STERIS CORP
Form 10-Q/A
April 30, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 2008

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	**(IRS Employer**
incorporation or organization)	**Identification No.)**
5960 Heisley Road,	
Mentor, Ohio	**44060-1834**
(Address of principal executive offices)	**(Zip code)**

440-354-2600

(Registrant s telephone number, including area code)

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

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 x	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 x

The number of common shares outstanding as of January 31, 2009: 58,436,157

Table of Contents

This Amendment No. 1 on Form 10-Q/A to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 of STERIS Corporation (the Company), originally filed with the Securities and Exchange Commission on February 6, 2009, corrects a typographical error in a date contained in Exhibit 32.1 of such Quarterly Report and updates the dates of the certifications contained in Exhibits 31.1, 31.2 and 32.1 of such Quarterly Report as of the filing date of this Amendment No. 1.

Except for the correction of this error and the certification date updates, this Amendment No. 1 to the Company s Quarterly Report on Form 10-Q/A does not update any disclosure from, or reflect any event occurring subsequent to, February 6, 2009, which is the filing date of the Quarterly Report on Form 10-Q as originally filed.

Table of Contents

STERIS Corporation and Subsidiaries

Form 10-Q

Index

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	December 31, 2008 (Unaudited)	March 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 106,050	$ 51,868
Accounts receivable (net of allowances of $9,967 and $9,396, respectively)	215,883	249,814
Inventories, net	148,116	147,210
Current portion of deferred income taxes, net	20,291	29,033
Prepaid expenses and other current assets	23,786	35,451
Total current assets	514,126	513,376
Property, plant, and equipment, net	361,263	384,642
Goodwill and intangibles, net	311,792	337,980
Other assets	7,730	3,294
Total assets	$ 1,194,911	$ 1,239,292
Liabilities and shareholders equity		
Current liabilities:		
Current portion of long-term indebtedness	$ 300	$ 700
Accounts payable	59,003	75,532
Accrued income taxes		23,039
Accrued payroll and other related liabilities	47,850	59,243
Accrued expenses and other	75,961	71,845
Total current liabilities	183,114	230,359
Long-term indebtedness	210,000	179,280
Deferred income taxes, net	22,153	5,902
Other liabilities	64,789	117,599
Total liabilities	480,056	533,140
Commitments and contingencies (see note 10)		
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; 58,429 and 59,263 shares outstanding, respectively	228,736	231,566
Common shares held in treasury, 11,611 and 10,777 shares, respectively	(309,866)	(279,841)
Retained earnings	791,219	721,331
Accumulated other comprehensive income	4,766	33,096
Total shareholders equity	714,855	706,152

Total liabilities and shareholders equity	$ 1,194,911	$ 1,239,292

See notes to consolidated financial statements.

3

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	**2007**	**2008**	**2007**
Revenues:				
Product	$ 203,308	$ 201,743	$ 602,746	$ 556,563
Service	116,159	112,231	351,413	333,357
Total revenues	319,467	313,974	954,159	889,920
Cost of revenues:				
Product	127,111	120,708	360,901	332,378
Service	68,289	66,664	206,327	195,132
Total cost of revenues	195,400	187,372	567,228	527,510
Gross profit	124,067	126,602	386,931	362,410
Operating expenses:				
Selling, general, and administrative	67,272	82,015	231,910	249,929
Research and development	8,122	10,173	24,469	27,963
Restructuring expenses	2,855	952	2,726	3,041
Total operating expenses	78,249	93,140	259,105	280,933
Income from continuing operations	45,818	33,462	127,826	81,477
Non-operating expenses (income):				
Interest expense	3,214	1,516	7,499	4,229
Interest and miscellaneous income	(366)	(581)	(1,288)	(1,657)
Total non-operating expenses, net	2,848	935	6,211	2,572
Income from continuing operations before income tax expense	42,970	32,527	121,615	78,905
Income tax expense	14,395	10,751	38,746	27,908
Net income	$ 28,575	$ 21,776	$ 82,869	$ 50,997
Net income per common share:				
Basic	$ 0.49	$ 0.35	$ 1.41	$ 0.80
Diluted	$ 0.48	$ 0.34	$ 1.39	$ 0.79
Cash dividends declared per common share outstanding	$ 0.08	$ 0.06	$ 0.22	$ 0.17

See notes to consolidated financial statements.

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine Months Ended December 31, 2008	2007
Operating activities:		
Net income	$ 82,869	$ 50,997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	43,876	47,499
Deferred income taxes	10,868	(17,261)
Share based compensation	5,653	6,465
(Gain) loss on the sale of property, plant, equipment, and intangibles, net	(1,445)	966
Other items	(8,346)	(769)
Changes in operating assets and liabilities, excluding the effects of business acquisitions:		
Accounts receivable, net	25,735	55,438
Inventories, net	(12,759)	(25,819)
Other current assets	10,663	1,383
Accounts payable	(13,333)	(15,191)
Accruals and other, net	(35,457)	(8,763)
Net cash provided by operating activities	108,324	94,945
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(29,704)	(39,142)
Proceeds from the sale of property, plant, equipment, and intangibles	10,981	4,740
Equity investment in joint venture	(4,150)	
Net cash used in investing activities	(22,873)	(34,402)
Financing activities:		
Proceeds from the issuance of long-term obligations	150,000	
(Payments) proceeds under credit facilities, net	(79,180)	31,925
Payments on long-term obligations	(40,500)	(500)
Deferred financing fees and debt issuance costs	(476)	(443)
Repurchases of common shares	(80,466)	(94,758)
Cash dividends paid to common shareholders	(12,981)	(10,910)
Stock option and other equity transactions, net	33,254	11,540
Tax benefit from stock options exercised	8,766	2,591
Net cash used in financing activities	(21,583)	(60,555)
Effect of exchange rate changes on cash and cash equivalents	(9,686)	3,104
Increase in cash and cash equivalents	54,182	3,092
Cash and cash equivalents at beginning of period	51,868	52,296
Cash and cash equivalents at end of period	$ 106,050	$ 55,388

See notes to consolidated financial statements.

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

Interim Financial Statements

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

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the Securities and Exchange Commission (SEC) on May 30, 2008. The Consolidated Balance Sheet at March 31, 2008 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Principles of Consolidation

We use the consolidation method to report our investment in our subsidiaries. Consolidation means that we combine the accounts of our wholly-owned subsidiaries with our accounts. We eliminate inter-company accounts and transactions when we consolidate these accounts.

Use of Estimates

We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available. This means that operating results for the three and nine months ended December 31, 2008 are not necessarily indicative of results that may be expected for the full fiscal year ending March 31, 2009.

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

Recently Adopted Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS No. 157), Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. SFAS No. 157 does not require new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and requires prospective adoption as of the beginning of the fiscal year.

In February 2008, the FASB issued FASB Staff Position No. 157-1 (FSP 157-1), Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13 and FASB Staff Position No. 157-2 (FSP 157-2), Effective Date of Statement 157. FSP 157-1 removed leasing transactions accounted for under FASB Statement No. 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 deferred the effective date of SFAS No. 157 for all nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. We adopted the required provisions of SFAS No. 157 for financial assets and liabilities on April 1, 2008. The adoption of the standard did not have a material impact on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS No. 159), The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of 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 are 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. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We adopted SFAS No. 159 on April 1, 2008 and did not elect to measure any additional financial instruments or other items at fair value.

New Accounting Pronouncements

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 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.

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

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.

Significant Accounting Policies

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2008.

2. Restructuring

The following summarizes our restructuring plans announced in fiscal years 2009, 2008, 2007, and 2006. We recognize restructuring expenses as incurred as required under the provisions of Statement of Financial Accounting Standards No. 146 (SFAS No. 146), Accounting for Costs Associated with Exit or Disposal Activities. We recognize expenses for postemployment benefits associated with the affected employees when probable and estimable as required under the provisions of Statement of Financial Accounting Standards No. 112 (SFAS No. 112), Employers Accounting for Postemployment Benefits, an Amendment of FASB Statements No. 5 and 43. In addition, we assess the property, plant and equipment associated with the related facilities for impairment under the provisions of 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 an adjustment in the carrying value of the related facilities to their estimated fair value. In addition, the remaining useful lives of other property, plant and equipment associated with the related operations were re-evaluated based on the respective restructuring plan, resulting in the acceleration of depreciation and amortization of certain assets. Additional information regarding our respective restructuring plans is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

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 the three months ended December 31, 2008, we recorded $13,687 in pre-tax expenses related to these actions, of which $3,765 was recorded as

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

restructuring expenses and $9,922 was recorded in cost of revenues, with expenses of $11,291 and $2,396 related to the Healthcare and Life Sciences reporting segments, respectively. The expenses recorded primarily consist of severance and related benefits, product rationalization costs, and asset impairment costs. During the fourth quarter of fiscal 2009 and the first six months of fiscal 2010 we expect to incur approximately an additional $2,000 in restructuring expenses related to the Fiscal 2009 Restructuring Plan primarily consisting of severance and related benefits and lease termination costs.

Fiscal 2008 Restructuring Plan

During the fourth quarter of fiscal 2008, we announced an expense reduction initiative which was primarily focused on our North American operations, and was intended to enhance our profitability and improve efficiency by reducing ongoing operating costs (the Fiscal 2008 Restructuring Plan).

The Fiscal 2008 Restructuring Plan included the closure of two sales offices, rationalization of certain products, and workforce reductions in certain support functions. In the third quarter of fiscal 2009, we reversed our decision with respect to one of the sales offices, since 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 $1,000.

We did not incur any additional significant restructuring expenses related to the Fiscal 2008 Restructuring Plan in the three and nine months ended December 31, 2008, and we settled certain termination benefits and other costs for less than originally expected.

Since the inception of the Fiscal 2008 Restructuring Plan, we have incurred pre-tax restructuring expenses totaling $14,448 related to these actions, of which $10,789 was recorded as restructuring expenses and $3,659 was recorded in cost of revenues, with expenses of $11,789, $1,479, $429, and $751 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). In the first quarter of fiscal 2009, we settled the remaining obligations associated with this plan, incurring $99 in pre-tax restructuring expenses related to a lease termination obligation. Since the inception of the European Restructuring Plan, we have incurred pre-tax restructuring expenses totaling $1,887 primarily related to severance and termination benefits, with restructuring expenses of $1,353 and $534 related to the Healthcare and Life Sciences reporting segments, respectively.

Fiscal 2006 Restructuring Plan

During fiscal 2006, we announced the transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico and other restructuring actions (the Fiscal 2006 Restructuring Plan), which were intended to improve our cost structure. We did not incur any restructuring expenses related to the Fiscal 2006 Restructuring Plan during the three and nine months ended December 31, 2008, and settled certain severance payment obligations for less than originally expected. During the three and nine months ended December 31, 2007, we recorded $952 and $3,076, respectively, in pre-tax restructuring expenses related to this plan, primarily

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

for the transfer of manufacturing operations to Monterrey, Mexico, which were associated with our Healthcare business segment.

Since the inception of the Fiscal 2006 Restructuring Plan, we have incurred restructuring expenses of $33,637, with restructuring expenses of $33,223 and $414 related to the Healthcare and Life Sciences segments, respectively, primarily related to the transfer of manufacturing operations to Monterrey, Mexico.

The following tables summarize our total pre-tax expenses for the third quarter and first nine months of fiscal 2009 and fiscal 2008:

Three Months Ended December 31, 2008	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ 3,362	$ (107)	$	$	$ 3,255
Asset impairment and accelerated depreciation	1,112	(83)			1,029
Product rationalization	9,100	(528)			8,572
Lease termination obligations		(17)			(17)
Other	113	(609)			(496)
Total restructuring charges	$ 13,687	$ (1,344)	$	$	$ 12,343

Three Months Ended December 31, 2007	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$	$	$	$ (163)	$ (163)
Asset impairment and accelerated depreciation				822	822
Other				293	293
Total restructuring charges	$	$	$	$ 952	$ 952

Nine Months Ended December 31, 2008	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ 3,362	$ (191)	$	$ (178)	$ 2,993
Asset impairment and accelerated depreciation	1,112	(83)			1,029
Product rationalization	9,100	(523)			8,577
Lease termination obligations		20	99		119
Other	113	(609)			(496)
Total restructuring charges	$ 13,687	$ (1,386)	$ 99	$ (178)	$ 12,222

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

Nine Months Ended December 31, 2007	Fiscal 2009 Restructuring Plan	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$	$	$ (24)	$ 168	$ 144
Asset impairment and accelerated depreciation				2,622	2,622
Lease termination obligations			(11)	(13)	(24)
Other				299	299
Total restructuring charges	$	$	$ (35)	$ 3,076	$ 3,041

Liabilities related to our 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 table summarizes our liabilities related to these restructuring activities:

	Fiscal 2009 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments/ Impairments	December 31, 2008
Severance and termination benefits	$	$ 3,362	$ (481)	$ 2,881
Asset impairments		1,112	(1,112)	
Product rationalization		9,100	(7,699)	1,401
Other		113	(48)	65
Total	$	$ 13,687	$ (9,340)	$ 4,347

	Fiscal 2008 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision (a)	Payments/ Impairments	December 31, 2008
Severance and termination benefits	$ 4,244	$ (191)	$ (3,117)	$ 936
Asset impairments	492	(83)		409
Lease termination obligations	898	20	(37)	881
Other	609	(609)		
Total	$ 6,243	$ (863)	$ (3,154)	$ 2,226

(a) Does not include a negative $523 in product rationalization costs that were charged against inventory.

	March 31, 2008	European Restructuring Plan Fiscal 2009 Provision	Payments	December 31, 2008
Lease termination obligation	$ 247	$ 99	$ (346)	$
Total	$ 247	$ 99	$ (346)	$

11

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

	March 31, 2008	Fiscal 2006 Restructuring Plan Fiscal 2009 Provision	Payments	December 31, 2008
Severance and termination benefits	$ 879	$ (178)	$ (636)	$ 65
Total	$ 879	$ (178)	$ (636)	$ 65

3. Comprehensive Income

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
Net income	$ 28,575	$ 21,776	$ 82,869	$ 50,997
Foreign currency translation adjustments	(31,600)	4,060	(55,970)	21,250
Reduction in the unrecognized postretirement benefit plan obligation, net of taxes	6,458		28,652	
Amortization of pension and postretirement benefit plans costs, net of taxes	(494)	322	(739)	967
Unrealized losses on investments		(77)	(273)	(81)
Total comprehensive income	$ 2,939	$ 26,081	$ 54,539	$ 73,133

The reduction in the unrecognized postretirement benefit plan obligation, net of taxes, is a result of modifying our United States postretirement welfare benefits plan during the second quarter of fiscal 2009. We provide additional information regarding the amendment and restatement of our United States postretirement welfare benefits plan in note 9 to our consolidated financial statements titled, Benefit Plans.

Table of Contents

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

For the Three and Nine Months Ended

December 31, 2008 and 2007

(dollars in thousands, except per share amounts)

4. Property, Plant and Equipment

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

	December 31, 2008	March 31, 2008
Land and land improvements (1)	$ 26,293	$ 26,696
Buildings and leasehold improvements	179,801	184,921
Machinery and equipment	268,862	271,646
Information systems	91,690	126,741
Radioisotope	158,072	148,738
Construction in progress (1)	34,160	38,065
Total property, plant, and equipment	758,878	796,807
Less: accumulated depreciation and depletion	(397,615)	(412,165)
Property, plant, and equipment, net	$ 361,263	$ 384,642

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

5. Inventories, Net

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