
Allowance for trade accounts receivable (2)	\$ 11,121	\$ 395	\$ —	\$ 2,510	\$9,006

- (1) Uncollectible accounts written off, net of recoveries.
(2) Net allowance for doubtful accounts and allowance for sales and returns.

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

None.

Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company incorporates herein by reference the information appearing under the captions "Board of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 23, 2003.

Executive officers of the Company serve for a term of one year from the date of election to the next organizational meeting of the Board of Directors and until their respective successors are elected and qualified, except in the case of death, resignation, or removal. Information concerning executive officers of the Company is contained in Part I of this report under the caption "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION

The Company incorporates herein by reference the information appearing under the caption "Compensation of Executive Officers" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 23, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Company incorporates herein by reference the information appearing under the caption "Ownership of Voting Securities" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 23, 2003.

In the table shown below is information concerning all equity compensation plans and individual compensation arrangements in effect as of the end of Company's fiscal year ended March 31, 2003:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	5,604,258	\$ 15.87	5,844,739(1)
Equity compensation plans not approved by security holders	455,000(2)	\$ 17.97	0
Total	6,059,258	\$ 16.03	5,844,739

(1) Options for approximately 1.1 million of these Common Shares were issued to key employees on April 23, 2003, leaving approximately 4.7 million Common Shares available for future grants.

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- (2) Represents options granted to key employees as inducements for them to enter into the employ of the Company or a subsidiary. Although not issued pursuant to a plan approved by security holders, these options are, in general, subject to the terms of the STERIS Corporation 1994 Equity Compensation Plan (which was approved by security holders) to the same extent as if they had been issued pursuant to that plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company incorporates herein by reference the information appearing under the caption "Compensation of Executive Officers" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 23, 2003.

ITEM 14. CONTROLS AND PROCEDURES

As of March 31, 2003, a review was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that review, the Company's management, including the CEO and the CFO, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2003.

Subsequent to the Company's review, there were no significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

(a) (1) The following consolidated financial statements of STERIS Corporation and subsidiaries are included in Item 8:

Consolidated Balance Sheets — March 31, 2003 and 2002.

Consolidated Statements of Income — Years ended March 31, 2003, 2002, and 2001.

Consolidated Statements of Cash Flows — Years ended March 31, 2003, 2002, and 2001.

Consolidated Statements of Shareholders' Equity — Years ended March 31, 2003, 2002, and 2001.

Notes to Consolidated Financial Statements.

(a) (2) The following consolidated financial statement schedule of STERIS Corporation and subsidiaries is included in Item 8:

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) (3) Exhibits

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, and incorporated herein by reference).
3.2	1992 Amended Regulations of STERIS Corporation.
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, and incorporated herein by reference).
4.2	Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.2 to the Registration Statement on Form 8-A filed April 16, 1999, and incorporated herein by reference).
4.3	Amendment No. 1, dated June 7, 2002, to Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.1 to the Registration Statement on Form 8-A/A filed June 10, 2002, and incorporated herein by reference).
10.1	Amended Non-Qualified Stock Option Plan (filed as Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 filed April 23, 1992, and incorporated herein by reference).*
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 99 to the Registration Statement on Form S-8 filed April 21, 1995, and incorporated herein by reference).*

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Exhibit Number	Exhibit Description
10.3	STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan (filed as Exhibit 10.3 to Form 10-K filed for the fiscal year ended March 31, 2002, and incorporated herein by reference).*
10.4	Amsco International, Inc. Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement of Amsco International, Inc. on Form S-8, Registration No. 33-79566, filed on June 2, 1994).*
10.5	STERIS Corporation 1997 Stock Option Plan.*
10.6	STERIS Corporation 1998 Long-Term Incentive Stock Plan (filed as Exhibit 10.8 to Form 10-K for the fiscal year ended March 31, 1999, and incorporated herein by reference).*
10.7	STERIS Corporation 2002 Stock Option Plan.*
10.8	STERIS Corporation Management Incentive Compensation Plan.*
10.9	Senior Executive Management Incentive Compensation Plan (filed as Exhibit 10.11 to Form 10-K for the fiscal year ended March 31, 1999, and incorporated herein by reference).*
10.10	Change of Control Agreement between STERIS Corporation and Mr. Vinney (filed as Exhibit 10.18 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).*
10.11	Form of Change of Control Agreement between STERIS Corporation and the executive officers of STERIS Corporation other than Mr. Vinney (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1999, and incorporated herein by reference).*
10.12	Employment Agreement between STERIS Corporation and Mr. Vinney (filed as Exhibit 10.21 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).*
10.13	Credit Agreement, dated March 28, 2002, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent (filed as Exhibit 10.12 to Form 10-K filed for the fiscal year ended March 31, 2002, and incorporated herein by reference).
10.14	Amendment No. 1 to Credit Agreement, dated July 25, 2002, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent (filed as Exhibit 10.1 to Form 10-Q filed for the second quarter ended June 30, 2002, and incorporated herein by reference).
10.15	Amendment No. 2 to Credit Agreement, dated April 2, 2003, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent.
21.1	Subsidiaries of STERIS Corporation.
23.1	Consent of Independent Auditors.
24.1	Power of Attorney.
99.1	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* A management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

STERIS or its subsidiaries are parties to several indentures relating to long-term debt instruments, which, individually or in the aggregate, do not exceed 10% of the total assets of STERIS and its subsidiaries on a consolidated basis. STERIS will furnish a copy of any such indenture to the Securities and Exchange Commission upon request.

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(b) Reports on Form 8-K

On February 12, 2003, STERIS filed a Current Report of Form 8-K stating that the Chief Executive Officer and the Chief Financial Officer each provided a certification in connection with the filing of the Form 10-Q for the quarter ended December 31, 2002, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(c) Exhibits

The response to this portion of Item 15 is included under (a) (3) of this Item 15.

(d) Financial Statement Schedules

Not applicable.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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, on the date indicated.

STERIS CORPORATION
(Registrant)

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and
Chief Financial Officer
June 20, 2003

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

LES C. VINNEY, President and Chief Executive Officer, and Director; LAURIE BRLAS, Senior Vice President and Chief Financial Officer; JERRY E. ROBERTSON, Chairman of the Board of Directors; STEPHEN R. HARDIS, Director; RAYMOND A. LANCASTER, Director; KEVIN M. MCMULLEN, Director; J.B. RICHEY, Director; JOHN P. WAREHAM, Director, and LOYAL W. WILSON, Director.

STERIS CORPORATION
(Registrant)

/s/ MARK D. MCGINLEY

Mark D. McGinley
Attorney-in-Fact
June 20, 2003

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Les C. Vinney, President and Chief Executive Officer of STERIS Corporation ("registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 20, 2003

/s/ LES C. VINNEY

Les C. Vinney
President and
Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Laurie Brlas, Senior Vice President and Chief Financial Officer of STERIS Corporation (“registrant”), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the “Evaluation Date”); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and
6. The registrant’s other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 20, 2003

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and
Chief Financial Officer

STERIS CORPORATION
AMENDED AND RESTATED REGULATIONS

As adopted by the shareholders on
April 26, 1988 and amended by the shareholders
effective July 12, 1988 and June 8, 1992

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 in the place described in the Articles of Incorporation as the place where the principal office of the corporation is or is to be located, or at such other place either within or without the State of Ohio 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, at ten o'clock a.m., or at such other time 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, on the second Tuesday of the fourth month following the end of each fiscal year of the corporation or on such other day of the fourth month following the end of each fiscal year of the corporation 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 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 by personal delivery or by mail 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; if mailed, the notice shall be addressed to the shareholders at their respective addresses as they appear on the records of the corporation. 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 him 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 or by proxy shall constitute a quorum for the meeting, except that no action required by law, the Articles, 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 to which the meeting is adjourned 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. Persons entitled to vote shares or to act with respect to shares may vote or act in person or by proxy. The person appointed as proxy need not be a shareholder. Unless the writing appointing 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.

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.

ARTICLE II **BOARD OF DIRECTORS**

Section 1. Number; Classification; Term of Office. Commencing with the election of directors at the annual meeting of shareholders in 1992 and at all times thereafter, the Board of Directors shall be divided into two classes. The respective terms of the two classes of directors shall be staggered so that at any time the term of one class will expire at the next annual meeting of shareholders thereafter occurring and the term of the second class will expire at the second annual meeting of shareholders thereafter occurring. At each annual meeting of shareholders of the corporation, the successors to the directors of the class whose term will expire in that year shall be elected to hold office for a term expiring at the annual meeting of shareholders occurring

in the second year after the date of their election. In each instance, directors shall hold office until their successors are chosen and qualified.

At the 1992 annual meeting of shareholders, the size of the Board of Directors shall be fixed at seven members, divided into one class of three directors and a second class of four directors. At the 1992 annual meeting of shareholders three directors shall be elected to the class whose term will expire at the annual meeting of shareholders in 1993, and four directors shall be elected to the class whose term will expire at the annual meeting of shareholders in 1994. The Board of Directors or the shareholders may from time to time thereafter change the size of the Board of Directors to a total number of no fewer than six directors and no more than nine directors. The shareholders may change the number 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 number of directors by a vote of two-thirds of the directors then in office. If the Board of Directors or the shareholders change the number of directors, the two classes of the Board of Directors shall be divided into as equal a number of directors as possible, with the Board of Directors or the shareholders, as the case may be, fixing or determining the adjustment to be made in each class. No reduction in the 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 number of directors and the number of directors of any class 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 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 he 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 he has been found to be of unsound mind or if he is adjudicated a bankrupt; (b) if within sixty days from the date of his election he does not qualify by accepting in writing his election to such office or by acting at a meeting of directors.

All the directors, or all of the directors of a particular class 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 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 (including "telephone" meetings) of the Board of Directors may be held at any time within or without the State of Ohio (or through use of telephone or other 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. Written notice of the time and place of each special meeting shall be given to each director either by personal delivery or by mail, telegram, or cablegram 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 (and participation in a meeting employing telephone or other 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 him 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, except that 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 time and place to which the meeting is adjourned 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.

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, not less than three, 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.

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 telephone meetings, and for its own method of procedure, and may act at a meeting, including a telephone meeting, 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 his successor is elected or until his 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. He 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. He 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. He 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 his 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 his duties as a director, including his duties as a member of any committee of the directors upon which he may serve, in good faith, in a manner he 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 his 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 his 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 he reasonably believes to be in or not opposed to the best interests of the Company, 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 director or officer of the corporation shall be liable in damages for any action he 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 his act nor 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 he 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 him in connection with the action, suit, or proceeding unless it is proved by clear and convincing evidence in a court of competent jurisdiction that his 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, he had reasonable cause to believe his 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 he 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 him 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 his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregards for the best interests of the corporation, except that the corporation shall indemnify him 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, he 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 he agrees both (a) to repay the amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his 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 him and incurred by him in any capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him 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 or 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 he 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, 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 his 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
CERTIFICATES FOR 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 him 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.

Section 2. Transfer of Shares. Shares of the corporation shall be transferable upon the books of the corporation by the holders thereof, in person, or by a duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares of the same class or series, with duly executed assignment and power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures to such assignment and power of transfer as the corporation or its agents may reasonably require.

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 his 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.

Section 4. Transfer Agent and Registrar. The Board of Directors may appoint, or revoke the appointment of, transfer agents and registrars and may require all certificates for shares to bear the signatures of the transfer agents and registrars, or any of them.

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.

**STERIS CORPORATION
1997 STOCK OPTION PLAN**

(as amended through January 5, 2000)

1. *Purpose.* The purpose of this Plan is to provide to key Employees and to Directors a proprietary interest in the Company and to thereby stimulate their interest in the development and financial success of the Company. To achieve these purposes, the Company may grant Options to selected Employees and Directors, all in accordance with the terms and conditions hereinafter set forth. Capitalized terms used in this Plan have the meanings ascribed to them in Section 22, the last section hereof.

2. *Administration.*

2.1 *Administrator.* The Plan shall be administered by the Committee, which shall consist of three or more Directors appointed from time to time by the Board of Directors. Unless the Board of Directors determines otherwise, the Committee shall be comprised solely of individuals who are "outside directors" within the meaning of Section 162(m) of the Code and are "non-employee" directors within the meaning of SEC Rule 16b-3. The Board of Directors may, in its discretion, delegate to a committee or subcommittee of the Board of Directors that does not meet the requirements set forth in the immediately preceding sentence any or all of the authority and responsibility of the Committee with respect to awards of Options to Participants who are not Section 16 Persons or "covered employees" for purposes of Section 162(m) of the Code at the time any such delegated authority or responsibility is exercised. Such other committee or subcommittee may consist of three or more directors who may, but need not, be officers or employees of the Company or of any of its Subsidiaries. To the extent that the Board of Directors has delegated to such other committee or subcommittee the authority and responsibility of the Committee, all references to the Committee in the Plan shall be to such other committee or subcommittee.

2.2 *Administrative Powers.* The Committee shall have authority, subject to the terms of the Plan, (a) to determine the Employees and Directors who are eligible to receive Options under the Plan and the type, size, and terms of Options to be granted to any Participant, the time or times at which Options shall be exercisable or at which restrictions, conditions, and contingencies shall lapse, and the terms and provisions of the instruments by which Options shall be evidenced, (b) to establish any other restrictions, conditions, and contingencies on Options in addition to those prescribed by the Plan, (c) to interpret the Plan, and (d) to make all determinations necessary for the administration of the Plan. The construction and interpretation by the Committee of any provision of the Plan or any Option delivered pursuant to the Plan and any determination by the Committee pursuant to any provision of the Plan or any Option Instrument shall be final and conclusive. No member or alternate member of the Committee shall be liable for any such action or determination made in good faith. The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee and the Committee may delegate to one or more employees, agents, or officers of the Company, or to one or more third party consultants, accountants, lawyers, or other advisors, such ministerial duties related to the operation of the Plan as it may deem appropriate.

3. *Eligibility.* Options may be granted to any Employee or Director selected by the Committee in its sole discretion.

4. *Common Shares Subject to the Plan.*

4.1 *Maximum Number in the Aggregate.* Subject to Section 4.3, the total number of Common Shares as to which Options may be granted under the Plan as of the date on which the Plan is approved by the shareholders of the Company shall be equal to one percent (1%) of the total number of Common Shares outstanding as of June 13, 1997 (the "Record Date"). Thereafter, on each January 1 occurring during the term of the Plan through and including (but not after) January 1, 2001, the number of Common Shares remaining available as to which Options may be granted under the Plan shall be increased by an additional one percent (1%) of the total number of Common Shares outstanding as of the Record Date (with the effect that the maximum number of Common Shares authorized under the Plan will not exceed five percent (5%) of the total number of Common Shares outstanding as of the Record Date), provided, however, that the maximum number of Common Shares remaining available for grants as of any January 1, taking into account the additional one percent (1%) added as of that January 1, shall not exceed three percent (3%) of the total number of Common Shares outstanding as of the Record Date. Common Shares issued and

distributed to Employees in connection with Options granted under the Plan may be authorized and unissued Common Shares, treasury Common Shares, or Common Shares acquired on the open market specifically for distribution under the Plan, as the Board of Directors may from time to time determine. Notwithstanding any other provision of the Plan, but subject to adjustment under Section 10, the maximum number of Common Shares that may be issued under the Plan pursuant to Incentive Stock Options shall be 500,000 Common Shares.

4.2 *Maximum Number—Per Participant.* Subject to adjustment under Section 10, the maximum number of Options that may be granted to any particular Participant in any calendar year during any part of which the Plan is in effect shall be 500,000 Common Shares.

4.3 *Charging of Shares.* Common Shares subject to Options that are forfeited, terminated, or canceled without having been exercised will again be available for grant under the Plan, without reducing the number of Common Shares available in any calendar year for grant of Options.

5. *Options.*

5.1 *Types of Options.* Options granted may be Incentive Stock Options or Nonqualified Options, as the Committee may determine at the time of grant. The Option Instrument pursuant to which any Incentive Stock Option is granted shall specify that the Option granted thereby shall be treated as an Incentive Stock Option. The Option Instrument pursuant to which any Nonqualified Option is granted shall specify that the Option granted thereby shall not be treated as an Incentive Stock Option.

5.2 *Date of Grant of Options.* The day on which the Committee authorizes the grant of an Incentive Stock Option shall be the date on which that Option is granted. The day on which the Committee authorizes the grant of a Nonqualified Option shall be considered the date on which that Option is granted, unless the Committee specifies a later date.

5.3 *Exercise Price.* The Exercise Price under any Option shall be not less than the Fair Market Value of the Common Shares subject to the Option on the date the Option is granted.

5.4 *Option Expiration Date.* The Option Expiration Date under any Incentive Stock Option shall not be later than ten years from the date on which the Option is granted. The Option Expiration Date under any Nonqualified Option shall not be later than ten years and one month from the date on which the Option is granted.

6. *Exercise of Options.*

6.1 *Service Requirement.* Except as otherwise provided in Section 7, an Option may be exercised only while the Participant to whom the Option was granted is in the employ of the Company or of a Subsidiary (or, in the case of a Participant who is a nonemployee Director of the Company, while the Participant remains a Director).

6.2 *Vesting Schedule.* Subject to the service requirement set forth in Section 6.1, and unless otherwise specified by the Committee in the relevant Option Instrument, each Option shall first become exercisable to the extent of:

- (a) from and after the first anniversary date of the Option Instrument, 25% of the Common Shares subject to the Option;
- (b) from and after the second anniversary date of the Option Instrument, an additional 25% of the Common Shares subject to the Option;
- (c) from and after the third anniversary date of the Option Instrument, an additional 25% of the Common Shares subject to the Option; and
- (d) from and after the fourth anniversary date of the Option Instrument, the remaining 25% of the Common Shares subject to the Option.

If, by reason of the application of Section 7, an Option may be exercised at a time when a Participant is no longer in the service of the Company, and, on the Service Termination Date, the Participant held any Options that were not then otherwise fully exercisable, each such Option shall be exercisable as of the Service Termination Date (i) to the extent that it was exercisable pursuant to the foregoing schedule plus (ii) to the extent of an additional percentage determined by multiplying 25% by a fraction

the numerator of which is the number of days between the Service Termination Date and the immediately preceding anniversary date of the Participant's Option Instrument (or, if no anniversary date has occurred, the numerator will be the number of days between the Service Termination Date and the date of the grant of the Option) and the denominator of which is 365. Once any portion of an Option becomes exercisable, that portion shall remain exercisable until expiration or termination of the Option. A Participant to whom an Option is granted may exercise the Option from time to time, in whole or in part, up to the total number of Common Shares with respect to which the Option is then exercisable, except that no fraction of a Common Share may be purchased upon the exercise of any Option.

6.3 Procedure for Exercise. A Participant electing to exercise an Option shall deliver to the Company (a) the Exercise Price payable in accordance with Section 6.4 and (b) written notice of the election that states the number of whole Common Shares with respect to which the Participant is exercising the Option.

6.4 Payment For Common Shares. Upon exercise of an Option by a Participant, the Exercise Price shall be payable by the Participant in cash or in such other form of consideration as the Committee determines may be accepted, including, without limitation, (a) by delivery by the Participant (with the written notice of election to exercise) of irrevocable instructions to a broker registered under the 1934 Act to promptly deliver to the Company the amount of sale or loan proceeds to pay the Exercise Price, (b) in Common Shares (including through an attestation procedure) or other property surrendered to the Company, (c) by the surrender of all or part of the Option being exercised, or (d) by a combination of the foregoing methods, as and to the extent permitted by the Committee. Property for purposes of this section shall include an obligation of the Company unless prohibited by applicable law. Common Shares surrendered in connection with the exercise of an Option shall be valued at their Fair Market Value on the date of exercise. Any other property so surrendered shall be valued at its fair market value on any reasonable basis established or approved by the Committee. Any Common Shares surrendered to the Company in connection with the exercise of an Option (including by attestation) will again be available for grant under the Plan, without reducing the number of Common Shares otherwise available in any calendar year for grant of Options.

7. Termination of Service. After a Participant's Service Termination Date, the rules set forth in this Section 7 shall apply. All factual determinations with respect to the termination of a Participant's employment or service as a Director, as the case may be, that may be relevant under this Section 7 shall be made by the Committee in its sole discretion.

7.1 Termination Other Than Upon Death or Disability or for Cause. Upon any termination of a Participant's service for any reason other than the Participant's disability or death or the Participant's termination for Cause, unless otherwise provided in the relevant Option Instrument, the Participant shall have the right, during the period ending three months after the Service Termination Date, but not later than the Option Expiration Date, to exercise any Options that were outstanding on the Service Termination Date, if and to the same extent as those Options were exercisable by the Participant on the Service Termination Date.

7.2 Termination Due To Disability. Upon any termination of a Participant's service due to disability, unless otherwise provided in the relevant Option Instrument, the Participant, or the Participant's Representative, shall have the right to exercise, from time to time during the period ending one year after the Service Termination Date, but not later than the Option Expiration Date, any Options that were outstanding on the Service Termination Date, if and to the same extent those Options were exercisable by the Participant on the Service Termination Date.

7.3 Death of a Participant. Upon the death of a Participant while in the service of the Company or any Subsidiary as an Employee or in the service of the Company as a Director or within any of the periods referred to in either of Sections 7.1 or 7.2 during which any particular Option remains potentially exercisable, unless otherwise provided in the relevant Option Instrument (in which the Committee may specify a different period of extension of the Option Expiration Date in the event of the death of the Participant), (a) if the Option Expiration Date of any Nonqualified Option that had not expired before the Participant's death would otherwise expire before the first anniversary of the Participant's death, that Option Expiration Date shall automatically be extended to the first anniversary of the Participant's death and (b) unless otherwise provided in the relevant Option Instrument, all Options held by the Participant at the date of the Participant's death shall become immediately exercisable in full and the Participant's Representative shall have the right to exercise any such Options from time to time during the period ending one year after the date of the Participant's death, but not later than the Option Expiration Date.

7.4 Termination for Cause. Upon any termination of a Participant's service with the Company or a Subsidiary for Cause, all of the Participant's rights with respect to unexercised Options shall expire immediately before the Service Termination Date.

8. *Acceleration Upon Change of Control.* Unless otherwise specified in the relevant Option Instrument, upon the occurrence of a Change of Control of the Company, each Option theretofore granted to any Participant that then remains outstanding shall become immediately exercisable in full.

9. *Transferability.* Unless otherwise determined by the Committee, no Option may be transferred other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order (as defined in Section 414(p)(1)(B) of the Code) that satisfies the requirements of Section 414(p)(1)(A) of the Code. During a Participant's lifetime, only the Participant (or in the case of incapacity of a Participant, the Participant's attorney in fact or legal guardian) may exercise any Option.

10. *Adjustment Upon Changes in Common Shares.* In the event of any stock dividend, stock split, or share combination of the Common Shares or any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation, or dissolution involving the Company or any spin-off or other distribution to shareholders of the Company (other than normal cash dividends), (a) the Committee shall make appropriate adjustments to the maximum number of Common Shares that may be issued under the Plan pursuant to Section 4.1 and (b) the Committee shall adjust the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding Option to the extent necessary and in such manner that the benefits of Participants under all then outstanding Options shall be maintained substantially as before the occurrence of such event. Any adjustment so made by the Committee shall be conclusive and binding for all purposes of the Plan as of such date as the Committee may determine.

11. *Purchase For Investment.* Each person acquiring Common Shares pursuant to an Option may be required by the Company to furnish a representation that he or she is acquiring the Common Shares so acquired as an investment and not with a view to distribution thereof if the Company, in its sole discretion, determines that such representation is required to insure that a resale or other disposition of the Common Shares would not involve a violation of the Securities Act of 1933, as amended, or of applicable blue sky laws. Any investment representation so furnished shall no longer be applicable at any time such representation is no longer necessary for such purposes.

12. *Withholding of Taxes.* The Company will withhold from any payments of cash made pursuant to the Plan such amount as is necessary to satisfy all applicable federal, state, and local withholding tax obligations. The Committee may, in its discretion and subject to such rules as the Committee may adopt from time to time, permit or require an Participant to satisfy, in whole or in part, any withholding tax obligation that may arise in connection with the grant of an Option, the lapse of any restrictions with respect to an Option, the acquisition of Common Shares pursuant to any Option, or the disposition of any Common Shares received pursuant to any Option by such means as the Committee may determine including, without limitation, by having the Company hold back some portion of the Common Shares that would otherwise be delivered pursuant to the Award or by delivering to the Company an amount equal to the withholding tax obligation arising with respect to such grant, lapse, acquisition, or disposition in (a) cash, (b) Common Shares, or (c) such combination of cash and Common Shares as the Committee may determine. The Fair Market Value of the Common Shares to be so held back by the Company or delivered by the Participant shall be determined as of the date on which the obligation to withhold first arose. The Company shall apply the provisions of this Section 12 only to meet required tax withholding (based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to the supplemental income recognized by an employee) and shall not withhold (or repurchase) Common Shares in excess of the minimum number required for tax withholding.

13. *Options in Substitution for Options Granted by Other Companies.* Options, whether Incentive Stock Options or Nonqualified Options, may be granted under the Plan in substitution for options held by employees of a company who become Employees of the Company or a Subsidiary as a result of the merger or consolidation of the employer company with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of the assets of the employer company, or the acquisition by the Company or a Subsidiary of stock of the employer company as a result of which it becomes a Subsidiary. The terms, provisions, and benefits of the substitute Options so granted may vary from the terms, provisions, and benefits set forth in or authorized by the Plan to such extent as the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the terms, provisions, and benefits of the options in substitution for which they are granted.

14. *Legal Requirements.* No Options shall be granted and the Company shall have no obligation to make any payment under the Plan, whether in Common Shares, cash, or any combination thereof, except in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.

15. *Effective Date and Termination of the Plan.* The Plan shall become effective and shall be deemed to have been adopted on the date on which it is approved by the shareholders of the Company and shall remain in effect thereafter through April 23, 2007, unless earlier terminated by the Board of Directors of the Company. In no event shall an Incentive Stock Option be granted under the Plan more than ten years from the date the Plan is adopted by the Board of Directors, or the date the Plan is approved by the shareholders of the Company, whichever is earlier. No termination of the Plan shall adversely affect the rights of any Participant with respect to any Option granted before the effective date of the termination.

16. *Amendments.* Subject to any applicable shareholder approval requirements of applicable law or the rules of the registered national securities association through whose inter-dealer quotation system the Common Shares are quoted, the Board of Directors, or a duly authorized committee thereof, may alter or amend the Plan from time to time prior to its termination in any manner the Board of Directors, or such duly authorized committee, may deem to be in the best interests of the Company and its shareholders, except that, without shareholder approval, no amendment shall increase the aggregate number of shares that may be issued under Incentive Stock Options under the Plan. The Committee shall have the authority to amend the terms and conditions applicable to outstanding Options (a) in any case where expressly permitted by the terms of the Plan or of the relevant Option Instrument or (b) in any other case with the consent of the Participant to whom the Option was granted. Except as expressly provided in the Plan or in the Option Instrument evidencing the Option, the Committee may not, without the consent of the holder of an Option granted under the Plan, amend the terms and conditions applicable to that Option in a manner adverse to the interests of the Participant.

17. *Plan Noncontractual.* Nothing herein contained shall be construed as a commitment to or agreement with any person employed by the Company or a Subsidiary or serving as a Director of the Company to continue such person's employment or service as a Director with the Company or the Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Company or any Subsidiary to continue the employment, other service, or the annual rate of compensation of any such person for any period. All Employees shall remain subject to discharge and all Directors shall remain subject to removal to the same extent as if the Plan had never been put into effect.

18. *Claims of Other Persons.* The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable right against the Company or any Subsidiary, their officers, employees, agents, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

19. *Absence of Liability.* No member of the Board of Directors of the Company or a Subsidiary, of the Committee, of any other committee of the Board of Directors, or any officer or Employee of the Company or a Subsidiary shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, or, except in circumstances involving his or her bad faith or willful misconduct, for anything done or omitted to be done by himself or herself.

20. *Severability.* The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

21. *Governing Law.* The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

22. *Definitions.*

22.1 *1934 Act.* The term "1934 Act" means the Securities Exchange Act of 1934, as amended.

22.2 *Board of Directors.* The term "Board of Directors" means the Board of Directors of the Company.

22.3 *Cause.* The Company shall be deemed to have "Cause" for the termination of an Employee's employment if the Employee has committed any act or series of acts determined by the Committee (in a determination made either before or after the Service Termination Date) to warrant discharge from employment, including, without limitation, any act of theft or dishonesty in connection with the Employee's employment with the Company, any unauthorized disclosure of confidential information belonging to the Company, or other similar action.

22.4 *Change of Control.* A "Change of Control" shall be deemed to have occurred if at any time or from time to time after the date of adoption of the Plan:

(a) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as adopted under the 1934 Act, disclosing the acquisition of 25% or more of the voting stock of the Company in a transaction or series of transactions by any person (as the term "person" is used in Section 13(d) and Section 14(d)(2) of the 1934 Act),

(b) during any period of 730 consecutive days or less, individuals who at the beginning of such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election of each new Director of the Company was approved or recommended by the vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period,

(c) the Company merges with or into or consolidates with another corporation following approval of the shareholders of the Company of such merger or consolidation and, after giving effect to such merger or consolidation, less than fifty percent (50%) of the then outstanding voting securities of the surviving or resulting corporation represent or were issued in exchange for voting securities of the Company outstanding immediately prior to such merger or consolidation,

(d) there is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company following approval of the shareholders of the Company of such transaction or series of transactions, or

(e) the shareholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company.

22.5 *Code.* The term "Code" means the Internal Revenue Code of 1986, as amended.

22.6 *Committee.* The term "Committee" means the Compensation Committee of the Board of Directors or such other committee or subcommittee designated by the Board of Directors to administer the Plan.

22.7 *Common Shares.* The term "Common Shares" means common shares of the Company without par value.

22.8 *Company.* The term "Company" means STERIS Corporation and its successors, including the surviving or resulting corporation of any merger of STERIS Corporation with or into, or any consolidation of STERIS Corporation with, any other corporation or corporations.

22.9 *Director.* The term "Director" means any member of the Board of Directors.

22.10 *Disability.* A Participant shall be deemed to have suffered a "Disability" if and only if (a) the Participant has established to the satisfaction of the Committee that the Participant is unable to perform the Participant's normal duties and responsibilities with the Company by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, all within the meaning of Section 22(e)(3) of the Code and (b) the Participant has satisfied any other requirement that may be imposed by the Committee.

22.11 *Employee.* The term "Employee" means any individual employed by the Company or by any Subsidiary.

22.12 *Exercise Price.* The term "Exercise Price" with respect to an Option means the price specified in the Option at which the Common Shares subject to the Option may be purchased by the holder of the Option.

22.13 *Fair Market Value.* Except as otherwise determined by the Committee, the term "Fair Market Value" with respect to Common Shares means the closing sales price of the Common Shares as reported on the national securities exchange on which the Common Shares are traded, or, if applicable, as reported on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market, on the date for which the determination of fair market value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares. If the Common Shares are not or cease to be traded on a national securities exchange or on the NASDAQ National Market, the "Fair Market Value" of Common Shares shall be determined in the manner prescribed by the Committee.

22.14 *Incentive Stock Option.* The term “Incentive Stock Option” means an Option intended by the Committee to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

22.15 *Nonqualified Option.* The term “Nonqualified Option” means an Option intended by the Committee not to qualify as an “incentive stock option” under Section 422 of the Code.

22.16 *Option.* The term “Option” means an award entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time.

22.17 *Option Expiration Date.* The term “Option Expiration Date” with respect to any Option means the date selected by the Committee after which the Option may not be exercised, except as provided in Section 7.3 in the case of the death of the Participant to whom the option was granted.

22.18 *Option Instrument.* The term “Option Instrument” means a written instrument evidencing an Option in such form and with such provisions as the Committee may prescribe. Each Option Instrument shall provide that acceptance of the Option Instrument by an Employee constitutes agreement to the terms of the Option evidenced thereby.

22.19 *Participant.* The term “Participant” means any Director or Employee selected by the Committee to receive one or more Options under the Plan.

22.20 *Participant’s Representative.* The term “Participant’s Representative” means, (a) in the case of a deceased Participant, the Participant’s executor or administrator or the person or persons to whom the Participant’s rights under any award are transferred by will or the laws of descent and distribution and (b) in the case of a disabled or incapacitated Participant, the Participant’s attorney in fact or legal guardian.

22.21 *Plan.* The term “Plan” means this STERIS Corporation 1997 Stock Option Plan as from time to time hereafter amended in accordance with Section 16 hereof.

22.22 *SEC Rule 16b-3.* The term “SEC Rule 16b-3” means Rule 16b-3 or any successor provision under the 1934 Act.

22.23 *Section 16 Person.* The term “Section 16 Person” means a person subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.

22.24 *Service Termination Date.* The term “Service Termination Date” with respect to an Employee means the first date on which the Employee is no longer employed by the Company or any Subsidiary and with respect to a Director means the first date on which the Director ceases to be a Director of the Company.

22.25 *Subsidiary.* The term “Subsidiary” means any corporation, partnership, joint venture, or other business entity in which the Company owns, directly or indirectly, 50 percent (50%) or more of the total combined voting power of all classes of stock (in the case of a corporation) or other ownership interests (in the case of any entity other than a corporation).

STERIS CORPORATION

2002 STOCK OPTION PLAN

1. *Purpose.* The STERIS Corporation 2002 Stock Option Plan is intended to promote the interests of STERIS Corporation and its shareholders by enabling the Company and its Subsidiaries to attract and retain key Employees and by stimulating the interest of key Employees in the development and financial success of the Company. To achieve these purposes, the Company may grant Incentive Stock Options and Nonqualified Stock Options to key Employees selected by the Compensation Committee, all in accordance with the terms and conditions set forth in the Plan. Capitalized terms used in the Plan have the meanings ascribed to them in Section 21, the last section hereof.

2. *Shares Subject to the Plan.* The number of Common Shares that may be issued pursuant to the Plan shall be subject to the overall aggregate limit set forth in Section 2.1 and the specific further limits set forth in Section 2.2, in each case subject to adjustment under Section 9. Common Shares issued pursuant to the Plan may be authorized and unissued Common Shares, treasury Common Shares, or Common Shares acquired on the open market specifically for distribution under the Plan, as the Board of Directors may from time to time determine. If any Option for any reason expires or is terminated, in whole or in part, without the receipt by an Employee of Common Shares the Common Shares subject to that part of the Option that has so expired or terminated shall again be available for the future grant of Options under the Plan.

2.1 *Overall Aggregate Limit.* The aggregate number of Common Shares that may be issued pursuant to Options granted under the Plan shall be 4,000,000 Common Shares.

2.2 *Specific Further Limits.* In addition to the overall aggregate limit set forth in Section 2.1, the following specific limits shall apply to Options granted pursuant to the Plan:

(a) *Incentive Stock Option Limit.* The maximum number of Common Shares that may be issued under the Plan pursuant to Incentive Stock Options shall be 4,000,000 Common Shares.

(b) *Per Employee Limit.* The maximum number of Common Shares that may be subject to Options granted under the Plan to any Employee during any calendar year shall be 500,000 Common Shares.

3. *Eligibility.* Options may be granted to officers and to other key Employees selected by the Committee in its sole discretion. The granting of any Option to an Employee shall not entitle that Employee to, nor disqualify that Employee from, participation in any other grant of an Option.

4. *Administration.* The Plan shall be administered by the Committee. No Option may be granted under the Plan to any member or alternate member of the Committee. The Committee shall have authority, subject to the terms of the Plan, (a) to determine the Employees who are eligible to participate in the Plan, the type, size, and terms of Options to be granted to any Employee, the time or times at which Options shall be exercisable or at which any restrictions, conditions, and contingencies that the Committee may impose in connection with the grant of any Option shall lapse, and the terms and provisions of the instruments by which Options shall be evidenced, (b) to interpret the Plan, and (c) to make all determinations necessary for the administration of the Plan. The construction and interpretation by the Committee of any provision of the Plan or any Option Agreement delivered pursuant to the Plan and any determination by the Committee pursuant to any provision of the Plan or any Option Agreement shall be final and conclusive. No member or alternate member of the Committee shall be liable for any such action or determination made in good faith. The Committee may act only by a majority of its

members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more members of the Committee or any officer of the Company to execute and deliver documents on behalf of the Committee and the Committee may delegate to one or more employees, agents, or officers of the Company, or to one or more third party consultants, accountants, lawyers, or other advisors, such ministerial duties related to the operation of the Plan as it may deem appropriate.

5. *Stock Options.*

5.1 *Type and Date of Grant of Options.*

(a) The Option Agreement pursuant to which any Incentive Stock Option is granted shall specify that the Option granted thereby shall be treated as an Incentive Stock Option. The Option Agreement pursuant to which any Nonqualified Option is granted shall specify that the Option granted thereby shall not be treated as an Incentive Stock Option.

(b) The day on which the Committee authorizes the grant of an Incentive Stock Option shall be the date on which that Option is granted. No Incentive Stock Option may be granted on any date after the tenth anniversary of the date of adoption of the Plan.

(c) The day on which the Committee authorizes the grant of a Nonqualified Option shall be considered the date on which that Option is granted, unless the Committee specifies a later date.

5.2 *Exercise Price.* The Exercise Price under any Option shall be not less than the Fair Market Value of the Common Shares subject to the Option on the date the Option is granted.

5.3 *Option Expiration Date.* The Option Expiration Date under any Incentive Stock Option shall not be later than ten years from the date on which the Option is granted. The Option Expiration Date under any Nonqualified Option shall not be later than ten years and one month from the date on which the Option is granted.

5.4 *Vesting Schedule.* Unless otherwise provided in the relevant Option Agreement, each Option shall first become exercisable to the extent of:

- (a) from and after the first anniversary of the date of grant, 25% of the Common Shares subject to the Option;
- (b) from and after the second anniversary of the date of grant, an additional 25% of the Common Shares subject to the Option;
- (c) from and after the third anniversary of the date of grant, an additional 25% of the Common Shares subject to the Option; and
- (d) from and after the fourth anniversary of the date of grant, the remaining 25% of the Common Shares subject to the Option.

Unless otherwise provided in the relevant Option Agreement, if, by reason of the application of Section 6, an Option may be exercised at a time when an Employee is no longer in the service of the Company, and, on the Employment Termination Date, the Employee held any Options that were not then otherwise fully exercisable, each such Option shall be exercisable as of the Employment Termination Date (i) to the extent that it was exercisable pursuant to the foregoing schedule plus (ii) to the extent of an additional

percentage determined by multiplying 25% by a fraction the numerator of which is the number of days between the Employment Termination Date and the immediately preceding anniversary of the date of grant (or, if the Employment Termination Date comes before the first anniversary of the date of grant, the numerator will be the number of days between the Employment Termination Date and the date of grant) and the denominator of which is 365.

5.5 *Exercise of Options.*

(a) Except as otherwise provided in Section 6, an Option may be exercised only while the Employee to whom the Option was granted is in the employ of the Company or of a Subsidiary. Once any portion of an Option becomes exercisable, whether by lapse of time or upon satisfaction of any other restriction, condition, or contingency that may have been established by the Committee and contained in the Option Agreement, that portion shall remain exercisable until expiration or termination of the Option. An Employee to whom an Option is granted may exercise the Option from time to time, in whole or in part, up to the total number of Common Shares with respect to which the Option is then exercisable, except that no fraction of a Common Share may be purchased upon the exercise of any Option.

(b) An Employee electing to exercise an Option shall deliver to the Company (i) the Exercise Price payable in accordance with Section 5.6 and (ii) written notice of the election that states the number of whole Common Shares with respect to which the Employee is exercising the Option.

5.6 *Payment For Common Shares.* Upon exercise of an Option by an Employee, the Exercise Price shall be payable by the Employee in cash or in such other form of consideration as the Committee determines may be accepted, including, without limitation, securities or other property, or any combination of cash, securities, or other property, or by delivery by the Employee (with the written notice of election to exercise) of irrevocable instructions to a broker registered under the 1934 Act to promptly deliver to the Company the amount of sale or loan proceeds to pay the Exercise Price. The Committee, in its sole discretion, may grant to an Employee the right to transfer Common Shares acquired upon the exercise of a part of an Option in payment of the Exercise Price payable upon immediate exercise of a further part of the Option.

6. *Termination of Employment.* After an Employee's Employment Termination Date, the rules set forth in this Section 6 shall apply. All factual determinations with respect to the termination of an Employee's employment that may be relevant under this Section 6 shall be made by the Committee in its sole discretion.

6.1 *Termination Other Than Upon Qualifying Retirement, Death or Disability or for Cause.* Upon any termination of an Employee's employment for any reason other than the Employee's Qualifying Retirement, disability, or death or the Employee's termination for Cause, unless otherwise provided in the relevant Option Agreement, the Employee shall have the right during the period ending three months after the Employment Termination Date, but not later than the Option Expiration Date, to exercise any Options that were outstanding on the Employment Termination Date, if and to the same extent as those Options were exercisable by the Employee on the Employment Termination Date.

6.2 *Qualifying Retirement.* Unless otherwise provided in the Option Agreement itself, the rules set forth in this Section 6.2 shall apply to Options granted pursuant to any particular Option Agreement if an Employee retires from the employ of the Company (I) with the consent of or under guidelines approved by the Committee, (II) before the Option Expiration Date, (III) after having attained age 55, and (IV) after having served in the employ of the Company for at least five consecutive years, as defined below (a retirement in such circumstances being a "Qualifying Retirement").

(a) After a Qualifying Retirement and so long as the Employee remains in "Good Standing," as defined below:

(i) Options granted under the Option Agreement, to the extent not already vested at the date of retirement, will continue to vest as though the Employee remained in the employ of the Company through the fifth anniversary of the date of retirement; and

(ii) the Employee will be entitled to exercise vested Options granted under the Option Agreement from time to time on any date during the period (the "Extended Exercise Period") that begins on the date of retirement and ends on the first to occur of (x) the Option Expiration Date, and (y) the fifth anniversary of the date of retirement.

(b) If, at any time during the Extended Exercise Period, the Employee fails to remain in Good Standing, any Options granted under the Option Agreement that are then outstanding and held by the Employee shall be forfeited and of no force or effect. For these purposes, in order for the Employee to remain in Good Standing during the Extended Exercise Period, the Employee must not violate the terms of any policy or agreement that the Employee acknowledges or executes in connection with the Option Agreement and must refrain from acting in a manner detrimental to the interests of the Company.

(c) If the Employee dies during the Extended Exercise Period and while in Good Standing, the Options granted under the Option Agreement will thereafter be exercisable to the same extent and at the same times (for so long and only so long after the Employee's death) as if the Employee had continued in the employ of the Company through the date of the Employee's death.

(d) Unless otherwise determined by the Committee, the Employee will be deemed to have "served in the employ of the Company for at least five consecutive years" only if the Employee was in the active, full-time employ of the Company and/or one or more Subsidiaries throughout the five year period ending on the Employment Termination Date.

6.3 Termination Due To Disability. Upon any termination of an Employee's employment due to disability, unless otherwise provided in the relevant Option Agreement, the Employee, or the Employee's Representative, shall have the right:

(a) to exercise, from time to time during the period ending one year after the Employment Termination Date, but not later than the Option Expiration Date, any Nonqualified Options that were outstanding on the Employment Termination Date, if and to the same extent those Options were exercisable by the Employee on the Employment Termination Date, and

(b) to exercise, from time to time during the period ending one year after the Employment Termination Date, but not later than the Option Expiration Date, any Incentive Stock Options that were outstanding on the Employment Termination Date, if and to the same extent as those Options were exercisable by the Employee on the Employment Termination Date (even though exercise of the Incentive Stock Option more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code).

6.4 Death of an Employee. Upon the death of an Employee while employed by the Company or any Subsidiary or within any of the periods referred to in any of Sections 6.1, 6.2, or 6.3 during which any particular Option remains potentially exercisable:

(a) Unless otherwise provided in the relevant Option Agreement (in which the Committee may specify a different period of extension of the Option Expiration Date in the event of the death of the Employee), if the Option Expiration Date of any Nonqualified Option that had not expired before the Employee's death would otherwise expire before the first anniversary of the Employee's death, that Option Expiration Date shall automatically be extended to the first anniversary of the Employee's death, and

(b) Unless otherwise provided in the relevant Option Agreement, any Options that are outstanding on the date of the Employee's death shall become immediately exercisable in full and the Employee's Representative shall have the right to exercise any or all of those Options in accordance with Section 5.5, from time to time during the period ending on the first anniversary of the Employee's death.

6.5 *Termination for Cause.* Upon any termination of an Employee's employment for Cause, all of the Employee's rights with respect to unexercised Options shall expire immediately before the Employment Termination Date.

7. *Acceleration Upon Change of Control.* Unless otherwise specified in the relevant Option Agreement, upon the occurrence of a Change of Control of the Company, each Option theretofore granted to any Employee that then remains outstanding shall become immediately exercisable in full.

8. *Assignability.* Except as may be otherwise provided by the Committee and reflected in the Option Agreement, no Option may be transferred other than by will or by the laws of descent and distribution. During an Employee's lifetime, only the Employee (or in the case of incapacity of an Employee, the Employee's attorney-in-fact or legal guardian) may exercise any Option requiring or permitting exercise.

9. *Adjustment Upon Changes in Common Shares.* In the event of any stock dividend, stock split, or share combination of the Common Shares or any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation, or dissolution involving the Company or any spin-off or other distribution to shareholders of the Company (other than normal cash dividends), (a) the Committee shall make appropriate adjustments to the overall aggregate limit set forth in Section 2.1 and to the specific further limits set forth in Section 2.2 and (b) the Committee shall adjust the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding Option to the extent necessary and in such manner that the benefits of Employees under all then outstanding Options shall be maintained substantially as before the occurrence of such event. Any adjustment so made by the Committee shall be conclusive and binding for all purposes of the Plan as of such date as the Committee may determine.

10. *Purchase For Investment.* Each person acquiring Common Shares pursuant to any Option may be required by the Company to furnish a representation that he or she is acquiring the Common Shares so acquired as an investment and not with a view to distribution thereof if the Company, in its sole discretion, determines that such representation is required to insure that a resale or other disposition of the Common Shares would not involve a violation of the Securities Act of 1933, as amended, or of applicable blue sky laws. Any investment representation so furnished shall no longer be applicable at any time such representation is no longer necessary for such purposes.

11. *Withholding of Taxes.* The Committee may, in its sole discretion and subject to such rules as the Committee may adopt from time to time, permit or require an Employee to satisfy, in whole or in part, any withholding tax obligation that may arise in connection with the grant of an Option, the lapse of any restrictions with respect to an Option, the acquisition of Common Shares pursuant to any Option, or the

disposition of any Common Shares received pursuant to any Option by such means as the Committee may determine including, without limitation, by having the Company hold back some portion of the Common Shares that would otherwise be delivered pursuant to the Option or by delivering to the Company an amount equal to the withholding tax obligation arising with respect to such grant, lapse, acquisition, or disposition in (a) cash, (b) Common Shares, or (c) such combination of cash and Common Shares as the Committee may determine. The Fair Market Value of the Common Shares to be so held back by the Company or delivered by the Employee shall be determined as of the date on which the obligation to withhold first arose. The Company shall apply the provisions of this Section 11 only to meet required tax withholding (based on the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to the supplemental income recognized by an employee) and shall not withhold (or repurchase) Common Shares in excess of the minimum number required for tax withholding.

12. *Options in Substitution for Options Granted by Other Companies.* Options, whether Incentive Stock Options or Nonqualified Options, may be granted under the Plan in substitution for options held by employees of a company who become Employees of the Company or a Subsidiary as a result of the merger or consolidation of the employer company with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of the assets of the employer company, or the acquisition by the Company or a Subsidiary of stock of the employer company as a result of which it becomes a Subsidiary. The terms, provisions, and benefits of the substitute Options so granted may vary from the terms, provisions, and benefits set forth in or authorized by the Plan to such extent as the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the terms, provisions, and benefits of the options in substitution for which they are granted.

13. *Legal Requirements.* No Options shall be granted and the Company shall have no obligation to make any payment under the Plan except in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.

14. *Duration and Termination of the Plan.* The Plan shall become effective and shall be deemed to have been adopted on the date on which it is approved by the shareholders of the Company and shall remain in effect thereafter until terminated by action of the Board of Directors. No termination of the Plan shall adversely affect the rights of any Employee with respect to any Option granted before the effective date of the termination.

15. *Amendments.* The Board of Directors, or a duly authorized committee thereof, may alter or amend the Plan from time to time prior to its termination in any manner the Board of Directors, or such duly authorized committee, may deem to be in the best interests of the Company and its shareholders, except that no amendment may be made without shareholder approval if the effect of that amendment would: (a) increase the overall aggregate limit set forth in Section 2.1 or any of the specific further limits set forth in Section 2.2, in each case as adjusted by Section 9; (b) expand the classes of persons to whom Options may be granted under the Plan beyond those specified in Section 3; (c) change the provisions of Section 5.2 with respect to the Exercise Price of Options; (d) change the provisions of Section 5.3 with respect to the Option Expiration Date of any Option; or (e) eliminate the requirement for shareholder approval of any amendment that would do any of the things enumerated in (a) through (e) of this sentence. The Committee shall have the authority to amend the terms and conditions applicable to outstanding Options (a) in any case where expressly permitted by the terms of the Plan or of the relevant Option Agreement or (b) in any other case with the consent of the Employee to whom the Option was granted, except that no amendment of an Option may reduce the exercise price of such Option. Except as expressly provided in the Plan or in the Option Agreement evidencing the Option, the Committee may not, without the consent of the holder of an Option granted under the Plan, amend the terms and conditions applicable to that Option in a manner adverse to the interests of the Employee.

16. *Plan Noncontractual.* Nothing herein contained shall be construed as a commitment to or agreement with any person employed by the Company or a Subsidiary to continue such person's employment with the Company or the Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Company or any Subsidiary to continue the employment or the annual rate of compensation of any such person for any period. All Employees shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

17. *Claims of Other Persons.* The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable right against the Company or any Subsidiary, their officers, employees, agents, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

18. *Absence of Liability.* No member of the Board of Directors of the Company or a Subsidiary, of the Committee, of any other committee of the Board of Directors, or any officer or Employee of the Company or a Subsidiary shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, or, except in circumstances involving his or her bad faith or willful misconduct, for anything done or omitted to be done by himself or herself.

19. *Severability.* The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

20. *Governing Law.* The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

21. *Definitions.*

21.1 *1934 Act.* The term "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

21.2 *Cause.* The Company shall be deemed to have "Cause" for the termination of an Employee's employment if the Employee has committed any act or series of acts determined by the Committee (in a determination made either before or after the Employment Termination Date) to warrant discharge from employment, including, without limitation, any act of theft or dishonesty in connection with the Employee's employment with the Company, any unauthorized disclosure of confidential information belonging to the Company, or other similar action.

21.3 *Change of Control.* A "Change of Control" shall be deemed to have occurred if at any time or from time to time after the date of adoption of the Plan:

(a) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as adopted under the 1934 Act, disclosing the acquisition of 25% or more of the voting stock of the Company in a transaction or series of transactions by any person (as the term "person" is used in Section 13(d) and Section 14(d)(2) of the 1934 Act),

(b) during any period of 730 consecutive days or less, individuals who at the beginning of such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof unless the election of each new director of the Company was approved or recommended by the vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of that period,

(c) the Company merges with or into or consolidates with another corporation following approval of the shareholders of the Company of such merger or consolidation and, after giving effect to such merger or consolidation, less than 50% of the then outstanding voting securities of the surviving or resulting corporation represent or were issued in exchange for voting securities of the Company outstanding immediately prior to such merger or consolidation,

(d) there is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company following approval of the shareholders of the Company of such transaction or series of transactions, or

(e) the shareholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company.

21.4 *Code.* The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

21.5 *Committee.* The term "Committee" shall mean a committee appointed by the Board of Directors of the Company to administer the Plan. The Committee shall be composed of not less than two directors of the Company. The Board of Directors may also appoint one or more directors as alternate members of the Committee. No officer or Employee of the Company or of any Subsidiary shall be a member or alternate member of the Committee. The Committee shall at all times be comprised solely of "outside directors" within the meaning of Code Section 162(m) and in such a manner as to satisfy the "non-employee" director standard contained in Rule 16b-3.

21.6 *Common Shares.* The term "Common Shares" shall mean common shares of the Company without par value.

21.7 *Company.* The term "Company" shall mean STERIS Corporation and its successors, including the surviving or resulting corporation of any merger of STERIS Corporation with or into, or any consolidation of STERIS Corporation with, any other corporation or corporations.

21.8 *Disability.* An Employee shall be deemed to have suffered a "Disability" if and only if (a) the Employee has established to the satisfaction of the Committee that the Employee is unable to perform the Employee's normal duties and responsibilities with the Company by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, all within the meaning of Section 22(e)(3) of the Code, and (b) the Employee has satisfied any other requirement that may be imposed by the Committee.

21.9 *Employee.* The term "Employee" shall mean any individual employed by the Company or by any Subsidiary (including any individual employed by the Company or any Subsidiary who is also a member of the Board of Directors of the Company or of any Subsidiary).

21.10 *Employee's Representative.* The term "Employee's Representative" shall mean, (a) in the case of a deceased Employee, the Employee's executor or administrator or the person or persons to whom the Employee's rights under any Option are transferred by will or the laws of descent and distribution, and (b) in the case of a disabled or incapacitated Employee, the Employee's attorney-in-fact or legal guardian.

21.11 *Employment Termination Date.* The term “Employment Termination Date” with respect to an Employee shall mean the first date on which, as of the end of the day, the Employee is no longer employed by the Company or any Subsidiary.

21.12 *Exercise Price.* The term “Exercise Price” with respect to an Option shall mean the price specified in the Option Agreement at which the Common Shares subject to the Option may be purchased by the holder of the Option.

21.13 *Fair Market Value.* Except as otherwise determined by the Committee, the term “Fair Market Value” with respect to Common Shares shall mean the closing sales price of the Common Shares as reported on the national securities exchange on which the Common Shares are traded, or, if applicable, as reported on the New York Stock Exchange (“NYSE”), on the date for which the determination of fair market value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares. If the Common Shares are not or cease to be traded on a national securities exchange or on the NYSE, the “Fair Market Value” of Common Shares shall be determined in the manner prescribed by the Committee.

21.14 *Incentive Stock Option.* The term “Incentive Stock Option” shall mean an Option intended by the Committee to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

21.15 *Nonqualified Option.* The term “Nonqualified Option” shall mean an Option intended by the Committee not to qualify as an “incentive stock option” under Section 422 of the Code.

21.16 *Option.* The term “Option,” shall mean an Option entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time.

21.17 *Option Agreement.* The term “Option Agreement” shall mean a written instrument evidencing an Option in such form and with such provisions as the Committee may prescribe, including, without limitation, an agreement to be executed by the Employee and the Company, or a letter executed by the Committee or its designee. Each Option Agreement shall provide that acceptance of the Option Agreement by an Employee constitutes agreement to the terms of the Option evidenced thereby.

21.18 *Option Expiration Date.* The term “Option Expiration Date” with respect to any Option shall mean the date selected by the Committee after which, except as provided in Section 6.4 in the case of the death of the Employee to whom the option was granted, the Option may not be exercised.

21.19 *Plan.* The term “Plan” shall mean this STERIS Corporation 2002 Stock Option Plan as from time to time hereafter amended in accordance with Section 15.

21.20 *Rule 16b-3.* The term “Rule 16b-3” shall mean Rule 16b-3 or any successor provision under the 1934 Act.

21.21 *Subsidiary.* The term “Subsidiary” shall mean any corporation, partnership, joint venture, or other business entity in which the Company owns, directly or indirectly, 50 percent or more of the total combined voting power of all classes of stock (in the case of a corporation) or other ownership interests (in the case of any entity other than a corporation).

STERIS CORPORATION
Management Incentive Compensation Plan

1. **Objective.** The objective of the STERIS Management Incentive Compensation Plan (the "Plan") is to encourage greater initiative, resourcefulness, teamwork, efficiency, and achievement of objectives on the part of key employees whose performance and responsibilities directly affect STERIS Corporation (the "Company" or "STERIS") profits.

2. **Eligibility.** Participation in the Plan will be limited to those key employees that are selected for participation on an annual basis and will normally include employees at or above the rank of Manager.

A key employee will be a participant in the Plan for a particular year only if he or she is selected by the Compensation Committee of the Board of Directors or its designee (the "Committee") for participation in that year. Key employees selected for participation each year will be notified of their participation and given the parameters for bonus calculations early in the fiscal year.

A participant will be entitled to receive a bonus earned under the Plan for a particular fiscal year if and only if he or she remains in the employ of the Company through the end of that fiscal year and thereafter through the date on which bonuses are paid for the fiscal year.

3. **Target Bonus.** Each participant will be assigned a percentage target bonus based upon his or her position and level within the Company. The target bonus will range from 10% to 80% of the participant's base salary.

4. **Financial Goals.** Each year the Committee will select a threshold net income target for the Company, the attainment of which will be a prerequisite to the payment of any bonuses under the Plan. In addition, the Committee will select one or more measures of current year financial performance for the Company as a whole, such as revenue growth, earnings before interest and taxes margins, and net income, to be used as goals for determining the payment of bonuses under the Plan. Each year the Committee may also select one or more such goals for any one or more of the Company's operating groups to be used to determine payment of bonuses under the Plan to participants in those groups. The Committee may also determine that a participant's entitlement to a bonus will depend in part on goals for the Company as a whole and in part on goals for one or more operating groups. For each financial goal, the Committee will designate numerical "threshold," "target," and "maximum" levels. The Committee may adjust the threshold net income target and levels of such other goals it may have selected if, during the course of a fiscal year, the Company records a special charge that the Committee determines should be disregarded, either partially or in its entirety, when calculating the amounts of bonuses to be paid under the Plan.

5. **Weighting of Goals.** Each year during which the Committee selects more than one goal to be applicable to any group of participants, the Committee will also specify the weight to be given to each such goal. For example, the Committee might determine to give 75% weight to revenue and 25% weight to EBIT margin.

6. Achievement Percentages. For each goal, a participant will be entitled to a bonus (with respect to that goal) based on performance as follows:

- a. If performance is at the threshold level, the bonus will be at 50% of target.
- b. If performance is at the target level, the bonus will be at 100% of target.
- c. If performance is at or above the maximum level, the bonus will be at 150% of target.

For performance at any level between these set points, the bonus amount will be interpolated. For example, if performance is exactly half way between the target and maximum levels, the bonus will be at 125% of target. If the threshold level is not attained for any goal, no bonus will be earned with respect to that goal.

7. Calculation of Bonuses. No bonuses will be paid for a fiscal year unless the net income of the Company is at least equal to the threshold net income level selected by the Committee for the year. Assuming that criteria is met, a participant's bonus will be determined by multiplying his or her target bonus by the achievement percentages attained during the year, taking into account the weighting of goals as appropriate. The actual bonus earned by any participant during a fiscal year may range from zero (if performance is below threshold on all goals) to 150% of the target bonus (if performance is at or above maximum on all goals).

8. Payment of Earned Bonuses. Unless the Committee determines to pay all or any part of bonuses under the Plan earlier or either of Sections 10 and 11 applies, bonuses earned under the Plan will be paid to participants not later than 90 days after the end of the fiscal year in which they are earned.

9. Midyear Additions and Adjustments. An individual assuming a key position during a fiscal year may, if selected by the Committee, be included in the Plan and be eligible for such pro rata portion of a full year bonus as the Committee may specify when selecting the individual for participation in the Plan. A participant whose position or level within the Company changes during a fiscal year may, if so determined by the Committee, be assigned an increased or decreased target bonus for the year taking into account, on a pro rata basis, the participant's new position and compensation.

10. Effect of Changes in Operations. If, during any fiscal year, the operations of the Company are materially altered, whether by an acquisition of substantial additional assets or one or more lines of business, disposition of substantial existing assets or one or more existing lines of business, merger, consolidation, or similar event, the Committee may, in its sole discretion, adjust the parameters of the Plan for that fiscal year in such a manner as to preserve to the participants the same relative prospects for earning a bonus under the Plan as would have been the case if the material alteration had not occurred. If the Company disposes of an entire operating division or line of business during a fiscal year, the Company shall make to each participant, if any, who ceases to be employed by the Company as a result of that disposition, an "Interim Payment" in the same amount, at the same time, and with the same effect, as if the disposition constituted a Change of Control as defined in Section 11 below.

11. Effect of a Change of Control. Within five days after the occurrence of the first Change of Control (as defined below) to occur in any fiscal year, the Company shall pay to each participant

an interim lump-sum cash payment (the "Interim Payment") with respect to his or her participation in the plan. The amount of the Interim Payment shall be equal to the dollar amount of the participant's target bonus for the entire fiscal year multiplied by a fraction, the numerator of which is the number of months between the beginning of the fiscal year and the end of the month in which the Change of Control occurs and the denominator of which is 12. The making of the Interim Payment will not reduce the obligation of the Company to make a final payment under the terms of the Plan, but the amount of any Interim Payment shall be offset against any later payment due under the Plan for the fiscal year in which the Change of Control occurs. Except as an offset against a final payment as provided in the immediately preceding sentence, the amount of the Interim Payment will not be offset against any amount due to the participant from or on behalf of the Company and a participant will not in any circumstances be required to refund any portion of the Interim Payment to the Company.

For purposes of the Plan, a "Change of Control" shall be deemed to have occurred if at any time or from time to time while this Agreement is in effect:

(a) Any person (other than STERIS, any of its subsidiaries, any employee benefit plan or employee stock ownership plan of STERIS, or any person organized, appointed, or established by STERIS for or pursuant to the terms of any such plan), alone or together with any of its affiliates, becomes the beneficial owner of 15% or more (but less than 50%) of the Common Shares then outstanding;

(b) Any person (other than STERIS, any of its subsidiaries, any employee benefit plan or employee stock ownership plan of STERIS, or any person organized, appointed, or established by STERIS for or pursuant to the terms of any such plan), alone or together with any of its affiliates, becomes the beneficial owner of 50% or more of the Common Shares then outstanding;

(c) Any person commences or publicly announces an intention to commence a tender offer or exchange offer the consummation of which would result in the person becoming the beneficial owner of 15% or more of the Common Shares then outstanding;

(d) At any time during any period of 24 consecutive months, individuals who were directors at the beginning of the 24-month period no longer constitute a majority of the members of the Board of Directors of STERIS, unless the election, or the nomination for election by STERIS's shareholders, of each director who was not a director at the beginning of the period is approved by at least a majority of the directors who (i) are in office at the time of the election or nomination and (ii) were directors at the beginning of the period;

(e) A record date is established for determining shareholders entitled to vote upon (i) a merger or consolidation of STERIS with another corporation in which those persons who are shareholders of STERIS immediately before the merger or consolidation are to receive or retain less than 60% of the stock of the surviving or continuing corporation, (ii) a sale or other disposition of all or substantially all of the assets of STERIS, or (iii) the dissolution of STERIS;

(f) (i) STERIS is merged or consolidated with another corporation and those persons who were shareholders of STERIS immediately before the merger or consolidation receive or retain less than 60% of the stock of the surviving or continuing corporation, (ii) there occurs a

sale or other disposition of all or substantially all of the assets of STERIS, or (iii) STERIS is dissolved; or

(g) Any person who proposes to make a "control share acquisition" of STERIS, within the meaning of Section 1701.01(Z) of the Ohio General Corporation Law, submits or is required to submit an acquiring person statement to STERIS.

Notwithstanding anything herein to the contrary, if an event described in clause (b), clause (d), or clause (f) above occurs, the occurrence of that event will constitute an irrevocable Change of Control. Furthermore, notwithstanding anything herein to the contrary, if an event described in clause (c) occurs, and the Board of Directors either approves such offer or takes no action with respect to such offer, then the occurrence of that event will constitute an irrevocable Change of Control. On the other hand, notwithstanding anything herein to the contrary, if an event described in clause (a), clause (e), or clause (g) above occurs, or if an event described in clause (c) occurs and the Board of Directors does not either approve such offer or take no action with respect to such offer as described in the preceding sentence, and a majority of those members of the Board of Directors who were Directors prior to such event determine, within the 90-day period beginning on the date such event occurs, that the event should not be treated as a Change of Control, then, from and after the date that determination is made, that event will be treated as not having occurred. If no such determination is made, a Change of Control resulting from any of the events described in the immediately preceding sentence will constitute an irrevocable Change of Control on the 91st day after the occurrence of the event.

AMENDMENT NO. 2 TO CREDIT AGREEMENT

This AMENDMENT NO. 2 TO CREDIT AGREEMENT (this "Amendment") is made as of April 2, 2003, by and among STERIS CORPORATION, an Ohio corporation ("Borrower"), the lending institutions parties to the Credit Agreement, as hereinafter defined ("Lenders"), and KEYBANK NATIONAL ASSOCIATION, as administrative agent for the Lenders ("Agent").

RECITALS:

- A. Borrower, Agent and the Lenders are parties to the Credit Agreement, dated as of March 28, 2002 (as amended and as the same may from time to time be further amended, restated or otherwise modified, the "Credit Agreement").
- B. Borrower, Agent and the Lenders desire to further amend the Credit Agreement to modify certain provisions thereof.

AGREEMENT:

In consideration of the premises and mutual covenants herein and for other valuable considerations, Borrower, Agent and the Lenders agree as follows:

Section 1. Definitions. Each capitalized term used herein shall be defined in accordance with the Credit Agreement.

Section 2. New Definition. Section 1.01 of the Credit Agreement is hereby amended such that on the Effective Date (as defined in Section 7 of this Amendment) the following new definition will be added thereto:

"Permitted Foreign Subsidiary Liens" means, with respect to any Indebtedness incurred by a Foreign Subsidiary pursuant to Section 5.08(c) hereof, Liens on the assets of such Foreign Subsidiary and Liens on the assets of any Foreign Subsidiary of such Foreign Subsidiary (other than Liens described in Section 5.09(d)(i) hereof); provided, however that for purposes of this definition and all other provisions of this Agreement, any Domestic Subsidiary of such Foreign Subsidiary will be deemed to be a "Foreign Subsidiary" of such Foreign Subsidiary so long as any of its assets are subject to Permitted Foreign Subsidiary Liens.

Section 3. Amended Definition. Section 1.01 of the Credit Agreement is hereby amended such that on the Effective Date the definition of "Permitted Foreign Subsidiary Loans and Investments" will be deleted and the following will be inserted in place thereof:

"Permitted Foreign Subsidiary Loans and Investments" means (a) any investment by a Foreign Subsidiary in, or loan from a Foreign Subsidiary to, another Company, (b) any investment by Borrower or a Guarantor of Payment in a Foreign Subsidiary made in the ordinary course of business, (c) any loan from Borrower or a Guarantor of Payment to a Foreign Subsidiary made in the ordinary course of business, and (d) any Indebtedness

of a Foreign Subsidiary owing to another Person (other than a Company) incurred in the ordinary course of business, so long as the aggregate amount of all such loans, investments and Indebtedness (including the loans, investments and Indebtedness outstanding on the Closing Date) for all Companies pursuant to subparts (b), (c) and (d) above does not exceed, at any time, an amount equal to 30% of Consolidated Net Worth, based upon Borrower's financial statements for the most recently completed fiscal quarter.

Section 4. Amendment to Borrowing Covenant. Section 5.08 of the Credit Agreement is hereby amended to add the following new subpart (j) thereto:

(j) Indebtedness set forth on Schedule 5.08 hereto, so long as the aggregate principal amount of such Indebtedness is not increased in excess of the amount outstanding on the Closing Date.

Section 5. Amendment to Lien Covenant. Subpart (d) of Section 5.09 of the Credit Agreement is hereby amended such that on the Effective Date it will be amended and restated as follows:

(d) (i) purchase money Liens on fixed assets securing the loans pursuant to Section 5.08(c) hereof and capitalized leases, provided that such Lien is limited to the purchase price and only attaches to the property being acquired, and (ii) Permitted Foreign Subsidiary Liens, so long as the aggregate principal amount of all Indebtedness secured by Permitted Foreign Subsidiary Liens pursuant to this subpart (ii) does not exceed at any time an amount equal to 5% of the Consolidated Net Worth of Borrower for the most recently completed fiscal quarter.

Section 6. Addition of Schedule 5.08. The Credit Agreement is hereby amended to add a new Schedule 5.08 thereto in the form of Schedule 5.08 attached hereto.

Section 7. Effective Date. The amendments set forth in Sections 2, 3 and 5 of this Amendment will not be effective until the date (the "Effective Date") that (i) Borrower has satisfied the conditions precedent set forth in Section 8 of this Amendment, and (ii) the acquisition described by Borrower to Agent and the Lenders in the materials dated March 26, 2003, has been completed on the terms described in such materials. Agent will notify Borrower and the Lenders in writing upon the occurrence of the Effective Date.

Section 8. Conditions Precedent. The amendments set forth in this Amendment shall become effective upon the satisfaction of the following conditions precedent:

(a) Borrower shall cause each Guarantor of Payment to consent and agree to and acknowledge the terms of this Amendment;

(b) Borrower shall pay to each Lender executing this Amendment (regardless of whether the Effective Date occurs or not) a work fee in the amount of \$3,000 and shall pay to Agent the fees agreed to between Borrower and Agent;

(c) Borrower shall provide such other items and shall satisfy such other conditions as may be reasonably required by Agent and the Lenders; and

(d) This Amendment has been executed by Borrower, Agent and the Required Lenders, and counterparts hereof as so executed shall have been delivered to Agent.

Section 9. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Lenders that (a) Borrower has the legal power and authority to execute and deliver this Amendment; (b) the officials executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof; (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower; (d) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof; (e) neither Borrower nor any Subsidiary has any claim or offset against, or defense or counterclaim to, any of Borrower's or any Subsidiary's obligations or liabilities under the Credit Agreement or any Related Writing; and (f) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.

Section 10. Credit Agreement Unaffected. Each reference that is made in the Credit Agreement or any other writing to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby.

Section 11. Waiver. Borrower and each Subsidiary, by signing below, hereby waives and releases Agent and each of the Lenders and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which Borrower and any Subsidiary is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 13. Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.

Section 14. JURY TRIAL WAIVER. BORROWER, AGENT, THE LENDERS AND EACH GUARANTOR HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS, EACH GUARANTOR, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the date first above written.

STERIS CORPORATION

By: _____

Name: _____

Title: _____

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Lender

By: _____

Name: _____

Title: _____

LASALLE BANK NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

HARRIS TRUST AND SAVINGS BANK

By: _____

Name: _____

Title: _____

NATIONAL CITY BANK

By: _____

Name: _____

Title: _____

THE BANK OF NEW YORK

By: _____

Name: _____

Title: _____

PNC BANK, NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

BANK ONE, NA

By: _____

Name: _____

Title: _____

U.S. BANK NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

FLEET NATIONAL BANK

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

GUARANTOR ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned (collectively, the "Guarantors" and, individually, each a "Guarantor") consents and agrees to and acknowledges the terms of the Amendment No. 2 to Credit Agreement, dated as of April 2, 2003 (the "Amendment"). Each Guarantor specifically acknowledges the terms of and consents to the waivers set forth in the Amendment. Each Guarantor further agrees that its obligations pursuant to the Guaranty of Payment that it executed in connection with the Credit Agreement shall remain in full force and effect and be unaffected hereby.

Each Guarantor, by signing below, hereby waives and releases Agent and each of the Lenders and their respective directors, officers, employees, attorneys, affiliates, and subsidiaries from any and all claims, offsets, defenses, and counterclaims of which any of the Guarantors are aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS, THE GUARANTORS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, this Guarantor Acknowledgment and Agreement has been duly executed and delivered as of the date of the Amendment.

MEDICAL & ENVIRONMENTAL DESIGNS, INC.
ECOMED, INC.
AMERICAN STERILIZER COMPANY
STERIS EUROPE, INC.
STERIS ASIA PACIFIC, INC.
STERIS INC.
HTD HOLDING CORP.
HSTD LLC
HAUSTED, INC.
ISOMEDIX INC.
ISOMEDIX OPERATIONS INC.

By: _____

Name: _____

Title: _____

of, and on behalf of, each of the above
Guarantors

Permitted Indebtedness

Isomedix Operations Inc.

1. Indebtedness incurred in connection with the issuance of \$3,000,000 Spartanburg County, South Carolina, Industrial Revenue Bonds, Series 1989 (Isomedix Operations, Inc. Project).
2. Indebtedness incurred in connection with the issuance of \$8,000,000 City of El Paso Industrial Development Authority, Incorporated, Variable Rate Demand Industrial Development Revenue Bonds, Series 1988 (Isomedix Operations, Inc. Project).

SUBSIDIARIES OF STERIS CORPORATION

STERIS Corporation has no parent company. As of March 31, 2003, its direct and indirect subsidiaries were as follows:

Legal Entity	Domicile
American Sterilizer (Thailand) Co. Ltd.	Thailand
American Sterilizer Company	Pennsylvania
AMSCO Brasil Comercio e Servicos Ltda.	Brazil
AMSCO de Costa Rica, S.A.	Costa Rica
CLBV Limited	United Kingdom
Ecomed, Inc.	Indiana
Global Risk Insurance Company	Vermont
Hausted, Inc.	Delaware
HSTD LLC	Delaware
HTD Holding Corp.	Delaware
Isomedix Corporation	Canada
Isomedix Inc.	Delaware
Isomedix Operations, Inc.	Delaware
Strategic Technology Enterprises, Inc.	Delaware
Steriltek, Inc.	Nevada
Steriltek Holdings, Inc.	Delaware
STERIS (Barbados) Corp.	Barbados
STERIS AB	Sweden
STERIS Asia Pacific, Inc.	Delaware
STERIS Canada Corporation	Canada
STERIS Canada Inc.	Canada
STERIS CH Limited	United Kingdom
STERIS Europe, Inc.	Delaware
STERIS FoodLabs, Inc.	Kansas
STERIS Foreign Sales Corporation	U.S. Virgin Islands
STERIS GmbH	Germany
STERIS Holdings B.V.	Netherlands
STERIS Hong Kong Limited	Hong Kong
STERIS Iberia, S.A.	Spain
STERIS International Sales Corporation	Delaware
STERIS Japan Inc.	Japan
STERIS Korea Limited	Korea
STERIS Latin America, Inc.	Delaware
STERIS Limited	United Kingdom
STERIS Mexico, S. de R.L. de C.V.	Mexico
STERIS S.A.	Belgium
STERIS Societe Anonyme	France
STERIS S.r.l.	Italy
STERIS Singapore Pte. Ltd.	Singapore
STERIS Inc.	Delaware
STERISOnline Inc.	Ohio

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements of STERIS Corporation and in the related Prospectuses of our report dated April 22, 2003, with respect to the consolidated financial statements and schedule of STERIS Corporation and Subsidiaries included in this Annual Report (Form 10-K) for the year ended March 31, 2003:

Registration Number	Description
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 — 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 — STERIS Corporation Amended and Restated Non-Qualified Stock Option
333-63770	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
333-63772	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. Magulski
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
June 18, 2003

**STERIS CORPORATION
POWER OF ATTORNEY
FORM 10-K**

Each of the undersigned hereby makes, constitutes, and appoints Les C. Vinney, Laurie Brlas, Mark D. McGinley, Roy L. Turnell, and each of them, his or her true and lawful attorney, with full power of substitution, for and in his or her name, place, and stead, to affix, as attorney-in-fact, his or her signature in any and all capacities, to the Annual report on Form 10-K of STERIS Corporation, an Ohio corporation, for its fiscal year ended March 31, 2003, and any and all amendments thereto to be filed with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities and Exchange Act of 1934, as amended, with power to file said Form 10-K, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or any of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney this 23rd day of April, 2003.

/s/ STEPHEN R. HARDIS

Stephen R. Hardis, Director

/s/ KEVIN M. McMULLEN

Kevin M. McMullen, Director

/s/ JERRY E. ROBERTSON

Jerry E. Robertson, Director

/s/ LOYAL W. WILSON

Loyal W. Wilson, Director

/s/ LAURIE BRLAS

Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ RAYMOND A. LANCASTER

Raymond A. Lancaster, Director

/s/ J. B. RICHEY

J. B. Richey, Director

/s/ JOHN P. WAREHAM

John P. Wareham, Director

/s/ LES C. VINNEY

Les C. Vinney
President and Chief Executive Officer
(Principal Executive Officer), Director

June 20, 2003

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Correspondence Providing Certification Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

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-K of STERIS Corporation for the year ended March 31, 2003, 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

June 20, 2003

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: Correspondence Providing Certification Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

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-K of STERIS Corporation for the year ended March 31, 2003, 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/ LAURIE BRLAS

Name: Laurie Brlas
Title: Senior Vice President and Chief Financial Officer