Table of Contents

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, 2009

OR

☐ Transition Report Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

For the transition period from to

Commission file number 1-14643

STERIS Corporation

(Exact name of registrant as specified in its charter)

Ohio		34-1482024
(State or other jurisdiction of incorporation or organization)		(IRS Employer Identification No.)
5960 Heisley Road, Mentor, Ohio	44060-1834	440-354-2600
(Address of principal executive offices)	(Zip Code)	(Registrant's telephone number including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of Exchange on Which Registered
Common Shares, without par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-Accelerated Filer ☐	Smaller Reporting Company ☐
(Do not check if a smaller reporting company)	

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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, 2008: $2,028,122,927

The number of Common Shares outstanding as of May 14, 2009: 58,458,900

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2009 Annual Meeting – Part III

Table of Contents

PART I

Throughout this Annual Report, STERIS Corporation and its subsidiaries together are called “STERIS,” “the Company,” “we,” “us,” or “our,” unless otherwise noted. References in this Annual Report to a particular “year” or “year-end” mean our fiscal year, which ends on March 31. For example, fiscal year 2009 ended on March 31, 2009.

ITEM 1. BUSINESS

INTRODUCTION

STERIS Corporation is a leading provider of infection prevention and surgical products and services, focused primarily on the critical markets of healthcare, pharmaceutical and research. Our mission is to provide a healthier today and a safer tomorrow through knowledgeable people and innovative infection prevention, decontamination and health science technologies, products and services. We offer our Customers a unique mix of capital products, such as: sterilizers and surgical tables; consumable products, such as detergents and skin care products; and services, including equipment installation and maintenance; as well as the bulk sterilization of single-use medical devices.

We were founded as Innovative Medical Technologies in Ohio in 1985, and renamed STERIS Corporation in 1987. However, some of our businesses that have been acquired and integrated into STERIS, notably American Sterilizer Company, have much longer operating histories. With global headquarters in Mentor, Ohio, we have approximately 5,000 employees worldwide and operate in more than 60 countries. We have a direct sales force of approximately 500 and a service organization of approximately 1,100 who work diligently to ensure that we are meeting the increasingly complex needs of our Customers.

We operate in three reportable business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. As a result of organizational changes within the Life Sciences segment announced in fiscal 2008, we changed our methodology for our reporting segments. The Defense and Industrial business unit, which contains businesses in early development stages, is no longer a component of the Life Sciences segment. “Corporate and other,” which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie, Pennsylvania manufacturing operation. Fiscal 2007 amounts have been reclassified to reflect the fiscal 2008 and fiscal 2009 presentation.

Healthcare is our largest segment, contributing 71.7% of fiscal 2009 revenues and 75.6% of our fiscal 2009 operating income. In this segment, we serve Customers anywhere surgical procedures take place by providing support directly to the operating room, as well as to the sterile processing department where instruments are reprocessed between surgeries. Our products and services enable Customers to reduce costs and improve outcomes in these critical environments.

Our second largest segment, Life Sciences, contributed 16.7% of fiscal 2009 revenues and 10.5% of our fiscal 2009 operating income. In this segment, we primarily serve pharmaceutical manufacturers and research organizations by providing decontamination and sterilization technologies, products and services that help ensure the safety of the products they produce.

STERIS Isomedix Services (“Isomedix”) performs sterilization services on a contract basis through 20 facilities in North America, where we sterilize single-use medical devices and other products in bulk prior to their delivery to the end user. This segment contributed 11.0% of fiscal 2009 revenues and 19.8% of our fiscal 2009 operating income.

Corporate and other contributed 0.6% of fiscal 2009 revenues and an operating loss of $10.3 million to our fiscal 2009 operating income.

Many factors are driving an increased awareness of the importance of infection control throughout the world. In the United States, hospitals in more than 25 states are now required to report infection rates, providing patients with information that can help shape their decisions about where to receive care. On a more global basis, emerging threats such as H1N1 virus (Swine Flu), Avian Bird Flu, Mad Cow Disease, and the rise in drug-resistant strains of bacterial diseases have gained prominence in the news, raising awareness of the need for enhanced safety on a worldwide basis. We are uniquely positioned to help address these concerns in traditional and non-traditional settings with our combination of capital equipment, consumables and services.

INFORMATION RELATED TO BUSINESS SEGMENTS

Our chief operating decision maker is our President and Chief Executive Officer ("CEO"). The CEO is responsible for performance assessment and resource allocation. The CEO regularly receives discrete financial information about each reportable segment. The CEO uses this information to assess performance and allocate resources. The accounting policies of the reportable segments are the same as those described in note 1 to the Consolidated Financial Statements titled, "Nature of Operations and Summary of Significant Accounting Policies," of this Annual Report. Segment performance information for fiscal years 2009, 2008, and 2007 is presented in note 12 to our Consolidated Financial Statements titled, "Business Segment Information" and in Item 7 titled, "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), of this Annual Report.

HEALTHCARE SEGMENT

Description of Business. Our Healthcare segment manufactures and sells infrastructure capital equipment, accessory, consumable, and service solutions to healthcare providers, including acute care hospitals and surgery centers. These solutions aid our Customers in improving the safety, quality, productivity, and utility consumption of their surgical, sterile processing, gastrointestinal, and emergency environments.

Products Offered. These capital equipment and consumable solutions include:

- Sterilizers, including low temperature liquid, vaporized hydrogen peroxide, and Ethylene Oxide ("EO") technologies, as well as steam sterilization, that allow Customers to meet rigorous sterility assurance standards and regulations and assist in the safe and effective re-use of medical equipment and devices.
- Automated washer/disinfector systems that clean and disinfect a wide range of items from rolling instrument carts and other large healthcare equipment to small surgical instruments.
- General and specialty surgical tables, surgical and examination lights, equipment management systems, operating room storage cabinets, warming cabinets, scrub sinks, and other complementary products and accessories for use in hospitals and other ambulatory surgery sites.
- Cleaning chemistries and sterility assurance products used in instrument cleaning and decontamination systems.
- Cleansing products, including hard surface disinfectants and skin care and hand hygiene solutions, for use by care-givers and patients.
- Connectivity solutions such as operating room ("OR") integration and instrument management that allow for high quality transfer of information and images throughout the hospital and between hospitals throughout the world. These solutions aid in improving the productivity and quality of Customers' inpatient and outpatient surgical departments and centralized sterile processing functions.

Significant brand names for these products include STERIS SYSTEM 1®, Amsco®, Hamo®, Reliance®, Cmax®, Harmony®, Kindest Kare®, Alcare®, Verify®, and Cal Stat®.

Services Offered. Our Healthcare segment provides various preventive maintenance programs and repair services to support the effective operation of capital equipment over its lifetime. We offer these corrective and preventive service solutions to both Customers who have internal clinical/biomedical engineering departments and Customers who rely on us to meet these needs. Field service personnel install, maintain, upgrade, repair, and troubleshoot equipment throughout the world. We also offer comprehensive sterilization management consulting services allowing healthcare facilities to achieve safety, quality, and productivity improvements in the end-to-end perioperative loop that flows between and among surgical suites and the central sterile department. Additionally, our Healthcare segment provides other support services such as construction and facility planning, engineering support, device testing, Customer education, hand hygiene process excellence, asset management/planning, and the sale of replacement parts.

Customer Concentration. Our Healthcare segment manufactures and sells capital equipment, consumables, and services to Customers in the United States and throughout the rest of the world. For the year ended March 31, 2009, the segment generated revenues in the United States and internationally of $711.9 million and $219.4 million, respectively. For the year ended March 31, 2009, no Customer represented more than 10% of the Healthcare segment's total revenues and the loss of any single Customer is not expected to have a material impact on the segment's results of operations or cash flows.

Competition. Our Healthcare segment manufactures and sells capital equipment, consumables, and services to Customers in the United States and throughout the rest of the world. We compete with a number of large companies that have significant product portfolios and global reach, as well as a number of small companies with very limited product offerings and operations in one or a limited number of countries. On a product basis, competitors include Getinge, Johnson & Johnson, 3M, Belimed, Berchtold, Cantel Medical, Cardinal, Ecolab, Hill-Rom, Kimberly-Clark, Skytron, and Stryker.

LIFE SCIENCES SEGMENT

Description of Business. Our Life Sciences segment manufactures and sells a broad range of capital equipment, formulated cleaning chemistries, and service solutions to pharmaceutical companies, and private and public research facilities around the globe.

Products Offered. These capital equipment and formulated cleaning chemistries include:

- Sterilizers used in the manufacture of pharmaceuticals and biopharmaceuticals as well as sterilizers for equipment and instruments used in research studies, mitigating the risk of contamination.
- Washer/disinfectors that decontaminate various large and small materials and components used in pharmaceutical and industrial manufacturing processes and in research labs, such as glassware, vessels, equipment parts, drums, hoses, and animal cages.
- High-purity water equipment, which generates water for injection and pure steam.
- Vaporized Hydrogen Peroxide (“VHP”®) generators used to decontaminate many high value spaces, from small isolators to large pharmaceutical processing and laboratory animal rooms.
- Consumables and supplies that are used to prevent the spread of infectious diseases and to monitor sterilization and decontamination processes, including products used to clean instruments, decontaminate systems, and disinfect hard surfaces. We also manufacture and sell skin care and hand hygiene solutions for use in high risk and routine applications.

Significant brand names for these products include Amsco®, Reliance®, Finn-Aqua®, Kindest Kare®, Alcare®, Verify®, and Cal Stat®.

Services Offered. Our Life Sciences segment offers various preventive maintenance programs and repair services to support the effective operation of capital equipment over its lifetime. Field service personnel install, maintain, upgrade, repair, and troubleshoot equipment throughout the world. We utilize remote equipment monitoring technology to improve Customers’ equipment uptime. We also offer consulting services and technical support to architecture and engineering firms and laboratory planners. Our services deliver expertise in decontamination and infection control technologies and processes to end users. Our service personnel also provide higher-end validation services in support of our pharmaceutical Customers subject to pharmaceutical manufacturing requirements.

Customer Concentration. Our Life Sciences segment manufactures and sells capital equipment, consumables, and services to Customers in the United States and throughout the rest of the world. For the year ended March 31, 2009, the segment generated revenues in the United States and internationally of $138.4 million and $78.3 million, respectively. For the year ended March 31, 2009, no Customer represented more than 10% of the Life Sciences segment’s total revenues and the loss of any single Customer is not expected to have a material impact on the segment’s results of operations or cash flows.

Competition. Our Life Sciences segment operates in highly regulated environments where the most intense competition results from technological innovations, product performance, convenience and ease of use, and overall cost-effectiveness. In recent years, our pharmaceutical Customer base has also undergone consolidation and reduced capital spending, resulting in more intense competition. We compete for pharmaceutical, research and industrial Customers with a number of large companies that have significant product portfolios and global reach, as well as a number of small companies with very limited product offerings and operations in one or a limited number of countries. Competitors in the pharmaceutical market include Belimed, Ecolab, Fedegari, Getinge, MECO, Stilmas, and Techniplast.

STERIS ISOMEDIX SERVICES SEGMENT

Description of Business. Our Isomedix segment operates through a network of 20 facilities located in North America. We sell a comprehensive array of contract sterilization services using Gamma Irradiation ("Gamma"), Ethylene Oxide ("EO") technologies, and to a lesser extent, Electron Beam Irradiation ("E-Beam"). We provide sterilization, microbial reduction, and materials modification services to companies that supply products to the healthcare, industrial, and consumer product industries.

Services Offered. We use Gamma, E-Beam, and EO technologies to sterilize a wide range of products. Gamma, using cobalt-60 isotope, and E-Beam, using accelerated electrons, are irradiation processes. EO uses a gaseous process to sterilize medical products. Greater than 90 percent of the industrial contract sterilization market uses Gamma or EO, with the remainder using E-Beam technology. Our locations are in major population centers and core distribution corridors throughout North America, primarily in the Northeast, Midwest, Southwest, and southern California. We adapt to increasing imports and changes in manufacturing points-of-origin by monitoring trends in supply chain management. Demographics partially drives this segment's growth. The aging population and rising life expectancy increase the demand for medical procedures, which increases the consumption of single use medical devices and surgical kits. Our technical services group supports Customers in all phases of the sterilization design process, including product development, materials testing, and sterility validation.

Customer Concentration. Our Isomedix segment operates in North America. For the year ended March 31, 2009, the segment generated revenues in the United States and Canada of $135.4 million and $7.2 million, respectively. The segment's services are offered to Customers throughout the footprint of our network. For the year ended March 31, 2009, no Customer represented more than 10% of the segment's revenues. Because of a largely fixed cost structure, the loss of a single Customer could have a material impact on the segment's results of operations or cash flows but would not be expected to have a material impact on STERIS.

Competition. Isomedix operates in a highly regulated industry and competes in North America with Sterigenics International, Inc., other smaller contract sterilization companies and manufacturers that sterilize products in-house.

INFORMATION WITH RESPECT TO OUR BUSINESS IN GENERAL

Recent Events

VTS Medical Systems Inc. Joint Venture. During the third quarter of fiscal 2009, we announced a joint venture with VTS Medical Systems Inc. designed to bring the latest high-definition video, touch-screen integration, and communication technology into hospital operating rooms. We invested $4.2 million in this joint venture.

Restructuring – Fiscal 2009 Restructuring Plan. During the third quarter of fiscal 2009, we adopted a restructuring plan intended to enhance our profitability and improve efficiency primarily by reducing ongoing international operating costs (the "Fiscal 2009 Restructuring Plan"). As part of this plan, we took actions to improve operations at our Pieterlen, Switzerland manufacturing facility, rationalized certain products, recorded impairment charges for certain assets no longer used, and made targeted workforce reductions. We will also close our sales offices in Japan. These actions are expected to directly impact approximately 100 employees worldwide.

In fiscal 2009, we recorded $15.6 million in pre-tax expenses related to these actions, of which $4.8 million was recorded as restructuring expenses and $10.8 million was recorded in cost of revenues. We do not expect to incur significant additional restructuring expenses related to the Fiscal 2009 Restructuring Plan. We are continuing to evaluate all of our operations for opportunities to enhance performance, but have not committed to any additional specific actions.

Restructuring – Fiscal 2008 Expense Reduction Program. During the fourth quarter of fiscal 2008, we adopted a restructuring plan primarily focused on our North American operations (the "Fiscal 2008 Restructuring Plan"). As part of this plan, we announced that we would close two sales offices and rationalize certain products. We also took steps to reduce the workforce in certain support functions. Across all of our reporting segments approximately 90 employees, primarily located in North America, have been directly impacted. These restructuring actions are designed to enhance profitability and improve efficiency by reducing ongoing operating costs.

During fiscal 2009, we did not incur any additional significant restructuring expenses related to the Fiscal 2008 Restructuring Plan, and we settled certain termination benefits and other costs for less than originally expected. Also in fiscal 2009, we reversed our decision to close one of the sales offices, because a satisfactory exit from our warranty and service obligations could not be achieved. As a result, we have reversed restructuring expenses recorded in fiscal 2008 totaling approximately $1.0 million. In fiscal 2008, we recorded pre-tax expenses totaling $15.8 million related to these actions, of which $11.7 million was recorded as restructuring expenses and $4.1 million was recorded in cost of revenues.

Restructuring – European Restructuring Plan. During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the "European Restructuring Plan"). As part of this plan, we closed two sales offices. We also took steps to reduce the workforce in certain European support functions. These actions are intended to improve our cost structure in Europe. Approximately 40 employees were directly impacted in various European locations. During fiscal 2009, fiscal 2008, and fiscal 2007, we recorded pre-tax expenses of $0.1 million, $0.1 million, and $1.7 million, respectively, related to the European Restructuring Plan. In the fourth quarter of fiscal 2009, we settled the remaining obligations associated with this plan.

Restructuring – Fiscal 2006 Restructuring Plan. During fiscal 2008, we completed the transfer of the manufacturing portion of our Erie, Pennsylvania operations to Monterrey, Mexico. The objective of this plan, as announced in January 2006, was to reduce production costs and improve our competitive position. At the same time, we also announced plans for other restructuring actions designed to reduce operating costs within the ongoing operations of both the Healthcare and Life Sciences segments. These plans are referred to together as the "Fiscal 2006 Restructuring Plan."

In fiscal 2009, we did not incur any restructuring expenses related to the Fiscal 2006 Restructuring Plan and we settled certain severance and related benefit payment obligations for less than originally expected. During fiscal 2008 and fiscal 2007, we incurred pre-tax restructuring expenses of $3.6 million and $4.9 million, respectively, primarily for non-cash expenses related to asset write-downs, and severance and termination benefits related to the transfer of our Erie, Pennsylvania manufacturing operations to Monterrey, Mexico and other restructuring actions. In the fourth quarter of fiscal 2009, we settled the remaining obligations associated with the Fiscal 2006 Restructuring Plan.

Collective bargaining agreements with certain employees located at the former Erie, Pennsylvania manufacturing operations terminated in July 2007 and January 2008.

Dispositions. On October 31, 2005, we sold our lyophilizer (freeze dryer) product line to GEA Group of Germany for 20.8 million euros (approximately $25.2 million). As a result of the sale, we recorded an after-tax gain of approximately $7.3 million ($1.1 million recorded in fiscal 2007 and $6.2 million recorded in fiscal 2006). The sale of this product line was a strategic step designed to create greater focus and further development of core sterilization, washing, and decontamination product offerings to the pharmaceutical, biopharmaceutical, governmental, and research markets.

Sources and Availability of Raw Materials. We purchase raw materials, sub-assemblies, components, and other supplies needed in our operations from numerous suppliers in the United States and internationally. The principal raw materials and supplies used in our operations include stainless steel, organic chemicals, fuel, and plastic components. These raw materials and supplies are available from several suppliers and in sufficient quantities that we do not expect any significant sourcing problems in fiscal 2010. We have longer-term supply contracts for certain materials, such as cobalt-60 isotope used by the Isomedix segment, for which there are few suppliers.

We have recently experienced higher prices for raw materials such as chemicals and various metals, which are important to our operations. While cost and availability are unpredictable, we have not experienced any difficulty, and do not expect significant difficulty, in obtaining the raw materials, sub-assemblies, components, or other supplies we need for our operations.

Intellectual Property. We protect our technology and products by, among other means, obtaining United States and foreign patents. There can be no assurance, 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. We also rely upon trade secrets, technical know-how, and continuing technological innovation to develop and maintain our competitive position.

As of March 31, 2009, we held 280 United States patents and 626 foreign patents and had 96 United States patents and 374 foreign patents pending. Patents for individual products extend for varying periods according to the date of filing or grant and legal term of patents in various countries where a patent is obtained. The actual protection a patent provides, which can vary from country to country, depends upon the type of patent, the scope of its coverage, and the availability of legal remedies in each country.

Our products are sold around the world under various brand names and trademarks. We consider our brand names and trademarks to be valuable in the marketing of our products. As of March 31, 2009, we had a total of 905 trademark registrations in the United States and in various foreign countries.

Research and Development. Research and development is an important factor in our long-term strategy. For the years ended March 31, 2009, 2008, and 2007, research and development expenses were $32.8 million, $36.9 million, and $33.6 million, respectively. We incurred these expenses primarily for the research and development of commercial products.

New products were a key element of our success in growing revenues in a tough economic environment. In the operating room, the Harmony® LED Lighting and Visualization System brought surgical lighting, high definition images and surgeon comfort to a new level. Our V-PRO™ 1 low temperature sterilizer and the new Reliance Vision Single-chamber Washer improve efficiencies in the sterile processing department by increasing the number and volume of instruments that can be reprocessed compared with older units. Our most recent introduction is the 5085 SRT Surgical Table, the first sliding, rotating and transporting table to be released in the United States as a single-driver transport device for the operating suite. The table is designed to enhance both patient and staff safety by reducing the transfer risk before and after surgery.

Quality Assurance. We manufacture, assemble, and package products in the United States and throughout the world. Each of our production facilities are dedicated to particular processes and products. Our success depends upon Customer confidence in the quality of our production process and the integrity of the data that supports our product safety and effectiveness. We have implemented quality assurance procedures to ensure the quality and integrity of scientific information and production processes. All of our manufacturing and contract sterilization facilities throughout the world are ISO9001:2000 or ISO13485:2003 certified.

Government Regulation. Our business is subject to various degrees of governmental regulation in the countries in which we operate. In the United States, the United States Food and Drug Administration (“FDA”), the United States Environmental Protection Agency (“EPA”), the United States Nuclear Regulatory Commission (“NRC”), and other governmental authorities regulate the development, manufacture, sale, and distribution of our products and services. Our international operations also are subject to a significant amount of government regulation and country-specific rules and regulations. Government regulations include detailed inspection of, and controls over, research and development, clinical investigations, product approvals and manufacturing, marketing and promotion, sampling, distribution, record-keeping, storage, and disposal practices.

Compliance with applicable regulations is a significant expense for us. Past, current, or future regulations, their interpretation, or their application could have a material adverse impact on our operations. Also, additional governmental regulation may be passed that could prevent, delay, revoke, or result in the rejection of regulatory clearance of our products. We cannot predict the effect on our operations resulting from current or future governmental regulation or the interpretation or application of these regulations.

If we fail to comply with any applicable regulatory requirements, sanctions could be imposed on us. For more information about the risks we face regarding regulatory requirements, see Part I, Item 1A of this Annual Report titled, “Risk Factors, We are subject to extensive regulatory requirements ….”

We have received warning letters, paid civil penalties, conducted product recalls, and been subject to other regulatory sanctions. For example, we received a warning letter from the FDA on May 16, 2008 concerning our STERIS SYSTEM 1® sterile processing system. See Part I, Item 1A of this Annual Report titled, “Risk Factors, We may be adversely affected by product liability claims…,” “Risk Factors, Most of our products, including the liquid chemical sterilization system…,” and “Risk Factors, Existing and new Customers may not purchase…:” See also Part I, Item 3, “Legal Proceedings” for further information on this warning letter and other issues and their potential impact. We believe that we are currently compliant in all material respects with applicable regulatory requirements. However, we cannot assure you that future or current regulatory, governmental, or private action will not have a material adverse affect on STERIS or its performance, results, or financial condition.

Environmental Matters. We are subject to various laws and governmental regulations concerning environmental matters and employee safety and health in the United States and in other countries. We have made, and continue to make, significant investments to comply with these laws and regulations. We cannot predict the future capital expenditures or operating costs required to comply with environmental laws and regulations. We believe that we are currently compliant with applicable environmental, health, and safety requirements. However, we cannot assure you that future or current regulatory, governmental, or private action will not have a material adverse affect on STERIS’s performance, results, or financial condition. You should also read Part I, Item 3, “Legal Proceedings” for further information.

In the future, if a loss contingency related to environmental matters or conditional asset retirement obligations is significantly greater than the current estimated amount, we would record a liability for the obligation and it may result in a material impact on net income for the annual or interim period during which the liability is recorded. The investigation and remediation of environmental obligations generally occur over an extended period of time, and therefore we do not believe that liabilities for these events would have a material adverse affect on our financial condition, liquidity, or cash flow. However, we cannot assure you that such liabilities would not have a material adverse affect on STERIS's performance, results, or financial condition.

Competition. The markets in which we operate are highly competitive and generally highly regulated. Competition is intense in all of our business segments and includes many large and small competitors. Brand, design, quality, safety, ease of use, serviceability, price, product features, warranty, delivery, service, and technical support are important competitive factors to us. We expect to face increased competition in the future as new infection prevention, sterile processing, contamination control, and surgical support products and services enter the market. We believe many organizations are working with a variety of technologies and sterilizing agents. Also, a number of companies have developed disposable medical instruments and other devices designed to address the risk of contamination.

We believe that our long-term competitive position depends on our success in discovering, developing, and marketing innovative, cost-effective products and services. We devote significant resources to research and development efforts and we believe STERIS is positioned as a global competitor in the search for technological innovations. In addition to research and development, we invest in quality control, Customer programs, distribution systems, technical services, and other information services.

We cannot assure you that new products or services we provide or develop in the future will be more commercially successful than those provided or developed by our competitors. In addition, some of our existing or potential competitors may have greater resources than us. Therefore, a competitor may succeed in developing and commercializing products more rapidly than we do. Competition, as it relates to our business segments and product categories, is discussed in more detail in the section above titled, "Information Related to Business Segments."

Employees. As of March 31, 2009, we had approximately 5,000 employees throughout the world. We believe we have good relations with our employees.

Methods of Distribution. As of March 31, 2009, we employed approximately 1,200 direct field sales and service representatives within the United States and approximately 400 in international locations. Sales and service activities are supported by a staff of regionally based clinical specialists, system planners, corporate account managers, and in-house Customer service and field support departments. We also contract with distributors in select markets.

Customer training is important to our business. We provide a variety of courses at Customer locations, at our training and education centers throughout the world, and over the internet. Our training programs help Customers understand the science, technology, and operation of our products. Many of our operator training programs are approved by professional certifying organizations and offer continuing education credits to eligible course participants.

Seasonality. Our financial results have been, from time to time, subject to seasonal patterns. We cannot assure you that these trends will continue.

International Operations. Our objective is to expand internationally, as we currently only serve a small portion of the world that could benefit from our products. Through our subsidiaries, we operate in various international locations within the same business segments as in the United States. For the year ended March 31, 2009, international revenues were $305.0 million, or 23.5%, of our total revenues and international cost of revenues were 31.0% of our total cost of revenues. Revenues from Europe, Canada, and other international locations were 54.7%, 20.1%, and 25.2%, respectively, of our total international revenues for the year ended March 31, 2009.

Also see note 12 to our Consolidated Financial Statements titled, "Business Segment Information," and Item 7, "MD&A" for a geographic presentation of our revenues for the three years ended March 31, 2009.

We conduct manufacturing in the United States, Canada, Mexico, and various European countries. There are, in varying degrees, a number of inherent risks to our international operations. We describe these risks in Part I, Item 1A of this Annual Report titled, "Risk Factors, We conduct manufacturing, sales, and distribution operations on a worldwide basis…."

Fluctuations in the exchange rate of the U.S. dollar relative to the currencies of foreign countries in which we operate can also increase or decrease our reported net assets and results of operations. During fiscal 2009, revenues were unfavorably impacted by $13.1 million, or 1.0%, and income before

taxes was favorably impacted by $5.8 million, or 3.3%, as a result of foreign currency movements relative to the U.S. dollar. We cannot predict future changes in foreign currency exchange rates or the effect they will have on our operations.

Backlog. We define backlog as the amount of unfilled capital equipment purchase orders at a point in time. At March 31, 2009, we had a backlog of $165.0 million. Of this amount, $119.8 million and $45.2 million related to our Healthcare and Life Sciences segments, respectively. At March 31, 2008, we had backlog orders of $142.2 million. Of this amount $98.0 million and $44.2 million related to our Healthcare and Life Sciences segments, respectively. A significant portion of the backlog orders in both years were expected to ship in the next fiscal year.

Availability of Securities and Exchange Commission Filings. We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to the Securities and Exchange Commission ("SEC"). You may access these documents on the Investor Relations page of our website at http://www.steris-ir.com. You may also obtain copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549 or by accessing the SEC's website at http://www.sec.gov. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We also make available free of charge on our website our Corporate Governance Guidelines, our Director Code of Ethics, and our Code of Business Conduct, as well as the Charters of the Audit and Financial Policy Committee, the Compensation and Corporate Governance Committee, and the Compliance Committee of the Company's Board of Directors.

ITEM 1A. RISK FACTORS

This item describes certain risk factors that could affect our business, financial condition and results of operations. You should consider these risk factors when evaluating the forward-looking statements contained in this Annual Report on Form 10-K, because our actual results and financial condition might differ materially from those projected in the forward-looking statements should these risks occur. We face other risks besides those highlighted below. These other risks include additional uncertainties not presently known to us or that we currently believe are immaterial, but may ultimately have a significant impact. Should any of the risks described below actually occur, our business, financial condition, performance, value, or results of operations could be negatively affected.

The current economic crisis may adversely affect us.

Adverse economic cycles or conditions and Customer, regulatory or government response thereto, could affect our results of operations. There can be no assurances when these cycles or conditions will occur or when they will improve after they occur. Circumstances such as the current ongoing adverse financial market conditions and the worldwide business downturn have had a significant adverse effect on United States and global economies, which has negatively impacted access to capital markets and investment activity within key geographic and market segments served.

Credit and liquidity problems caused by the foregoing conditions may make it difficult for some businesses to access credit markets and obtain financing and may cause some businesses to curtail spending to conserve cash in anticipation of further business slowdowns and liquidity needs. If our Customers have difficulty financing their purchases due to credit market disruptions or related factors or because of other operational problems they may be experiencing or otherwise decide to curtail their purchases, our business could be adversely affected. Our exposure to bad debt losses could also increase if Customers are unable to pay for products previously ordered and delivered. Also, the continuing financial market turmoil may limit the ability of our lenders to satisfy their obligations to us to provide funding and letters of credit or the ability of our insurers to respond to a claim under an insurance policy.

In addition, as a result of the current economic situation, the investment portfolio for our defined benefit pension plans has experienced volatility and a significant decline in fair value since March 31, 2008. Because the values of these pension plan investments have and will fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods and the impact on the funded status of the plans and future minimum required contributions, if any, could have a material adverse effect on our liquidity, financial conditions and result of operations. We contribute amounts to our defined benefit pension plans at least equal to the minimum amounts required by applicable employee benefit laws and local tax laws. We anticipate making contributions of approximately $9.4 million to the defined benefit pension plans in fiscal 2010.

Our businesses are highly competitive, and if we fail to compete successfully, our revenues and results of operations may be hurt.

We operate in a highly competitive global environment. Our businesses compete with other broad line manufacturers, as well as many smaller businesses specializing in particular products or services, primarily on the basis of brand, design, quality, safety, ease of use, serviceability, price, product features, warranty, delivery, service, and technical support. We face increased competition from new infection prevention, sterile processing, contamination control, and surgical support, cleaning consumables, contract sterilization, and other products and services entering the market. Competitors and potential competitors also are attempting to develop alternate technologies and sterilizing agents, as well as disposable medical instruments and other devices designed to address the risk of contamination. If our products, services, support, distribution and/or cost structure do not enable us to compete successfully, our business performance, value, financial condition, and results of operations may be adversely affected.

Our success depends, in part, on our ability to design, manufacture, distribute, and achieve market acceptance of new products with higher functionality and lower costs.

Many of our Customers operate businesses characterized by technological change, product innovation and evolving industry standards. Price is a key consideration in their purchasing decisions. To successfully compete, we must continue to design, develop, and improve innovative products. We also must achieve market acceptance of and effectively distribute those products, and reduce production costs. Our business, performance, value, financial condition, and results of operations might be adversely affected if our competitors' product development capabilities become more effective, if they introduce new or improved products that displace our products or gain market acceptance before ours, or if they begin to produce and sell products at lower prices.

We are subject to extensive regulatory requirements and must receive and maintain regulatory clearance or approval for many products and operations. Failure to receive or maintain, or delays in receiving, clearance or approvals may hurt our revenues, profitability, financial condition, or value.

Our operations are subject to extensive regulation in both the United States and in other countries where we do business. Government regulation applies to nearly all aspects of testing, manufacturing, safety, labeling, storing, recordkeeping, reporting, promoting, distributing, and importing or exporting of medical devices, products, and services. In general, unless an exemption applies, a sterilization, decontamination or medical device or other product must receive regulatory approval or clearance before it can be marketed or sold. Modifications to existing products or the marketing of new uses for existing products also may require regulatory approvals, approval supplements or clearances. If we are unable to obtain any required approvals, approval supplements or clearances for any modification to a previously cleared or approved device, we may be required to cease manufacturing or recall such modified device until such time as appropriate clearance or approval is obtained.

Regulatory agencies may refuse to grant approval or clearance, or review and disagree with our decision that regulatory approval is not required. Regulatory submissions may require the provision of additional data and may be time consuming and costly. Regulatory agencies may also change policies, adopt additional regulations, or revise existing regulations, each of which could prevent or delay approval or clearance of devices, or could impact our ability to market a previously cleared or approved device. Refer also to the "Risk Factor" below titled, "We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters" and the "Risk Factor" below titled "Most of our products, including the liquid chemical sterilization system, must receive regulatory approvals before they can be marketed and sold in the United States and other countries." and to Part I, Item 3, "Legal Proceedings" for further information.

Our failure to comply with the regulatory requirements of the FDA or other applicable regulatory requirements in the United States or elsewhere might subject us to administratively or judicially imposed sanctions. These sanctions include warning letters, fines, civil penalties, criminal penalties, injunctions, debarment, product seizure or detention, product recalls and total or partial suspension of production. In many foreign countries, sales of our products are subject to extensive regulations that are comparable to those of the FDA. In Europe, our products are regulated primarily by country and community regulations of those countries within the European Economic Area and must conform to the requirements of those authorities.

The failure to receive, or delays in the receipt of, relevant United States or international qualifications could have a material adverse affect on our business, performance, value, financial condition and results of operations.

Consolidations among our healthcare and pharmaceutical Customers may result in a loss of Customers or more significant pricing pressures.

A number of our Customers have consolidated. These consolidations are due in part to healthcare cost reduction measures initiated by competitive pressures as well as legislators, regulators and third-party payors. In an effort to attract Customers, some of our competitors have also reduced production costs and lowered prices. This has resulted in greater pricing pressures on us and in some cases loss of Customers. Additional consolidations could result in a loss of Customers or more significant pricing pressures.

If our cost reduction and restructuring efforts are ineffective, our profitability may be hurt or our business otherwise might be adversely affected.

We have undertaken various cost reduction and restructuring activities, including the restructuring activities announced in January 2006 and, in particular, the transfer of our Erie, Pennsylvania manufacturing operations to Mexico. In the fourth quarter of fiscal 2008, we announced cost reduction activities intended to generate annualized operating expense savings of approximately $30 million through direct and indirect overhead expense reductions and other savings. More recently, in the third quarter of fiscal 2009, we announced cost reduction activities primarily related to our international operations, which were intended to generate annualized cost savings of approximately $20 million to be realized over the next several years. These efforts may not produce the full efficiencies and cost reduction benefits we expect or efficiencies and benefits might be delayed. Implementation costs also might exceed expectations and further cost reduction measures might become necessary, resulting in additional future charges. If these cost reduction and restructuring efforts are not properly implemented or are unsuccessful, we might experience business disruptions or our business otherwise might be adversely affected.

Decreased availability or increased costs of raw materials or energy supplies or other supplies might increase our production costs or limit our production capabilities.

We purchase raw materials, fabricated and other components, and energy supplies from a variety of suppliers. Key materials include stainless steel, organic chemicals, fuel, cobalt, and plastic components. The availability and prices of raw materials and energy supplies are subject to volatility and are influenced by worldwide economic conditions, speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, anticipated or perceived shortages, and other factors. In some situations, we may be able to limit price increases or assure availability through supply agreements. Otherwise, raw material prices and availability are subject to numerous factors outside of our control, including those described above. Increases in prices or decreases in availability of raw materials and oil and gas might impair our procurement of necessary materials or our product production, or might increase production costs. In addition, energy costs impact our transportation and distribution and other supply and sales costs. Also, a number of our key materials and components are single-sourced or have a limited number of suppliers. Shortages in supply or increases in the price of raw materials, components and energy supplies may adversely impact our business, performance, value, financial condition, and results of operations to the extent our increased costs can not be passed on to our Customers.

Our operations, and those of our suppliers, are subject to a variety of business continuity hazards and risks, any of which could interrupt production or operations or otherwise adversely affect our performance, results, or value.

Business continuity hazards and other risks include:

- explosions, fires, inclement weather, and other disasters;
- utility or other mechanical failures;
- unscheduled downtime;
- labor difficulties;
- inability to obtain or maintain any required licenses or permits;
- disruption of communications;
- data security, preservation and redundancy disruptions;
- inability to hire or retain key management or employees; and
- disruption of supply or distribution.

The occurrence of any of these events might disrupt or shut down operations, or otherwise adversely impact the production or profitability of a particular facility, or our operations as a whole. Certain of the described casualties also might cause personal injury and loss of life, or severe damage to or destruction of property and equipment, and for casualties occurring at our facilities result in liability claims against us. Although we maintain property and casualty insurance and liability and similar insurance of the types and in the amounts that we believe are customary for our industries, our insurance coverages have limits and we are not fully insured against all potential hazards and risks incident to our business. Should any of the hazards or risks occur, our business, performance, value, financial condition, and results of operations might be adversely affected, both during and after the event.

We conduct manufacturing, sales and distribution operations on a worldwide basis and are subject to a variety of risks associated with doing business outside the United States.

We maintain significant international operations, including operations in Canada, Europe, Asia and Latin America. As a result, we are subject to a number of risks and complications inherent in international manufacturing, sales, services, and other operations. These include:

- risks associated with foreign currency exchange rate fluctuations;
- difficulties in enforcing agreements and collecting receivables through some foreign legal systems;
- foreign Customers with longer payment cycles than Customers in the United States;
- tax rates in certain foreign countries that exceed those in the United States, and foreign earnings subject to withholding requirements;
- tax laws that restrict our ability to use tax credits, offset gains, or repatriate funds;
- tariffs, exchange controls or other trade restrictions including transfer pricing restrictions when products produced in one country are sold to an affiliated entity in another country;
- general economic and political conditions in countries where we operate or where end users of our products are situated;
- difficulties associated with managing a large organization spread throughout various countries;
- difficulties in enforcing intellectual property rights or weaker intellectual property right protections in some countries; and
- difficulties associated with compliance with a variety of laws and regulations governing international trade.

Implementation and achievement of international growth objectives also may be impeded by political, social, and economic uncertainties or unrest in countries in which we conduct operations or market or distribute our products. In addition, compliance with multiple, and potentially conflicting, international laws and regulations, import and export limitations, and exchange controls may be burdensome or expensive or otherwise limit our growth opportunities.

These complications and occurrences of these risks may adversely affect our business, performance, value, financial condition, and results of operations.

Changes in healthcare laws or government and other third-party payor reimbursement levels to healthcare providers, or failure to meet healthcare reimbursement or other requirements might negatively impact our business.

We sell many of our products to hospitals and other healthcare providers and pharmaceutical manufacturers,. Many of these Customers are subject to or supported by government programs or receive reimbursement for services from third-party payors, such as government programs, including Medicare and Medicaid, private insurance plans, and managed care programs. In the United States, many of these programs set maximum reimbursement levels for these healthcare services and can have complex reimbursement requirements. Outside the United States, reimbursement systems vary significantly by country. However, government-managed healthcare systems control reimbursement for healthcare services in many foreign countries. In these countries, like the United States, public budgetary constraints may significantly impact the ability of hospitals, pharmaceutical manufacturers, and other Customers supported by such systems to purchase our products. If government or other third-party payors deny or change coverage, reduce their current levels of reimbursement for healthcare services, or if our costs increase more rapidly than reimbursement level increases or we do not satisfy the standards or requirements for reimbursement, our revenues or profitability may suffer and our business, performance, value, financial condition and results of operations may be adversely affected.

Our products are subject to recalls, even after receiving United States or foreign regulatory clearance or approval.

Ongoing medical device reporting regulations require that we report to appropriate governmental authorities in the United States and/or other countries when our products cause or contribute to a death or serious injury or malfunction in a way that would be reasonably likely to contribute to a death or serious injury if the malfunction were to recur. Governmental authorities can require product recalls for material deficiencies or defects in product design or manufacturing, including labeling, or component failure. For the same reasons, we may voluntarily elect to recall a product. Any recall would divert managerial and financial resources and might harm our reputation among our Customers and other healthcare professionals who use or recommend the products. Product recalls, suspensions, re-labeling, or other change might have a material adverse affect on our business, performance, value, financial condition, or results of operations.

Our business and financial condition could be adversely affected by difficulties in acquiring or maintaining a proprietary intellectual ownership position.

To maintain our competitive position, we need to obtain patent or other proprietary rights for new and improved products and to maintain and enforce our existing patents and other proprietary rights. We typically apply for patents in the United States and in strategic foreign countries. We may also acquire patents through acquisitions. A 2007 United States Supreme Court decision increases the difficulty of obtaining patent protection in the United States. The actual scope and impact of the decision on our existing patent rights or patent applications and those of others will not be known until other court rulings interpret and apply the decision.

We rely on a combination of patents, trade secrets, know-how, and confidentiality agreements to protect the proprietary aspects of our technology. These measures afford only limited protection, and competitors may gain access to our intellectual property and proprietary information. Litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets, and to determine the validity and scope of our proprietary rights. Litigation may also be brought against us claiming that we have violated the intellectual property rights of others. Litigation may be costly and may divert management’s attention from other matters. Additionally, in some foreign countries with weaker intellectual property rights, it may be difficult to maintain and enforce patents and other proprietary rights or defend against claims of infringement. If we are unable to obtain necessary patents, our patents and other proprietary rights are successfully challenged, or competitors independently develop substantially equivalent information and technology or otherwise gain access to our proprietary technology, our business, performance, value, financial condition, and results of operations may be adversely affected.

We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters.

We face an inherent business risk of exposure to product liability claims and other legal and regulatory actions. A significant increase in the number, severity, amount, or scope of these claims and actions may result in substantial costs and harm our reputation or otherwise adversely affect product sales and our business. Product liability claims and other legal and regulatory actions may also distract management from other business responsibilities.

We are also subject to a variety of other types of claims, proceedings, investigations, and litigation initiated by government agencies or third parties and other potential risks and liabilities. These include compliance matters, product regulation and safety, taxes, employee benefit plans, employment discrimination, health and safety, environmental, antitrust, customs, import/export, government contract compliance, financial controls or reporting, intellectual property, allegations of misrepresentation, false claims or false statements, or other similar or different matters. Any such claims, proceedings, investigations or litigation, regardless of the merits, might result in substantial costs restrictions on product use or sales, or otherwise injure our business.

Administratively or judicially imposed sanctions might include warning letters, fines, civil penalties, criminal penalties, loss of tax benefits, injunctions, product seizure, recalls, re-labeling, detention, and/or debarment. We also might be required to take actions such as payment of substantial amounts, or revision of financial statements, or to take the following types of actions with respect to our products, services, or business:

- redesign, re-label, or recall products;
- cease manufacturing and selling products;
- seizure of product inventory;
- court injunction against further marketing and sale of products;

- consent decree, which could result in further regulatory constraints;
- dedication of significant internal and external resources to respond to and comply with legal and regulatory issues and constraints;
- claims, litigation, and other proceedings brought by Customers, users, governmental agencies, and others;
- disruption of product improvements and product launches;
- discontinuation of certain product lines; or
- other restrictions or limitations on product sales, use or operation, or other activities or business practices.

Some product replacements or substitutions may not be possible or may be prohibitively costly or time consuming. An example of a type of matter described above is the warning letter we received from the FDA on May 16, 2008 regarding our STERIS SYSTEM 1® sterile processing system. In summary, that letter outlines the FDA's assertion that significant changes or modifications have been made in the design, components, method of manufacture or intended use of the system, beyond the FDA's 1988 clearance of the device, such that the FDA asserts a new premarket notification submission is required. We responded to the warning letter. In November 2008, we received correspondence from the FDA indicating that the FDA disagreed, on a preliminary basis, with our response and that the FDA wanted to meet with us prior to finalizing its position and to outline next steps to resolve any differences between the Company and the FDA. On January 20, 2009, we announced that we submitted to the FDA a new liquid chemical sterilization system for 510(k) clearance. The new submission follows discussions with the FDA regarding the prior 510(k) submission issues raised in the warning letter related to our existing device. The new liquid chemical sterilization system submitted to the FDA addresses the changes referenced by the FDA in the warning letter and includes additional technology updates. We also communicated to Customers that STERIS will continue supporting the existing STERIS SYSTEM 1® installed base by providing accessories, sterilant, service and parts, and replacement processor units for at least a two year period. In the United States, STERIS will continue sales of STERIS SYSTEM 1® processors only as replacements for existing units. Once the new liquid chemical sterilization system is cleared for market use by the FDA, we will work with Customers to transition to the new product. These or other proceedings, negotiations, or investigations involving our STERIS SYSTEM 1® sterile processing system and the STERIS's S20TM sterilant, could, in addition to the actions listed above, possibly require us to take other actions, to pay fines or civil damages, or to be subject to other governmental or third party claims or remedies, which could materially affect our business, performance, value, financial condition, and results of operations. (For more information regarding this warning letter, see Part I, Item 3, "Legal Proceedings" below.)

The results of legal, regulatory, or compliance claims, proceedings, investigations, or litigation are difficult to predict. An unfavorable resolution or outcome of the recent FDA warning letter regarding our STERIS SYSTEM 1® sterile processing system or any other legal, regulatory or compliance claim, or matter regarding any other significant product, service, or obligation of ours, could materially and adversely affect our business, performance, value, financial condition, and results of operations.

We maintain product liability and other insurance with coverages believed to be adequate. However, product liability or other claims may exceed insurance coverage limits, fines, penalties and regulatory sanctions may not be covered by insurance, or insurance may not continue to be available or available on commercially reasonable terms. Additionally, our insurers might deny claim coverage for valid or other reasons or may become insolvent.

Most of our products, including the liquid chemical sterilization system, submitted to the FDA in January 2009, must receive regulatory approvals before they can be marketed and sold in the United States and other countries.

Our operations are subject to extensive regulation in both the United States and in other countries where we do business. In Europe, our products are regulated primarily by country and community regulations of those countries within the European Economic Area and must conform to the requirements of those authorities. Government regulation applies to nearly all aspects of testing, manufacturing, safety, labeling, storing, recordkeeping, reporting, promoting, distributing, and importing or exporting of medical devices, products, and services. In general, unless an exemption applies, a sterilization, decontamination or medical device or other product, including the liquid chemical sterilization system submitted to the FDA in January, 2009 for clearance, must receive regulatory approval or clearance before it can be marketed or sold. Prior to clearance by the FDA, we may not sell the new sterilization system in the United States.

Regulatory agencies may refuse to grant approval or clearance. Regulatory submissions may require the provision of additional data and may be time consuming and costly. Regulatory agencies may also change policies, adopt additional regulations, or revise existing regulations, each of which could prevent or delay approval or clearance of our products, including the new liquid chemical sterilization system. If we are unable to obtain this or any other required approvals or clearances, approval supplements or clearances for our products, including the new liquid chemical sterilization system or the approvals are delayed, we may not be able to market and sell these products, which could have a material adverse affect on our business, performance, value, financial condition and results of operations.

Existing and new Customers may not purchase or use the new liquid chemical sterilization system consistent with the purchase and use of the existing STERIS SYSTEM 1®.

In January 2009, we submitted a 510(k) premarket notification to the FDA for a new liquid chemical sterilization system. If the liquid chemical sterilization system is cleared for use in the United States by the FDA, we may begin to market and sell the system. There can be no assurance as to the extent that such new liquid chemical sterilization system will receive market acceptance or that any such demand will be consistent with the market demand of the existing STERIS SYSTEM 1®. If sales or use of the new liquid chemical sterilization system are less than the existing STERIS SYSTEM 1®, that could have a material adverse effect on our business, performance, value, financial condition and results of operations.

We engage in acquisitions and affiliations, divestitures, and other business arrangements. Our growth may be adversely affected if we are unable to successfully identify, price, and integrate strategic business candidates or otherwise optimize our business portfolio.

Our success depends, in part, on strategic acquisitions and joint ventures, which are intended to complement or expand our businesses, divestiture of non-strategic businesses, and other actions to optimize our portfolio of businesses. This strategy depends upon our ability to identify, appropriately price, and complete these types of business development transactions or arrangements and to obtain any necessary financing. Our success will also depend on our ability to integrate the businesses acquired or to develop satisfactory working arrangements with our strategic partners in joint ventures or other affiliations, or to divest or realign non-strategic businesses. Competition for strategic business candidates may result in increases in costs and price for acquisition candidates, and market valuation issues may reduce the value available for divestiture of non-strategic businesses. These types of transactions are also subject to a number of risks and uncertainties, including:

- delays in realizing the benefits of the transactions;
- diversion of management’s time and attention from other business concerns;
- difficulties in retaining key employees, Customers, or suppliers of the acquired or divested businesses;
- difficulties in maintaining uniform standards, controls, procedures and policies, or other integration or divestiture difficulties;
- adverse effects on existing business relationships with suppliers or Customers;
- other events contributing to difficulties in generating future cash flows;
- risks associated with the assumption of contingent or undisclosed liabilities of acquisition targets or retention of liabilities for divested businesses; and
- difficulties in obtaining or satisfying financing.

If we are unable to realize the anticipated operating efficiencies and synergies or other expected transaction benefits, our results of operations might be adversely impacted by the amortization of transaction expenses and acquired assets or by other corrective actions that may be necessary to limit resulting problems.

Our business and results of operations may be adversely affected if we are unable to recruit and retain qualified management.

Our continued success depends, in large part, on our ability to hire and retain highly qualified people and if we are unable to do so, our business and operations may be impaired or disrupted. Competition for highly qualified people is intense and there is no assurance that we will be successful in attracting or retaining replacements to fill vacant positions, successors to fill retirements or employees moving to new positions, or other highly qualified personnel.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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, 2009. 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.

In the table below, “Contract Sterilization” refers to locations of the Isomedix segment and “Sterilization Services” refers to locations of the Healthcare segment. “Manufacturing,” “Warehousing,” “Operations,” or “Sales Offices” refer to locations serving both the Healthcare and Life Sciences segments.

U.S. Locations (including Puerto Rico)

Owned Locations		*Leased Locations*	
Montgomery, AL	Manufacturing	Montgomery, AL	Warehousing
Nogales, AZ	Contract Sterilization	San Diego, CA	Contract Sterilization
Ontario, CA	Contract Sterilization	Morton Grove, IL	Contract Sterilization
Temecula, CA	Contract Sterilization	Bel Air, MD	Sales Office
Libertyville, IL (2 locations)	Contract Sterilization	St. Louis, MO	Warehousing/Distribution
Northborough, MA	Contract Sterilization	Mentor, OH (2 locations)	Administrative Offices
St. Louis, MO	Manufacturing		Administrative Offices/ Operations
Groveport, OH	Contract Sterilization	Minneapolis, MN	Contract Sterilization
South Plainfield, NJ	Contract Sterilization	Reno, NV	Warehousing
Whippany, NJ	Contract Sterilization	Erie, PA (2 locations)	Administrative Offices
Chester, NY	Contract Sterilization		Warehousing
Mentor, OH (7 locations)	Corporate Headquarters	Nashville, TN	Sterilization Services
	Sales/Marketing Offices	Grand Prairie, TX	Contract Sterilization
	Administrative Offices		
	Manufacturing/Warehousing		
	Manufacturing/Operations		
Vega Alta, PR	Contract Sterilization		
Spartanburg, SC	Contract Sterilization		
El Paso, TX (2 locations)	Contract Sterilization		
Sandy, UT	Contract Sterilization		

International Locations

Owned Locations		*Leased Locations*	
Whitby, Canada	Contract Sterilization	Brussels, Belgium	Sales Office
Quebec City, Canada	Manufacturing	Sao Palo, Brazil	Sales Office
Leicester, England (2 locations)	Manufacturing/Warehousing	Mississauga, Canada	Warehousing/Sales Office
Tuusula, Finland	Manufacturing/Sales Office	St. Laurent, Canada	Sales Office
Pieterlen, Switzerland	Manufacturing/Sales Office	Shanghai, China	Sales Office
		Basingstoke, England	European Corporate Headquarters/Sales Office
		Saran, France	Manufacturing/Sales Office
		Cologne, Germany	Sales Office
		Halandri, Greece	Sales Office
		Moscow, Russia	Sales Office
		Calcutta, India	Sales Office
		Segrate, Italy	Sales Office
		Tokyo, Japan	Sales Office
		Petaling Jaya, Malaysia	Sales Office
		Guadalupe, Mexico	Manufacturing
		Singapore	Sales Office
		Madrid, Spain	Sales Office

ITEM 3. LEGAL PROCEEDINGS

We are, and will likely continue to be involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise from the ordinary course of our business, given our size, history, complexity, and the nature of our business, Customers, regulatory environment, and industries in which we participate. These legal proceedings, investigations and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), economic loss (e.g., breach of contract, other commercial claims), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

The FDA and the United States Department of Justice have been conducting an investigation to our knowledge since 2003 involving our STERIS SYSTEM 1® sterile processing system. We have received requests for documents, including the subpoena received in January 2005, and are aware of interviews of current and former employees in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance of the ultimate outcome of the investigation, or that any matter arising out of the investigation will not result in actions by the government agencies or third parties, or that the government agencies will not initiate administrative proceedings, civil proceedings, or criminal proceedings, or any combination thereof, against us.

On May 16, 2008, we received a warning letter (the “warning letter”) from the FDA regarding our STERIS SYSTEM 1® sterile processor and the STERIS™ 20 sterilant used with the processor (referred to collectively in the FDA letter and in this Item 3 as the “device”). We believe this warning letter arose from the previously disclosed investigation. In summary, the warning letter included the FDA’s assertion that significant changes or modifications have been made in the design, components, method of manufacture, or intended use of the device beyond the FDA’s 1988 clearance, such that the FDA believes a new premarket notification submission (known within FDA regulations as a 510(k) submission) should have been made. The warning letter referenced a number of changes to the device that, according to the FDA, require a new premarket notification submission, and asserted that our failure to make such a submission resulted in violations of applicable law. The warning letter also requested documentation and explanation regarding various corrective actions related to the device prior to 2003, and whether those actions should be considered corrections or removals requiring notice under

applicable FDA regulations. On July 30, 2008 (with an Addendum on October 9, 2008), we provided a detailed response contending that the assertions in the warning letter are not correct.

On November 4, 2008, we received a letter from the FDA (dated November 3, 2008) in which the FDA stated without elaboration that, after reviewing our response, it disagreed with our position and that a new premarket notification submission is required. The agency did not address the removal and correction reporting issues and invited a meeting with STERIS to discuss the warning letter, based on our earlier request. After discussions with the FDA regarding the November 3rd letter, we received an additional letter on November 6, 2008 from the FDA. The November 6th letter stated that the intent of the November 3rd letter was to inform us of the FDA's preliminary disagreement with our response to the warning letter and, before finalizing a position, the FDA reiterated that it wanted to meet with us to discuss the Company's response, issues related to the warning letter and next steps to resolve any differences between the Company and the FDA.

On January 20, 2009, we announced that we submitted to the FDA a new liquid chemical sterilization system for 510(k) clearance. The new submission follows discussions with the FDA regarding the prior 510(k) submission issues raised in the warning letter related to our existing device. The new liquid chemical sterilization system submitted to the FDA addresses the changes referenced by the FDA in the warning letter and includes additional technology updates.

We communicated to Customers that STERIS will continue supporting the existing STERIS SYSTEM 1® installed base by providing accessories, sterilant, service and parts, and replacement processor units for at least a two year period. In the United States, STERIS will continue sales of STERIS SYSTEM 1® processors only as replacements for existing units. Once the new liquid chemical sterilization system is cleared for market use by the FDA, we will work with Customers to transition to the new product.

For fiscal 2009, this development did not have a material impact on our consolidated financial results. Beginning in fiscal 2010, we anticipate that annualized revenues will be impacted by approximately $10.0 million until the new product is cleared and commercialized.

We continue to believe that the changes described in the warning letter from the FDA do not significantly affect the safety or effectiveness of the device and, therefore, did not and do not require a new premarket notification submission, and further, that the corrective actions were compliant with FDA regulations. However, if the FDA's assertions are ultimately determined to be correct, the device would be considered adulterated and misbranded under United States law, in which case, we would be required to make a new premarket notification submission. The FDA also could take enforcement action immediately without providing the opportunity to make a new 510(k) submission. If we did not make that 510(k) submission, if the FDA rejected that 510(k) submission, if the FDA took immediate enforcement action, or if governmental agencies and/or third parties otherwise considered the device to be non-compliant, civil, administrative, or criminal proceedings could be initiated. These or other proceedings involving our STERIS SYSTEM 1® sterile processing system and STERIS's S20™ sterilant, a significant product to us, could possibly result in judgments requiring re-labeling or restriction on the manufacturing, sale, or distribution of products, or could require us to take other actions, including recalls, to pay fines or civil damages, or to be subject to other governmental or third party claims or remedies, which could materially affect our business, performance, value, financial condition, and results of operations. We intend to continue our discussions with the FDA and the Department of Justice to seek resolution of all other issues regarding the warning letter and the investigation.

The STERIS SYSTEM 1® sterile processing system has been in use since its clearance by the FDA in the late 1980's. We estimate that the devices currently in operation are used by approximately 5,000 users in excess of 30,000 times per day in the aggregate and that over 275 million medical instruments have been processed using the STERIS SYSTEM 1® sterile processing system.

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

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

Additional information regarding our commitments and contingencies is included in Item 7, “MD&A,” and in note 11 to our consolidated financial statements titled, “Commitments and Contingencies.”

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

No matters were submitted to a vote of our security holders during the fourth quarter of fiscal year 2009.

Executive Officers of the Registrant. The following table presents certain information regarding our executive officers as of May 29, 2009. All executive officers serve at the pleasure of the Board of Directors.

Name	Age	Position
William L. Aamoth	55	Vice President and Corporate Treasurer
R. Gregoire Blackmore	50	Senior Vice President and Group President, Life Sciences
Dr. Peter A. Burke	60	Senior Vice President and Chief Technology Officer
Timothy L. Chapman	47	Senior Vice President and Group President, Healthcare
Mark D. McGinley	52	Senior Vice President, General Counsel, and Secretary
Robert E. Moss	64	Senior Vice President and Group President, STERIS Isomedix Services
Gerard J. Reis	57	Senior Vice President, Government and Administration
Walter M Rosebrough, Jr.	55	President and Chief Executive Officer
Michael J. Tokich	40	Senior Vice President and Chief Financial Officer

The following discussion provides a summary of each executive officer’s recent business experience:

William L. Aamoth serves as Vice President and Corporate Treasurer. He assumed this role in July 2002.

R. Gregoire Blackmore serves as Senior Vice President and Group President, Life Sciences. He assumed this role in December 2008. He joined STERIS in January 2004 and served as Vice President and General Manager, Services until December 2008.

Dr. Peter A. Burke serves as Senior Vice President and Chief Technology Officer. He assumed this role in July 2002.

Timothy L. Chapman serves as Senior Vice President and Group President, Healthcare. He assumed this role in February 2008. He joined STERIS in January 2006 and served as Senior Vice President, Business Strategy until February 2008. Prior to joining STERIS, Mr. Chapman was associated with McKinsey & Company, a professional services firm, from June 1985 through January 2006, serving most recently as Director (Senior Partner) in McKinsey’s Healthcare and Operations practices.

Mark D. McGinley serves as Senior Vice President, General Counsel, and Secretary. He assumed this role in April 2005. He joined STERIS in March 2002 as Vice President, General Counsel, and Secretary.

Robert E. Moss serves as Senior Vice President and Group President, STERIS Isomedix Services. He assumed this role in April 2005. He served as Vice President and Group President of STERIS Isomedix Services from March 2003 until April 2005.

Gerard J. Reis serves as Senior Vice President, Government and Administration. He assumed this role in March 2008. He served as Senior Vice President and Group President, Life Sciences from February 2005 until March 2008 and Senior Vice President and Group President, Defense and Industrial from April 2003 until February 2005.

Walter M Rosebrough, Jr. serves as President and Chief Executive Officer. He assumed this role when he joined STERIS in October 2007. Mr. Rosebrough also joined our Board of Directors in October 2007. Prior to his employment with STERIS, Mr. Rosebrough served from February 2005 to September 2007 as President and Chief Executive Officer of Coastal Hydraulics, Inc., a provider of hydraulic and pneumatic systems, equipment, and services used in industrial, marine and mobile equipment applications, a company that he purchased in 2005. From January 2003 until February 2005, Mr. Rosebrough was involved in a variety of personal business matters.

Michael J. Tokich serves as Senior Vice President and Chief Financial Officer. He assumed this role in March 2008. He served as Vice President and Corporate Controller from July 2002 until March 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. Our common shares are traded on the New York Stock Exchange under the symbol "STE." The following table presents, for the quarters indicated, the high and low sales prices for our common shares.

Quarters Ended	March 31	December 31	September 30	June 30
Fiscal 2009				
High	**$ 28.24**	**$ 37.61**	**$ 38.93**	**$ 33.09**
Low	**19.20**	**21.75**	**28.21**	**25.40**
Fiscal 2008				
High	$ 31.05	$ 30.28	$ 31.15	$ 31.71
Low	20.71	26.52	25.45	25.23

Holders. As of May 14, 2009, there were approximately 1,245 holders of record of our common shares. However, we believe that we have a significantly larger number of beneficial holders of common shares.

Dividend Policy. The Company's Board of Directors decides the timing and amount of any dividends we may pay. During fiscal 2009, we paid cash dividends totaling $0.30 per outstanding common share ($0.06 per outstanding common share to common shareholders of record on May 14, 2008 and $0.08 per outstanding common share to common shareholders of record on each of the following record dates: August 14, 2008, November 11, 2008, and February 11, 2009). During fiscal 2008, we paid cash dividends totaling $0.23 per outstanding common share ($0.05 per outstanding common share to common shareholders of record on May 16, 2007 and $0.06 per outstanding common share to common shareholders of record on each of the following record dates: August 15, 2007, November 14, 2007 and February 12, 2008).

Recent Sales of Unregistered Securities. None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers. The following table presents information about stock repurchases we made during the fourth quarter of fiscal 2009:

	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans (2)	(d) Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans at Period End (2)
January 1 - 31	—	$ —	—	**$ 203,864**
February 1 - 28	—	—	—	**203,864**
March 1 - 31	—	—	—	**203,864**
Total	—	$ —	—	**$ 203,864**

(1) Does not include 150 shares purchased during the quarter at an average price of $23.33 per share by the STERIS Corporation 401(k) Plan on behalf of certain executive officers of the Company who may be deemed to be affiliated purchasers.

(2) On March 14, 2008, we announced that the Company's Board of Directors provided authorization to repurchase up to $300.0 million of our common shares. As of March 31, 2009, $203.9 million in common shares remained authorized for repurchase under the current share repurchase authorization. This authorization does not have a stated maturity date. We provide information about our full year fiscal 2009 share repurchase activity in note 14 to our consolidated financial statements titled, "Repurchases of Common Shares."

ITEM 6. SELECTED FINANCIAL DATA

Years Ended March 31,	2009(1)	2008(1)	2007(1)	2006(1)(2)(3)	2005(2)(3)
		(in thousands, except per share data)			
Statements of Income Data:					
Revenues	**$1,298,525**	$1,265,090	$1,197,407	$1,160,285	$1,081,674
Gross profit	**526,742**	510,603	492,253	484,185	461,921
Restructuring expenses	**3,554**	15,461	6,584	25,308	—
Income from continuing operations	**175,445**	123,545	137,701	109,698	141,344
Income taxes	**55,800**	42,693	51,833	45,172	54,620
Income from discontinued operations, net of tax	**—**	—	—	1,109	2,308
Gain on the sale of discontinued operations, net of tax	**—**	—	1,058	6,234	—
Net income	**110,685**	77,106	82,155	70,289	85,980
Basic income per common share:					
Income from continuing operations	**$ 1.88**	$ 1.22	$ 1.24	$ 0.92	$ 1.21
Income from discontinued operations	**—**	—	0.02	0.11	0.03
Net income	**$ 1.88**	$ 1.22	$ 1.26	$ 1.03	$ 1.24
Shares used in computing net income per common share – basic	**58,778**	63,300	65,174	68,238	69,254
Diluted income per common share:					
Income from continuing operations	**$ 1.86**	$ 1.20	$ 1.23	$ 0.91	$ 1.20
Income from discontinued operations	**—**	—	0.02	0.11	0.03
Net income	**$ 1.86**	$ 1.20	$ 1.25	$ 1.02	$ 1.23
Shares used in computing net income per common share – diluted	**59,544**	64,124	65,731	68,939	70,022
Dividends per common share	**$ 0.30**	$ 0.23	$ 0.18	$ 0.16	$ —
Balance Sheets Data:					
Working capital	**$ 351,104**	$ 283,017	$ 267,321	$ 239,002	$ 198,316
Total assets	**1,216,939**	1,239,292	1,209,170	1,188,973	1,185,722
Long-term indebtedness	**210,000**	179,280	100,800	114,480	104,274
Total liabilities	**499,203**	533,140	434,878	458,146	430,084
Total shareholders' equity	**717,736**	706,152	774,292	730,827	755,638

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

(2) Certain balance sheet reclassifications have been made to conform to the fiscal 2007 presentation.

(3) On October 31, 2005, we completed the sale of our lyophilizer (freeze dryer) product line to GEA Group of Germany for 20.8 million euros (approximately $25.2 million). As a result of this transaction, we recorded an after-tax gain of approximately $7.3 million ($6.2 million in fiscal 2006 and $1.1 million in fiscal 2007). The freeze dryer product line, based in Cologne, Germany, was part of our Life Sciences segment. This product line is presented as a discontinued operation in our financial statements. Revenues, cost of revenues, operating expenses, and income taxes related to this product line are combined in a single line on the income statement for all periods presented.

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

INTRODUCTION

In Management's Discussion and Analysis ("MD&A"), we explain the general financial condition and the results of operations for STERIS and its subsidiaries including:

- what factors affect our business;
- what our earnings and costs were;
- why those earnings and costs were different from the year before;
- where our earnings came from;
- how this affects our overall financial condition;
- what our expenditures for capital projects were; and
- where cash will come from to fund future growth outside of core operations, repurchase common shares, and pay cash dividends and fund future working capital needs.

The MD&A also analyzes and explains the annual changes in the specific line items in the Consolidated Statements of Income. As you read the MD&A, it may be helpful to refer to information in Item 1, "Business," Item 6, "Selected Financial Data," and our consolidated financial statements, which present the results of our operations for fiscal 2009, 2008 and 2007, as well as Part I, Item 1A, "Risk Factors" and Part I, Item 3, "Legal Proceedings" for a discussion of some of the matters that can adversely affect our business and results of operations. This information, discussion, and disclosure may be important to you in making decisions about your investments in STERIS.

FINANCIAL MEASURES

When we discuss our financial condition and the results of our operations, we, at times, may refer to financial measures that are not required to be presented in the consolidated financial statements under accounting principles generally accepted in the United States. We sometimes use the following financial measures in the context of this discussion and define these financial measures as follows:

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

We, at times, may also refer to financial measures which are considered to be "non-GAAP financial measures" under SEC rules. Non-GAAP financial measures we may use are as follows:

- Free cash flow – We define free cash flow as cash flows from operating activities as presented in the Consolidated Statements of Cash Flows, which are presented in Item 8, "Financial Statements and Supplementary Data," less purchases of property, plant and equipment, net, plus proceeds from the sale of property, plant and equipment, which are also presented in the Consolidated Statements of Cash Flows. We use this measure to gauge our

ability to fund future growth outside of core operations, repurchase common shares, and pay cash dividends. The following table summarizes the calculation of our free cash flow for the years ended March 31, 2009 and 2008:

Years Ended March 31,	2009	2008
	(dollars in millions)	
Cash flows provided by operating activities.	**$167.4**	$143.4
Purchases of property, plant and equipment, and intangibles, net.	**(40.9)**	(57.0)
Proceeds from the sale of property, plant and equipment, and intangibles	**19.3**	5.2
Free Cash Flow	**$145.8**	$ 91.6

We may, at times, refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparisons between the years presented. For example, when discussing changes in revenues, we may, at times, exclude the impact of current or prior year business acquisitions.

We have presented these financial measures because we believe that meaningful analysis of our financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered an alternative to measures required by accounting principles generally accepted in the United States. Our calculations of these measures may differ from calculations of similar measures used by other companies and you should be careful when comparing these financial measures to those of other companies.

REVENUES-DEFINED

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

- Revenues – Our revenues are presented net of sales returns and allowances.
- Product Revenues – We define product revenues as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP® technology, water stills, and pure steam generators; integrated OR; surgical lights and tables; and the consumable family of products, which includes STERIS SYSTEM 1® consumables, sterility assurance products, skin care products, and cleaning consumables.
- Service Revenues – We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of our capital equipment, as well as revenues generated from contract sterilization offered through our Isomedix segment.
- Capital Revenues – We define capital revenues as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP® technology, water stills, and pure steam generators; surgical lights and tables; and integrated OR.
- Consumable Revenues – We define consumable revenues as revenues generated from sales of the consumable family of products which includes STERIS SYSTEM 1® consumables, sterility assurance products, skin care products, and cleaning consumables.
- Recurring Revenues – We define recurring revenues as revenues generated from sales of consumable products and service revenues.
- Acquired Revenues – We define acquired revenues as base revenues generated from acquired businesses or assets and additional volumes driven through acquired businesses or assets. We will use such measure for up to a year after acquisition.

GENERAL COMPANY OVERVIEW AND OUTLOOK

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

The bulk of our revenues are derived from the healthcare and pharmaceutical industries. Much of the growth in these industries is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years, and is dependent upon advancement in healthcare delivery, acceptance of new technologies, government policies, and general economic conditions. In addition, each of our core industries is experiencing specific trends that increase demand. Within healthcare, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased FDA scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. In the contract sterilization industry, the aging population increases the demand for medical procedures, which increases the consumption of single use medical devices and surgical kits.

Beyond our core markets, infection-control issues are becoming a global concern, and emerging threats are prominent in the news. We are actively pursuing new opportunities to adapt our proven technologies to meet the changing needs of the global marketplace.

Highlights. In fiscal 2009, we continued efforts to improve profitability and efficiency. We benefited from recent new product introductions as well as productivity improvements from the transfer of our manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico. We are now beyond the one year anniversary of reaching full production levels in Monterrey and therefore, going forward, we do not anticipate significant additional savings when compared to prior periods.

On August 15, 2008, we issued $150.0 million of senior notes in a private placement (the “August 2008 Private Placement”) in an offering that was exempt from the registration requirements of the Securities Act of 1933. We have used and we will use the proceeds for general corporate purposes, including the repayment of debt, capital expenditures, acquisitions, dividends, and share repurchases. The notes issued in the August 2008 Private Placement allowed us to lock-in what we believe are favorable long-term rates and strengthen our liquidity position.

In the third quarter of fiscal 2009, we announced our investment in a joint venture with VTS Medical Systems Inc. designed to bring the latest high-definition video, touch-screen integration, and communication technology into hospital operating rooms.

Also in the third quarter of fiscal 2009, we adopted a restructuring plan primarily related to our international operations. This plan included actions regarding the improvement of operations at our Pieterlen, Switzerland manufacturing facility, the rationalization of certain products, the impairment of certain assets that will no longer be used, certain targeted workforce reductions and the closure of our sales offices in Japan. These actions combined with additional actions undertaken in prior years allowed us to make substantial progress in reducing our cost base.

For fiscal 2009, our financial position and cash flows remained strong. Cash flows from operations were $167.4 million and free cash flow was $145.8 million. We continue to maintain low debt levels with our debt-to-total capital ratio of 22.6% at March 31, 2009. Our financial position and cash flows afford us financial flexibility. We have used that flexibility to, among other things, return value to shareholders principally through common share repurchases and cash dividends.

A detailed discussion of our fiscal 2009 performance is included in the subsection of MD&A titled, “Results of Operations.”

Outlook. We face numerous challenges, uncertainties and opportunities in fiscal 2010. The markets we serve are experiencing significant change with more uncertainty than we have seen in several years. The economic crisis and uncertainty surrounding potential healthcare reforms place pressure on our Customers’ budgets. We are responding with new products that are designed to reduce our Customers’ operating costs and, at the same time, are more environmentally friendly and improve quality. In fiscal 2010, we anticipate that revenues will be flat or decline slightly in comparison to fiscal 2009. We continue to work to obtain clearance of our next generation liquid sterilizer. In the meantime, we will continue to experience a decline in revenues associated with STERIS SYSTEM 1®. See Part I, Item3, “Legal Proceedings”.

Our results could be impacted by how quickly and the extent to which we are able to respond to raw material and other cost increases. However, we anticipate only moderate increases in raw materials costs in fiscal 2010, primarily related to farm-based chemicals. The actions we have taken over the last several years have and will continue to benefit us as our cost base has been meaningfully reduced. In this challenging environment, operational efficiency is critical to not only our projected earnings growth but also to our continued investment in research and development and field sales and service, which will create value for our Customers in fiscal 2010 and beyond. In addition, fluctuations in foreign currency rates can impact revenues and costs outside of the United States creating uncertainty for our results for fiscal 2010 and beyond.

We believe our balance sheet and ability to generate cash is strong and will provide us with the flexibility to pursue opportunities for growth.

MATTERS AFFECTING COMPARABILITY

Restructuring. During the third quarter of fiscal 2009, we adopted a restructuring plan primarily focused on our international operations (the “Fiscal 2009 Restructuring Plan”). As part of this plan, we took actions to improve operations at our Pieterlen, Switzerland manufacturing facility, rationalized certain products, recorded impairment charges for certain assets no longer used, and made targeted workforce reductions. We will also close two sales offices in Japan. These actions are expected to directly impact approximately 100 employees worldwide.

In fiscal 2009, we recorded pre-tax expenses totaling $15.6 million related to these actions, of which $4.8 million was recorded as restructuring expenses and $10.8 million was recorded in cost of revenues. We do not expect to incur significant additional expenses related to this plan. We are continuing to evaluate all of our operations for additional opportunities to improve performance, but we have not committed to any additional specific actions. During the fourth quarter of fiscal 2008, we adopted a restructuring plan primarily focused on our North American operations (the “Fiscal 2008 Restructuring Plan”). As part of this plan, we announced the closure of two sales offices, reduced the workforce in certain support functions, and rationalized certain products. These actions are intended to enhance profitability and improve efficiency by reducing ongoing operating costs. Across all of our reporting segments, approximately 90 employees, primarily located in North America, were directly impacted.

In the third quarter of fiscal 2009, we reversed our decision to close one of the sales offices, because a satisfactory exit from our warranty and service obligations could not be achieved. As a result, we have reversed restructuring expenses recorded in the fourth quarter of fiscal 2008 totaling approximately $1.0 million.

During fiscal 2009, we did not incur any additional significant restructuring expenses related to the Fiscal 2008 Restructuring Plan, and we settled certain termination benefits and other costs for less than originally expected. In fiscal 2008, we recorded pre-tax expenses totaling approximately $15.8 million related to these actions, including $11.7 million recorded as restructuring expenses and $4.1 million recorded as cost of revenues. We do not expect to incur any significant additional restructuring expenses related to this plan.

During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the “European Restructuring Plan”). As part of this plan, we closed two sales offices. We also took steps to reduce the workforce in certain European support functions. These actions are intended to improve our cost structure in Europe. Approximately 40 employees were directly impacted in various European locations.

In fiscal 2009, fiscal 2008, and fiscal 2007, we recorded pre-tax expenses of $0.1 million, $0.1 million, and $1.7 million, respectively, for the European Restructuring Plan, primarily for severance and termination benefits, for lease termination costs, and for non-cash expenses related to asset write-downs. During the first quarter of fiscal 2009, we settled the remaining obligations associated with this plan.

On January 30, 2006, we announced that the manufacturing portion of our Erie, Pennsylvania operations would be transferred to Mexico to reduce production costs and improve our competitive position. Plans for other restructuring actions, including the closure of a sales office, rationalization of operations in Finland, and the elimination of certain management positions were also approved. These actions were designed to reduce operating costs within the ongoing operations of both the Healthcare and Life Sciences segments, and together we refer to them as the “Fiscal 2006 Restructuring Plan.”

Operating income for fiscal 2009 includes pre-tax restructuring expenses of approximately a negative $0.2 million primarily for certain severance benefits that were settled for less than originally expected. Operating income for fiscal 2008 and fiscal 2007 includes pre-tax restructuring expenses for the Fiscal 2006 Restructuring Plan of approximately $3.6 million and $4.9 million, respectively, primarily for non-cash expenses related to asset write-downs, accelerated recognition of pension and retiree medical benefits, and severance and termination benefits related to the transfer and other restructuring actions.

We completed the transfer of our Erie, Pennsylvania manufacturing operations during fiscal 2008. During the fourth quarter of fiscal 2009, we settled the remaining obligations associated with the Fiscal 2006 Restructuring plan.

We are continuing to evaluate all of our operations for additional opportunities to improve performance, but we have not committed to any additional specific actions.

Further information regarding our restructuring actions is included in note 2 to our consolidated financial statements titled, “Restructuring.”

Accounting for Uncertain Tax Positions. On April 1, 2007, we adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48 (“FIN No. 48”), “Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109,” which provides guidance for the recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. Under FIN No. 48, we cannot recognize a tax benefit in our financial statements unless it is more-likely-than-not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. FIN No. 48 requires the cumulative effect of adoption to be recorded as an adjustment to the opening balance of retained earnings. In connection with the adoption of FIN No. 48, we recorded an adjustment of $8.4 million, increasing our liability for unrecognized tax benefits, interest, and penalties and reducing the April 1, 2007 balance of retained earnings. Prior to April 1, 2007, we regularly assessed our positions with respect to tax exposures and recorded liabilities for uncertain tax positions according to Statement of Accounting Standards No. 5 (“SFAS No. 5”), “Accounting for Contingencies.”

Additional information regarding our adoption of FIN No. 48 is included in the subsection of MD&A titled, “Critical Accounting Policies, Estimates, and Assumptions” and in note 1 and note 9 to our consolidated financial statements titled, “Nature of Operations and Summary of Significant Accounting Policies” and “Income Taxes,” respectively.

Business Dispositions. On October 31, 2005, we sold our lyophilizer (freeze dryer) product line to GEA Group of Germany for 20.8 million euros (approximately $25.2 million). As a result of this sale, we recorded an after-tax gain of approximately $7.3 million ($1.1 million recorded in fiscal 2007 and $6.2 million recorded in fiscal 2006). The freeze dryer product line, based in Cologne, Germany, was part of our Life Sciences segment. This product line is presented as a discontinued operation in our financial statements. Revenues, cost of revenues, operating expenses, and income taxes attributable to this product line are aggregated in a single line on the income statement for all periods presented.

Further information regarding our discontinued operations is included in note 16 to our consolidated financial statements titled, “Business Dispositions.”

International Operations. Since we conduct operations outside of the United States using various foreign currencies, fluctuations in the exchange rate of the U.S. dollar relative to the currencies of foreign countries in which we operate can also increase or decrease our reported net assets and results of operations. During fiscal 2009, our revenues were unfavorably impacted by $13.1 million, or 1.0%, and income before taxes was favorably impacted by $5.8 million, or 3.3%, as a result of foreign currency movements relative to the U.S. dollar.

RESULTS OF OPERATIONS

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

FISCAL 2009 AS COMPARED TO FISCAL 2008

Revenues. The following table compares our revenues for the year ended March 31, 2009 to the year ended March 31, 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change	Percent Change	Percentage of Total Revenues 2009(1)	2008(1)
Capital revenues	**$ 536,647**	$ 528,082	$ 8,565	1.6%	**41.3%**	41.7%
Consumable revenues	**294,882**	283,976	10,906	3.8%	**22.7%**	22.4%
Product revenues	**831,529**	812,058	19,471	2.4%	**64.0%**	64.2%
Service revenues	**466,996**	453,032	13,964	3.1%	**36.0%**	35.8%
Total Revenues	**$ 1,298,525**	$ 1,265,090	$ 33,435	2.6%	**100.0%**	100.0%
Service revenues	**$ 466,996**	$ 453,032	$ 13,964	3.1%	**36.0%**	35.8%
Consumable revenues	**294,882**	283,976	10,906	3.8%	**22.7%**	22.4%
Recurring revenues	**761,878**	737,008	24,870	3.4%	**58.7%**	58.3%
Capital revenues	**536,647**	528,082	8,565	1.6%	**41.3%**	41.7%
Total Revenues	**$ 1,298,525**	$ 1,265,090	$ 33,435	2.6%	**100.0%**	100.0%
United States	**$ 993,487**	$ 971,018	$ 22,469	2.3%	**76.5%**	76.8%
International	**305,038**	294,072	10,966	3.7%	**23.5%**	23.2%
Total Revenues	**$ 1,298,525**	$ 1,265,090	$ 33,435	2.6%	**100.0%**	100.0%

(1) Certain percentages may not calculate exactly due to rounding.

Revenues increased $33.4 million, or 2.6%, to $1,298.5 million for the year ended March 31, 2009, as compared to $1,265.1 million for fiscal 2008. For fiscal 2009, recurring revenues increased 3.4% as compared to fiscal 2008. The recurring revenues increase was generated primarily by a 3.1% increase in service revenues as compared to fiscal 2008. Service revenues, which increased in all segments, were driven by an $11.8 million, or 5.1%, increase in the Healthcare segment. Within our Life Sciences and Isomedix segments, service revenues for fiscal 2009 increased 0.7% and 1.5%, respectively, as compared to fiscal 2008. Consumable revenues also increased $10.9 million, or 3.8%, for fiscal 2009 when compared to the prior year, primarily driven by growth of 3.5% in the Healthcare segment. Capital revenues increased $8.6 million, or 1.6%, during fiscal 2009, as compared to fiscal 2008. An increase of 5.7% in the Healthcare segment's capital revenues was partially offset by a decrease of 14.3% in capital revenues in the Life Sciences segment. The decrease in Life Sciences capital revenues was a result of a strategic decision to focus on higher margin capital equipment. Also, in the prior year, the Life Sciences segment experienced a significant increase in capital equipment shipment levels in the fourth quarter, driven by a recovery in the United States research market.

International revenues for fiscal 2009 were $305.0 million, an increase of $11.0 million, or 3.7%, as compared to fiscal 2008. The increase in year-over-year international revenues was attributable to increases in capital, consumable, and service revenues of 4.7%, 3.8%, and 1.3%, respectively. International growth was led by increases in the Asia Pacific region in capital equipment and consumable revenues.

United States revenues for fiscal 2009 were $993.5 million, an increase of $22.5 million, or 2.3%, as compared to fiscal 2008. United States revenues were positively impacted by a 3.6% increase in recurring revenues, which were driven by increases in service revenues in the Healthcare and Isomedix segments and increases in consumable revenues in both the Healthcare and Life Sciences segment. Year over year, United States capital revenues increased 0.3% driven by increased revenues from healthcare Customers offset by reductions in spending by our pharmaceutical Customers as well as a strategic business decision to improve the profitability of our Life Sciences capital equipment revenues.

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

Gross Profit. The following table compares our gross profit for the year ended March 31, 2009 to the year ended March 31, 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change	Percent Change
Gross Profit:				
Product	**$ 334,614**	$ 321,934	$ 12,680	3.9%
Service	**192,128**	188,669	3,459	1.8%
Total Gross Profit	**$ 526,742**	$ 510,603	$ 16,139	3.2%
Gross Profit Percentage:				
Product	**40.2%**	39.6%		
Service	**41.1%**	41.6%		
Total Gross Profit Percentage	**40.6%**	40.4%		

Our gross profit (margin) is affected by the volume, pricing, and mix of sales of our products and services, as well as the costs associated with the products and services that are sold. Our gross margin increased 20 basis points to 40.6% for fiscal 2009. In fiscal 2009, we benefited from price increases, productivity improvements, and favorable currency exchange rates offset by increases in raw material costs.

Operating Expenses. The following table compares our operating expenses for the year ended March 31, 2009 to the year ended March 31, 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change	Percent Change
Operating Expenses:				
Selling, general, and administrative	**$ 314,983**	$ 334,681	$ (19,698)	(5.9)%
Research and development	**32,760**	36,916	(4,156)	(11.3)%
Restructuring expenses	**3,554**	15,461	(11,907)	(77.0)%
Total Operating Expenses	**$ 351,297**	$ 387,058	$ (35,761)	(9.2)%

Compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses are significant components of selling, general, and administrative expenses (“SG&A”). SG&A decreased $19.7 million, or 220 basis points, to 24.3% of total revenues for fiscal 2009 as compared to fiscal 2008. The decrease in SG&A during fiscal 2009 primarily reflects improved operating expense leverage and the benefit of cost reduction initiatives implemented. Included in the fiscal 2009 SG&A is a reduction of $7.9 million resulting from a third quarter change in our paid time off benefit, which is now earned throughout the calendar year rather than earned in full at the beginning of the year. SG&A expenses for fiscal 2009 also include a $3.8 million gain on the sale of two Isomedix facilities. Of this gain, $2.1 million relates to the second quarter sale of a facility located in the Chicago, Illinois area to a privately held Customer and $1.7 million relates to the fourth quarter sale of a facility located in Rhode Island to a Customer.

Research and development expenses as a percentage of total revenues decreased 40 basis points to 2.5% for fiscal 2009 as compared to fiscal 2008. Research and development expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. In fiscal 2009, we shifted certain engineering resources to focus on quality initiatives which are classified as cost of revenues. Our

research and development initiatives continually emphasize new product development, product improvements, and the development of new technological platform innovations. During fiscal 2009, our investments in research and development focused on, but were not limited to, enhancing capabilities of sterile processing combination technologies, surgical tables and accessories, and the area of emerging infectious agents such as Prions and Nanobacteria.

Restructuring Expenses. We recognize restructuring expenses as they are incurred. We also evaluate the inventory and property, plant and equipment associated with our restructuring actions for impairment. Asset impairment and accelerated depreciation expenses primarily relate to inventory write-downs for rationalized products and adjustments in the carrying value of the closed facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were re-evaluated based on the respective plan, resulting in the acceleration of depreciation and amortization of certain assets.

During the third quarter of fiscal 2009, we adopted the Fiscal 2009 Restructuring Plan, which was intended to enhance our profitability and improve efficiency primarily by reducing ongoing international operating costs. As part of this plan, we took actions to improve operations at our Pieterlen, Switzerland manufacturing facility, rationalized certain products, recorded impairment charges for certain assets no longer used, and made targeted workforce reductions. We will also close two sales offices in Japan. These actions are expected to directly impact approximately 100 employees worldwide. Information regarding the impact of the restructuring actions on our employee benefit plans is included in note 10 to our consolidated financial statements titled, “Benefit Plans.”

In fiscal 2009, we recorded pre-tax expenses totaling $15.6 million related to these actions, of which $4.8 million was recorded as restructuring expenses and $10.8 million was recorded in cost of revenues, with restructuring expenses of $12.8 million and $2.8 million related to the Healthcare and Life Sciences reporting segments, respectively. We do not expect to incur significant additional expenses related to this plan in fiscal 2010.

During the fourth quarter of fiscal 2008, we adopted the Fiscal 2008 Restructuring Plan, which primarily focused on our North American operations. As part of this plan, we announced the closure of two sales offices and rationalized certain products. We also reduced the workforce in certain support functions. Across all of our reporting segments approximately 90 employees, primarily located in North America, were directly impacted. These restructuring actions are designed to enhance profitability and improve efficiency by reducing ongoing operating costs.

In fiscal 2009, we did not incur any significant additional restructuring expenses related to the Fiscal 2008 Restructuring Plan and we settled certain termination benefits and other costs for less than originally expected. In the third quarter of fiscal 2009, we reversed our decision to close one of the sales offices, because a satisfactory exit from our warranty and service obligations could not be achieved. As a result, we reversed restructuring expenses recorded in fiscal 2008 totaling approximately $1.0 million. In fiscal 2008, we recorded pre-tax expenses totaling $15.8 million related to these actions, of which $11.7 million was recorded as restructuring expenses and $4.1 million was recorded in cost of revenues.

Since the inception of the Fiscal 2008 Restructuring Plan, we have recorded pre-tax expenses totaling $14.3 million, of which $9.9 million was recorded as restructuring expenses and $4.4 million was recorded in cost of revenues. Pre-tax expenses of $11.9 million, $1.3 million, $0.4 million, and $0.8 million related to the Healthcare, Life Sciences, and Isomedix reporting segments, and Corporate and other, respectively. We do not expect to incur any significant additional restructuring expenses related to the Fiscal 2008 Restructuring Plan.

During the third quarter of fiscal 2007, we adopted our European Restructuring Plan. As part of this plan, we closed two sales offices and took steps to reduce the workforce in certain of our European support functions. These actions are intended to improve our cost structure in Europe. Approximately 40 employees were directly impacted in various European locations.

In fiscal 2009, fiscal 2008, and fiscal 2007, we recorded $0.1 million, $0.1 million, and $1.7 million in pre-tax restructuring expenses, respectively, related to the European Restructuring Plan actions. The restructuring expenses were predominately for severance and related benefits, with restructuring expenses of $1.4 million and $0.5 million related to the Healthcare and Life Sciences business segments, respectively. During the first quarter of fiscal 2009, we settled the remaining liabilities associated with this plan by incurring $0.1 million in pre-tax restructuring expenses to terminate a lease obligation.

On January 30, 2006, we announced our Fiscal 2006 Restructuring Plan. In fiscal 2009, we did not incur any additional restructuring expenses and settled certain severance and related benefit obligations for less than originally expected. In fiscal 2008 and fiscal 2007, we recorded $3.6 million and $4.9 million in pre-tax restructuring expenses, respectively, primarily related to the transfer of the Erie, Pennsylvania manufacturing operations. All such actions are intended to improve our cost structure.

Since the inception of the Fiscal 2006 Restructuring Plan, we have recorded restructuring expenses of $33.6 million, with restructuring expenses of $33.2 million and $0.4 million related to the Healthcare and Life Sciences business segments, respectively. These actions directly impacted more than 450 employees beginning in the fourth quarter of fiscal 2006 and continuing through fiscal 2008.

Collective bargaining agreements with certain employees located at the former Erie, Pennsylvania manufacturing operations terminated in July 2007 and January 2008. We completed the transfer of the Erie, Pennsylvania manufacturing operations during fiscal 2008. During the fourth quarter of fiscal 2009, we settled the remaining liabilities related to the Fiscal 2006 Restructuring Plan.

While we continue to evaluate all of our operations for additional opportunities to improve performance, we have not committed to any additional specific actions.

The following tables summarize our total restructuring charges for fiscal 2009 and fiscal 2008:

	Year Ended March 31, 2009				
(dollars in thousands)	Fiscal 2009 Restructuring Plan (1)	Fiscal 2008 Restructuring Plan (2)	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll and other related costs	**$ 4,280**	**$ (365)**	**$ —**	**$ (178)**	**$ 3,737**
Asset impairment and accelerated depreciation	**1,112**	**(83)**	**—**	**—**	**1,029**
Product rationalization	**9,485**	**(464)**	**—**	**—**	**9,021**
Lease termination costs	**354**	**20**	**99**	**—**	**473**
Other	**349**	**(609)**	**—**	**—**	**(260)**
Total Restructuring Charges	**$ 15,580**	**$ (1,501)**	**$ 99**	**$ (178)**	**$ 14,000**

(1) Includes $10.8 million in charges recorded in cost of revenues on the Consolidated Statements of Income.
(2) Includes a negative $0.4 million in charges recorded in cost of revenues on the Consolidated Statements of Income.

	Year Ended March 31, 2008				
(dollars in thousands)	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan (3)	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll and other related costs	$ —	$ 5,213	$ (80)	$ 203	**$ 5,336**
Asset impairment and accelerated depreciation	—	5,106	—	2,885	**7,991**
Product rationalization	—	3,754	—	—	**3,754**
Lease termination costs	—	898	165	(13)	**1,050**
Other	—	863	—	551	**1,414**
Total Restructuring Charges	$ —	$ 15,834	$ 85	$ 3,626	**$ 19,545**

(3) Includes $4.1 million in charges recorded in cost of revenues on the Consolidated Statements of Income.

Liabilities related to restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued payroll and other related liabilities" and "Accrued expenses and other." The following tables summarize our liabilities related to restructuring activities:

	Fiscal 2009 Restructuring Plan			
		Fiscal 2009		
(dollars in thousands)	March 31, 2008	Provision	Payments/ Impairments	March 31, 2009
Severance and termination benefits	$ —	**$ 4,280**	**$ (2,360)**	**$ 1,920**
Asset impairment	—	**1,112**	**(1,112)**	**—**
Product rationalization	—	**9,485**	**(9,410)**	**75**
Lease termination obligations	—	**354**	**(17)**	**337**
Other	—	**349**	**(108)**	**241**
Total	$ —	**$15,580**	**$ (13,007)**	**$ 2,573**

	Fiscal 2008 Restructuring Plan			
		Fiscal 2009		
(dollars in thousands)	March 31, 2008	Provision (4)	Payments/ Impairments	March 31, 2009
Severance and termination benefits	$ 4,244	**$ (365)**	**$ (3,378)**	**$ 501**
Asset impairment	492	**(83)**	**—**	**409**
Lease termination obligations	898	**20**	**(37)**	**881**
Other	609	**(609)**	**—**	**—**
Total	$ 6,243	**$ (1,037)**	**$ (3,415)**	**$ 1,791**

(4) Does not include a negative $0.4 million in product rationalization costs that were charged against inventory.

	European Restructuring Plan			
		Fiscal 2009		
(dollars in thousands)	March 31, 2008	Provision	Payments/ Impairments	March 31, 2009
Lease termination obligations	$ 247	**$ 99**	**$ (346)**	**$ —**
Total	$ 247	**$ 99**	**$ (346)**	**$ —**

	Fiscal 2006 Restructuring Plan			
		Fiscal 2009		
(dollars in thousands)	March 31, 2008	Provision	Payments	March 31, 2009
Severance and termination benefits	$ 879	**$ (178)**	**$ (701)**	**$ —**
Total	$ 879	**$ (178)**	**$ (701)**	**$ —**

Non-Operating Expenses, Net. Non-operating expense (income), net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, and short-term investment balances, and other miscellaneous income. The following table compares our non-operating expense (income), net for the year ended March 31, 2009 to the year ended March 31, 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change
Non-Operating Expenses:			
Interest expense	**$ 10,563**	$ 5,979	$ 4,584
Interest and miscellaneous income	**(1,603)**	(2,233)	630
Non-Operating Expenses, Net	**$ 8,960**	$ 3,746	$ 5,214

During fiscal 2009, we had higher average outstanding debt levels as compared to fiscal 2008. As a result, interest expense increased year over year. We used and will use borrowings from our August 2008 Private Placement to repay outstanding debt, repurchase our stock, pay dividends, and fund working capital needs.

Additional information regarding our outstanding debt is included in note 7 to our consolidated financial statements titled, “Debt,” and in the subsection of MD&A titled, “Liquidity and Capital Resources.”

Income Tax Expense. The following table compares our income tax expense and effective tax rates for the years ended March 31, 2009 and 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change	Percent Change
Income tax expense	**$ 55,800**	$ 42,693	$ 13,107	30.7%
Effective income tax rate	**33.5%**	35.6%		

The effective income tax rate for fiscal 2009 was 33.5% as compared to 35.6% for fiscal 2008. The lower effective income tax rate for fiscal 2009 resulted principally from discrete item adjustments due to the settlement of certain tax years under examination in the United States and lapses in statutes of limitation partially offset by an unfavorable change in valuation allowances. Additional information regarding our income tax expense is included in note 9 to our consolidated financial statements titled, “Income Taxes.”

Business Segment Results of Operations. We operate in three reportable business segments: Healthcare, Life Sciences, and Isomedix. “Corporate and other,” which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie, Pennsylvania manufacturing operation. Note 12 to our consolidated financial statements titled, “Business Segment Information,” and Item 1, “Business” provide detailed information regarding each business segment. The following table compares reporting business segment revenues and Corporate and other for the year ended March 31, 2009 to the year ended March 31, 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change	Percent Change
Revenues:				
Healthcare	**$ 931,263**	$ 887,073	$ 44,190	5.0%
Life Sciences	**216,701**	228,350	(11,649)	(5.1)%
Isomedix	**142,645**	140,558	2,087	1.5%
Total Reportable Segments	**1,290,609**	1,255,981	34,628	2.8%
Corporate and other	**7,916**	9,109	(1,193)	(13.1)%
Total Revenues	**$ 1,298,525**	$ 1,265,090	$ 33,435	2.6%

Healthcare segment revenues were 71.7% of total revenues for the year ended March 31, 2009, as compared to 70.1% for the year ended March 31, 2008. Healthcare segment revenues increased $44.2 million, or 5.0%, to $931.3 million for the year ended March 31, 2009, as compared to $887.1 million for the prior fiscal year. Our Healthcare segment's fiscal 2009 revenues were also positively impacted by a 5.7% increase in capital revenues driven by strong sales of surgical support products. The increase in Healthcare revenues was also driven by a 4.3% increase in recurring revenues. We generated increases in service and consumable revenues of 5.1% and 3.5%, respectively, as a result of strong service revenues within the United States hospital market and increased demand for our consumable products around the world. At March 31, 2009, our Healthcare segment's backlog amounted to $119.8 million, as compared to $98.0 million at March 31, 2008.

Life Sciences segment revenues represented 16.7% of total revenues for the year ended March 31, 2009, as compared to 18.1% for the year ended March 31, 2008. Life Sciences segment revenues decreased $11.7 million, or 5.1%, to $216.7 million for the year ended March 31, 2009, as compared to $228.4 million for the prior fiscal year. Life Sciences revenues were unfavorably impacted by a continued slowdown in spending from our pharmaceutical Customers, as well as a strategic business decision to improve the profitability of our capital equipment revenues. As a result, Life Sciences capital revenues declined 14.3%. In fiscal 2008, Life Sciences revenues were positively impacted by increased shipments of capital equipment to the United States research market in the fourth quarter of the fiscal year. Recurring revenues grew 2.6%, with increases of 5.3% and 0.7% in consumable revenues and service revenues, respectively. At March 31, 2009, our Life Sciences segment's backlog amounted to $45.2 million, as compared to $44.2 million at March 31, 2008.

Isomedix segment revenues represented 11.0% of total revenues for the year ended March 31, 2009, as compared to 11.1% for the year ended March 31, 2008. This segment experienced revenue growth of $2.1 million, or 1.5%, during fiscal 2009, as compared to fiscal 2008. The growth in fiscal 2009 revenues was primarily driven by an increase in demand from our core medical device Customers and routine price increases, partially offset by the impact of the sale of the facility in the Chicago, Illinois area in the second quarter. Fiscal 2008 includes revenues associated with the sold facility.

The following table compares our reporting business segments and Corporate and other operating results for the year ended March 31, 2009 to the year ended March 31, 2008:

(dollars in thousands)	Years Ended March 31, 2009	2008	Change	Percent Change
Operating Income:				
Healthcare	**$132,601**	$103,447	$29,154	28.2%
Life Sciences	**18,413**	11,535	6,878	59.6%
Isomedix	**34,763**	28,964	5,799	20.0%
Total Reportable Segments	**185,777**	143,946	41,831	29.1%
Corporate and other	**(10,332)**	(20,401)	10,069	NM
Total Operating Income	**$175,445**	$123,545	$51,900	42.0%

NM – Not meaningful.

Segment operating income is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. The Corporate and other segment includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits, as previously discussed. Corporate cost allocations are based on each segment's percentage of revenues, headcount, or other variables in relation to those of the total Company. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment.

In fiscal 2009, restructuring expenses of $11.4 million and $2.6 million were included in operating income for Healthcare and Life Sciences, respectively. In fiscal 2008, restructuring expenses of $16.8 million, $1.5 million, $0.4 million, and $0.8 million were included in the operating income for Healthcare, Life Sciences, Isomedix, and Corporate and other, respectively.

Our Healthcare segment's operating income increased $29.2 million, or 28.2%, to $132.6 million for the year ended March 31, 2009 from $103.4 million during the prior fiscal year. Our Healthcare segment's operating margins were 14.2% and 11.7%, respectively, for the years ended March 31, 2009 and March 31, 2008. Improved pricing and productivity improvements, including labor savings gained from the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico more than offset increases in raw materials and transportation costs. In fiscal 2008, the benefits we experienced from labor savings in Mexico and improved pricing were offset by increases in raw materials and transportation costs. The Healthcare segment's fiscal 2009 operating margin includes restructuring expenses of $11.4 million. Of these restructuring expenses, $12.8 million was associated with the Fiscal 2009 Restructuring Plan, $0.1 million was associated with the European Restructuring Plan, a negative $1.3 million was associated with the Fiscal 2008 Restructuring Plan, and a negative $0.2 million was associated with the Fiscal 2006 Restructuring Plan. Fiscal 2009 also includes a pre-tax benefit of $5.9 million resulting from the third quarter change in our benefit policy related to paid time off which is now earned throughout the year rather than earned in full at the beginning of the year. The Healthcare segment's fiscal 2008 operating margin includes restructuring expenses of $16.8 million. Of these restructuring expenses, $13.1 million was associated with the Fiscal 2008 Restructuring Plan, $3.6 million was associated with the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico (part of the Fiscal 2006 Restructuring Plan), and $0.1 million was associated with the European Restructuring Plan.

Our Life Sciences segment's operating income increased $6.9 million, or 59.6%, to $18.4 million in fiscal 2009 from $11.5 million in fiscal 2008. Our Life Sciences segment's operating margins were 8.5% and 5.1%, respectively, for the years ended March 31, 2009 and March 31, 2008. The improvement in operating performance was primarily driven by greater operating expense leverage as compared to the prior fiscal year as well as our strategic business decision to improve the profitability of capital equipment revenues. In fiscal 2009, our Life Sciences segment's operating income includes $2.6 million in restructuring expenses primarily associated with the Fiscal 2009 Restructuring Plan. Fiscal 2009 results also include a pre-tax benefit of $1.2 million resulting from the third quarter change in our benefit policy related to paid time off. In fiscal 2008, our Life Sciences segment's operating income includes $1.5 million in restructuring expenses primarily associated with the Fiscal 2008 Restructuring Plan.

Our Isomedix segment's operating income increased $5.8 million, or 20.0%, to $34.8 million for the year ended March 31, 2009 as compared to $29.0 million during the prior fiscal year. This segment's operating margins were 24.4% and 20.6%, respectively, for the years ended March 31, 2009 and March 31, 2008. Restructuring expenses of $0.4 million associated with the Fiscal 2008 Restructuring Plan are included in this segment's fiscal 2008 operating income. Fiscal 2008 operating margins improved as a result of increased volumes and contracted price increases. Operating margins of Isomedix are greatly impacted by volume levels as the facilities operate with relatively high percentages of fixed costs. The segment's fiscal 2009 results also include a pre-tax benefit of $0.8 million resulting from the third quarter change in our benefit policy related to paid time off and $3.8 million gain from the sale of two facilities. Of this gain, $2.1 million is related to a facility in the Chicago, Illinois area that was sold to a Customer in the second quarter and $1.7 million is related to a facility located in Rhode Island that was sold to a Customer in the fourth quarter.

FISCAL 2008 AS COMPARED TO FISCAL 2007

Revenues. The following table compares our revenues for the year ended March 31, 2008 to the year ended March 31, 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change	Percent Change	Percentage of Total Revenues 2008(1)	2007(1)
Capital revenues	**$ 528,082**	$ 509,312	$18,770	3.7%	**41.7%**	42.5%
Consumable revenues	**283,976**	264,257	19,719	7.5%	**22.4%**	22.1%
Product revenues	**812,058**	773,569	38,489	5.0%	**64.2%**	64.6%
Service revenues	**453,032**	423,838	29,194	6.9%	**35.8%**	35.4%
Total Revenues	**$1,265,090**	$1,197,407	$67,683	5.7%	**100.0%**	100.0%
Capital revenues	**$ 453,032**	$ 423,838	$29,194	6.9%	**35.8%**	35.4%
Consumable revenues	**283,976**	264,257	19,719	7.5%	**22.4%**	22.1%
Product revenues	**737,008**	688,095	48,913	7.1%	**58.3%**	57.5%
Service revenues	**528,082**	509,312	18,770	3.7%	**41.7%**	42.5%
Total Revenues	**$1,265,090**	$1,197,407	$67,683	5.7%	**100.0%**	100.0%
United States	**$ 971,018**	$ 933,546	$37,472	4.0%	**76.8%**	78.0%
International	**294,072**	263,861	30,211	11.4%	**23.2%**	22.0%
Total Revenues	**$1,265,090**	$1,197,407	$67,683	5.7%	**100.0%**	100.0%

(1) Certain percentages may not calculate exactly due to rounding.

Revenues increased $67.7 million, or 5.7%, to $1,265.1 million for the year ended March 31, 2008, as compared to $1,197.4 million for fiscal 2007. For fiscal 2008, recurring revenues increased 7.1% as compared to fiscal 2007. The recurring revenues increase was generated primarily by a 6.9% increase in service revenues as compared to fiscal 2007. Service revenues, which increased in all segments, were driven by a $16.3 million, or 7.6%, increase in the Healthcare segment. Within our Life Sciences and Isomedix segments, service revenues for fiscal 2008 increased 9.0% and 5.1%, respectively, as compared to fiscal 2007. Consumable revenues also increased $19.7 million, or 7.5%, for fiscal 2008 when compared to the prior year, primarily driven by growth of 7.3% in the Healthcare segment. Capital revenues increased $18.8 million, or 3.7%, during fiscal 2008, as compared to fiscal 2007. The Life Sciences segment experienced a significant increase in capital equipment shipment levels in the fourth quarter of fiscal 2008 driven by a recovery in the United States research market compared to the prior year. The Healthcare segment's capital revenues increased 2.2% when compared to the prior year.

International revenues for fiscal 2008 were $294.1 million, an increase of $30.2 million, or 11.4%, as compared to fiscal 2007. The increase in year-over-year international revenues was attributable to increases in capital, consumable, and service revenues of 8.5%, 18.0%, and 12.7%, respectively. Within the European market, key drivers include strong revenues in surgical support capital products and accessories, consumables, and service. In Asia Pacific and Latin America, surgical support capital products, water systems, sterilizers, and consumable products drove revenue growth.

United States revenues for fiscal 2008 were $971.0 million, an increase of $37.5 million, or 4.0%, as compared to fiscal 2007. United States revenues were positively impacted by a 5.5% increase in recurring revenues, which were driven by increases in service revenues in all segments. Year over year, United States capital revenues increased 1.7%. The increased capital equipment shipments to the United States research market experienced by the Life Sciences segment in the fourth quarter of fiscal 2008 more than offset a small decline in the Healthcare segment's capital revenues of 1.2%.

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

Gross Profit. The following table compares our gross profit for the year ended March 31, 2008 to the year ended March 31, 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change	Percent Change
Gross Profit:				
Product	**$321,934**	$316,222	$ 5,712	1.8%
Service	**188,669**	176,031	12,638	7.2%
Total Gross Profit	**$510,603**	$492,253	$18,350	3.7%
Gross Profit Percentage:				
Product	**39.6%**	40.9%		
Service	**41.6%**	41.5%		
Total Gross Profit Percentage	**40.4%**	41.1%		

Our gross profit (margin) is affected by the volume, pricing, and mix of sales of our products and services, as well as the costs associated with the products and services that are sold. Our gross margin decreased 70 basis points to 40.4% for fiscal 2008. In fiscal 2008, we benefited from labor savings from the transfer of our manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico and from price increases. However, these benefits were more than offset by increases in raw material costs, increases in transportation costs, and the unfavorable impact of foreign exchange rates.

Operating Expenses. The following table compares our operating expenses for the year ended March 31, 2008 to the year ended March 31, 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change	Percent Change
Operating Expenses:				
Selling, general, and administrative	**$334,681**	$314,342	$20,339	6.5%
Research and development	**36,916**	33,626	3,290	9.8%
Restructuring expenses	**15,461**	6,584	8,877	NM
Total Operating Expenses	**$387,058**	$354,552	$32,506	9.2%

NM – Not meaningful.

Compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses are significant components of selling, general, and administrative expenses (“SG&A”). SG&A increased $20.3 million, or 20 basis points, to 26.5% of total revenues for fiscal 2008 as compared to fiscal 2007. The increase in SG&A spending primarily reflects investments in the development and marketing of new products along with selling expenses associated with growth initiatives.

Research and development expenses as a percentage of total revenues increased 10 basis points to 2.9% for fiscal 2008 as compared to fiscal 2007. Research and development expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continually emphasize new product development, product improvements, and the development of new technological platform innovations. During fiscal 2008, our investments in research and development focused on, but were not limited to, enhancing capabilities of, sterile processing combination technologies, surgical tables and accessories, and the area of emerging infectious agents such as Prions and Nanobacteria.

Restructuring Expenses. We recognize restructuring expenses as they are incurred. We also evaluate the inventory and property, plant and equipment associated with our restructuring actions for impairment. Asset impairment and accelerated depreciation expenses primarily relate to inventory write-downs for rationalized products and adjustments in the carrying value of the closed facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were re-evaluated based on the respective plan, resulting in the acceleration of depreciation and amortization of certain assets.

During the fourth quarter of fiscal 2008, we adopted the Fiscal 2008 Restructuring Plan, which primarily focused on our North American operations. As part of this plan, we announced the closure of two sales offices and rationalized certain products. We also took steps to reduce the workforce in certain support functions. Across all of our reporting segments approximately 90 employees, primarily located in North America, were directly impacted. These restructuring actions were designed to enhance profitability and improve efficiency by reducing ongoing operating costs.

In fiscal 2008, we recorded pre-tax expenses totaling $15.8 million related to these actions, of which $11.7 million was recorded as restructuring expenses and $4.1 million was recorded in cost of revenues, with restructuring expenses of $13.1 million, $1.5 million, $0.4 million, and $0.8 million related to the Healthcare, Life Sciences, and Isomedix reporting segments, and Corporate and other, respectively. We do not expect to incur any significant additional restructuring expenses related to the Fiscal 2008 Restructuring Plan.

During the third quarter of fiscal 2007, we adopted our European Restructuring Plan. As part of this plan, we closed two sales offices and took steps to reduce the workforce in certain of our European support functions. These actions were intended to improve our cost structure in Europe. Approximately 40 employees were directly impacted in various European locations.

In fiscal 2008 and fiscal 2007, we recorded $0.1 million and $1.7 million in pre-tax restructuring expenses, respectively, related to the European Restructuring Plan actions. The restructuring expenses were predominately for severance and related benefits, with restructuring expenses of $1.4 million and $0.5 million related to the Healthcare and Life Sciences business segments, respectively. We do not expect to incur any significant additional restructuring expenses related to the European Restructuring Plan.

On January 30, 2006, we announced our Fiscal 2006 Restructuring Plan. In fiscal 2008 and fiscal 2007, we recorded $3.6 million and $4.9 million in pre-tax restructuring expenses, respectively, primarily related to the transfer of the Erie, Pennsylvania manufacturing operations. All such actions were intended to improve our cost structure.

Since the inception of the Fiscal 2006 Restructuring Plan, we have recorded restructuring expenses of $33.6 million, with restructuring expenses of $33.2 million and $0.4 million related to the Healthcare and Life Sciences business segments, respectively. These actions directly impacted more than 450 employees beginning in the fourth quarter of fiscal 2006 and continuing through fiscal 2008.

Collective bargaining agreements with certain employees located at the former Erie, Pennsylvania manufacturing operations terminated in July 2007 and January 2008.

We completed the transfer of the Erie, Pennsylvania manufacturing operations during fiscal 2008 and do not expect to incur any additional restructuring expenses related to the Fiscal 2006 Restructuring Plan.

While we continue to evaluate all of our operations for additional opportunities to improve performance, we have not committed to any additional specific actions.

The following tables summarize our total restructuring charges for fiscal 2008 and fiscal 2007:

	Year Ended March 31, 2008			
(dollars in thousands)	Fiscal 2008 Restructuring Plan(1)	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll and other related costs	**$ 5,213**	$ (80)	$ 203	$ 5,336
Asset impairment and accelerated depreciation	**5,106**	—	2,885	7,991
Product rationalization	**3,754**	—	—	3,754
Lease termination costs	**898**	165	(13)	1,050
Other	**863**	—	551	1,414
Total Restructuring Charges	**$ 15,834**	$ 85	$ 3,626	$ 19,545

(1) Includes $4.1 million in charges recorded in cost of revenues on the Consolidated Statements of Income.

(dollars in thousands)	Year Ended March 31, 2007 Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll and other related costs	$ —	$ 1,365	$ 2,027	$3,392
Asset impairment and accelerated depreciation	—	105	2,606	2,711
Lease termination obligations	—	233	150	383
Other	—	—	98	98
Total Restructuring Charges	$ —	$ 1,703	$ 4,881	$6,584

Liabilities related to restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued payroll and other related liabilities” and “Accrued expenses and other.” The following tables summarize our liabilities related to restructuring activities:

	Fiscal 2008 Restructuring Plan			
		Fiscal 2008		
(dollars in thousands)	March 31, 2007	Provision	Payments/ Impairments	March 31, 2008
Severance and termination benefits	$ —	$ 5,213	$ (969)	$ 4,244
Asset impairment	—	5,106	(4,614)	492
Product rationalization	—	3,754	(3,754)	—
Lease termination obligations	—	898	—	898
Other	—	863	(254)	609
Total	$ —	$15,834	$ (9,591)	$ 6,243

	European Restructuring Plan			
		Fiscal 2008		
(dollars in thousands)	March 31, 2007	Provision	Payments/ Impairments	March 31, 2008
Severance and termination benefits	$ 638	$ (68)	$ (570)	$ —
Lease termination obligations	219	160	(132)	247
Fixed asset impairments	105	—	(105)	—
Total	$ 962	$ 92	$ (807)	$ 247

	Fiscal 2006 Restructuring Plan			
		Fiscal 2008		
(dollars in thousands)	March 31, 2007	Provision	Payments	March 31, 2008
Severance and termination benefits	$ 1,799	$ 132	$(1,052)	$ 879
Lease termination obligation	157	(13)	(144)	—
Total	$ 1,956	$ 119	$(1,196)	$ 879

Non-Operating Expenses, Net. Non-operating expense (income), net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, and short-term investment balances, and other miscellaneous income. The following table compares our non-operating expense (income), net for the year ended March 31, 2008 to the year ended March 31, 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change
Non-Operating Expenses:			
Interest expense	**$ 5,979**	$ 7,211	$(1,232)
Interest and miscellaneous income	**(2,233)**	(2,440)	207
Non-Operating Expenses, Net	**$ 3,746**	$ 4,771	$(1,025)

During fiscal 2008, we had lower average outstanding debt levels as compared to fiscal 2007. We also incurred lower interest rates on outstanding debt during fiscal 2008 as compared to fiscal 2007. As a result, interest expense decreased year over year. We used borrowings from our credit facility to fund stock repurchases and working capital needs. Interest and other miscellaneous income decreased $0.2 million in fiscal 2008 as compared to the prior year. We had lower average cash balances during fiscal 2008, which resulted in a smaller amount of interest earnings on those balances.

Additional information regarding our outstanding debt is included in note 7 to our consolidated financial statements titled, “Debt,” and in the subsection of MD&A titled, “Liquidity and Capital Resources.”

Income Tax Expense. The following table compares our income tax expense and effective tax rates for the years ended March 31, 2008 and 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change	Percent Change
Income tax expense	**$42,693**	$51,833	$(9,140)	(17.6)%
Effective income tax rate	**35.6%**	39.0%		

The effective income tax rate for fiscal 2008 was 35.6% as compared to 39.0% for fiscal 2007. The lower effective income tax rate for fiscal 2008 resulted principally from the favorable impact of a United States manufacturing deduction, the tax impact of foreign operations, and adjustments resulting from various international and United States audit matters. Additional information regarding our income tax expense is included in note 9 to our consolidated financial statements titled, “Income Taxes.”

Business Segment Results of Operations. As a result of organizational changes within the Life Sciences segment announced in fiscal 2008, we changed our methodology for reporting segments. The Defense and Industrial business unit, which contains businesses in early development stages, is no longer a component of the Life Sciences segment. “Corporate and other,” which will be presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie, Pennsylvania manufacturing operation. Fiscal 2007 amounts have been reclassified to reflect the fiscal 2008 and fiscal 2009 presentation.

We operate in three reportable business segments: Healthcare, Life Sciences, and Isomedix. Note 12 to our consolidated financial statements titled, “Business Segment Information,” and Item 1, “Business” provide detailed information regarding each business segment. The following table compares reporting business segment revenues and Corporate and other for the year ended March 31, 2008 to the year ended March 31, 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change	Percent Change
Revenues:				
Healthcare	**$ 887,073**	$ 845,674	$ 41,399	4.9%
Life Sciences	**228,350**	209,658	18,692	8.9%
Isomedix	**140,558**	133,781	6,777	5.1%
Total Reportable Segments	**1,255,981**	1,189,113	66,868	5.6%
Corporate and other	**9,109**	8,294	815	9.8%
Total Revenues	**$ 1,265,090**	$ 1,197,407	$ 67,683	5.7%

Healthcare segment revenues were 70.1% of total revenues for the year ended March 31, 2008, as compared to 70.6% for the year ended March 31, 2007. Healthcare segment revenues increased $41.4 million, or 4.9%, to $887.1 million for the year ended March 31, 2008, as compared to $845.7 million for the prior fiscal year. The increase in Healthcare revenues was primarily driven by a 7.4% increase in recurring revenues. We generated increases in service and consumable revenues of 7.6% and 7.3%, respectively, as a result of strong service revenues within the United States hospital market and increased demand for our consumable products around the world. Our Healthcare segment’s fiscal 2008 revenues were also positively impacted by a 2.2% increase in capital revenues driven by strong sales of surgical support products. At March 31, 2008, our Healthcare segment’s backlog amounted to $98.0 million, as compared to $63.8 million at March 31, 2007.

Life Sciences segment revenues represented 18.1% of total revenues for the year ended March 31, 2008, as compared to 17.5% for the year ended March 31, 2007. Life Sciences segment revenues increased $18.7 million, or 8.9%, to $228.4 million for the year ended March 31, 2008, as compared to $209.7 million for the prior fiscal year. Life Sciences capital revenues grew 9.2%, primarily driven by the increased shipments of capital equipment to the United States research market in the fourth quarter of fiscal 2008. Recurring revenues also grew 8.7%, with increases of 9.0% and 8.3% in service revenues and consumable revenues, respectively. At March 31, 2008, our Life Sciences segment’s backlog amounted to $44.2 million, as compared to $46.4 million at March 31, 2007.

Isomedix segment revenues represented 11.1% of total revenues for the year ended March 31, 2008, as compared to 11.2% for the year ended March 31, 2007. This segment experienced revenue growth of $6.8 million, or 5.1%, during fiscal 2008, as compared to fiscal 2007. The growth in fiscal 2008 revenues was primarily driven by an increase in demand from our core medical device Customers and routine price increases.

The following table compares our reporting business segment and Corporate and other operating results for the year ended March 31, 2008 to the year ended March 31, 2007:

(dollars in thousands)	Years Ended March 31, 2008	2007	Change	Percent Change
Operating Income:				
Healthcare	**$ 103,447**	$ 122,468	$ (19,021)	(15.5)%
Life Sciences	**11,535**	10,953	582	5.3%
Isomedix	**28,964**	25,127	3,837	15.3%
Total Reportable Segments	**143,946**	158,548	(14,602)	(9.2)%
Corporate and other	**(20,401)**	(20,847)	446	(2.1)%
Total Operating Income	**$ 123,545**	$ 137,701	$ (14,156)	(10.3)%

Segment operating income is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. The Corporate and other segment includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits, as previously discussed. Corporate cost allocations are based on each segment's percentage of revenues, headcount, or other variables in relation to those of the total Company. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment.

In fiscal 2008, restructuring expenses of $16.8 million, $1.5 million, $0.4 million, and $0.8 million were included in the operating income for Healthcare, Life Sciences, Isomedix, and Corporate and other, respectively. In fiscal 2007, restructuring expenses of $6.2 million and $0.4 million were included in the operating income for Healthcare and Life Sciences, respectively.

Our Healthcare segment's operating income decreased $19.0 million, or 15.5%, to $103.4 million for the year ended March 31, 2008 from $122.5 million during the prior fiscal year. Our Healthcare segment's operating margins were 11.7% and 14.5%, respectively, for the years ended March 31, 2008 and March 31, 2007. In fiscal 2008, we benefited from labor savings in Mexico and improved pricing, but these benefits were offset by increases in raw materials and transportation costs. Operating expenses also increased as we continued to invest in the development and marketing of new products. The Healthcare segment's fiscal 2008 operating margin includes restructuring expenses of $16.8 million. Of these restructuring expenses, $13.1 million was associated with the Fiscal 2008 Restructuring Plan, $3.6 million was associated with the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico, and $0.1 million was associated with the European restructuring actions. In fiscal 2007, this segment's operating income includes restructuring expenses of $6.2 million. Of these restructuring expenses, $4.9 million related to the transfer of the Erie, Pennsylvania manufacturing operations and $1.3 million related to the European restructuring actions.

Our Life Sciences segment's operating income increased $0.5 million, or 5.3%, to $11.5 million in fiscal 2008 from $11.0 million in fiscal 2007. Our Life Sciences segment's operating margins were 5.1% and 5.2%, respectively, for the years ended March 31, 2008 and March 31, 2007. This segment's fiscal 2008 operating results benefited from increased volumes associated with higher margin consumable products and service offerings. However, these benefits were significantly offset by investments in research and development and the negative impact of foreign currency exchange rates. In fiscal 2008, our Life Sciences segment's operating income includes $1.5 million in restructuring expenses primarily associated with the Fiscal 2008 Restructuring Plan. In fiscal 2007, our Life Sciences segment's operating income includes restructuring expenses of $0.4 million associated with the European restructuring actions.

Our Isomedix segment's operating income increased $3.8 million, or 15.3%, to $29.0 million for the year ended March 31, 2008 as compared to $25.1 million during the prior fiscal year. This segment's operating margins were 20.6% and 18.8%, respectively, for the years ended March 31, 2008 and March 31, 2007. Restructuring expenses of $0.4 million associated with the Fiscal 2008 Restructuring Plan are included in this segment's fiscal 2008 operating income. Fiscal 2008 operating margins improved as a result of increased volumes and contracted price increases. Operating margins of Isomedix are greatly impacted by volume levels as the facilities operate with relatively high percentages of fixed costs.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes significant components of our cash flows for the years ended March 31, 2009, 2008 and 2007:

(dollars in thousands)	Years Ended March 31, 2009	2008	2007
Operating Activities:			
Net income	**$ 110,685**	$ 77,106	$ 82,155
Non-cash items	**58,422**	67,540	62,123
Changes in operating assets and liabilities	**(1,723)**	(1,245)	(48,538)
Net Cash Provided by Operating Activities	**$ 167,384**	$ 143,401	$ 95,740
Investing Activities:			
Purchases of property, plant, equipment, and intangibles, net	**$ (40,889)**	$ (56,974)	$ (49,024)
Proceeds from the sale of property, plant and equipment, and intangibles	**19,341**	5,154	2,825
Proceeds from the sale of discontinued operations	**—**	—	2,927
Equity investments in joint ventures	**(4,150)**	—	—
Net Cash Used in Investing Activities	**$ (25,698)**	$ (51,820)	$ (43,272)
Financing Activities:			
Proceeds from the issuance of long-term obligations	**$ 150,000**	$ —	$ —
(Payments) proceeds under credit facility, net	**(79,180)**	79,180	(12,980)
Payments on long-term obligations and capital leases	**(40,800)**	(700)	(1,687)
Repurchases of common shares	**(80,466)**	(177,171)	(60,170)
Cash dividends paid to common shareholders	**(17,657)**	(14,609)	(11,766)
Deferred financing fees and debt issuance costs	**(476)**	(443)	—
Tax benefit from stock options exercised	**6,982**	3,194	1,927
Stock option and other equity transactions, net	**33,621**	14,619	8,997
Net Cash Used in Financing Activities	**$ (27,976)**	$ (95,930)	$ (75,679)
Debt-to-capital ratio	**22.6%**	20.3%	11.6%
Free cash flow	**$ 145,836**	$ 91,581	$ 49,541

Net Cash Provided by Operating Activities. The net cash provided by our operating activities was $167.4 million for the year ended March 31, 2009 compared to $143.4 million for the year ended March 31, 2008 and $95.7 million for the year ended March 31, 2007. The following discussion summarizes the significant changes in our operating cash flows:

- Non-cash items – Our non-cash items include depreciation, depletion, and amortization, (gains) losses on the disposal of property, plant, equipment and intangibles, share-based compensation expense, changes in deferred income taxes, and other items. Non-cash items were $58.4 million, $67.5 million and $62.1 million for fiscal 2009, fiscal 2008 and fiscal 2007, respectively.
    - Depreciation, depletion, and amortization – Depreciation, depletion, and amortization expense is the most significant component of non-cash items. This expense totaled $58.8 million, $62.8 million and $60.3 for fiscal 2009, 2008 and 2007, respectively. The $4.0 million decrease

from fiscal 2008 to fiscal 2009 was primarily the result of the sale of our former Erie, Pennsylvania manufacturing facility in the third quarter of fiscal 2008, decreased capital purchases for our Isomedix segment and the sale of the Chicago, Illinois area Isomedix location. The $2.5 million increase from fiscal 2007 to fiscal 2008 was primarily the result of capital purchases in support of our research efforts and increased material purchases for our Isomedix segment.

- Deferred income taxes – Our fiscal 2009 deferred income tax expense of $6.8 million resulted primarily from changes related to our post-retirement benefit obligation. Our fiscal 2008 deferred income tax benefit of $10.2 million resulted primarily from share-based compensation expense and depreciation and amortization of fixed assets and intangibles.
- Share-based compensation expense – We recorded non-cash share-based compensation expense of $7.4 million, $8.6 million and $9.9 million for fiscal 2009, fiscal 2008 and fiscal 2007, respectively. The $1.2 million decrease from fiscal 2008 to fiscal 2009 and $1.3 million decrease from fiscal 2007 to fiscal 2008 reflects a reduction in the number of stock options and restricted shares subject to amortization over the respective fiscal years.
- (Gain) loss on the disposal of property, plant, equipment, and intangibles, net – We recorded a gain of $2.8 million and a loss of $5.8 million for the disposal of property, plant, equipment, and intangibles in fiscal 2009 and fiscal 2008, respectively. In fiscal 2009, we recorded a gain of $2.1 million for the sale of an Isomedix facility located in the Chicago, Illinois area in the second quarter. We also recorded a gain of $1.7 million for the sale of an Isomedix facility located in Rhode Island in the fourth quarter. The loss in fiscal 2008, primarily related to the impairment or disposal of certain assets related to the Fiscal 2008 Restructuring Plan and the Fiscal 2006 Restructuring Plan.
- Other items – Other items amounted to a negative $11.8 million for fiscal 2009 as compared to $0.5 million for fiscal 2008 and $2.3 million for fiscal 2007. The increase in fiscal 2009 primarily consists of a $7.9 million non-cash adjustment as a result of a change in our benefit policy with respect to paid time off and an estimated curtailment gain of approximately $0.4 million related to our Switzerland defined benefit pension plan as a result of restructuring actions taken in the third quarter of fiscal 2009.

- Changes in operating assets and liabilities – Changes to our operating assets and liabilities used cash of $1.7 million, $1.2 million and $48.5 million for the years ended March 31, 2009, 2008 and 2007, respectively. Significant changes from fiscal 2009, fiscal 2008 and fiscal 2007 are summarized below:
  - Accounts receivable, net – Changes in our net accounts receivable balances provided cash of $0.5 million and $9.2 million in fiscal 2009 and fiscal 2008, respectively, and used cash of $4.6 million in fiscal 2007. Our accounts receivable balances may change from period to period due to the timing of revenues and Customer payments.
  - Inventories, net – A decrease in our net inventory balances provided cash of $0.7 million during fiscal 2009. Inventory balances in fiscal 2009 reflect higher raw material costs and new product inventory, partially offset by operational changes implemented and pre-tax product rationalization expenses recorded as part of the Fiscal 2009 Restructuring Plan. An increase in our net inventory balances used cash of $4.9 million during fiscal 2008. Inventory balances in fiscal 2008 increased as a result of the impact of increased raw material costs, new products, and higher order levels. An increase in our net inventory balances used cash of $16.9 million during fiscal 2007. Our net inventory balance increased during fiscal 2007 primarily associated with the transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico.
  - Other current assets – Our other current assets primarily consist of prepaid expenses for insurance, taxes, and other general corporate items. Changes in other current asset balances provided cash of $10.8 million and $0.5 million during fiscal 2009 and fiscal 2008, respectively and used cash of $16.8 million during fiscal 2007. Balances may fluctuate from period to period due to the timing of accruals and payments. The use of cash in fiscal 2009 was primarily driven by the application of taxes previously on deposit with the IRS toward the settlement of certain tax years under examination. Approximately, $1.7 million remains on deposit with the IRS, pending the resolution of the fiscal 2006 and fiscal 2007 audit cycle, which began in fiscal 2009. The increase in fiscal 2007 reflects $17.5 million of the tax payments deposited with the IRS during fiscal 2007.

- Accounts payable – Decreases in our net accounts payable balances drove uses of cash of $2.7 million, $3.1 million and $12.0 million during fiscal 2009, fiscal 2008 and fiscal 2007, respectively. Cash flows related to accounts payable may change from period to period due to varying payment due dates and other terms of our accounts payable obligations.

- Accruals and other, net – Changes in our net accruals and other liabilities balances drove a use of cash of $11.0 million and $2.9 million during fiscal 2009 and fiscal 2008, respectively and provided cash of $1.7 million in fiscal 2007. During fiscal 2009, we paid $48.5 million in income taxes and made contributions of $4.0 million to our United States defined benefit pension plans. During fiscal 2008, the use of cash was primarily a result of decreases in the accruals for compensation and benefit-related liabilities. In fiscal 2008, we also made contributions of $2.4 million to our United States defined benefit pension plans. During fiscal 2007, cash provided was primarily due to increases in the accruals for compensation and benefit related liabilities, partially offset by a decrease in the accruals for other taxes not related to income. Cash flows related to our accruals and other liabilities balances will change from period to period due to the timing of accruals and payments under our bonus and commission programs. Accruals under our various incentive compensation programs rise during the course of the fiscal year and decline significantly in the first quarter as payments are made under these programs. Changes in accruals for deferred revenues and the timing of current income tax accruals and payments also contribute to the increase or decrease in these balances.

Net Cash Used in Investing Activities. The net cash we used in investing activities totaled $25.7 million during fiscal 2009 compared to $51.8 million during fiscal 2008 and $43.3 million during fiscal 2007. The following discussion summarizes the significant changes in our investing cash flows for the years ended March 31, 2009, 2008 and 2007:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures totaled $40.9 million during fiscal 2009 compared to $57.0 million during fiscal 2008 and $49.0 million during fiscal 2007. Lower capital spending levels in fiscal 2009 was the result of the completion of a planned expansion at one of our Isomedix facilities as well as decreases in corporate related spending.

- Proceeds from the sale of property, plant, equipment, and intangibles – In fiscal 2009, these proceeds include $9.5 million we received in the second quarter from the sale of an Isomedix facility located in the Chicago, Illinois area, $1.5 million we received in the third quarter from the settlement of an insurance claim, and $8.0 million we received in the fourth quarter from the sale of an Isomedix facility located in Rhode Island. In fiscal 2008, these proceeds include $4.7 million we received in the third quarter from the sale of our manufacturing facility located in Erie, Pennsylvania. In fiscal 2007, these proceeds include $2.4 million we received from the sale of a building located in Nogales, Arizona.

- Equity investments in joint ventures – In fiscal 2009, we invested $4.2 million in a joint venture with VTS Medical Systems Inc. designed to bring the latest high-definition video, touch-screen integration, and communication technology into hospital operating rooms.

Net Cash Used in Financing Activities. The net cash we used in financing activities totaled $28.0 million in fiscal 2009 compared to $95.9 million in fiscal 2008 and $75.7 million in fiscal 2007. The following discussion summarizes the significant changes in our financing cash flows for the years ended March 31, 2009, 2008 and 2007:

- Proceeds from the issuance of long-term obligations – During the second quarter of fiscal 2009, we issued $150.0 million of senior notes in an offering that was exempt from the registration requirements of the Securities Act of 1933. These senior notes are discussed further in note 7 to our consolidated financial statements titled, “Debt,” and in this section of the MD&A titled, “Liquidity and Capital Resources” in the subsection titled, “Sources of Credit.”

- (Payments) proceeds under credit facility, net – For the year ended March 31, 2009, we repaid the $79.2 million that was borrowed in fiscal 2008 under our revolving credit facilities. Proceeds from the August 2008 Private Placement were used, in part, to repay amounts outstanding under our revolving credit facility. The proceeds borrowed in fiscal 2008 also were used to fund share repurchases, working capital changes, and for other corporate purposes. In fiscal 2007, we made payments of $13.0 million under our revolving credit facility. We provide additional information about our debt structure in note 7 to our consolidated financial statements titled, “Debt,” and in the section of the MD&A titled, “Liquidity and Capital Resources” in the subsection titled, “Sources of Credit.”

- Payments on long-term obligations and capital leases – In fiscal 2009, the amounts we repaid include $40.0 million for the notes issued in December 2003, which matured, and we repaid $0.8 million outstanding on industrial development revenue bonds. In fiscal 2008, we repaid $0.7 million related

to industrial development revenue bonds. We made payments of $1.7 million under our other long-term obligations and capital leases in fiscal 2007. We provide additional information about our debt structure in note 7 to our consolidated financial statements titled, “Debt,” and in this section of the MD&A titled, “Liquidity and Capital Resources” in the subsection titled, “Sources of Credit.”

- Repurchases of common shares – The Company’s Board of Directors provided authorization to repurchase our common shares. During fiscal 2009, we paid for the repurchase of 2,646,177 common shares at an average purchase price of $30.41 per common share. During fiscal 2008, we paid for the repurchase of 6,600,550 common shares at an average purchase price of $26.84 per common share. During fiscal 2007, we paid for the repurchase of 2,606,800 common shares at an average purchase price of $23.08 per common share. We provide additional information about our common share repurchases in note 14 to our consolidated financial statements titled, “Repurchases of Common Shares.”
- Cash dividends paid to common shareholders – During fiscal year 2009, we paid total cash dividends of $17.7 million, or $0.30 per outstanding common share. We paid total cash dividends of $14.6 million, or $0.23 per outstanding common share during fiscal year 2008 and total cash dividends of $11.8 million, or $0.18 per outstanding common share during fiscal year 2007.
- Deferred financing fees and debt issuance costs – In fiscal 2009, we paid fees of $0.5 million related to the issuance of the new senior notes in connection with the August 2008 Private Placement and amendment of the senior notes issued in December 2003. In fiscal 2008 we paid fees of $0.4 million related to the amendment and restatement of our revolving credit facility. These amounts are being amortized over the respective terms of the underlying agreements.
- Tax benefit from stock options exercised – During fiscal 2009, fiscal 2008 and fiscal 2007, our income taxes were reduced by $7.0 million and $3.2 million and $1.9 million, respectively, as a result of deductions allowed for stock options exercised.
- Stock option and other equity transactions, net – We receive cash for issuing common shares under our various employee stock option programs. During fiscal 2009, fiscal 2008 and fiscal 2007, we received cash proceeds totaling $33.6 million, $14.6 million and $9.0 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was $145.8 million and $91.6 million in fiscal 2009 and fiscal 2008, respectively, reflecting an increase in cash earnings during fiscal 2009, lower capital spending, and the sale of two Isomedix facilities. Our debt-to-capital ratio was 22.6% at March 31, 2009 and 20.3% at March 31, 2008.

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

Sources of Credit. Our sources of credit as of March 31, 2009 are summarized in the following table:

(dollars in thousands)	Maximum Amounts Available	Reductions in Available Credit Facility for Other Financial Instruments	March 31, 2009 Amounts Outstanding	March 31, 2009 Amounts Available
Sources of Credit				
Private placement	$ 210,000	$ —	**$ 210,000**	**$ —**
Credit facility(1)	400,000	22,750	**—**	**377,250**
Total Sources of Credit	$ 610,000	$ 22,750	**$ 210,000**	**$ 377,250**

(1) Our revolving credit facility contains a sub-limit that reduces the maximum amount available to us by letters of credit issued.

Our sources of funding from credit are summarized below:

- In December 2003, we issued $100.0 million in senior notes to certain institutional investors in a private placement that was not required to be registered with the SEC. The agreements related to these notes require us to maintain certain financial covenants, including limitations on debt and a minimum consolidated net worth requirement. Of the $100.0 million in outstanding notes, $40.0 million had a maturity of five years at an annual interest rate of 4.20%, another $40.0 million had a maturity of ten years at an annual interest rate of 5.25%, and the remaining $20.0 million had a maturity of twelve years at an annual interest rate of 5.38%. Therefore, payment of the first $40.0 million of notes became due and was made in December 2008.
- On August 15, 2008, we issued $150.0 million in senior notes to certain institutional investors in a private placement that was not required to be registered with the SEC. We have used and will use the proceeds for general corporate purposes, including repayment of debt, capital expenditures, acquisitions, dividends, and share repurchases. The agreements related to these notes require us to maintain certain financial covenants, including limitations on debt and a minimum consolidated net worth requirement. Of the $150.0 million in outstanding notes, $30.0 million had a maturity of five years at an annual interest rate of 5.63%, another $85.0 million had a maturity of ten years at an annual interest rate of 6.33%, and the remaining $35.0 million had a maturity of twelve years at an annual interest rate of 6.43%.
- On September 13, 2007, we signed the Second Amended and Restated Credit Agreement (the “Credit Agreement”) with KeyBank National Association, as administrative agent for the lending institutions that are parties to the Credit Agreement (the “Agent”), and the lenders party to the Credit Agreement. This Credit Agreement amended, restated, and replaced our Amended and Restated Credit Agreement dated March 29, 2004, as amended, which was to mature in June 2010. The Credit Agreement matures on September 13, 2012 and provides $400.0 million of credit, which may be increased by up to an additional $100.0 million in specified circumstances, for borrowings and letters of credit. The Credit Agreement provides a multi-currency borrowing option and may be used for general corporate purposes. At our option, loans can be borrowed on a floating or fixed rate basis. Floating rate loans bear interest at the greater of (1) the Prime Rate established by the Agent, or (2) the Federal Funds effective rate plus 0.50%, plus in each case a margin based on our leverage ratio. Fixed rate loans bear interest at the Eurodollar Rate or other defined currency rate, plus, in each case, a margin based on our leverage ratio. Interest is payable quarterly or at the end of the interest period, if shorter. The Credit Agreement also requires the payment of a facility fee on the total facility commitment amount, which is determined based on our leverage ratio. We may prepay floating rate loans without paying a penalty, but we may be required to pay a penalty for prepaying fixed rate loans. The Credit Agreement also allows us to make short-term swing loan borrowings not to exceed $35.0 million, with an interest rate equal to the Agent’s cost of funds plus a margin based on our leverage ratio. The Credit Agreement requires us to maintain compliance with certain financial covenants, including a maximum leverage ratio and a minimum interest coverage ratio. Our obligations under the Credit Agreement are unsecured but guaranteed by our material domestic subsidiaries.

  At March 31, 2009, we had $377.3 million of funding available from our $400.0 million Credit Agreement. The Credit Agreement includes a sub-limit that reduces the maximum amount available to us by letters of credit issued. At March 31, 2009, there were letters of credit outstanding of $22.7 million.

At March 31, 2009, we were in compliance with all financial covenants associated with our indebtedness. We provide additional information regarding our debt structure and payment obligations in the section of the MD&A titled, “Liquidity and Capital Resources” in the subsection titled, “Contractual and Commercial Commitments” and in note 7 to our consolidated financial statements titled, “Debt.”

CAPITAL EXPENDITURES

Our capital expenditure program is a component of our long-term strategy. This program includes, among other things, investments in new and existing facilities, business expansion projects, and information technology enhancements. During fiscal 2009, our capital expenditures amounted to $40.9 million. We use cash provided by operating activities and our cash and cash equivalent balances to fund capital expenditures. Fiscal 2009 capital expenditures were below historic levels as a result of business and economic conditions. We expect future capital expenditures to return to prior historical trends but we cannot assure you that future capital expenditures will rebound, as future events can occur which could cause anticipated capital expenditure levels to change.

CONTRACTUAL AND COMMERCIAL COMMITMENTS

At March 31, 2009, we had commitments under non-cancelable operating leases totaling $54.8 million.

Our contractual obligations and commercial commitments as of March 31, 2009 are presented in the following tables. Commercial commitments include standby letters of credit, letters of credit required as security under our self-insured risk retention policies, and other potential cash outflows resulting from an event that requires us to fulfill a commitment.

	Payments due by March 31,					
(in thousands)	2010	2011	2012	2013	2014 and thereafter	Total
Contractual Obligations:						
Debt	$ —	$ —	$ —	$ —	$ 210,000	$ 210,000
Operating leases	16,572	13,012	9,312	4,679	11,224	54,799
Purchase obligations	13,381	8,146	—	—	—	21,527
Contributions to defined benefit pension plans	9,400	—	—	—	—	9,400
Benefit payments under defined benefit plans	4,544	4,540	4,378	4,329	21,597	39,388
Trust assets available for benefit payments under defined benefit plans	(4,544)	(4,540)	(4,378)	(4,329)	(21,597)	(39,388)
Benefit payments under other post-retirement welfare benefit plans	3,734	3,675	3,547	3,386	13,075	27,417
Unrecognized tax benefits	—	—	—	—	—	10,926
Other obligations	427	393	405	417	872	2,514
Total Contractual Obligations	$ 43,514	$ 25,226	$ 13,264	$ 8,482	$ 235,171	$ 336,583

The table above includes only the principal amounts of our contractual obligations. We provide information about the interest component of our long-term debt in the subsection of MD&A titled, “Liquidity and Capital Resources,” and in note 7 to our consolidated financial statements titled, “Debt.”

Purchase obligations shown in the table above relate to minimum purchase commitments with suppliers for materials purchases.

The table above excludes contributions we make to our defined contribution plan. Our future contributions to this plan depend on uncertain factors, such as the amount and timing of employee contributions and discretionary employer contributions. We provide additional information about our defined benefit pension plans, defined contribution plan, and other post-retirement medical benefit plan in note 10 to our consolidated financial statements titled, “Benefit Plans.”

The table above includes total unrecognized tax benefits of $10.9 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with these tax positions, we are unable to estimate when cash settlements may occur.

	Amount of Commitment Expiring March 31,					
(in thousands)	2010	2011	2012	2013	2014 & Beyond	Totals
Commercial Commitments:						
Performance and surety bonds	$ 18,859	$ 3,269	$ 65	$ 8	$ 1,888	$ 24,089
Letters of credit as security for self-insured risk retention policies	8,482	—	—	—	—	8,482
Total Commercial Commitments	$ 27,341	$ 3,269	$ 65	$ 8	$ 1,888	$ 32,571

CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND ASSUMPTIONS

The following subsections describe our most critical accounting policies, estimates, and assumptions. Our accounting policies are more fully described in note 1 to our consolidated financial statements titled, “Nature of Operations and Summary of Significant Accounting Policies.”

Estimates and Assumptions. Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements that were prepared in accordance with United States generally accepted accounting principles. We make certain estimates and assumptions that we believe to be reasonable when preparing these financial statements. These estimates and assumptions involve judgments with respect to numerous factors that are difficult to predict and are beyond management’s control. As a result, actual amounts could be materially different from these estimates. We periodically review these critical accounting policies, estimates, assumptions, and the related disclosures with the Audit and Financial Policy Committee of the Company’s Board of Directors.

Revenue Recognition. We recognize revenue for products when ownership passes to the Customer, which is based on contract or shipping terms, and for services when the service is provided to the Customer. Our Customers include end users as well as dealers and distributors who market and sell our products. Our revenue is not contingent upon resale by the dealer or distributor. We have no further obligations related to bringing about resale, and our standard return and restocking fee policies are applied.

We also have individual Customer contracts that offer extended payment terms and/or discounted pricing. Dealers and distributors may be offered sales incentives in the form of rebates. We reduce revenue for discounts and estimated returns, rebates, and other similar allowances in the same period the related revenues are recorded. Returns, rebates, and similar allowances are estimated based on historical experience and trend analysis.

In transactions that contain multiple elements, such as when products, maintenance services, and other services are combined, we recognize revenue as each product is delivered or service is provided to the Customer. We allocate the total arrangement consideration to each element based on its relative fair value, based on the price for the product or service when it is sold separately.

We offer preventative maintenance agreements to our Customers with contract terms from one to five years, which require us to maintain and repair our products during this time. Amounts received under these Customer contracts are initially recorded as deferred service revenues and then recognized as service revenues ratably over the contract term.

We classify shipping and handling amounts billed to Customers in sales transactions as revenues.

Allowance for Doubtful Accounts Receivable. We maintain an allowance for uncollectible accounts receivable for estimated losses in the collection of amounts owed by Customers. We estimate the allowance based on analyzing a number of factors, including amounts written off historically, Customer payment practices, and general economic conditions. We also analyze significant Customer accounts on a regular basis and record a specific allowance when we become aware of a specific Customer’s inability to pay. As a result, the related accounts receivable are reduced to an amount that we reasonably believe is collectible. These analyses require a considerable amount of judgment. If the financial condition of our Customers worsens, or economic conditions change, we may be required to make changes to our allowance for doubtful accounts receivable.

Allowance for Sales Returns. We maintain an allowance for sales returns based upon known returns and estimated returns for both capital equipment and consumables. We estimate returns of capital equipment and consumables based upon historical experience less the estimated inventory value of the returned goods.

Inventories and Reserves. Inventories are stated at the lower of their cost or market value. We determine cost based upon a combination of the last-in, first-out (“LIFO”) and first-in, first-out (“FIFO”) cost methods. We determine the LIFO inventory value at the end of the year based on inventory levels and costs at that time. For inventories valued using the LIFO method, we believe that the use of the LIFO method results in a matching of current costs and revenues. Inventories valued using the LIFO method represented approximately 42.2% and 39.3% of total inventories at March 31, 2009 and 2008, respectively. Inventory costs include material, labor, and overhead. If we had used only the FIFO method of inventory costing, inventories would have been $16.4 million and $16.3 million higher than those reported at March 31, 2009 and 2008, respectively.

We review the net realizable value of inventory on an ongoing basis, considering factors such as deterioration, obsolescence, and other items. We record an allowance for estimated losses when the facts and circumstances indicate that particular inventories will not be usable. If future market

conditions vary from those projected, and our estimates prove to be inaccurate, we may be required to write-down inventory values and record an adjustment to cost of revenues.

Asset Impairment Losses. Property, plant, equipment, and identifiable intangible assets (except for goodwill and intangible assets with indefinite lives) are reviewed for impairment when events and circumstances indicate that the carrying value of such assets may not be recoverable. Impaired assets are recorded at the lower of carrying value or estimated net realizable value. We conduct this review on an ongoing basis and, if impairment exists, we record the loss in the Consolidated Statements of Income during that period.

When we evaluate assets for impairment, we make certain judgments and estimates, including interpreting current economic indicators and market valuations, evaluating our strategic plans with regards to operations, historical and anticipated performance of operations, and other factors. If we incorrectly anticipate these factors, or unexpected events occur, our operating results could be materially affected.

Restructuring-Related Expenses and Accruals. We have recorded specific accruals in connection with plans for restructuring elements of our business. These accruals include estimates principally related to employee separation costs, the closure and/or consolidation of facilities, contractual obligations, and the valuation of certain assets including property, plant, and equipment. Actual amounts could differ from the original estimates.

We review our restructuring-related accruals on a quarterly basis and changes to plans are appropriately recognized in the Consolidated Statements of Income in the period the change is identified. Note 2 to our consolidated financial statements titled, “Restructuring,” summarizes our restructuring plans.

Purchase Accounting and Goodwill. We account for business acquisitions using the purchase method of accounting. This method requires us to record the assets and liabilities of the business acquired at their estimated fair values as of the acquisition date. Any excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired is recorded as goodwill. We use valuation specialists with expertise in performing appraisals to assist us in determining the fair values of assets acquired and liabilities assumed. These valuations require us to make estimates and assumptions, especially with respect to intangible assets. We generally amortize our intangible assets over their useful lives. We do not amortize goodwill, but we evaluate it annually for impairment. Therefore, the allocation of acquisition costs to intangible assets and goodwill has a significant impact on future operating results.

We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. This evaluation requires a valuation of the underlying business. The valuation can be significantly affected by estimates of future performance and discount rates over a relatively long period of time, market price valuation multiples, allocation of assets, and other factors. Using different assumptions in our valuation could result in significantly different estimates of the fair value of the reporting units, which could result in the impairment of goodwill.

We performed our annual goodwill impairment evaluation as of October 31, 2008. As a result of this evaluation, we determined that there was no impairment of the recorded goodwill amounts.

Income Taxes. Our provision for income taxes is based on our current period income, changes in deferred income tax assets and liabilities, income tax rates, changes in uncertain tax benefits, and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and the respective governmental taxing authorities. We use significant judgment in determining our annual effective income tax rate and evaluating our tax positions. We prepare and file tax returns based on our interpretation of tax laws and regulations, and we record estimates based on these judgments and interpretations. We cannot be sure that the tax authorities will agree with all of the tax positions taken by us. The actual income tax liability for each jurisdiction in any year can, in some instances, be ultimately determined several years after the tax return is filed and the financial statements are published.

We adopted the provisions of FIN No. 48 effective April 1, 2007. We evaluate our tax positions using the recognition threshold and measurement attribute in accordance with this interpretation. We determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority and that the taxing authority will have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The appropriate unit of account for determining what constitutes an individual tax position, and whether the more-likely-than-not recognition threshold is met for a tax position, is a matter of judgment based on

the individual facts and circumstances of that position evaluated in light of all available evidence. We review and adjust our tax estimates periodically because of ongoing examinations by and settlements with the various taxing authorities, as well as changes in tax laws, regulations and precedent.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences, and the implementation of tax planning strategies. If we are unable to generate sufficient future taxable income in certain tax jurisdictions, or if there is a material change in the effective income tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowance, which would increase our effective income tax rate and could result in an adverse impact on our consolidated financial position, results of operations, or cash flows.

We believe that adequate accruals have been made for income taxes. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on our consolidated financial position, but could possibly be material to our consolidated results of operations or cash flow for any one period.

Additional information regarding income taxes is included in note 9 to our consolidated financial statements titled, “Income Taxes.”

Self-Insurance Liabilities. We record a liability for self-insured risks that we retain for general and product liabilities, workers’ compensation, and automobile liabilities based on actuarial calculations. We use our historical loss experience and actuarial methods to calculate the estimated liability. This liability includes estimated amounts for both losses and incurred but not reported claims. We review the assumptions used to calculate the estimated liability at least annually to evaluate the adequacy of the amount recorded. We maintain insurance policies to cover losses greater than our estimated liability, which are subject to the terms and conditions of those policies. Our accrual for self-insured risk retention as of March 31, 2009 and 2008 was $15.3 million and $16.4 million, respectively.

We are also self-insured for employee medical claims. We estimate a liability for incurred but not reported claims based upon recent claims experience.

Our self-insured liabilities contain uncertainties because management must make assumptions and apply judgments to estimate the ultimate cost to settle reported claims and claims incurred but not reported as of the balance sheet date. If actual results are not consistent with these assumptions and judgments, we could be exposed to additional costs in subsequent periods.

Warranty Reserves. We generally offer a limited one-year parts and labor warranty on our capital equipment. The specific terms and conditions of warranties vary depending on the product sold and the country where we conduct business. We record a liability for the estimated cost of product warranties in the period revenues are recognized. We estimate warranty expenses based primarily on historical warranty claim experience and the terms of specific Customer contracts. While we have extensive quality programs and processes and actively monitor and evaluate the quality of suppliers, actual warranty experience could be different from our estimates. If actual product failure rates, material usage, or service costs are different from our estimates, we may have to record an adjustment to the estimated warranty liability. As of March 31, 2009 and 2008, we had accrued $7.6 million and $7.8 million, respectively, for warranty exposures.

Contingencies. We are, and are likely to continue to be involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise in the course of our business, given our size, history, complexity, the nature of our business, Customers, regulatory environment, and industries in which we participate. These legal proceedings, government investigations, and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slips and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), economic loss (e.g., breach of contract, other commercial claims), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

We record a liability for such contingencies to the extent we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings

and claims is not anticipated to have a material adverse affect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of proceedings, government investigations, and claims is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery. Refer to Part I, Item 3, “Legal Proceedings”, for additional information.

We are subject to taxation from United States federal, state, and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. The IRS routinely conducts audits of our federal income tax returns. In the fourth quarter of fiscal 2008, we reached a settlement with the IRS on all material tax matters for fiscal 1999 through fiscal 2001. In the first quarter of fiscal 2009, we reached a settlement with the IRS on all material tax matters for fiscal 2002 through fiscal 2005. The IRS also began its audit of fiscal 2006 and fiscal 2007 in fiscal 2009. We remain subject to tax authority audits in various other jurisdictions in which we operate. If we prevail in matters for which accruals have been recorded, or are required to pay amounts in excess of recorded accruals, our effective income tax rate in a given financial statement period could be materially impacted.

Additional information regarding our commitments and contingencies is included in note 11 to our consolidated financial statements titled, “Commitments and Contingencies.”

Benefit Plans. We provide defined benefit pension plans for certain current and former manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. As of March 31, 2009, we sponsored defined benefit pension plans for eligible participants in the United States and Switzerland. In addition, as of March 31, 2009, we sponsored an unfunded post-retirement welfare benefits plan for two groups of United States employees, including the same employees who receive pension benefits under the United States defined benefit pension plans. Benefits under this plan include retiree life insurance and retiree medical insurance, including prescription drug coverage.

Employee pension and post-retirement welfare benefits plans are a significant cost of conducting business and represent obligations that will be settled far in the future and therefore, require us to use estimates and make certain assumptions to calculate the expense and liabilities related to the plans. Changes to these estimates and assumptions can result in different expense and liability amounts. Future actual experience may be significantly different from our current expectations. We believe that the most critical assumptions used to determine net periodic benefit costs and projected benefit obligations are the expected long-term rate of return on plan assets and the discount rate. A summary of significant assumptions used to determine the March 31, 2009 projected benefit obligations and the fiscal 2009 net periodic benefit costs is as follows:

	Defined Benefit Pension Plans		Other Post-Retirement Plan
	U.S.	Switzerland	
Funding Status	**Funded**	**Funded**	**Unfunded**
Assumptions used to determine March 31, 2009 projected benefit obligations:			
Discount rate	**7.50%**	**3.25%**	**7.00%**
Expected return on plan assets	**8.00%**	**4.50%**	**NA**
Assumptions used to determine fiscal 2009 net periodic benefit costs:			
Discount rate	**6.00%**	**3.75%**	**6.00%**
Expected return on plan assets	**8.00%**	**4.50%**	**NA**

NA – Not applicable.

We develop our expected long-term rate of return on plan assets assumptions by evaluating input from third-party professional advisors, taking into consideration the asset allocation of the portfolios, and the long-term asset class return expectations. Generally, net periodic benefit costs and projected benefit obligations both increase as the expected long-term rate of return on plan assets assumption decreases. Holding all other assumptions constant, lowering the expected long-term rate of return on plan assets assumption for our funded defined benefit pension plans by 50 basis points would have increased the fiscal 2009 benefit costs by $0.2 million. The projected benefit obligations at March 31, 2009 would remain approximately the same.

We develop our discount rate assumptions by evaluating input from third-party professional advisors, taking into consideration the current yield on country specific investment grade long-term bonds which provide for similar cash flow streams as our projected benefit obligations. Generally, the projected benefit obligations and the net periodic benefit costs both increase as the discount rate assumption decreases. Holding all other assumptions constant, lowering the discount rate assumption for our defined benefit pension plans and for the other post-retirement plan by 50 basis points would have increased the fiscal 2009 net periodic benefit costs by approximately $0.1 million and would have increased the projected benefit obligations by approximately $2.6 million at March 31, 2009.

We have made assumptions regarding healthcare costs in computing our other post-retirement benefit obligation. 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. A 100 basis point change in the assumed healthcare cost trend rate (including medical, prescription drug, and long-term rates) would have had the following effect at March 31, 2009:

	100 Basis Point	
(dollars in thousands)	Increase	Decrease
Effect on total service and interest cost components	**$ 30**	**$ (29)**
Effect on postretirement benefit obligation	**335**	**(323)**

We recognize an asset for the overfunded status or a liability for the underfunded status of defined benefit pension and post-retirement benefit plans in our balance sheets. This amount is measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for other post-retirement benefit plans). Changes in the funded status of the plans are recorded in other comprehensive income in the year they occur. We measure plan assets and obligations as of the balance sheet date. Note 10 to our consolidated financial statements titled, “Benefit Plans,” contains additional information about our pension and other post-retirement welfare benefits plans.

We concluded that the prescription drug benefit provided in our post-retirement welfare benefits plan is considered to be actuarially equivalent to the benefit provided under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the “Act”) and thus qualifies for the subsidy under the Act. The expected future subsidies reduced our accumulated post-retirement benefit obligation and our net periodic benefit cost as of and for the fiscal year ended March 31, 2009 by approximately $11.6 million and $1.1 million, respectively. We collected subsidies totaling approximately $0.5 million and $0.9 million during fiscal 2009 and fiscal 2008, respectively, which reduced our net post-retirement medical payments. We did not collect any subsidies in fiscal 2007.

Share-Based Compensation. We account for share-based compensation according to the provisions of Statement of Financial Accounting Standards No. 123R (“SFAS No. 123R”), “Share-Based Payment.” Accordingly, we measure the estimated fair value for all share-based compensation awards, including grants of employee stock options at the grant date and recognize the related compensation expense over the period in which the share-based compensation vests. We selected the Black-Scholes-Merton option pricing model as the most appropriate method for determining the estimated fair value of our share-based compensation awards. This model involves assumptions that are judgmental and affect share-based compensation expense.

In fiscal 2009, fiscal 2008, and fiscal 2007, share-based compensation expense was $7.4 million, $8.6 million, and $9.9 million, respectively. Note 15 to our consolidated financial statements titled, “Share-Based Compensation,” contains additional information about our various share-based compensation plans.

RECENTLY ISSUED ACCOUNTING STANDARDS IMPACTING THE COMPANY

Recently issued accounting standards that are relevant to us are presented in note 1 to our consolidated financial statements titled, “Nature of Operations and Summary of Significant Accounting Policies.”

INFLATION

Our business has not been significantly impacted by the overall effects of inflation. We monitor the prices we charge for our products and services on an ongoing basis and plan to adjust those prices to take into account future changes in the rate of inflation. However, we may not be able to completely offset the impact of inflation.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to STERIS or our industry that are intended to qualify for the protections afforded “forward-looking statements” under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date of this report, and may be identified by the use of forward-looking terms such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “potential,” “confidence,” “seeks,” or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to be materially different from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, actions of regulatory agencies, and changes in government regulations or the application or interpretation thereof. Many of these important factors are outside of our control. No assurances can be provided as to any outcome from litigation, regulatory actions, administrative proceedings, governmental investigations, warning letters, cost reductions, business strategies, level of share repurchases, earnings and revenue trends, or future financial results. Unless legally required, we do not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to be materially different from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing, raw material, and energy costs that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or that our business initiatives will take longer, cost more, or produce lower benefits than anticipated, (c) the possibility that application of or compliance with laws, court rulings, regulatory actions, including, without limitation, the previously disclosed FDA warning letter, certifications or other requirements or standards may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect our performance, results, or value, (d) the potential of international unrest, or effects of fluctuations in currencies, tax assessments or rates, raw material costs, benefit or retirement plan costs, or other regulatory compliance costs, (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for our products and services as a result of the current economic downturn and/or due to other factors, (f) the possibility that anticipated growth, alignment, cost savings, or other results may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental, or other issues or risks associated with our business, industry, or other issues, activities, or initiatives, including the impact on the currently marketed sterilizer or the ability to obtain clearance or market acceptance of the new sterilization system, may adversely impact our performance, results, or value, and (g) the effect of the credit crisis on our ability, as well as the ability of our Customers and suppliers, to adequately access the credit markets when needed, and (h) those risks described in this Annual Report on Form 10-K under Item 1A, “Risk Factors.”

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are exposed to various risks, including, but not limited to, interest rate, foreign currency, and commodity risks. These risks are described in the sections that follow.

INTEREST RATE RISK

As of March 31, 2009, we had $210.0 million in fixed rate senior notes outstanding. We had no outstanding borrowings under our revolving credit facility. If we utilize the revolving credit facility, we would be exposed to changes in interest rates in the case of floating rate revolving credit facility borrowings. We monitor our interest rate risk, but do not engage in any hedging activities using derivative financial instruments. For additional information regarding our debt structure, refer to note 7 to our Consolidated Financial Statements titled, “Debt.”

FOREIGN CURRENCY RISK

We are exposed to the impact of foreign currency exchange fluctuations. This foreign currency exchange risk arises when we conduct business in a currency other than the U.S. dollar. For most international operations, local currencies have been determined to be the functional currencies. The financial statements of international subsidiaries are translated to their U.S. dollar equivalents at end-of-period exchange rates for assets and liabilities and at average currency exchange rates for revenues and expenses. Translation adjustments for international subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) within shareholders’ equity. Note 3 to our consolidated financial statements titled, “Accumulated Other Income (Loss),” contains additional information about the impact of translation on accumulated other comprehensive income (loss) and shareholders’ equity. Transaction gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized in the Consolidated Statements of Income. Since we operate internationally and approximately 23.5% of our fiscal 2009 revenues and 31.0% of our fiscal 2009 cost of revenues were generated outside the United States, foreign currency exchange rate fluctuations can significantly impact our financial position, results of operations, and competitive position.

We enter into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. At March 31, 2009, we held foreign currency forward contracts to buy 28.0 million Mexican pesos.

COMMODITY RISK

We are dependent on basic raw materials, sub-assemblies, components, and other supplies used in our operations. Our financial results could be affected by the availability and changes in prices of these materials. Some of these materials are sourced from a limited number of suppliers. These materials are also key source materials for our competitors. Therefore, if demand for these materials rises, we may experience increased costs and/or limited supplies. As a result, we may not be able to acquire key production materials on a timely basis, which could impact our ability to produce products and satisfy incoming sales orders on a timely basis. In addition, the costs of these materials can rise suddenly and result in significantly higher costs of production. We believe that we have adequate primary and secondary sources of supply in each of our key materials and energy sources. Where appropriate, we enter into long-term supply contracts as a basis to guarantee a reliable supply.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

REPORT OF MANAGEMENT

Board of Directors and Shareholders
STERIS Corporation

Management of STERIS Corporation (the "Company") is responsible for the preparation of the consolidated financial statements and disclosures included in this Annual Report. Management believes that the consolidated financial statements and disclosures 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 opinion of Ernst & Young LLP, an independent registered public accounting firm, on the financial statements is included herein.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f).

Management has used the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria") to evaluate the effectiveness of internal control over financial reporting as of March 31, 2009.

Based on this evaluation under the COSO criteria, management has concluded that the Company's internal control over financial reporting was effective as of March 31, 2009. There were no material weaknesses in internal control over financial reporting identified by management.

The Audit and Financial Policy Committee of the Board of Directors of the Company is composed of directors who are not officers of the Company. It meets regularly with members of management, internal auditors, and the representatives of the independent registered public accounting firm to discuss the adequacy of the Company's internal control over financial reporting, financial statements, and the nature, extent, and results of the audit effort. Management reviews with the Audit and Financial Policy Committee all of the Company's significant accounting policies and assumptions affecting the results of operations. Both the independent registered public accounting firm and the internal auditors have direct access to the Audit and Financial Policy Committee without the presence of management.

/s/ WALTER M ROSEBROUGH, JR.
Walter M Rosebrough, Jr.
President and Chief Executive Officer

/s/ MICHAEL J. TOKICH
Michael J. Tokich
Senior Vice President and Chief Financial Officer

May 29, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
STERIS Corporation

We have audited STERIS Corporation and subsidiaries' internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). STERIS Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on STERIS Corporation and subsidiaries' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, STERIS Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of STERIS Corporation and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, and our report dated May 28, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
May 28, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
STERIS Corporation

We have audited the accompanying consolidated balance sheets of STERIS Corporation and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009. 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 STERIS Corporation and subsidiaries' 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of STERIS Corporation and subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with U.S. generally accepted accounting principles. 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 9 to the consolidated financial statements, effective April 1, 2007 STERIS Corporation and subsidiaries changed its method for accounting for uncertain tax positions. As discussed in Note 10, effective March 31, 2007, STERIS Corporation and subsidiaries changed its method of accounting for pension and other postretirement benefits.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), STERIS Corporation and subsidiaries' internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 28, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
May 28, 2009

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

March 31,	2009	2008
Assets		
Current Assets:		
Cash and cash equivalents	**$ 154,180**	$ 51,868
Accounts receivable (net of allowances of $10,728 and $9,396, respectively)	**238,438**	249,814
Inventories, net	**130,218**	147,210
Deferred income taxes	**7,195**	29,033
Prepaid expenses and other current assets	**23,099**	35,451
Total Current Assets	**553,130**	513,376
Property, plant, and equipment, net	**350,996**	384,642
Goodwill and intangibles, net	**305,189**	337,980
Other assets	**7,624**	3,294
Total Assets	**$1,216,939**	$1,239,292
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term indebtedness	**$ —**	$ 700
Accounts payable	**68,573**	75,532
Accrued income taxes	**—**	23,039
Accrued payroll and other related liabilities	**59,702**	59,243
Accrued expenses and other	**73,751**	71,845
Total Current Liabilities	**202,026**	230,359
Long-term indebtedness	**210,000**	179,280
Deferred income taxes, net	**18,109**	5,902
Other liabilities	**69,068**	117,599
Total Liabilities	**$ 499,203**	$ 533,140
Commitments and Contingencies (see note 11)		
Serial preferred shares, without par value, 3,000 shares authorized; no shares issued or outstanding	**—**	—
Common shares, without par value, 300,000 shares authorized; 70,040 shares issued; 58,452 and 59,263 shares outstanding, respectively	**232,282**	231,566
Common shares held in treasury, 11,588 and 10,777 shares, respectively	**(313,105)**	(279,841)
Retained earnings	**814,359**	721,331
Accumulated other comprehensive income (loss)	**(15,800)**	33,096
Total Shareholders' Equity	**717,736**	706,152
Total Liabilities and Shareholders' Equity	**$1,216,939**	$1,239,292

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

Years Ended March 31,	2009	2008	2007
Revenues:			
Product	**$ 831,529**	$ 812,058	$ 773,569
Service	**466,996**	453,032	423,838
Total Revenues	**1,298,525**	1,265,090	1,197,407
Cost of Revenues:			
Product	**496,915**	490,124	457,347
Service	**274,868**	264,363	247,807
Total Cost of Revenues	**771,783**	754,487	705,154
Gross Profit	**526,742**	510,603	492,253
Operating Expenses:			
Selling, general, and administrative	**314,983**	334,681	314,342
Research and development	**32,760**	36,916	33,626
Restructuring expenses	**3,554**	15,461	6,584
Total Operating Expenses	**351,297**	387,058	354,552
Income From Continuing Operations	**175,445**	123,545	137,701
Non-operating Expenses:			
Interest expense	**10,563**	5,979	7,211
Interest and miscellaneous income	**(1,603)**	(2,233)	(2,440)
Total Non-operating Expenses, Net	**8,960**	3,746	4,771
Income From Continuing Operations Before Income Tax Expense	**166,485**	119,799	132,930
Income tax expense	**55,800**	42,693	51,833
Net Income From Continuing Operations	**110,685**	77,106	81,097
Discontinued Operations:			
Gain on the sale of discontinued operations, net of tax	**—**	—	1,058
Net Income	**$ 110,685**	$ 77,106	$ 82,155
Basic Earnings Per Common Share:			
Income from continuing operations	**$ 1.88**	$ 1.22	$ 1.24
Income from discontinued operations	**$ —**	$ —	$ 0.02
Net Income	**$ 1.88**	$ 1.22	$ 1.26
Diluted Earnings Per Common Share:			
Income from continuing operations	**$ 1.86**	$ 1.20	$ 1.23
Income from discontinued operations	**$ —**	$ —	$ 0.02
Net Income	**$ 1.86**	$ 1.20	$ 1.25
Cash Dividends Declared Per Common Share Outstanding	**$ 0.30**	$ 0.23	$ 0.18

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Years Ended March 31,	2009	2008	2007
Operating Activities:			
Net income	**$110,685**	$ 77,106	$ 82,155
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, and amortization	**58,773**	62,778	60,257
Deferred income taxes	**6,817**	(10,160)	(10,114)
Share-based compensation expense	**7,370**	8,617	9,937
(Gain) loss on the disposal of property, plant, equipment, and intangibles, net	**(2,755)**	5,793	841
Gain on the sale of discontinued operations, net of tax	**—**	—	(1,058)
Other items	**(11,783)**	512	2,260
Changes in operating assets and liabilities			
Accounts receivable, net	**454**	9,173	(4,571)
Inventories, net	**675**	(4,903)	(16,905)
Other current assets	**10,840**	539	(16,777)
Accounts payable	**(2,741)**	(3,120)	(12,031)
Accruals and other, net	**(10,951)**	(2,934)	1,746
Net Cash Provided by Operating Activities	**167,384**	143,401	95,740
Investing Activities:			
Purchases of property, plant, equipment, and intangibles, net	**(40,889)**	(56,974)	(49,024)
Proceeds from the sale of property, plant, equipment, and intangibles	**19,341**	5,154	2,825
Proceeds from the sale of discontinued operations	**—**	—	2,927
Equity investments in joint ventures	**(4,150)**	—	—
Net Cash Used in Investing Activities	**(25,698)**	(51,820)	(43,272)
Financing activities:			
Proceeds from the issuance of long-term obligations	**150,000**	—	—
(Payments) proceeds under credit facility, net	**(79,180)**	79,180	(12,980)
Payments on long-term obligations and capital leases	**(40,800)**	(700)	(1,687)
Repurchases of common shares	**(80,466)**	(177,171)	(60,170)
Cash dividends paid to common shareholders	**(17,657)**	(14,609)	(11,766)
Deferred financing fees and debt issuance costs	**(476)**	(443)	—
Tax benefit from stock options exercised	**6,982**	3,194	1,927
Stock option and other equity transactions, net	**33,621**	14,619	8,997
Net Cash Used in Financing Activities	**(27,976)**	(95,930)	(75,679)
Effect of exchange rate changes on cash and cash equivalents	**(11,398)**	3,921	2,775
Increase (decrease) in cash and cash equivalents	**102,312**	(428)	(20,436)
Cash and cash equivalents at beginning of year	**51,868**	52,296	72,732
Cash and cash equivalents at end of year	**$154,180**	$ 51,868	$ 52,296

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Shares		Treasury Shares			Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount	Number	Amount	Retained Earnings		
Balance at March 31, 2006	66,976	$ 218,815	3,064	$ (77,092)	$ 596,878	$ (7,774)	$ 730,827
Comprehensive income:							
Net income	—	—	—	—	82,155	—	82,155
Minimum pension liability adjustment prior to adopting SFAS No. 158, net of taxes of $113	—	—	—	—	—	(556)	(556)
Unrealized loss on investments	—	—	—	—	—	(4)	(4)
Foreign currency translation adjustment	—	—	—	—	—	16,808	16,808
Total comprehensive income	—	—	—	—	—	—	98,403
Repurchases of common shares	(2,607)	—	2,607	(60,170)	—	—	(60,170)
Equity compensation programs	613	4,232	(613)	14,754	—	—	18,986
Tax benefit of stock options exercised	—	1,927	—	—	—	—	1,927
Cash dividends – $0.18 per common share	—	—	—	—	(11,766)	—	(11,766)
Adjustment recognized upon adoption of SFAS No. 158, net of taxes of $7,767	—	—	—	—	—	(3,915)	(3,915)
Balance at March 31, 2007	64,982	224,974	5,058	(122,508)	667,267	4,559	774,292
Adjustment recognized upon adoption of FIN No. 48	—	—	—	—	(8,433)	—	(8,433)
Comprehensive income:							
Net income	—	—	—	—	77,106	—	77,106
Pension and postretirement liability adjustment, (net of income tax of $2,169)	—	—	—	—	—	(3,601)	(3,601)
Unrealized loss on investments	—	—	—	—	—	(189)	(189)
Foreign currency translation adjustment	—	—	—	—	—	32,327	32,327
Total comprehensive income	—	—	—	—	—	—	105,643
Repurchases of common shares	(6,600)	—	6,600	(177,171)	—	—	(177,171)
Equity compensation programs	881	3,398	(881)	19,838	—	—	23,236
Tax benefit of stock options exercised	—	3,194	—	—	—	—	3,194
Cash dividends – $0.23 per common share	—	—	—	—	(14,609)	—	(14,609)
Balance at March 31, 2008	59,263	231,566	10,777	(279,841)	721,331	33,096	706,152
Comprehensive income:							
Net income	**—**	**—**	**—**	**—**	**110,685**	**—**	**110,685**
Pension and postretirement liability adjustment, (net of income tax of $18,602)	**—**	**—**	**—**	**—**	**—**	**20,933**	**20,933**
Unrealized loss on investments	**—**	**—**	**—**	**—**	**—**	**(318)**	**(318)**
Foreign currency translation adjustment	**—**	**—**	**—**	**—**	**—**	**(69,511)**	**(69,511)**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**61,789**
Repurchases of common shares	**(2,646)**	**—**	**2,646**	**(80,466)**	**—**	**—**	**(80,466)**
Equity compensation programs	**1,835**	**(6,266)**	**(1,835)**	**47,202**	**—**	**—**	**40,936**
Tax benefit of stock options exercised	**—**	**6,982**	**—**	**—**	**—**	**—**	**6,982**
Cash dividends – $0.30 per common share	**—**	**—**	**—**	**—**	**(17,657)**	**—**	**(17,657)**
Balance at March 31, 2009	58,452	$ 232,282	11,588	$ (313,105)	$ 814,359	$ (15,800)	$ 717,736

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As a result of organizational changes within the Life Sciences segment announced in fiscal 2008, we changed our methodology for reporting segments. The Defense and Industrial business unit, which contains businesses in early development stages, will no longer be a component of the Life Sciences segment. "Corporate and other," which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie, Pennsylvania manufacturing operation. Fiscal 2007 amounts have been reclassified to reflect the fiscal 2008 and fiscal 2009 presentation.

We operate in three reportable business segments: Healthcare, Life Sciences, and STERIS Isomedix Services ("Isomedix"). We describe our operating segments in note 12. Our fiscal year ends on March 31. References in this Annual Report to a particular "year" or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below:

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

Use of Estimates. We make certain estimates and assumptions when preparing financial statements according to accounting principals generally accepted in the United States that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses for the years presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available.

Cash Equivalents and Supplemental Cash Flow Information. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased.

Information supplementing our Consolidated Statements of Cash Flows is as follows:

Years Ended March 31,	2009	2008	2007
Cash paid during the year for:			
Interest	**$10,748**	$ 6,020	$ 7,462
Income taxes	**48,489**	54,164	78,338
Cash received during the year for income tax refunds	**1,870**	967	1,028

Revenue Recognition. We recognize revenue for products when ownership passes to the Customer, which is based on contract or shipping terms, and for services when the service is provided to the Customer. Our Customers include end users as well as dealers and distributors who market and sell our products. Our revenue is not contingent upon resale by the dealer or distributor. We have no further obligations related to bringing about resale and our standard return and restocking fee policies are applied.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

We also have individual Customer contracts that offer discounted pricing. Dealers and distributors may be offered sales incentives in the form of rebates. We reduce revenue for discounts and estimated returns, rebates, and other similar allowances in the same period the related revenues are recorded. Returns, rebates, and similar allowances are estimated based on historical experience and trend analysis.

In transactions that contain multiple elements, such as when products, maintenance services, and other services are combined, we recognize revenue as each product is delivered or service is provided to the Customer. We allocate the total arrangement consideration to each element based on its relative fair value, based on the price for the product or service when it is sold separately.

We offer preventative maintenance agreements to our Customers with contract terms of one to five years which require us to maintain and repair our products during this time. Amounts received under these Customer contracts are initially recorded as deferred service revenues and then recognized as service revenues ratably over the contract term.

Accounts Receivable. Accounts receivable are presented at their face amount, less allowances for sales returns and uncollectible accounts. Accounts receivable consist of amounts billed and currently due from Customers and amounts earned but unbilled. We generally do not require collateral on sales.

We maintain an allowance for uncollectible accounts receivable for estimated losses in the collection of amounts owed by Customers. We estimate the allowance based on analyzing a number of factors, including amounts written off historically, Customer payment practices, and general economic conditions. We also analyze significant Customer accounts on a regular basis and record a specific allowance when we become aware of a specific Customer's inability to pay. As a result, the related accounts receivable are reduced to an amount that we reasonably believe is collectible.

We maintain an allowance for sales returns based upon known returns and estimated returns for both capital equipment and consumables. We estimate returns of capital equipment and consumables based upon recent historical experience less the estimated inventory value of the returned goods.

Inventories, net. Inventories are stated at the lower of their cost or market value. We determine cost based upon a combination of the last-in, first-out ("LIFO") and first-in, first-out ("FIFO") cost methods. For inventories valued using the LIFO method, we believe that the use of the LIFO method results in a matching of current costs and revenues. Inventories valued using the LIFO method represented approximately 42.2% and 39.3% of total inventories at March 31, 2009 and 2008, respectively. Inventory costs include material, labor, and overhead. If we had used only the FIFO method of inventory costing, inventories would have been $16,380 and $16,318 higher than those reported at March 31, 2009 and 2008, respectively.

We review the net realizable value of inventory on an ongoing basis, considering factors such as deterioration, obsolescence, and other items. We record an allowance for estimated losses when the facts and circumstances indicate that particular inventories will not be usable. If future market conditions vary from those projected, and our estimates prove to be inaccurate, we may be required to write-down inventory values and record an adjustment to cost of revenues.

Property, Plant, and Equipment. Our property, plant, and equipment consists of land and land improvements, buildings and leasehold improvements, machinery and equipment, information systems, radioisotope (cobalt-60), and construction in progress. Property, plant, and equipment is presented at cost less accumulated depreciation and depletion. We capitalize additions and improvements. Repairs and maintenance are charged to expense as they are incurred.

Land is not depreciated and construction in progress is not depreciated until placed in service. Depreciation of most assets is computed on the cost less the estimated salvage value by using the straight-line method over the estimated remaining useful lives. Depletion of radioisotope is computed using the annual decay factor of the material, which is similar to the sum-of-the-years-digits method.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

We generally depreciate or deplete property, plant, and equipment over the useful lives presented in the following table:

Asset Type	Useful Life (years)
Land improvements	3-40
Buildings and leasehold improvements	2-50
Machinery and equipment	3-35
Information Systems	2-17
Radioisotope	20

When we sell, retire, or dispose of property, plant, and equipment, we remove the asset's cost and accumulated depreciation from our Consolidated Balance Sheets. We recognize the net gain or loss on the sale or disposition in the Consolidated Statements of Income in the period when the transaction occurs.

Interest. We capitalize interest costs incurred during the construction of long-lived assets. We capitalized interest costs of $920 and $380 for the years ended March 31, 2009 and 2008, respectively.

Total interest expense for the years ended March 31, 2009, 2008, and 2007 was $10,563, $5,979, and $7,211, respectively.

Identifiable Intangible Assets. Our identifiable intangible assets include product technology rights, trademarks, licenses, and Customer relationships. We record these assets at cost, or when acquired as part of a business acquisition, at estimated fair value. We generally amortize identifiable intangible assets over periods ranging from 5 to 20 years using the straight-line method.

Investments. Investments in marketable securities are stated at fair value. Fair value is determined using quoted market prices at the end of the reporting period. Unrealized gains and losses on marketable securities classified as available-for-sale are recorded in Accumulated Other Comprehensive Income (Loss).

Asset Impairment Losses. Property, plant, equipment, and identifiable intangible assets (except for goodwill and intangible assets with indefinite lives) are reviewed for impairment when events and circumstances indicate that the carrying value of such assets may not be recoverable. Impaired assets are recorded at the lower of carrying value or estimated net realizable value. We conduct this review on an ongoing basis and, if an impairment exists, we record the loss in the Consolidated Statements of Income during that period.

Business Acquisitions. We account for business acquisitions using the purchase method of accounting. This method requires us to record the assets and liabilities of the business acquired at their estimated fair values as of the acquisition date. Any excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired is recorded as goodwill. We include certain transaction costs in determining the total cost of an acquisition. Operating results of the acquired businesses are included in the Consolidated Statements of Income from the acquisition date.

Business Dispositions. We summarize business dispositions in note 16 to the consolidated financial statements. During fiscal 2006, we sold our lyophilizer (freeze dryer) product line located in Cologne, Germany and accounted for this product line as a discontinued operation in the consolidated financial statements. We have classified the gain from the sale of this product line recorded in fiscal 2007 as a discontinued operation. The disclosures presented in the accompanying consolidated financial statements refer to our continuing operations, unless we state otherwise.

Goodwill. The goodwill presented in our Consolidated Balance Sheets represents the excess of the purchase price and related costs of businesses or assets we acquired over the fair value assigned to the identifiable net assets acquired. We review goodwill and indefinite-lived intangible assets at least annually for impairment. We use a two-step process to test goodwill for impairment. First, we compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, we do not consider goodwill to be impaired. If the carrying

amount of the reporting unit exceeds its fair value, the second step of the test is performed to measure the amount of any impairment loss. We compare the implied fair value of the reporting unit's goodwill to the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill exceeds the fair value of that goodwill, we record an impairment loss in the Consolidated Statements of Income for an amount equal to that excess, but not more than the carrying amount of the goodwill.

Self-Insurance Liabilities. We record a liability for self-insured risks that we retain for general and product liabilities, workers' compensation, and automobile liabilities based on actuarial calculations. We use our historical loss experience and actuarial methods to calculate the liability. This liability includes estimates for both losses and incurred but not reported claims. We review the assumptions used to calculate the estimated liability at least annually to evaluate the adequacy of the amount recorded. We maintain insurance policies to cover losses greater than our estimated liability, which are subject to the terms and conditions of those policies.

We are also self-insured for employee medical claims. We estimate a liability for incurred but not reported claims based upon recent claims experience.

Benefit Plans. We sponsor defined benefit pension and other post-retirement welfare benefit plans for certain current and former employees. We summarize our benefit plans in note 10. We determine our costs and obligations related to these plans by evaluating input from third-party professional advisors. These costs and obligations are affected by assumptions including the discount rate, expected long-term rate of return on plan assets, the annual rate of change in compensation for eligible employees, estimated changes in costs of healthcare benefits, and other factors. We review the assumptions used on an annual basis.

We recognize an asset for the overfunded status or a liability for the underfunded status of defined benefit pension and post-retirement benefit plans in our balance sheets, according to the provisions of Statement of Financial Accounting Standards No. 158 ("SFAS No. 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106, and 132(R)." This amount is measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for other post-retirement benefit plans). Changes in the funded status of the plans are recorded in other comprehensive income in the year they occur. We measure plan assets and obligations as of the balance sheet date.

We provide additional information about our pension and other post-retirement welfare benefits plans in note 10 to our consolidated financial statements titled, "Benefit Plans."

Litigation and Contingencies. When we determine that it is probable that we have incurred a liability, and the amount of the liability can be reasonably estimated, we record a charge to earnings. We consider the facts and circumstances, including any settlement offers, associated with litigation and contingencies in making the determination.

Fair Value of Financial Instruments. Except for long-term debt, our financial instruments are highly liquid or have short-term maturities. Therefore, the recorded value is approximately equal to the fair value. We estimate the fair value of our long-term debt using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements. We determined that the recorded value of our long-term debt is approximately equal to the fair value at March 31, 2009 and 2008. The financial instruments we hold could potentially expose us to a concentration of credit risk. We invest our excess cash in money market funds and high-quality securities placed with major banks and financial institutions and short-term United States government securities. We have established guidelines related to diversification and maturities to maintain safety and liquidity.

On April 1, 2008, we adopted the non-deferred provisions of Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), "Fair Value Measurements" for financial assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. SFAS No. 157 did not require new fair value measurements. This standard applies under existing accounting pronouncements that require or permit fair value measurements.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

On April 1, 2008, we also adopted Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115," which permits entities to make an irrevocable election to measure many financial instruments and certain other items at fair value that were not currently required to be measured at fair value. The fair value option may be applied instrument by instrument and must be applied to entire instruments. Unrealized gains and losses arising after adoption are reported in earnings. We did not elect to measure any additional financial instruments or other items at fair value.

We provide additional information about the fair value of our financial instruments in note 18 titled, "Fair Value Measurements."

Foreign Currency Translation. Most of our international operations use their local currency as their functional currency. The financial statements of international subsidiaries are translated to their U.S. dollar equivalents at end-of-period currency exchange rates for assets and liabilities and at average currency exchange rates for revenues and expenses. Translation adjustments for international subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) within shareholders' equity. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized as incurred in the accompanying Consolidated Statements of Income, except for certain inter-company balances designated as long-term investments.

Foreign Currency Forward Contracts. We enter into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. These contracts are marked to market, with gains and losses recognized within "Selling, general, and administrative expenses" in the accompanying Consolidated Statements of Income. At March 31, 2009, we held foreign currency forward contracts to buy 28.0 million Mexican pesos. At March 31, 2008, we held foreign currency forward contracts to sell 4.0 million euros and 160.0 million Japanese yen and to buy 4.0 million euros and 3.6 million Canadian dollars.

Warranty. We accrue a liability for estimated product warranty expense at the time the related sale is recognized. We estimate warranty expense based primarily on historical warranty claim experience and the terms of specific Customer contracts.

Shipping and Handling. We record shipping and handling costs in costs of revenues. Shipping and handling costs charged to Customers are recorded as revenues in the period the product revenues are recognized.

Advertising Expenses. We expense advertising costs as incurred. We incurred $9,430, $11,740, and $13,170 of advertising costs during the years ended March 31, 2009, 2008, and 2007, respectively.

Research and Development. We incur research and development costs associated with commercial products. We expense these costs in the Consolidated Statements of Income as incurred. If a Customer reimburses us for research and development costs, the costs are charged to the related contracts as costs of revenues.

Income Taxes. Our income tax expense includes United States federal, state, and local, and foreign income taxes, and is based on reported pre-tax income. We defer income taxes for all temporary differences between pre-tax financial and taxable income and between the book and tax basis of assets and liabilities. We record valuation allowances to reduce net deferred tax assets to an amount that we expect will more-likely-than-not be realized. In making such a determination, we consider all available information, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes and the effective tax rate.

In July 2006, the FASB issued Interpretation No. 48 ("FIN No. 48"), "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109," ("SFAS No. 109"). This interpretation provides guidance for the accounting for uncertainty in income taxes recognized in our financial statements in accordance with SFAS No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement

recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The evaluation of a tax position in accordance with FIN No. 48 is a two-step process. The first step is recognition: The determination of whether or not it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate tax authority and that the tax authority will have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not threshold is measured to determine the amount of benefit to recognize in the financial statements. The measurement process requires the determination of the range of possible settlement amounts and the probability of achieving each of the possible settlements. The tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. No tax benefits are recognized for positions that do not meet the more-likely-than-not threshold. Tax positions that previously failed to meet the more-likely-than-not threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which the threshold is no longer met. In addition, FIN No. 48 requires the cumulative effect of adoption to be recorded as an adjustment to the opening balance of retained earnings. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. We adopted FIN No. 48 effective April 1, 2007, as required.

We describe income taxes and the impact of adopting FIN No. 48 further in note 9 to our consolidated financial statements titled, “Income Taxes.”

Share-Based Compensation. We describe share-based compensation in note 15 to our consolidated financial statements titled, “Share-Based Compensation.” We measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”). We record liability awards at fair value each reporting period and the change in fair value is reflected as stock compensation expense in our Consolidated Statements of Income. These costs are recognized in the Consolidated Statement of Income over the period during which an employee is required to provide service in exchange for the award. SFAS No. 123R also requires that excess tax benefits, as defined, realized from the exercise of stock options be reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations.

Restructuring. We have recognized restructuring expenses as incurred as required under the provisions of SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” and SFAS No. 112, “Employers’ Accounting for Postemployment Benefits—an amendment of FASB Statements No. 5 and 43.” In addition, the property, plant, and equipment associated with the related facilities were assessed for impairment under Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”), “Accounting for the Impairment or Disposal of Long-Lived Assets.” Asset impairment and accelerated depreciation expenses primarily relate to inventory write-downs for rationalized products and adjustments in the carrying value of the closed facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant, and equipment associated with the related operations were reevaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets.

Recently Issued Accounting Standards Impacting the Company. In December 2008, the FASB issued FASB Staff Position No. 132(R)-1 (“FSP No. 132(R)-1”), “Employers’ Disclosures about Postretirement Benefit Plan Assets.” FSP No. 132(R)-1 provides guidance on an employer’s disclosures about the plan assets of a defined benefit pension or other post-retirement benefit plan. FSP No. 132(R)-1 requires us to disclose how investment allocation decisions are made, including the factors relevant to understanding investment policies and decisions, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of the plan assets, the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period, and significant concentrations of risk within plan assets. The provisions of FSP No. 132(R)-1 are to be applied prospectively for fiscal years ending after December 15, 2009, with earlier adoption permitted. We are currently evaluating the impact of adopting FSP No. 132(R)-1, but we do not expect it to have a material effect on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position No. 157-2 (“FSP No. 157-2”), “Effective Date of Statement 157.” FSP No. 157-2 deferred the effective date of SFAS No. 157 for all nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. Items in this classification

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

include goodwill and other intangible assets measured for impairment testing purposes. We are currently evaluating the impact of adopting FSP No. 157-2 on our consolidated financial statements.

In April 2008, the FASB issued FSP No. 142-3 ("FSP 142-3"), "Determination of the Useful Life of Intangible Assets", which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset pursuant to Statement of Financial Accounting Standards No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets". The provisions of FSP 142-3 are to be applied prospectively to intangible assets acquired after the effective date in fiscal years beginning after December 15, 2008.

In June 2008, the FASB issued FASB Staff Position EITF No. 03-6-1 ("FSP EITF 03-6-1"), "Determining Whether Instruments Granted in Share-based Payment Transactions Are Participating Securities". Under FSP EITF 03-6-1, unvested share-based payment awards that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computed earnings per share. FSP 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. We are currently evaluating the impact of FSP EITF 03-6-1 on our consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ("SFAS No. 161"), "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133." SFAS No. 161 requires disclosures regarding how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. We have not elected to adopt early and are currently evaluating the impact of SFAS No. 161 on our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) ("SFAS No. 141R"), "Business Combinations." SFAS No. 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141R will impact financial statements on the acquisition date and in subsequent periods, as well as prior to the acquisition date because of the accounting treatment for acquisition-related costs. The provisions of SFAS No. 141R are to be applied prospectively to business combinations completed in fiscal years beginning after December 15, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS No. 160"), "Noncontrolling Interests in Consolidated Financial Statements—Including an Amendment of ARB No. 51." SFAS No. 160 recharacterizes minority interests as noncontrolling interests and requires these interests to be classified as a separate component of equity in our consolidated financial statements. Purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income related to the noncontrolling interests will be included in our consolidated net income and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. The provisions of SFAS No. 160 will be applied prospectively, except for the presentation and disclosure requirements, which will apply retrospectively, and are effective for the first annual reporting period beginning after December 15, 2008. We are currently evaluating the impact of adopting SFAS No. 160 on our consolidated financial statements.

2. RESTRUCTURING

The following summarizes our restructuring plans announced in fiscal 2009, 2008, 2007, and 2006.

Fiscal 2009 Restructuring Plan. During the third quarter of fiscal 2009, we adopted a restructuring plan primarily focused on our international operations (the "Fiscal 2009 Restructuring Plan"). As part of this plan, we took actions to improve operations at our Pieterlen, Switzerland manufacturing facility, rationalized certain products, recorded impairment charges for certain assets no longer used, and made targeted workforce reductions. We will also

close two sales offices in Japan. These actions are expected to directly impact approximately 100 employees worldwide. These restructuring actions are intended to enhance our profitability and improve efficiency primarily by reducing ongoing international operating costs.

In fiscal 2009, we recorded pre-tax expenses totaling $15,580 related to these actions, of which $4,767 was recorded as restructuring expenses and $10,813 was recorded in cost of revenues, with restructuring expenses of $12,827 and $2,753 related to the Healthcare and Life Sciences reporting segments, respectively. We do not expect to incur significant additional expenses related to this plan. We are continuing to evaluate all of our operations for additional opportunities to improve performance, but we have not committed to any additional specific actions.

Fiscal 2008 Restructuring Plan. During the fourth quarter of fiscal 2008, we adopted a restructuring plan primarily focused on our North American operations (the "Fiscal 2008 Restructuring Plan"). As part of this plan, we announced the closure of two sales offices and the rationalization of certain products. We also reduced the workforce in certain support functions. Across all of our reporting segments approximately 90 employees, primarily located in North America, were directly impacted. These restructuring actions were designed to enhance profitability and improve efficiency by reducing ongoing operating costs.

In fiscal 2009, we did not incur any significant additional restructuring expenses related to the Fiscal 2008 Restructuring Plan and we settled certain termination benefits and other costs for less than originally expected. Also in fiscal 2009, we reversed our decision to close one of the sales offices, because we could not achieve a satisfactory exit from our warranty and service obligations. As a result, we reversed restructuring expenses recorded in fiscal 2008 totaling approximately $1,000. In fiscal 2008, we recorded pre-tax expenses totaling $15,834 related to these actions, of which $11,750 was recorded as restructuring expenses and $4,084 was recorded in cost of revenues, with restructuring expenses of $13,187, $1,505, $389, and $753 related to the Healthcare, Life Sciences, and Isomedix reporting segments, and Corporate and other, respectively.

Since the inception of the Fiscal 2008 Restructuring Plan, we have recorded pre-tax expenses totaling $14,333, of which $9,883 was recorded as restructuring expenses and $4,450 was recorded in cost of revenues. Pre-tax expenses of $11,856, $1,296, $429, and $752 related to the Healthcare, Life Sciences, and Isomedix reporting segments, and Corporate and other, respectively. We do not expect to incur any significant additional restructuring expenses related to the Fiscal 2008 Restructuring Plan.

European Restructuring Plan. During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the "European Restructuring Plan"). As part of this plan, we closed two sales offices. We also reduced the workforce in certain of our European support functions. These actions were intended to improve our cost structure in Europe. Approximately 40 employees were directly impacted in various European locations.

In fiscal 2009, fiscal 2008, and fiscal 2007, we recorded $99, $85, and $1,703, respectively, in pre-tax restructuring expenses related to these actions. The restructuring expenses in fiscal 2009 were to settle the remaining obligation associated with this plan related to a lease termination. The restructuring expenses in fiscal 2008 and fiscal 2007 were predominately for severance and related benefits and lease termination costs. Since the inception of the plan, we recorded pre-tax expenses of $1,887, with restructuring expenses of $1,353 and $534 related to the Healthcare and Life Sciences reporting segments, respectively.

Fiscal 2006 Restructuring Plan. During the fourth quarter of fiscal 2006, we announced the transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico and other restructuring actions, including the closure of a sales office, rationalization of operations in Finland, and the elimination of certain management positions (the "Fiscal 2006 Restructuring Plan"). All such actions were intended to improve our cost structure.

In fiscal 2009, we did not incur any restructuring expenses related to the Fiscal 2006 Restructuring Plan and we settled certain severance and related benefit payment obligations for less than originally expected. In fiscal 2008 and fiscal 2007, we recorded $3,626 and $4,881 in pre-tax restructuring expenses, respectively, predominately for severance and related benefit payments and asset impairment and accelerated depreciation expenses. Since the

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

inception of the plan, we recorded restructuring expenses of $33,637, with restructuring expenses of $33,223 and $414 related to the Healthcare and Life Sciences reporting segments, respectively.

These actions directly impacted more than 450 employees beginning in the fourth quarter of fiscal 2006 and continuing through fiscal 2008. We completed the transfer of manufacturing operations to Monterrey, Mexico during fiscal 2008. We settled the remaining obligations associated with the Fiscal 2006 Restructuring Plan.

The following tables summarize our total restructuring charges for fiscal 2009, fiscal 2008, and fiscal 2007:

Year Ended March 31, 2009	Fiscal 2009 Restructuring Plan (1)	Fiscal 2008 Restructuring Plan (2)	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll and other related costs	**$ 4,280**	**$ (365)**	**$ —**	**$ (178)**	**$ 3,737**
Asset impairment and accelerated depreciation	**1,112**	**(83)**	**—**	**—**	**1,029**
Product rationalization	**9,485**	**(464)**	**—**	**—**	**9,021**
Lease termination costs	**354**	**20**	**99**	**—**	**473**
Other	**349**	**(609)**	**—**	**—**	**(260)**
Total Restructuring Charges	**$ 15,580**	**$ (1,501)**	**$ 99**	**$ (178)**	**$ 14,000**

(1) Includes $10,813 in charges recorded in cost of revenues on the Consolidated Statements of Income.
(2) Includes a negative $366 in charges recorded in cost of revenues on the Consolidated Statements of Income.

Year Ended March 31, 2008	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan (3)	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll and other related costs	$ —	$ 5,213	$ (80)	$ 203	$ 5,336
Asset impairment and accelerated depreciation	—	5,106	—	2,885	7,991
Product rationalization	—	3,754	—	—	3,754
Lease termination costs	—	898	165	(13)	1,050
Other	—	863	—	551	1,414
Total Restructuring Charges	$ —	$ 15,834	$ 85	$ 3,626	$ 19,545

(3) Includes $4,084 in charges recorded in cost of revenues on the Consolidated Statements of Income.

Year Ended March 31, 2007	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ —	$ —	$ 1,365	$ 2,027	$ 3,392
Asset impairment and accelerated depreciation	—	—	105	2,606	2,711
Lease termination obligations	—	—	233	150	383
Other	—	—	—	98	98
Total Restructuring Charges	$ —	$ —	$ 1,703	$ 4,881	$ 6,584

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Liabilities related to restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued payroll and other related liabilities" and "Accrued expenses and other." The following tables summarize the liabilities related to our restructuring activities:

	Fiscal 2009 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments/ Impairments	March 31, 2009
Severance and termination benefits	$ —	**$ 4,280**	**$ (2,360)**	**$ 1,920**
Asset impairment	—	**1,112**	**(1,112)**	**—**
Product rationalization	—	**9,485**	**(9,410)**	**75**
Lease termination obligations	—	**354**	**(17)**	**337**
Other	—	**349**	**(108)**	**241**
Total	$ —	**$ 15,580**	**$ (13,007)**	**$ 2,573**

	Fiscal 2008 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision(4)	Payments/ Impairments	March 31, 2009
Severance and termination benefits	$ 4,244	**$ (365)**	**$ (3,378)**	**$ 501**
Asset impairment	492	**(83)**	**—**	**409**
Lease termination obligations	898	**20**	**(37)**	**881**
Other	609	**(609)**	**—**	**—**
Total	$ 6,243	**$ (1,037)**	**$ (3,415)**	**$ 1,791**

(4) Does not include a negative $464 in product rationalization costs that were charged against inventory.

	Fiscal 2008 Restructuring Plan			
		Fiscal 2008		
	March 31, 2007	Provision	Payments/ Impairments	March 31, 2008
Severance and termination benefits	$ —	$ 5,213	$ (969)	$ 4,244
Asset impairments	—	5,106	(4,614)	492
Product rationalization	—	3,754	(3,754)	—
Lease termination obligations	—	898	—	898
Other	—	863	(254)	609
Total	$ —	$ 15,834	$ (9,591)	$ 6,243

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

	European Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments/ Impairments	March 31, 2009
Lease termination obligations	$ 247	**$ 99**	**$ (346)**	$ —
Total	$ 247	**$ 99**	**$ (346)**	$ —

	European Restructuring Plan			
		Fiscal 2008		
	March 31, 2007	Provision	Payments/ Impairments	March 31, 2008
Severance and termination benefits	$ 638	$ (68)	$ (570)	$ —
Lease termination obligations	219	160	(132)	247
Fixed asset impairments	105	—	(105)	—
Total	$ 962	$ 92	$ (807)	$ 247

	Fiscal 2006 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments	March 31, 2009
Severance and termination benefits	$ 879	**$ (178)**	**$ (701)**	$ —
Total	$ 879	**$ (178)**	**$ (701)**	$ —

	Fiscal 2006 Restructuring Plan			
		Fiscal 2008		
	March 31, 2007	Provision	Payments	March 31, 2008
Severance and termination benefits	$ 1,799	$ 132	$ (1,052)	$ 879
Lease termination obligation	157	(13)	(144)	—
Total	$ 1,956	$ 119	$ (1,196)	$ 879

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

3. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) shown in our Consolidated Statements of Shareholders' Equity consists of the following:

	Years Ended March 31,		
	2009	2008	2007
Unrecognized pension and post-retirement benefits costs, net of tax	**$ 6,647**	$ (14,286)	$ (10,685)
Unrealized loss on investments	**(511)**	(193)	(4)
Cumulative foreign currency translation adjustment	**(21,936)**	47,575	15,248
Total	**$ (15,800)**	$ 33,096	$ 4,559

4. GOODWILL AND INTANGIBLE ASSETS

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets." Under this standard, goodwill and indefinite-lived intangible assets are not amortized, but are subject to annual impairment testing. Other finite-lived intangible assets are amortized over their estimated useful lives. We performed our annual goodwill impairment testing during the third quarter of fiscal 2009. This analysis resulted in the conclusion that there had been no impairment of the recorded goodwill amounts.

Changes to the carrying amount of goodwill for the years ended March 31, 2009 and 2008 were as follows:

	Healthcare Segment	Life Sciences Segment	STERIS Isomedix Services Segment	Total
Balance at March 31, 2007	$ 171,537	$ 28,023	$ 81,659	$ 281,219
Foreign currency translation adjustments	5,797	3,920	—	9,717
Balance at March 31, 2008	177,334	31,943	81,659	290,936
Goodwill write-off associated with facility sold	**—**	**—**	**(1,763)**	**(1,763)**
Foreign currency translation adjustments	**(13,897)**	**(3,250)**	**—**	**(17,147)**
Balance at March 31, 2009	**$ 163,437**	**$ 28,693**	**$ 79,896**	**$ 272,026**

Goodwill of $1,763 associated with the Isomedix facility located in the Chicago, Illinois area was written off in connection with the sale of this operation to a Customer in fiscal 2009. Further information regarding the sale of this facility is presented in note 12, "Business Segment Information."

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Information regarding our intangible assets is as follows:

	March 31, 2009		March 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	**$ 17,342**	**$ 9,264**	$ 26,044	$ 10,115
Non-compete agreements	**3,067**	**2,860**	3,165	2,683
Patents and technology	**39,883**	**22,263**	41,428	21,160
Trademarks and tradenames	**17,321**	**10,066**	20,351	10,001
Other	**14**	**11**	25	10
Total	**$ 77,627**	**$ 44,464**	$ 91,013	$ 43,969

We did not hold any indefinite-lived intangible assets in fiscal 2009 or fiscal 2008. Total amortization expense for finite-lived intangible assets was $7,513, $7,613, and $7,548 for the years ended March 31, 2009, 2008, and 2007, respectively. Based upon the current amount of intangible assets subject to amortization, the amortization expense for each of the five succeeding fiscal years is estimated to be as follows:

	2010	2011	2012	2013	2014
Estimated amortization expense	$ 5,970	$ 5,589	$ 4,727	$ 3,906	$ 2,922

The estimated annual amortization expense presented in the preceding table has been calculated based upon March 31, 2009 foreign currency exchange rates.

5. INVENTORIES, NET

Inventories, net consisted of the following:

March 31,	2009	2008
Raw materials	**$ 37,270**	$ 44,195
Work in process	**24,314**	28,158
Finished goods	**68,634**	74,857
Total Inventories, Net	**$ 130,218**	$ 147,210

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

6. PROPERTY, PLANT, AND EQUIPMENT

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

March 31,	2009	2008
Land and land improvements(1)	**$ 25,795**	$ 26,696
Buildings and leasehold improvements	**188,136**	184,921
Machinery and equipment	**271,122**	271,646
Information systems	**92,966**	126,741
Radioisotope	**161,415**	148,738
Construction in progress(1)	**17,667**	38,065
Total Property, Plant, and Equipment	**757,101**	796,807
Less: accumulated depreciation and depletion	**(406,105)**	(412,165)
Property, Plant, and Equipment, Net	**$ 350,996**	$ 384,642

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

Depreciation and depletion expense was $51,260, $55,165, and $52,708, for the years ended March 31, 2009, 2008, and 2007, respectively.

Rental expense for leases was $17,982, $18,205, and $18,164, for the years ended March 31, 2009, 2008, and 2007, respectively. Operating leases relate to manufacturing, warehouse and office space, service facilities, vehicles, equipment, and communication systems. Certain lease agreements grant us varying renewal and purchase options.

Future minimum annual rentals payable under noncancelable operating lease agreements at March 31, 2009 were as follows:

	Operating Leases
2010	$ 16,572
2011	13,012
2012	9,312
2013	4,679
2014 and thereafter	11,224
Total Minimum Lease Payments	$ 54,799

In the preceding table, the future minimum annual rentals payable under noncancelable leases denominated in foreign currencies have been calculated based upon March 31, 2009 foreign currency exchange rates.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

7. DEBT

Indebtedness was as follows:

March 31,	2009	2008
Private Placement	**$ 210,000**	$ 100,000
Credit facility	**—**	79,180
Other debt	**—**	800
Total	**210,000**	179,980
Less: current portion	**—**	700
Long-term portion	**$ 210,000**	$ 179,280

On August 15, 2008, we issued $150,000 of senior notes in a private placement (the "August 2008 Private Placement") to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. We have used and will use the proceeds for general corporate purposes, including repayment of debt, capital expenditures, acquisitions, dividends, and share repurchases. Of the $150,000 notes, $30,000 have a maturity of 5 years at an annual interest rate of 5.63%, another $85,000 have a maturity of 10 years at an annual interest rate of 6.33%, and the remaining $35,000 have a maturity of 12 years at an annual interest rate of 6.43%. The agreements governing the senior notes issued in the August 2008 Private Placement contain financial covenants, including limitations on debt and a minimum consolidated net worth requirement.

In December 2003, we issued $100,000 of senior notes in a private placement (the "December 2003 Private Placement") to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. We used the proceeds of the December 2003 Private Placement to pay down the outstanding balance of our revolving credit facility and have used the other proceeds for general corporate purposes. Of the $100,000 of notes, $40,000 had a maturity of five years at an annual interest rate of 4.20%, an additional $40,000 had a maturity of ten years at an annual interest rate of 5.25%, and the remaining $20,000 had a maturity of twelve years at an annual interest rate of 5.38%. Therefore, in December 2008, the first series of the December 2003 Private Placement notes in an aggregate principal amount of $40,000 matured and was repaid. The agreements governing the senior notes issued in the December 2003 Private Placement contain financial covenants, including limitations on debt and a minimum consolidated net worth requirement.

On August 15, 2008, we signed an amendment to the December 2003 Private Placement note purchase agreements. This amendment, which was signed by the requisite majority in aggregate principal amount of the holders of the December 2003 Private Placement notes, modified the respective note purchase agreements primarily as they pertained to liens, electronic delivery of financial information and notices, and certain provisions regarding an intercreditor agreement.

In September 2007, we signed the Second Amended and Restated Credit Agreement (the "Credit Agreement") with KeyBank National Association, as administrative agent for the lending institutions that are parties to the Credit Agreement (the "Agent"), and the lenders party to the Credit Agreement. This Credit Agreement amended, restated, and replaced our Amended and Restated Credit Agreement dated March 29, 2004, as amended, which was to mature in June 2010. The Credit Agreement matures on September 13, 2012 and provides $400,000 of credit, which may be increased by up to an additional $100,000 in specified circumstances, for borrowings and letters of credit. The Credit Agreement provides a multi-currency borrowing option and may be used for general corporate purposes. At our option, loans can be borrowed on a floating or fixed interest rate at the greater of (1) the Prime Rate established by the Agent, or (2) the Federal Funds effective rate plus 0.50%, plus in each case a margin based on our leverage ratio. Fixed rate loans bear interest at the Eurodollar Rate or other defined currency rate plus, in each case, a margin based on our leverage ratio. Interest is payable quarterly or at the end of the interest period, if shorter. The Credit Agreement also requires the payment of a facility fee on the total facility commitment amount, which is determined based on our leverage ratio. We may prepay floating rate loans without paying a penalty, but we may be required to pay a penalty for prepaying

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

fixed rate loans. The Credit Agreement also allows us to make short-term swing loan borrowings not to exceed $35,000, with an interest rate equal to the Agent's cost of funds plus a margin based on our leverage ratio. The Credit Agreement requires us to maintain compliance with certain financial covenants, including a maximum leverage ratio and a minimum interest coverage ratio. Our obligations under the Credit Agreement are unsecured but guaranteed by our material domestic subsidiaries.

Other debt consisted of industrial development revenue bonds that bore interest at a variable rate based on the bank/marketing agent's demand note index. Reimbursement agreements related to letters of credit that supported the industrial development revenue bonds followed the same financial covenants as the Credit Agreement. The final payment on these industrial revenue bonds was made in March 2009. At March 31, 2008, outstanding obligations under the industrial development revenue bonds were $800, with an interest rate of 2.30%.

At March 31, 2009, we were in compliance with all financial covenants associated with our indebtedness.

The combined annual aggregate amount of maturities of our outstanding debt is as follows:

2010	$ —
2011	—
2012	—
2013	—
2014 and thereafter	210,000
Total	$ 210,000

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

8. ADDITIONAL BALANCE SHEET INFORMATION

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

March 31,	2009	2008
Accrued Payroll and Other Related Liabilities:		
Compensation and related items	**$ 17,395**	$ 17,500
Accrued vacation	**5,916**	14,085
Accrued bonuses	**22,973**	8,658
Accrued employee commissions	**9,100**	11,263
Other post-retirement benefit obligation- current portion	**3,777**	6,824
Other employee benefit plans' obligations- current portion	**541**	913
Total Accrued Payroll and Other Related Liabilities	**$ 59,702**	$ 59,243
Accrued Expenses and Other:		
Deferred revenues	**$ 25,491**	$ 24,833
Self-insured risk reserves- current portion	**6,083**	5,436
Accrued dealer commissions	**6,389**	6,398
Accrued warranty	**7,573**	7,825
Other	**28,215**	27,353
Total Accrued Expenses and Other	**$ 73,751**	$ 71,845
Other Liabilities:		
Self-insured risk reserves- long-term portion	**$ 11,041**	$ 11,814
Other post-retirement benefit obligation- long-term portion	**26,105**	75,889
Defined benefit pension plans' obligations- long-term portion	**18,356**	14,058
Other employee benefit plans' obligations- long-term portion	**1,240**	1,314
Minority interest in joint venture	**429**	323
Accrued long-term income taxes	**11,897**	14,201
Total Other Liabilities	**$ 69,068**	$ 117,599

9. INCOME TAXES

Income from continuing operations before income taxes was as follows:

Years Ended March 31,	2009	2008	2007
United States operations	**$ 148,839**	$ 86,758	$ 118,130
Non-United States operations	**17,646**	33,041	14,800
	$ 166,485	$ 119,799	$ 132,930

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

The components of the provision for income taxes related to income from continuing operations consisted of the following:

Years Ended March 31,	2009	2008	2007
Current:			
United States federal	**$ 29,355**	$ 35,273	$ 47,492
United States state and local	**8,211**	4,164	4,722
Non-United States	**11,417**	13,416	9,733
	48,983	52,853	61,947
Deferred:			
United States federal	**6,010**	(7,243)	(8,674)
United States state and local	**923**	(517)	(845)
Non-United States	**(116)**	(2,400)	(595)
	6,817	(10,160)	(10,114)
Total Provision for Income Taxes	**$ 55,800**	$ 42,693	$ 51,833

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

Years Ended March 31,	2009	2008	2007
United States federal statutory tax rate	**35.0%**	35.0%	35.0%
(Reduction) increase of income tax accruals	**-4.6%**	-1.4%	1.7%
Net increase in valuation allowances	**2.1%**	0.6%	0.7%
State and local taxes, net of federal income tax benefit	**2.7%**	1.6%	1.9%
Foreign income tax credit	**-0.8%**	-1.2%	-0.2%
Difference in non-United States tax rates	**-0.7%**	0.1%	1.3%
U.S. manufacturing deduction	**-0.7%**	-1.4%	-0.5%
All other, net	**0.5%**	2.3%	-0.9%
Total Provision for Income Taxes	**33.5%**	35.6%	39.0%

Unrecognized Tax Benefits. We adopted the provisions of FIN No. 48 effective April 1, 2007. As a result of applying FIN No. 48, the amount of benefit recognized in the financial statements may differ from the amount taken or expected to be taken in a tax return. These differences represent unrecognized tax benefits. FIN No. 48 requires the cumulative effect of adoption to be recorded as an adjustment to the opening balance of retained earnings. The cumulative effects of applying this interpretation on April 1, 2007 resulted in a decrease in retained earnings of $8,433. Our unrecognized tax benefits upon adoption were $15,207, of which $8,702 would affect our effective tax rate, if recognized.

In conjunction with the adoption of FIN No. 48, we classify uncertain tax positions and related interest and penalties as long-term liabilities within “Other liabilities” in our accompanying Consolidated Balance Sheets, unless they are expected to be paid within 12 months, in which case, the uncertain tax positions would be classified as current liabilities within “Accrued income taxes.” We recognize interest and penalties related to unrecognized tax benefits within “Income tax expense” in our accompanying Consolidated Statements of Income.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

A reconciliation of the beginning and ending balances of the total amounts of unrecognized tax benefits is as follows:

	2009	2008
Unrecognized Tax Benefits Balance at April 1	$ 10,455	$ 15,207
Increases for tax provisions of prior years	2,050	3,309
Decreases for tax provisions of prior years	(2,571)	(8,537)
Increases for tax provisions of current year	5,461	476
Decreases for tax provisions of current year	(1)	—
Settlements	(435)	—
Lapse of statute of limitations	(4,033)	—
Unrecognized Tax Benefits Balance at March 31	$ 10,926	$ 10,455

Included in the unrecognized tax benefits of $10,926 at March 31, 2009 is $2,223 of tax benefits that, if recognized, would reduce the annual effective tax rate. In addition, we believe that it is reasonably possible that unrecognized tax benefits may decrease by up to $1,365 within 12 months of March 31, 2009, primarily as a result of audit settlements and the closure of statutes of limitation.

For the years ended March 31, 2009 and 2008, current income tax expense includes a benefit of $1,184 and expense of $607 for interest, and a benefit of $1,868 and $378 for penalties, respectively. In total, as of March 31, 2009 and March 31, 2008, we have recognized a liability for interest of $1,000 and $2,184 and penalties of $208 and $2,485, respectively.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state, and local, as well as foreign, jurisdictions. We are no longer subject to United States federal examinations for years before fiscal 2006 and, with limited exceptions, we are no longer subject to United States state and local, or non-United States, income tax examinations by tax authorities for years before fiscal 2004. We remain subject to tax authority audits in various jurisdictions wherever we do business. We do not expect the results of these examinations to have a material adverse affect on our consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Deferred Taxes. The significant components of the deferred tax assets and liabilities recorded in our accompanying balance sheets at March 31, 2009 and 2008 were as follows:

March 31,	2009	2008
Deferred Tax Assets:		
Post-retirement benefit accrual	**$ 12,890**	$ 36,262
Compensation	**17,790**	15,753
Net operating loss carryforwards	**10,306**	11,011
Accrued expenses	**8,333**	8,278
Insurance	**5,552**	6,303
Deferred income	**1,113**	5,897
Bad debt	**2,473**	4,732
Pension	**3,816**	4,372
Other	**1,174**	1,809
Deferred Tax Assets	**63,447**	94,417
Less: Valuation allowance	**9,957**	8,998
Total Deferred Tax Assets	**53,490**	85,419
Deferred Tax Liabilities:		
Depreciation and depletion	**38,880**	39,789
Intangibles	**19,899**	18,817
Inventory	**2,667**	1,813
Other	**2,958**	1,869
Total Deferred Tax Liabilities	**64,404**	62,288
Net Deferred Tax Assets (Liabilities)	**$ (10,914)**	$ 23,131

At March 31, 2009, we had federal operating loss carryforwards of $700, which can be utilized subject to certain limitations, and foreign operating loss carry forwards of $40,144. Substantially all of the carryforwards are available for at least three years or have an indefinite carryforward period. In addition, we have recorded tax benefits of $530 related to state operating loss carryforwards. At March 31, 2009, we had $692 of tax credit carryforwards. These credit carryforwards expire between fiscal 2015 and fiscal 2020.

We periodically review the need for a valuation allowance against our deferred tax assets. A valuation allowance of $9,957 has been applied to a portion of the net deferred tax assets because we do not believe it is more-likely-than-not that we will receive future benefit. The valuation allowance increased during fiscal 2009 by $959.

At March 31, 2009, cumulative undistributed earnings of international operations amounted to approximately $109,662. These earnings are indefinitely reinvested in international operations. Accordingly, no provision has been made for deferred taxes related to the future repatriation of such earnings, nor is it practicable to determine the amount of this liability.

At March 31, 2009, STERIS Corporation had a current prepaid income tax position. This was mainly due to the timing of U.S. Federal income tax estimated payments and the resolution of an IRS audit.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

10. BENEFIT PLANS

We provide defined benefit pension plans for certain current and former manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. In addition to providing pension benefits to certain employees, we sponsor an unfunded post-retirement welfare benefits plan for two groups of United States employees, including the same employees who receive pension benefits under the Unites States defined benefit pension plans. Benefits under this plan include retiree life insurance and retiree medical insurance, including prescription drug coverage.

During the second quarter of fiscal 2009, we amended our United States post-retirement welfare benefits plan, reducing the benefits to be provided to retirees under the plan and increasing their share of the costs. The amendments resulted in a decrease of $46,001 in the accumulated post-retirement benefit obligation. The impact of this change was recognized in our Consolidated Balance Sheets in fiscal 2009 and will be amortized as a component of the annual net periodic benefit cost over a period of approximately thirteen years.

A defined benefit pension plan is also provided to the employees of our Pieterlen, Switzerland manufacturing facility. During the third quarter of fiscal 2009, we adopted profitability improvement actions related to the Pieterlen, Switzerland manufacturing facility. These actions were part of the Fiscal 2009 Restructuring Plan and included a workforce reduction that impacted approximately 24 employees at the facility. These restructuring actions resulted in a curtailment and a partial settlement of the plan as the vested benefits of certain affected employees were settled in the fourth quarter of fiscal 2009. As a result of these actions, we recorded a gain of $358 related to a curtailment and partial settlement, reducing our net periodic pension cost. We also recorded $807 related to special termination benefits provided to participants increasing our net periodic pension cost.

In accordance with the provisions of SFAS No. 158, we recognize the funded status of our defined benefit pension and post-retirement benefit plans in our Consolidated Balance Sheets, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The funded status is measured as of March 31 each year and is calculated as the difference between the fair value of plan assets and the benefit obligation (which is the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for post-retirement benefit plans). Accumulated comprehensive income (loss) represents the net unrecognized actuarial losses, unrecognized prior service cost, and unrecognized transition obligation remaining from the initial adoption of SFAS No. 87 and SFAS No. 106. These amounts will be recognized in net periodic benefit cost as they are amortized. We will recognize future changes to the funded status of these plans in the year the change occurs, through other comprehensive income.

The pre-tax amount of unrecognized actuarial net loss, unamortized prior service cost and unamortized transition obligation included in accumulated other comprehensive income (loss) at March 31, 2009 was ($31,612), $42,117 and ($71), respectively. During fiscal 2010, we will amortize the following pre-tax amounts from accumulated other comprehensive income:

	U.S. Qualified Plans	International Plan	Other Post-retirement Benefit Plan
Actuarial loss	$ 1,159	$ —	$ 582
Prior Service Cost	$ —	$ —	$ (3,263)
Transition obligation	$ (71)	$ —	$ —

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Obligations and Funded Status. The following table reconciles the funded status of the defined benefit pension plans and the other post-retirement medical benefit plan to the amounts recorded on our Consolidated Balance Sheets at March 31, 2009 and 2008, respectively. Benefit obligation balances presented in the following table reflect the projected benefit obligations for our defined benefit pension plans and the accumulated other post-retirement benefit obligation for our other post-retirement medical benefit plan. The measurement date of our defined benefit pension plans and the other post-retirement medical benefit plan is March 31 for both periods presented.

	Pension Plans				Other Post-retirement Plan	
	U.S. Qualified		International			
	2009	2008	2009	2008	2009	2008
Change in Benefit Obligations:						
Benefit Obligations at Beginning of Year	**$ 47,864**	$ 48,431	**$ 14,703**	$ 10,952	**$ 82,713**	$ 81,064
Service cost	**210**	105	**381**	513	**—**	—
Interest cost	**2,741**	2,796	**468**	337	**2,703**	4,643
Actuarial (gain) loss	**(3,550)**	875	**(1,649)**	1,128	**(4,184)**	1,982
Benefits and expenses	**(4,533)**	(4,343)	**(1,957)**	(1,370)	**(5,350)**	(4,976)
Employee contributions	**—**	—	**615**	649	**—**	—
Curtailments/settlements	**—**	—	**(1,316)**	—	**—**	—
Termination benefits	**—**	—	**807**	—	**—**	—
Amendments	**—**	—	**—**	—	**(46,001)**	—
Impact of foreign currency exchange rate changes	**—**	—	**(1,808)**	2,494	**—**	—
Benefit Obligations at End of Year	**42,732**	47,864	**10,244**	14,703	**29,881**	82,713
Change in Plan Assets:						
Fair Value of Plan Assets at Beginning of Year	**35,784**	38,971	**12,725**	8,946	**—**	—
Actual (loss) return on plan assets	**(9,032)**	(1,248)	**(1,814)**	1,750	**—**	—
Employer contributions	**4,000**	2,404	**615**	649	**5,350**	4,976
Employee contributions	**—**	—	**615**	649	**—**	—
Benefits and expenses paid	**(4,508)**	(4,343)	**(1,957)**	(1,370)	**(5,350)**	(4,976)
Curtailments/settlements	**—**	—	**(992)**	—	**—**	—
Termination benefits	**—**	—	**807**	—	**—**	—
Impact of foreign currency exchange rate changes	**—**	—	**(1,533)**	2,101	**—**	—
Fair Value of Plan Assets at End of Year	**26,244**	35,784	**8,466**	12,725	**—**	—
Funded Status of the Plans (1)	**$ (16,488)**	$ (12,080)	**$ (1,778)**	$ (1,978)	**$ (29,881)**	$ (82,713)

(1) The current and long-term portions of the accrued benefit obligations are included in “Accrued payroll and other related liabilities” and “Other liabilities,” respectively, on the accompanying Consolidated Balance Sheets.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Defined benefit plans with an accumulated benefit obligation exceeding the fair value of plan assets had the following plan assets and obligations at March 31, 2009 and 2008:

	U.S. Qualified		International		Total	
	2009	2008	2009	2008	2009	2008
Aggregate fair value of plan assets	**$ 26,244**	$ 35,784	**$ 8,466**	$12,725	**$ 34,710**	$ 48,509
Aggregate accumulated benefit obligations	**42,732**	47,864	**9,737**	13,403	**52,469**	61,267

Defined benefit plans with a projected benefit obligation exceeding the fair value of plan assets had the following plan assets and obligations at March 31, 2009 and 2008:

	U.S. Qualified		International		Total	
	2009	2008	2009	2008	2009	2008
Aggregate fair value of plan assets	**$ 26,244**	$ 35,784	**$ 8,466**	$ 12,725	**$ 34,710**	$ 48,509
Aggregate projected benefit obligations	**42,732**	47,864	**10,244**	14,703	**52,976**	62,567

Components of Net Periodic Benefit Cost. Components of the annual net periodic benefit cost of our defined benefit pension plans and our other post-retirement medical benefit plan were as follows:

	Pension Plans								
	U.S. Qualified			International			Other Post-retirement Plan		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Service cost	**$ 210**	$ 105	$ 76	**$ 381**	$ 513	$ 454	**$ —**	$ —	$ —
Interest cost	**2,741**	2,796	2,769	**468**	337	331	**2,703**	4,643	4,673
Expected return on plan assets	**(2,867)**	(3,127)	(2,858)	**(522)**	(487)	(402)	**—**	—	—
Prior service cost recognition	**—**	—	—	**—**	—	—	**(3,884)**	—	—
Net amortization and deferral	**526**	301	265	**(3)**	—	—	**1,366**	988	922
Net Periodic Benefit Cost	**610**	75	252	**324**	363	383	**185**	5,631	5,595
Curtailments/settlements	**—**	—	—	**(358)**	—	—	**—**	—	—
Termination benefits	**—**	—	—	**807**	—	—	**—**	—	—
Total Benefit Cost	**$ 610**	$ 75	$ 252	**$ 773**	$ 363	$ 383	**$ 185**	$5,631	$5,595

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Assumptions Used in Calculating Benefit Obligations and Net Periodic Benefit Cost. The following table provides the applicable actuarial assumptions used to determine the projected benefit obligations at March 31:

	2009	2008
Discount Rate:		
U.S. qualified pension plans	**7.50%**	6.00%
Switzerland pension plan	**3.25%**	3.75%
Other post-retirement plan	**7.00%**	6.00%
Expected Return on Plan Assets:		
U.S. qualified pension plans	**8.00%**	8.00%
Switzerland pension plan	**4.50%**	4.50%
Rate of Compensation Increase:		
Switzerland pension plan	**2.50%**	2.50%

The following table provides the applicable actuarial assumptions used to determine the net periodic benefit costs for the years ended March 31:

	2009	2008	2007
Discount Rate:			
U.S. qualified pension plans	**6.00%**	6.00%	6.00%
Switzerland pension plan	**3.75%**	3.00%	3.25%
Other post-retirement plan	**6.00%**	6.00%	6.00%
Expected Return on Plan Assets:			
U.S. qualified pension plans	**8.00%**	8.00%	8.00%
Switzerland pension plan	**4.50%**	5.00%	5.00%
Rate of Compensation Increase:			
Switzerland pension plan	**2.50%**	2.50%	3.00%

The net periodic benefit cost and the actuarial present value of projected benefit obligations are based upon assumptions that we review on an annual basis. These assumptions may be revised annually based upon an evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing benefits.

We develop our expected long-term rate of return on plan assets assumptions by evaluating input from third-party professional advisors, taking into consideration the asset allocation of the portfolios and the long-term asset class return expectations.

We develop our discount rate assumptions by evaluating input from third-party professional advisors, taking into consideration the current yield on country specific investment grade long-term bonds which provide for similar cash flow streams as our projected obligations.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

We have made assumptions regarding healthcare costs in computing our other post-retirement benefit obligation. 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.

	2009	2008	2007
Healthcare cost trend rate – medical	9.0%	10.0%	10.0%
Healthcare cost trend rate – prescription drug	9.0%	10.0%	15.0%
Long-term healthcare cost trend rate	5.0%	5.0%	5.0%

To determine the healthcare cost trend rates, we evaluate a combination of information, including ongoing claims cost monitoring, annual statistical analyses of claims data, reconciliation of forecasted claims against actual claims, review of trend assumptions of other plan sponsors and national health trends, and adjustments for plan design changes, workforce changes, and changes in plan participant behavior.

A one-percentage point change in assumed healthcare cost trend rates (including medical, prescription drug, and long-term rates) would have had the following effect at March 31, 2009:

	One-Percentage Point	
	Increase	Decrease
Effect on total service and interest cost components	$ 30	$ (29)
Effect on other post-retirement benefit obligation	335	(323)

Plan Assets. Our United States and Switzerland defined benefit pension plans are funded. The following table presents the targeted asset allocation of plan assets at March 31, 2009 and the actual allocation of plan assets at March 31, 2009 and 2008 for these plans:

	Long-Term Target Allocation Percentage	Percentage of Plan Assets	
		2009	2008
U.S. Qualified Plans:			
Equity securities	60%	**58.2%**	59.5%
Debt securities	40%	**39.1%**	40.5%
Cash	0%	**2.7%**	0.0%
Total	100%	**100.0%**	100.0%
Switzerland Plan:			
Equity securities	15%-35%	**17.7%**	19.5%
Debt securities	45%-75%	**13.0%**	46.8%
Real estate	0%-10%	**24.7%**	8.5%
Cash	0%-20%	**21.1%**	3.0%
Insurance contracts	0%-25%	**23.5%**	22.2%
Total	100%	**100.0%**	100.0%

The long-term target allocations in the preceding table reflect our asset class return expectations and tolerance for investment risk within the context of the pension plans' long-term benefit obligations. Investment policies, strategies, and long-term target allocations are developed on a plan specific and country specific basis. We continually challenge the long-term target asset allocations and support the allocations by an analysis that incorporates historical and expected returns by asset class as well as volatilities across asset classes and our liability profile. Due to market conditions and other factors, actual

(dollars in thousands, except per share amounts)

asset allocations may vary from the long-term target allocations presented in the preceding table. Plan assets are managed by outside investment managers. If asset allocations move outside of the target ranges, the portfolios are rebalanced. For the purpose of the above analysis, debt and equity securities include fixed income and equity security mutual funds, respectively. At March 31, 2009 and 2008, the plans' assets did not include investments in STERIS common shares.

Cash Flows. We contribute amounts to our defined benefit pension plans at least equal to the minimum amounts required by applicable employee benefit laws and local tax laws. We have recorded liabilities for amounts greater than the required funding levels on our accompanying Consolidated Balance Sheets. As of March 31, 2009, we expect to make approximately $9,400 in contributions to the defined benefit pension plans in fiscal 2010.

Based upon the actuarial assumptions utilized to develop our benefit obligations at March 31, 2009, the following benefit payments are expected to be made to plan participants:

	Defined Benefit Pension Plans			Other Post-Retirement Benefit Plan		
	U.S. Qualified	International	Total	Gross Benefit Payments	Medicare Reimbursement	Total
2009	$ 4,250	$ 402	$ 4,652	$ 4,215	$ (439)	$ 3,776
2010	4,137	407	4,544	4,115	(381)	3,734
2011	4,041	499	4,540	4,001	(326)	3,675
2012	3,941	437	4,378	3,822	(275)	3,547
2013	3,836	493	4,329	3,616	(230)	3,386
2014-2018	18,874	2,723	21,597	13,655	(580)	13,075

In the preceding table, projected benefit payments denominated in foreign currencies have been calculated based upon March 31, 2009 foreign currency exchange rates.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") provides a prescription drug benefit for Medicare beneficiaries, a benefit we provide to Medicare eligible retirees covered by our post-retirement benefits plan. We have concluded that the prescription drug benefit provided in our post-retirement benefit plan is considered to be actuarially equivalent to the benefit provided under the Act and thus qualifies for the subsidy under the Act. As a result, all the measures of our accumulated post-retirement benefit obligation and net periodic benefit cost in the accompanying consolidated financial statements and notes reflect the effects of the Act on the plan for the entire fiscal year. This expected future subsidy reduced our accumulated post-retirement benefit obligation and our net periodic benefit cost as of and for the fiscal year ended March 31, 2009 by $11,580 and $1,120, respectively. We collected subsidies totaling approximately $490, and $936, during fiscal 2009 and fiscal 2008, which reduced our net post-retirement medical payments. We did not collect any subsidies in fiscal 2007.

Defined Contribution Plans. We maintain a 401(k) defined contribution plan for eligible employees. We provide a match on a specified portion of an employee's contribution as approved by the Company's Board of Directors. The plan assets are held in trust and invested as directed by the plan participants. The aggregate fair value of plan assets was $196,258 at March 31, 2009. At March 31, 2009, the plan held 928,213 STERIS common shares with a fair value of $21,609. We paid dividends of $262, $204, and $184 to the plan on STERIS common stock for the years ended March 31, 2009, 2008, and 2007, respectively. We contributed $5,965, $5,803, and $5,484, to the defined contribution plan for the years ended March 31, 2009, 2008, and 2007, respectively.

In fiscal 2007, we established a domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of compensation for an employee-specified term or until retirement or termination. Employee contributions to this plan were $567, $719, and $174 in fiscal 2009, fiscal 2008, and fiscal 2007, respectively. We hold investments in mutual funds to satisfy future obligations of the plan. We account for these assets

as available-for-sale securities and they are included in “Other assets” on our accompanying Consolidated Balance Sheets, with a corresponding liability for the plan’s obligation recorded in “Accrued expenses and other.” The aggregate value of the assets was $866 and $686 at March 31, 2009 and March 31, 2008, respectively. Realized gains and losses on these investments are recorded in “Interest and miscellaneous income” within “Non-operating expenses” on our accompanying Consolidated Statements of Income. Changes in the fair value of the assets are recorded in other comprehensive income on our accompanying balance sheets.

11. COMMITMENTS AND CONTINGENCIES

We are, and will likely continue to be involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise in the course of our business, given our size, history, complexity, and the nature of our business, Customers, regulatory environment, and industries in which we participate. These legal proceedings, government investigations, and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), economic loss (e.g., breach of contract, other commercial claims), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

In accordance with Statement of Accounting Standards No. 5 (“SFAS No. 5”), “Accounting for Contingencies,” we record accruals for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have estimated the likelihood of unfavorable outcomes and the amounts of such potential losses. In management’s opinion, the ultimate outcome of these proceedings and claims is not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of claims, litigation, and other proceedings is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery.

The United States Food and Drug Administration (“FDA”) and the United States Department of Justice have been conducting an investigation to our knowledge since 2003 involving our STERIS SYSTEM 1® sterile processing system. We have received requests for documents, including the subpoena received in January 2005, and are aware of interviews of current and former employees in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance of the ultimate outcome of the investigation, or that any matter arising out of the investigation will not result in actions by the government agencies or third parties, or that the government agencies will not initiate administrative proceedings, civil proceedings, or criminal proceedings, or any combination thereof, against us.

On May 16, 2008, we received a warning letter (the “warning letter”) from the FDA regarding our STERIS SYSTEM 1® sterile processor and the STERIS™ 20 sterilant used with the processor (referred to collectively in the FDA letter and in this note as the “device”). We believe this warning letter arose from the previously disclosed investigation. In summary, the warning letter included the FDA’s assertion that significant changes or modifications have been made in the design, components, method of manufacture, or intended use of the device beyond the FDA’s 1988 clearance, such that the FDA believes a new premarket notification submission (known within FDA regulations as a 510(k) submission) should have been made. The warning letter referenced a number of changes to the device that, according to the FDA, require a new premarket notification submission, and asserted that our failure to make such a submission resulted in violations of applicable law. The warning letter also requested documentation and explanation regarding various corrective actions related to the device prior to 2003, and whether those actions should be considered corrections or removals requiring notice under applicable FDA regulations. On July 30, 2008 (with an Addendum on October 9, 2008), we provided a detailed response contending that the assertions in the warning letter are not correct.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

On November 4, 2008, we received a letter from the FDA (dated November 3, 2008) in which the FDA stated without elaboration that, after reviewing our response, it disagreed with our position and that a new premarket notification submission is required. The agency did not address the removal and correction reporting issues and invited a meeting with STERIS to discuss the warning letter, based on our earlier request. After discussions with the FDA regarding the November 3rd letter, we received an additional letter on November 6, 2008 from the FDA. The November 6th letter stated that the intent of the November 3rd letter was to inform us of the FDA's preliminary disagreement with our response to the warning letter and, before finalizing a position, the FDA reiterated that it wanted to meet with us to discuss the Company's response, issues related to the warning letter and next steps to resolve any differences between the Company and the FDA.

On January 20, 2009, we announced that we submitted to the FDA a new liquid chemical sterilization system for 510(k) clearance. The new submission follows discussions with the FDA regarding the prior 510(k) submission issues raised in the warning letter related to our existing device. The new liquid chemical sterilization system submitted to the FDA addresses the changes referenced by the FDA in the warning letter and includes additional technology updates.

We communicated to Customers that STERIS will continue supporting the existing STERIS SYSTEM 1® installed base by providing accessories, sterilant, service and parts, and replacement processor units for at least a two year period. In the United States, STERIS will continue sales of STERIS SYSTEM 1® processors only as replacements for existing units. Once the new liquid chemical sterilization system is cleared for market use by the FDA, we will work with Customers to transition to the new product.

For fiscal 2009, this development did not have a material impact on our consolidated financial results. Beginning in fiscal 2010, we anticipate that annualized revenues will be impacted by approximately $10,000 until the new product is cleared and commercialized.

We continue to believe that the changes described in the warning letter from the FDA do not significantly affect the safety or effectiveness of the device and, therefore, did not and do not require a new premarket notification submission, and further, that the corrective actions were compliant with FDA regulations. However, if the FDA's assertions are ultimately determined to be correct, the device would be considered adulterated and misbranded under United States law, in which case, we would be required to make a new premarket notification submission. The FDA also could take enforcement action immediately without providing the opportunity to make a new 510(k) submission. If we did not make that 510(k) submission, if the FDA rejected that 510(k) submission, if the FDA took immediate enforcement action, or if governmental agencies and/or third parties otherwise considered the device to be non-compliant, civil, administrative, or criminal proceedings could be initiated. These or other proceedings involving our STERIS SYSTEM 1® sterile processing system and the STERIS™ 20 sterilant, a significant product to us, could possibly result in judgments requiring re-labeling or restriction on the manufacturing, sale, or distribution of products, or could require us to take other actions, including recalls, to pay fines or civil damages, or to be subject to other governmental or third party claims or remedies, which could materially affect our business, performance, value, financial condition, and results of operations. We intend to continue our discussions with the FDA and the Department of Justice to seek resolution of all other issues regarding the warning letter and the investigation.

The STERIS SYSTEM 1® sterile processing system has been in use since its clearance by the FDA in the late 1980's. We estimate that the devices currently in operation are used by approximately 5,000 users in excess of 30,000 times per day in the aggregate and that over 275 million medical instruments have been processed using the STERIS SYSTEM 1® sterile processing system. For additional information regarding this matter, see the following portions of this Annual Report on Form 10-K: "Business – Information with respect to our Business in General – Recent Events – Government Regulations", "Risk Factors – We are subject to extensive regulatory requirements and must receive and maintain regulatory clearance or approval for many products and operations. Failure to receive or maintain, or delays in receiving, clearance or approvals may hurt our revenues, profitability, financial condition or value", "Risk Factors – We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters, "Risk Factors – Most of our products, including our new liquid chemical sterilization system, must receive regulatory approvals before they can be marketed and sold in the United States and other countries," and "Risk Factors – Existing and new Customers may not purchase or use the new liquid chemical sterilization system consistent with the purchase and use of the existing STERIS SYSTEM 1®."

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

We believe we have adequately reserved for our current litigation and that the ultimate outcome of pending lawsuits and claims will not have a material adverse affect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, claims, proceedings, investigations, including the previously discussed investigation, or their effect. We presently maintain product liability insurance coverage, and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us. Additional information regarding our contingencies is included in Item 7 of Part II titled, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and in Item 3 of Part I titled, “Legal Proceedings” contained in this Annual Report on Form 10-K.

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

We are subject to taxation from United States federal, state, and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. We describe income taxes further in note 9 to our consolidated financial statements titled, “Income Taxes.”

As of March 31, 2009 and 2008, our commercial commitments totaled $32,571 and $26,762, respectively. Commercial commitments include standby letters of credit, letters of credit required as security under our self-insured risk retention policies, and other potential cash outflows resulting from an event that requires payment by us. Approximately $8,482 and $8,982, respectively, of the totals at March 31, 2009 and 2008 relate to letters of credit required as security under our self-insured risk retention policies.

As of March 31, 2009 and 2008, we had minimum purchase commitments with suppliers for raw material purchases totaling $21,527 and $37,471, respectively.

12. BUSINESS SEGMENT INFORMATION

As a result of organizational changes within the Life Sciences segment announced in fiscal 2008, we changed our methodology for reporting segments. The Defense and Industrial business unit, which consists of businesses in early development stages, is no longer a component of the Life Sciences segment. “Corporate and other,” which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie, Pennsylvania manufacturing operation. Fiscal 2007 amounts have been revised to reflect the fiscal 2008 and fiscal 2009 presentation.

We operate in three reportable business segments: Healthcare, Life Sciences, and Isomedix.

Our Healthcare segment manufactures and sells capital equipment, accessory, consumable, and service solutions to healthcare providers, including acute care hospitals and surgery centers. These solutions aid our Customers in improving the safety, quality, and productivity of their surgical, sterile processing, gastrointestinal, and emergency environments.

Our Life Sciences segment manufactures and sells engineered capital products, formulated cleaning chemistries, and service solutions to pharmaceutical companies, and private and public research facilities around the globe.

Our Isomedix segment operates through a network of 20 facilities located in North America. We sell a comprehensive array of contract sterilization services using Gamma Irradiation, Electron Beam Irradiation, and ethylene oxide (“EO”) technologies. We provide sterilization, microbial reduction, and materials modification services to companies that supply products to the healthcare, industrial, and consumer products industries. During fiscal 2009, the Company sold an Isomedix facility located in the Chicago, Illinois area to a Customer for proceeds of $9,457. The Company also sold substantially all the

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

assets of another Isomedix facility located in Rhode Island to a Customer for proceeds of $8,000. The Company recorded a gain on the sale of the Isomedix facility located in the Chicago, Illinois area of $2,071 and a gain on the sale of assets related to the Rhode Island facility of $1,674.

Financial information for each of our segments is presented in the following table. Operating income (loss) for each segment is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. The Corporate and other segment includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits, as previously discussed. These allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment.

The accounting policies for segments are the same as those for the consolidated Company. For the year ended March 31, 2009, revenues from a single Customer did not equal ten percent or more of any segment's revenues.

Years Ended March 31,	2009	2008	2007
Revenues:			
Healthcare	**$ 931,263**	$ 887,073	$ 845,674
Life Sciences	**216,701**	228,350	209,658
Isomedix	**142,645**	140,558	133,781
Total Reportable Segments	**1,290,609**	1,255,981	1,189,113
Corporate and other	**7,916**	9,109	8,294
Total Revenues	**$ 1,298,525**	$ 1,265,090	$ 1,197,407
Operating Income:			
Healthcare	**$ 132,601**	$ 103,447	$ 122,468
Life Sciences	**18,413**	11,535	10,953
Isomedix	**34,763**	28,964	25,127
Total Reportable Segments	**185,777**	143,946	158,548
Corporate and other	**(10,332)**	(20,401)	(20,847)
Total Operating Income	**$ 175,445**	$ 123,545	$ 137,701

For the year ended March 31, 2009, pre-tax restructuring expenses of $11,399, $2,562, $40 and $(1), are included in the operating results of the Healthcare, Life Sciences, Isomedix reporting segments, and in Corporate and other, respectively. For the year ended March 31, 2008, pre-tax restructuring expenses of $16,868, $1,536, $389, and $752 are included in the operating results of the Healthcare, Life Sciences, and Isomedix reporting segments, and in Corporate and other, respectively. For the year ended March 31, 2007, pre-tax restructuring expenses of $6,166 and $418 are included in the operating results of the Healthcare and Life Sciences reporting segments, respectively.

Assets include the current and long-lived assets directly attributable to the segment based on the management of the location or on utilization. Certain corporate assets were allocated to the reporting segments based on revenues. Assets attributed to sales and distribution locations are only allocated to the Healthcare and Life Sciences reporting segments. Capital expenditures and depreciation and amortization are allocated to the segments based on variables such as headcount and revenues. Capital expenditures and depreciation and amortization related to research and development efforts are allocated to the Healthcare and Life Sciences reporting segments based on the respective proportion of research and development expenses. The

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Corporate and other segment includes assets, capital expenditures, and depreciation and amortization directly attributable to the Defense and Industrial business unit, as well as certain unallocated amounts related to being a publicly traded company.

Individual facilities, equipment, and intellectual properties are utilized for production by both the Healthcare and Life Sciences reporting segments at varying levels over time. As a result, an allocation of total assets, capital expenditures, and depreciation and amortization is not meaningful to the individual performance of the Healthcare and Life Sciences reporting segments. Therefore, their respective amounts are reported together.

March 31,	2009	2008
Assets:		
Healthcare and Life Sciences	**$ 911,620**	$ 919,039
Isomedix	**302,247**	316,003
Total Reportable Segments	**1,213,867**	1,235,042
Corporate and other	**3,072**	4,250
Total Assets	**$ 1,216,939**	$ 1,239,292

Years Ended March 31,	2009	2008	2007
Capital Expenditures:			
Healthcare and Life Sciences	**$ 15,278**	$ 20,296	$ 27,279
Isomedix	**25,559**	36,078	21,388
Total Reportable Segments	**40,837**	56,374	48,667
Corporate and other	**52**	600	357
Total Capital Expenditures	**$ 40,889**	$ 56,974	$ 49,024
Depreciation, Depletion, and Amortization:			
Healthcare and Life Sciences	**$ 34,866**	$ 37,991	$ 36,821
Isomedix	**23,848**	24,420	23,089
Total Reportable Segments	**58,714**	62,411	59,910
Corporate and other	**59**	367	347
Total Depreciation, Depletion, and Amortization	**$ 58,773**	$ 62,778	$ 60,257

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

Financial information for each of our United States and international geographic areas is presented in the following table. Revenues are based on the location of these operations and their Customers. Property, plant and equipment, net are those assets that are identified within the operations in each geographic area.

Years Ended March 31,	2009	2008	2007
Revenues:			
United States	**$ 993,487**	$ 971,018	$ 933,546
International	**305,038**	294,072	263,861
Total Revenues	**$ 1,298,525**	$ 1,265,090	$ 1,197,407

March 31,	2009	2008
Property, Plant, and Equipment, Net:		
United States	**$ 309,029**	$ 327,703
International	**41,967**	56,939
Property, Plant, and Equipment, Net	**$ 350,996**	$ 384,642

13. COMMON SHARES

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

Years Ended March 31,	2009	2008	2007
		(in thousands)	
Weighted average common shares outstanding – basic	**58,778**	63,300	65,174
Dilutive effect of common share equivalents	**766**	824	557
Weighted Average Common Shares and Equivalents – Diluted	**59,544**	64,124	65,731

Options to purchase the following number of common shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per share because the combined exercise prices, unamortized fair values, and assumed tax benefits upon exercise were greater than the average market price for the common shares during the periods, so including these options would be anti-dilutive:

Years Ended March 31,	2009	2008	2007
		(shares in thousands)	
Number of common share options	**936**	1,332	2,495
Weighted average exercise price	**$ 29.45**	$ 27.77	$ 25.94

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

14. REPURCHASES OF COMMON SHARES

In March 2008, we announced that the Company's Board of Directors provided authorization to repurchase up to $300,000 of STERIS common shares. This authorization replaced the prior authorization of July 26, 2007 to repurchase up to $300,000 of STERIS common shares under which $159,736 remained available for repurchase. The March 2008 common share repurchase authorization does not have a stated maturity date. Under this authorization, we may purchase shares from time to time through open market purchases, including transactions pursuant to Rule 10b5-1 plans, or privately negotiated transactions.

During fiscal 2009, we paid an aggregate amount of $80,466 for the repurchase of 2,646,177 of our common shares, representing an average price of $30.41 per common share. This includes certain March 2008 repurchases of 225,000 of our common shares for an aggregate amount of $6,028 that were not settled until April 2008.

During fiscal 2008, we paid an aggregate amount of $177,171 for the repurchase of 6,600,550 of our common shares, representing an average price of $26.84 per common share. This does not include the certain March 2008 repurchases that were not settled until April 2008.

During fiscal 2007, we paid an aggregate amount of $60,170 for the repurchase of 2,606,800 of our common shares, representing an average price of $23.08 per common share.

At March 31, 2009, $203,864 of STERIS common shares remained authorized for repurchase. Also, 11,587,540 common shares were held in treasury.

15. SHARE-BASED COMPENSATION

STERIS currently maintains a long-term incentive plan that makes available common shares for grants, at the discretion of the Compensation Committee of the Board of Directors, to officers, directors, and key employees in the form of stock options, restricted shares, restricted share units, and stock appreciation rights. Stock options provide the right to purchase our common shares at the market price on the date of grant, subject to the terms of the option plans and agreements. Generally, one-fourth of the stock options granted become exercisable for each full year of employment following the date of grant. Stock options granted generally expire 10 years after the date of grant, or earlier if an option holder is no longer employed by us. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule allowing the options to vest on a prorated basis, as defined by the agreement, in the event of employment termination. Restricted shares and restricted share units generally cliff vest over an approximately three-year period. We generally use the common shares held in treasury for restricted share and share unit grants and stock option exercises on a first-in, first-out basis. As of March 31, 2009, 4,568,379 shares remain available for grant under the long-term incentive plan.

The fair value of share-based compensation awards was estimated at their grant date using the Black-Scholes-Merton option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in our option grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general, and administrative expenses in a manner consistent with the employee's compensation and benefits.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

The following weighted average assumptions were used for options granted during fiscal 2009, fiscal 2008, and fiscal 2007:

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Risk-free interest rate	**2.65%**	5.04%	4.73%
Expected life of options	**5.6 years**	5.5 years	6 years
Expected dividend yield of stock	**0.86%**	0.93%	0.65%
Expected volatility of stock	**27.72%**	29.61%	34.29%

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of options is reflective of our historical experience, vesting schedules, and contractual terms. The expected dividend yield of stock represents our best estimate of expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a timeframe similar to that of the expected life of the grant. We applied an estimated forfeiture rate of 2.2 percent for fiscal 2007 through the first quarter of fiscal 2008, then 2.49 percent from the second quarter of fiscal 2008 through the fourth quarter of fiscal 2008, and beginning in the first quarter of fiscal 2009, 2.86 percent. This rate is calculated based upon historical activity and represents an estimate of the granted options not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.

A summary of share option activity is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
March 31, 2008 Options Outstanding	5,102,912	22.76		
Granted	556,700	30.90		
Exercised	(1,809,673)	20.79		
Forfeited	(95,615)	27.64		
Canceled	(58,393)	28.93		
March 31, 2009 Options Outstanding	**3,695,931**	**$ 24.72**	**5.95**	**$ 4,380**
Exercisable at March 31, 2009	**2,538,261**	**$ 23.16**	**4.89**	**$ 4,380**

We estimate that 1,141,330 of the non-vested stock options outstanding at March 31, 2009 will ultimately vest.

The aggregate intrinsic value in the table above represents the total pre-tax difference between the $23.28 closing price of our common shares on March 31, 2009 over the exercise price of the stock option, multiplied by the number of options outstanding or outstanding and exercisable. Under SFAS No. 123R, the aggregate intrinsic value is not recorded for financial accounting purposes and the value changes daily based on the daily changes in the fair market value of our common shares.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

The total intrinsic value of stock options exercised during the years ended March 31, 2009, 2008, and 2007 was $24,416, $8,295, and $5,007, respectively. Net cash proceeds from the exercise of stock options were $33,621, $14,619, and $8,997 for the years ended March 31, 2009, 2008, and 2007, respectively. The tax benefit from stock option exercises was $6,982, $3,194 and $1,927 for the years ended March 31, 2009, 2008, and 2007, respectively.

The weighted average grant date fair value of share-based compensation grants was $8.74, $9.41, and $9.13 for the years ended March 31, 2009, 2008, and 2007, respectively.

Stock appreciation rights ("SARS") were also granted in fiscal 2009. The 24,880 SARS granted carry generally the same terms and vesting requirements as stock options except that they are settled in cash upon exercise. The fair value of outstanding SARS as of March 31, 2009 was $97 and was determined utilizing the same methods and assumptions as those used for the valuation of stock options. SARS are required to be classified as liabilities in accordance with SFAS No. 123R. The fair value of each SAR is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value. There were no cash payments made to settle SARS in FY 2009.

A summary of the non-vested restricted share and restricted share unit activity is presented below:

	Number of Restricted Shares	Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Non-vested at March 31, 2008	114,035	95,850	26.13
Granted	112,227	—	30.44
Vested	(24,551)	(41,000)	29.03
Forfeited	(13,040)	—	26.91
Non-vested at March 31, 2009	**188,671**	**54,850**	**$ 27.31**

Restricted shares and restricted share units granted were valued based on the closing stock price at the grant date and generally cliff vest over approximately a three-year period based upon the terms of the grants. The total fair value of restricted shares that vested during the years ended March 31, 2009, 2008, and 2007 was $1,903, $497, and $50, respectively.

We granted 3,300 cash-settled restricted share units in fiscal 2009. These awards carry generally the same terms and vesting requirements as restricted share units except that they are settled in cash upon vesting. The fair value of outstanding cash-settled restricted share units as of March 31, 2009 was $77 and was determined utilizing the same methods and assumptions as those used for the valuation of restricted share units. Cash-settled restricted share units are required to be classified as liabilities in accordance with SFAS No. 123R. The fair value of each cash-settled restricted share unit is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value. There were no cash payments made to settle restricted share units in FY 2009.

As of March 31, 2009, there was $8,742 of total unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plans. We expect to recognize the cost over a weighted average period of 1.74 years.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

16. BUSINESS DISPOSITIONS

On October 31, 2005, we sold our lyophilizer (freeze dryer) product line to GEA Group of Germany for 20.8 million euros (approximately $25,161). As a result of the sale, we recognized an after-tax gain of $7,292 ($1,058 recorded in fiscal 2007 and $6,234 recorded in fiscal 2006). The freeze dryer product line, based in Cologne, Germany, was part of our Life Sciences business segment. We allocated goodwill of $5,571 to the freeze dryer product line in connection with its sale. We present the gain from the sale of this product line in our financial statements as a component of discontinued operations.

17. FINANCIAL AND OTHER GUARANTEES

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

Changes in our warranty liability during the periods presented are as follows:

Years Ended March 31,	2009	2008	2007
Balance, Beginning of Year	**$ 7,825**	$ 5,893	$ 7,226
Warranties issued during the period	**11,152**	13,557	9,931
Settlements made during the period	**(11,404)**	(11,625)	(11,264)
Balance, End of Year	**$ 7,573**	$ 7,825	$ 5,893

We also sell product maintenance contracts to our Customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from Customers under these contracts as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets. The liability recorded for deferred service revenue was $17,477 and $16,829 as of March 31, 2009 and 2008, 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.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

18. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of financial instruments using available market information and generally accepted valuation methodologies. The inputs used to measure fair value are classified into three tiers. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the entity to develop its own assumptions. The following table shows our financial assets and liabilities accounted for at fair value on a recurring basis at March 31, 2009:

		Fair Value Measurements at March 31, 2009 Using		
	March 31, 2009	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Investments (2)	$ 866	$ 866	$ —	$ —
Liabilities:				
Forward contracts (1)	$ 183	$ —	$ 183	$ —
Deferred compensation plans (2)	$ 870	$ 870	$ —	$ —

(1) The fair values of forward contracts are based on period-end spot rates and reflect the value of the amount that we would pay or receive for the contracts involving the same notional amounts and maturity dates.

(2) We provide a domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of compensation for an employee-specified term or until retirement or termination. Amounts deferred can be allocated to various hypothetical investment options. We hold investments to satisfy the future obligations of the plan. Changes in the value of the investment accounts are recognized each period based on the fair value of the underlying investments. Employees making deferrals are entitled to receive distributions of their account balances (amounts deferred, together with earnings (losses)).

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2009, foreign currency contracts to buy 28.0 million Mexican pesos matured. Subsequent to March 31, 2009 we entered into foreign currency contracts to buy 43.0 million Mexican pesos.

On May 7, 2009, we announced that the Company’s Board of Directors had declared a quarterly cash dividend in the amount of $0.11 per common share, payable on June 18, 2009, to shareholders of record as of the closing of the stock transfer books on May 21, 2009.

Pursuant to the authorization of the Compensation and Corporate Governance Committee of the Company’s Board of Directors, the following awards were made to directors, officers, and certain key employees of the Company on May 21, 2009: a total of 580,100 and 47,560 stock options and stock appreciation rights, respectively, at an exercise price of $22.83 per share, and 94,050 and 6,800 restricted shares and cash-settled restricted share units, respectively, each with a grant date fair value of $22.83 per share.

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

20. QUARTERLY RESULTS (UNAUDITED)

Quarters Ended	March 31	December 31	September 30	June 30
Fiscal 2009				
Revenues:				
Product	**$228,783**	**$ 203,308**	**$ 203,856**	**$195,582**
Service	**115,583**	**116,159**	**119,271**	**115,983**
Total Revenues	**344,366**	**319,467**	**323,127**	**311,565**
Cost of Revenues:				
Product	**136,014**	**127,111**	**120,923**	**112,867**
Service	**68,541**	**68,289**	**69,841**	**68,197**
Total Cost of Revenues	**204,555**	**195,400**	**190,764**	**181,064**
Gross Profit	**139,811**	**124,067**	**132,363**	**130,501**
Percentage of Revenues	**40.6%**	**38.8%**	**41.0%**	**41.9%**
Restructuring Expenses (1)	**828**	**2,855**	**37**	**(166)**
Net Income	**$ 27,816**	**$ 28,575**	**$ 28,794**	**$ 25,500**
Basic Income Per Common Share (2):				
Net income	**$ 0.48**	**$ 0.49**	**$ 0.49**	**$ 0.43**
Diluted Income Per Common Share (2):				
Net income	**$ 0.47**	**$ 0.48**	**$ 0.48**	**$ 0.43**
Fiscal 2008				
Revenues:				
Product	$255,495	$ 201,743	$ 182,451	$172,369
Service	119,675	112,231	112,551	108,575
Total Revenues	375,170	313,974	295,002	280,944
Cost of Revenues:				
Product	157,746	120,708	109,038	102,632
Service	69,231	66,664	65,756	62,712
Total Cost of Revenues	226,977	187,372	174,794	165,344
Gross Profit	148,193	126,602	120,208	115,600
Percentage of Revenues	39.5%	40.3%	40.7%	41.1%
Restructuring Expenses (3)	12,420	952	698	1,391
Net Income	$ 26,109	$ 21,776	$ 16,018	$ 13,203
Basic Income Per Common Share (2):				
Net income	$ 0.43	$ 0.35	$ 0.25	$ 0.20
Diluted Income Per Common Share (2):				
Net income	$ 0.42	$ 0.34	$ 0.25	$ 0.20

(1) Does not include charges of $9,922 and $950 incurred in the third and fourth quarter of fiscal 2009, respectively, that were recorded within “Cost of revenues” in the accompanying Consolidated Statements of Income.

(2) 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 quarter due to the effect of potentially dilutive securities only in the periods in which such effect would be dilutive and the effect of quarterly share repurchases.

(3) Does not include charges of $4,084 incurred in the fourth quarter of fiscal 2008 that were recorded within “Cost of revenues” in the accompanying Consolidated Statements of Income.

Table of Contents

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charges to Costs and Expenses	Charges to Other Accounts	Deductions	Balance at End of Period
			(in thousands)		
Year ended March 31, 2009					
Deducted from asset accounts:					
Allowance for trade accounts receivable(1)	**$ 9,396**	**$ 6,982**	**$ (242)(3)**	**$ (5,408)(5)**	**$10,728**
Inventory valuation reserve	**12,940**	**3,433(2)**	**(1,348)(3)**	**—**	**15,025**
Deferred tax asset valuation allowance	**8,998**	**4,103**	**(1,602)**	**(1,542)**	**9,957**
Recorded within liabilities:					
Self-insured risk retention	**$16,400**	**$ 2,555**	**$ —**	**$ (3,678)**	**$15,277**
Year ended March 31, 2008					
Deducted from asset accounts:					
Allowance for trade accounts receivable(1)	$ 9,911	$ 2,308	$ 109(3)	$ (2,932)(5)	$ 9,396
Inventory valuation reserve	10,892	1,202(2)	846(3)	—	12,940
Deferred tax asset valuation allowance	6,308	2,999	992	(1,301)	8,998
Recorded within liabilities:					
Self-insured risk retention	$16,602	$ 3,105	$ —	$ (3,307)	$16,400
Year ended March 31, 2007					
Deducted from asset accounts:					
Allowance for trade accounts receivable(1)	$ 9,037	$ 3,247	$ 66(3)	$ (2,439)(5)	$ 9,911
Inventory valuation reserve	11,573	(917)(2)	236(3)	—	10,892
Deferred tax asset valuation allowance	5,902	2,687	(67)	(2,214)	6,308
Recorded within liabilities:					
Self-insured risk retention	$16,090	$ 3,273	$ 496(4)	$ (3,257)	$16,602

(1) Net allowance for doubtful accounts and allowance for sales and returns.
(2) Provision for excess and obsolete inventory, net of inventory written off.
(3) Change in foreign currency exchange, international subsidiaries.
(4) Transfer of insurance reserves from a state-sponsored workers' compensation program to our self-insurance reserves.
(5) Uncollectible accounts written off, net of recoveries.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, including the Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), has evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. Based on this evaluation, the PEO and PFO have determined that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15(d)-15(f). Under the supervision and with the participation of management, including the PEO and PFO, we conducted an evaluation of the effectiveness of internal control over financial reporting as of March 31, 2009 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation under this framework, management concluded that the internal control over financial reporting was effective as of March 31, 2009.

The effectiveness of our internal controls over financial reporting as of March 31, 2009 has been audited by our independent registered public accounting firm, Ernst & Young LLP. The Report of Management and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8 of this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROLS

During the quarter ended March 31, 2009, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

This Annual Report on Form 10-K incorporates by reference the information appearing under the caption "Nominees for Election as Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Board Meetings and Committees" and "Shareholder Nominations of Directors and Nominee Criteria" of our definitive proxy statement to be filed with the SEC in connection with our 2009 Annual Meeting of Shareholders (the "Proxy Statement").

Our executive officers 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 our executive officers is contained in Part I, following Item 4 of this Annual Report. We have adopted a code of ethics, our Code of Business Conduct for Employees, that applies to our PEO and PFO and Principal Accounting Officer as well as all our other employees. We have also adopted a code of ethics, our Director Code of Ethics, that applies to the members of the Company's Board of Directors, including our PEO. Our Code of Business Conduct for Employees and the Director Code of Ethics can be found on our Investor Relations website at www.steris-ir.com. Any amendments or waivers of either of these codes will be made available on this website.

ITEM 11. EXECUTIVE COMPENSATION

This Annual Report on Form 10-K incorporates by reference the information appearing beginning under the captions “Executive Compensation,” “Non-Employee Director Compensation” and “Miscellaneous Matters” of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This Annual Report on Form 10-K incorporates by reference the information appearing under the caption “Ownership of Voting Securities” of the Proxy Statement.

The table below presents information concerning all equity compensation plans and individual compensation arrangements in effect as of our fiscal year ended March 31, 2009:

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	**3,670,931**	**$ 24.75**	**4,568,379**
Equity Compensation Plans Not Approved by Security Holders	**25,000(1)**	**$ 20.30**	
Total	**3,695,931**	**$ 24.72**	**4,568,379**

(1) 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 the security holders) to the same extent as if they had been issued pursuant to that plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This Annual Report on Form 10-K incorporates by reference the information appearing beginning under the captions “Governance Generally,” “Board Meetings and Committees” and “Miscellaneous Matters” of the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This Annual Report on Form 10-K incorporates by reference the information relating to principal accounting fees and services appearing under the caption “Independent Registered Public Accounting Firm” of the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

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, 2009 and 2008.

Consolidated Statements of Income – Years ended March 31, 2009, 2008, and 2007.

Consolidated Statements of Cash Flows – Years ended March 31, 2009, 2008, and 2007.

Consolidated Statements of Shareholders' Equity – Years ended March 31, 2009, 2008, and 2007.

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 SEC 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 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended on July 26, 2007 (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	Amended and Restated Non-Qualified Stock Option Plan (filed as Exhibit 10.1 to Form 10-K filed for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).*
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 10.2 to Form 10-K filed for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).*
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 (Commission File No. 1-14643), and incorporated herein by reference).*
10.4	STERIS Corporation Form of Nonqualified Stock Option Grant Agreement for Directors (filed as Exhibit 10.4 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).*
10.5	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.2 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).*
10.6	STERIS Corporation 1997 Stock Option Plan (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).*
10.7	STERIS Corporation 1998 Long-Term Incentive Stock Plan (filed as Exhibit 10.8 to Form 10-K for fiscal year ended March 31, 1999 (Commission File No. 1-14643), and incorporated herein by reference).*
10.8	STERIS Corporation 2002 Stock Option Plan (filed as Exhibit 10.7 to Form 10-K for the fiscal year ended March 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).*
10.9	STERIS Corporation 2006 Long-Term Equity Incentive Plan (filed as Exhibit 10.1 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*

Exhibit Number	Exhibit Description
10.10	Amendment No. 1 to STERIS Corporation 2006 Long-Term Equity Incentive Plan (filed as Exhibit 10.11 to Form 10-K for the fiscal year ended March 31, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.11	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.3 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.12	STERIS Corporation Form of Restricted Stock Agreement for Directors (filed as Exhibit 10.5 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.13	STERIS Corporation Form of Restricted Stock Unit Agreement for Employees (filed as Exhibit 10.5 to Form 10-Q filed for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.14	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.7 to Form 10-Q filed for the fiscal quarter ended September 30, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.15	STERIS Corporation Form of Nonqualified Stock Option Agreement for Nonemployee Directors (filed as Exhibit 10.8 to Form 10-Q filed for the fiscal quarter ended September 30, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.16	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.17	STERIS Corporation Form of Restricted Stock Agreement for Directors (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.18	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.19	STERIS Corporation Form of Nonqualified Stock Option Agreement for Nonemployee Directors (filed as Exhibit 10.4 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.20	STERIS Corporation Deferred Compensation Plan Document (filed as Exhibit 10.1 to Form 8-K filed September 1, 2006 (Commission File No. 1-14643), and incorporated herein by reference).*
10.21	STERIS Corporation Deferred Compensation Plan Document (as Amended and Restated Effective January 1, 2009) (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended December 31, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.22	Amended and Restated Adoption Agreement related to STERIS Corporation Deferred Compensation Plan (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended December 31, 2008 (Commission File No. 1-14643), and incorporated herein by reference).*
10.23	STERIS Corporation Incentive Compensation Plan (filed as Exhibit 10.1 to Form 8-K filed May 7, 2009 (Commission File No. 1-14643), and incorporated herein by reference).*
10.24	STERIS Corporation Senior Executive Management Incentive Compensation Plan (filed as Exhibit 10.1 to Form 8-K filed August 3, 2005 (Commission File No. 1-14643), and incorporated herein by reference).*
10.25	Form of Change of Control Agreement between STERIS Corporation and certain executive officers of STERIS Corporation other than Mr. Walter M Rosebrough, Jr. (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1999 (Commission File No. 1-14643), and incorporated herein by reference).*
10.26	Employment Agreement dated May 7, 2007 between STERIS Corporation and Mr. Les Vinney (filed as Exhibit 10.1 to Form 8-K filed May 8, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.27	Employment Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough (filed as Exhibit 10.3 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.28	Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough (filed as Exhibit 10.4 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.29	Executive Retention Agreement dated May 29, 2007 between STERIS Corporation and Dr. Peter Burke (filed as Exhibit 10.24 to Form 10-K for the fiscal year ended March 31, 2007 (Commission File No. 1-14643), and incorporated herein by reference).*
10.30	Agreement dated as of April 23, 2008 by and among STERIS Corporation, Richard C. Breeden, Robert H. Fields, and the Breeden Investors identified therein (filed as Exhibit 10.1 to Form 8-K filed April 24, 2008 (Commission File No. 1-14643), and incorporated herein by reference).

Exhibit Number	Exhibit Description
10.31	Second Amended and Restated Credit Agreement, dated September 13, 2007, among STERIS Corporation, KeyBank National Association, as agent for the lenders from time to time party thereto, and such lenders (filed as Exhibit 10.1 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.32	Form of Note Purchase Agreements, dated December 17, 2003, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended December 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.33	First Amendment dated as of August 15, 2008 to Note Purchase Agreements dated as of December 17, 2003 between STERIS Corporation and certain institutional investors (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.34	Subsidiary Guaranty dated December 17, 2003, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.4 to Form 10-Q filed for the fiscal quarter ended December 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.35	Guaranty Supplement dated March 29, 2004, by SterilTek Holdings, Inc. and STERIS Corporation (filed as Exhibit 10.16 to Form 10-K for the fiscal year ended March 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
10.36	Guaranty Supplement dated January 7, 2005, by STERIS Isomedix Services, Inc. and STERIS Corporation (filed as Exhibit 10.20 to Form 10-K for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).
10.37	Guaranty Supplement dated September 25, 2007, by HSTD LLC and STERIS Corporation filed as Exhibit 10.2 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.38	Form of Note Purchase Agreements dated as of August 15, 2008, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.39	Subsidiary Guaranty dated as of August 15, 2008, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643) , and incorporated herein by reference).
10.40	Asset Purchase Agreement dated as of November 15, 2004, between Cosmed Group, Inc. and STERIS Corporation (filed as Exhibit 10.1 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
21.1	Subsidiaries of STERIS Corporation
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
32.1	Certification of the Principal Executive Officer and the Principal 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 SEC upon request.

(b) Exhibits

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

(c) Financial Statement Schedules

Not applicable.

Table of Contents

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)

Date May 29, 2009

By: /S/ MICHAEL J. TOKICH
Michael J. Tokich
Senior Vice President and Chief Financial Officer

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.

SIGNATURE	TITLE	DATE
/S/ WALTER M ROSEBROUGH, JR. Walter M Rosebrough, Jr.	President, Chief Executive Officer and Director	May 29, 2009
/S/ MICHAEL J. TOKICH Michael J. Tokich	Senior Vice President and Chief Financial Officer	May 29, 2009
* John P. Wareham	Chairman and Director	May 29, 2009
* Richard C. Breeden	Director	May 29, 2009
* Cynthia L. Feldmann	Director	May 29, 2009
* Robert H. Fields	Director	May 29, 2009
* Jacqueline B. Kosecoff	Director	May 29, 2009
* Raymond A. Lancaster	Director	May 29, 2009
* Kevin M. McMullen	Director	May 29, 2009
* J. B. Richey	Director	May 29, 2009
* Mohsen M. Sohi	Director	May 29, 2009
* Loyal W. Wilson	Director	May 29, 2009
* Michael B. Wood	Director	May 29, 2009

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named directors of the Registrant and filed with the Securities and Exchange Commission on behalf of such directors.

Date: May 29, 2009

By: /S/ MARK D. MCGINLEY
Mark D. McGinley,
Attorney-in-Fact for Directors

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended on July 26, 2007 (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	Amended and Restated Non-Qualified Stock Option Plan (filed as Exhibit 10.1 to Form 10-K filed for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 10.2 to Form 10-K filed for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).
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 (Commission File No. 1-14643), and incorporated herein by reference).
10.4	STERIS Corporation Form of Nonqualified Stock Option Grant Agreement for Directors (filed as Exhibit 10.4 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
10.5	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.2 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
10.6	STERIS Corporation 1997 Stock Option Plan (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.7	STERIS Corporation 1998 Long-Term Incentive Stock Plan (filed as Exhibit 10.8 to Form 10-K for fiscal year ended March 31, 1999 (Commission File No. 1-14643), and incorporated herein by reference).
10.8	STERIS Corporation 2002 Stock Option Plan (filed as Exhibit 10.7 to Form 10-K for the fiscal year ended March 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.9	STERIS Corporation 2006 Long-Term Equity Incentive Plan (filed as Exhibit 10.1 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).
10.10	Amendment No. 1 to STERIS Corporation 2006 Long-Term Equity Incentive Plan (filed as Exhibit 10.11 to Form 10-K for the fiscal year ended March 31, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.11	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.3 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).
10.12	STERIS Corporation Form of Restricted Stock Agreement for Directors (filed as Exhibit 10.5 to Form 8-K filed July 28, 2006 (Commission File No. 1-14643), and incorporated herein by reference).
10.13	STERIS Corporation Form of Restricted Stock Unit Agreement for Employees (filed as Exhibit 10.5 to Form 10-Q filed for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.14	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.7 to Form 10-Q filed for the fiscal quarter ended September 30, 2006 (Commission File No. 1-14643), and incorporated herein by reference).

Exhibit Number	Exhibit Description
10.15	STERIS Corporation Form of Nonqualified Stock Option Agreement for Nonemployee Directors (filed as Exhibit 10.8 to Form 10-Q filed for the fiscal quarter ended September 30, 2006 (Commission File No. 1-14643), and incorporated herein by reference).
10.16	STERIS Corporation Form of Restricted Stock Agreement for Employees (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.17	STERIS Corporation Form of Restricted Stock Agreement for Directors (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.18	STERIS Corporation Form of Nonqualified Stock Option Agreement for Employees (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.19	STERIS Corporation Form of Nonqualified Stock Option Agreement for Nonemployee Directors (filed as Exhibit 10.4 to Form 10-Q filed for the fiscal quarter ended June 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.20	STERIS Corporation Deferred Compensation Plan Document (filed as Exhibit 10.1 to Form 8-K filed September 1, 2006 (Commission File No. 1-14643), and incorporated herein by reference).
10.21	STERIS Corporation Deferred Compensation Plan Document (as Amended and Restated Effective January 1, 2009) (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended December 31, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.22	Amended and Restated Adoption Agreement related to STERIS Corporation Deferred Compensation Plan (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended December 31, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.23	STERIS Corporation Incentive Compensation Plan (filed as Exhibit 10.1 to Form 8-K filed May 7, 2009 (Commission File No. 1-14643), and incorporated herein by reference).
10.24	STERIS Corporation Senior Executive Management Incentive Compensation Plan (filed as Exhibit 10.1 to Form 8-K filed August 3, 2005 (Commission File No. 1-14643), and incorporated herein by reference).
10.25	Form of Change of Control Agreement between STERIS Corporation and certain executive officers of STERIS Corporation other than Mr. Walter M Rosebrough, Jr. (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1999 (Commission File No. 1-14643), and incorporated herein by reference).
10.26	Employment Agreement dated May 7, 2007 between STERIS Corporation and Mr. Les Vinney (filed as Exhibit 10.1 to Form 8-K filed May 8, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.27	Employment Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough (filed as Exhibit 10.3 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.28	Agreement dated September 7, 2007 between STERIS Corporation and Mr. Rosebrough (filed as Exhibit 10.4 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.29	Executive Retention Agreement dated May 29, 2007 between STERIS Corporation and Dr. Peter Burke (filed as Exhibit 10.24 to Form 10-K for the fiscal year ended March 31, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.30	Agreement dated as of April 23, 2008 by and among STERIS Corporation, Richard C. Breeden, Robert H. Fields, and the Breeden Investors identified therein (filed as Exhibit 10.1 to Form 8-K filed April 24, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.31	Second Amended and Restated Credit Agreement, dated September 13, 2007, among STERIS Corporation, KeyBank National Association, as agent for the lenders from time to time party thereto, and such lenders (filed as Exhibit 10.1 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).

Exhibit Number	Exhibit Description
10.32	Form of Note Purchase Agreements, dated December 17, 2003, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended December 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.33	First Amendment dated as of August 15, 2008 to Note Purchase Agreements dated as of December 17, 2003 between STERIS Corporation and certain institutional investors (filed as Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.34	Subsidiary Guaranty dated December 17, 2003, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.4 to Form 10-Q filed for the fiscal quarter ended December 31, 2003 (Commission File No. 1-14643), and incorporated herein by reference).
10.35	Guaranty Supplement dated March 29, 2004, by SterilTek Holdings, Inc. and STERIS Corporation (filed as Exhibit 10.16 to Form 10-K for the fiscal year ended March 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
10.36	Guaranty Supplement dated January 7, 2005, by STERIS Isomedix Services, Inc. and STERIS Corporation (filed as Exhibit 10.20 to Form 10-K for the fiscal year ended March 31, 2005 (Commission File No. 1-14643), and incorporated herein by reference).
10.37	Guaranty Supplement dated September 25, 2007, by HSTD LLC and STERIS Corporation filed as Exhibit 10.2 to Form 10-Q for the fiscal quarter ended September 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
10.38	Form of Note Purchase Agreements dated as of August 15, 2008, between STERIS Corporation and certain institutional investors (filed as Exhibit 10.2 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643), and incorporated herein by reference).
10.39	Subsidiary Guaranty dated as of August 15, 2008, by certain subsidiaries of STERIS Corporation (filed as Exhibit 10.3 to Form 10-Q filed for the fiscal quarter ended September 30, 2008 (Commission File No. 1-14643) , and incorporated herein by reference).
10.40	Asset Purchase Agreement dated as of November 15, 2004, between Cosmed Group, Inc. and STERIS Corporation (filed as Exhibit 10.1 to Form 10-Q for the fiscal quarter ended December 31, 2004 (Commission File No. 1-14643), and incorporated herein by reference).
21.1	Subsidiaries of STERIS Corporation
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
32.1	Certification of the Principal Executive Officer and the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 21.1

SUBSIDIARIES OF STERIS CORPORATION

STERIS Corporation has no parent company. As of March 31, 2009, its direct and indirect subsidiaries[1] were as follows:

Albert Browne International Limited	United Kingdom
Albert Browne Limited	United Kingdom
American Sterilizer Company	Pennsylvania
Browne Health Care Limited	United Kingdom
CLBV Limited	United Kingdom
Family Practitioner Supplies Limited	United Kingdom
Global Risk Insurance Company	Vermont
Hamo UK Limited	United Kingdom
Hausted, Inc.	Delaware
HSTD LLC	Delaware
HTD Holding Corp.	Delaware
Isomedix Corporation	Canada
Isomedix Inc.	Delaware
Isomedix Operations Inc.	Delaware
SB Servicos Administrativos Ltda.	Brazil
SterilTek Holdings, Inc.	Delaware
SterilTek, Inc.	Nevada
STERIS	France
STERIS AB	Sweden
STERIS AG	Switzerland
STERIS Asia Pacific, Inc.	Delaware
STERIS-Austar Pharmaceutical Systems Hong Kong Limited	Hong Kong
STERIS-Austar Pharmaceutical Systems (Shanghai) Limited	China
STERIS (Barbados) Corp.	Barbados
STERIS Brasil Servicos Administrativos Ltda.	Brazil
STERIS (BVI) I Limited	British Virgin Islands
STERIS Canada Corporation	Canada
STERIS Canada Inc.	Canada
STERIS China Holdings Limited	Hong Kong
STERIS CH Limited	United Kingdom
STERIS Corporation de Costa Rica, S.A.	Costa Rica
STERIS Deutschland GmbH	Germany
STERIS Enterprises LLC	Russia
STERIS Europe, Inc.	Delaware
STERIS Group GmbH	Switzerland
STERIS Holdings B.V.	Netherlands
STERIS Hong Kong Limited	Hong Kong
STERIS Iberia, S.A.	Spain
STERIS Inc.	Delaware
STERIS (India) Private Limited	India
STERIS Isomedix Services, Inc.	Delaware
STERIS Japan Inc.	Japan
STERIS Latin America, Inc.	Delaware
STERIS Limited	United Kingdom
STERIS Mauritius Limited	Republic of Mauritius
STERIS Mexico, S. de R.L. de C.V.	Mexico
STERIS Personnel Services, Inc.	Delaware
STERIS Personnel Services Mexico, S. de R.L. de C.V.	Mexico
STERIS SA	Belgium
STERIS SEA Sdn. Bhd. (Malaysia)	Malaysia
STERIS (Shangai) Trading Co., Limited	China
STERIS Singapore Pte. Ltd.	Singapore
STERIS S.r.l.	Italy
STERIS Surgical Technologies	France
STERIS Surgical Technologies Holdings	France
Strategic Technology Enterprises, Inc.	Delaware

(1) The names of one or more subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute at the end of fiscal 2009 a “significant subsidiary” within the meaning of Rule 1-02(w) of Regulation S-X have been excluded.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our reports dated May 28, 2009, with respect to the consolidated financial statements and schedule of STERIS Corporation and subsidiaries, and the effectiveness of internal control over financial reporting of STERIS Corporation and subsidiaries included in this Annual Report (Form 10-K) for the year ended March 31, 2009 in the following Registration Statements and in the related Prospectuses:

Registration Number	Description
333-65155	Form S-8 Registration Statement – STERIS Corporation 1998 Long-Term Incentive Compensation Plan
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
333-09733	Form S-8 Registration Statement – STERIS Corporation 401(k) Plan
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
333-137167	Form S-8 Registration Statement – STERIS Corporation Deferred Compensation Plan
333-136239	Form S-8 Registration Statement – STERIS Corporation 2006 Long-Term Equity Incentive Plan

/S/ ERNST & YOUNG LLP

Cleveland, Ohio
May 28, 2009

EXHIBIT 24.1

STERIS CORPORATION
POWER OF ATTORNEY
FORM 10-K

Each of the undersigned hereby makes, constitutes, and appoints Walter M Rosebrough, Jr., Michael J. Tokich, Mark D. McGinley, J. Adam Zangerle, Dennis P. Patton, 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 for its fiscal year ended March 31, 2009, and any and all amendments thereto to be filed with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, with power to file said Form 10-K and such amendments, and any and all other documents that may be required 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 or appropriate in connection therewith, 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 as of the 22 day of April 2009.

/S/ CYNTHIA L. FELDMANN
Cynthia L. Feldmann
Director

/S/ JACQUELINE B. KOSECOFF
Jacqueline B. Kosecoff
Director

/S/ RAYMOND A. LANCASTER
Raymond A. Lancaster
Director

/S/ KEVIN M. MCMULLEN
Kevin M. McMullen
Director

/S/ J. B. RICHEY
J. B. Richey
Director

/S/ MOHSEN M. SOHI
Mohsen M. Sohi
Director

/S/ LOYAL W. WILSON
Loyal W. Wilson
Director

/S/ JOHN P. WAREHAM
John P. Wareham
Chairman of the Board

/S/ MICHAEL B. WOOD
Michael B. Wood
Director

/S/ RICHARD C. BREEDEN
Richard C. Breeden
Director

/S/ WALTER M ROSEBROUGH, JR.
Walter M Rosebrough, Jr.
President and Chief Executive Officer
(Principal Executive Officer), Director

/S/ ROBERT H. FIELDS
Robert H. Fields
Director

/S/ MICHAEL J. TOKICH
Michael J. Tokich
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Walter M Rosebrough, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of STERIS Corporation;

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

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

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

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

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 29, 2009

/S/ WALTER M ROSEBROUGH, JR.
Walter M Rosebrough, Jr.
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael J. Tokich, certify that:

1. I have reviewed this annual report on Form 10-K of STERIS Corporation;

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

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

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

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

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 29, 2009

/S/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO § 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-K of STERIS Corporation (the "Company") for the fiscal year ended March 31, 2009, 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/ WALTER M ROSEBROUGH, JR.
Name: Walter M Rosebrough, Jr.
Title: President and Chief Executive Officer

/S/ MICHAEL J. TOKICH
Name: Michael J. Tokich
Title: Senior Vice President and Chief Financial Officer

Date: May 29, 2009