

STERIS Corporation
Consolidated Condensed Statements of Operations
(In thousands, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Revenues	\$ 489,897	\$ 462,729	\$ 929,799	\$ 875,372
Cost of revenues	280,535	269,073	536,070	511,737
Cost of revenues - Restructuring	41	(336)	318	(450)
Cost of revenues, net	280,576	268,737	536,388	511,287
Gross profit	209,321	193,992	393,411	364,085
Operating expenses:				
Selling, general, and administrative	172,459	126,292	299,294	239,980
Research and development	14,255	13,006	28,020	25,415
Restructuring expense	(56)	1,271	(782)	1,099
Total operating expenses	186,658	140,569	326,532	266,494
Income from operations	22,663	53,423	66,879	97,591
Non-operating expense, net	6,822	4,912	12,480	9,374
Income tax expense	7,154	17,507	21,421	32,676
Net income	\$ 8,687	\$ 31,004	\$ 32,978	\$ 55,541
Earnings per common share (EPS) data:				
Basic	\$ 0.15	\$ 0.52	\$ 0.55	\$ 0.94
Diluted	\$ 0.14	\$ 0.52	\$ 0.55	\$ 0.93
Cash dividends declared per common share outstanding	\$ 0.25	\$ 0.23	\$ 0.48	\$ 0.44
Weighted average number of common shares outstanding used in EPS computation:				
Basic number of common shares outstanding	59,897	59,375	59,832	59,272
Diluted number of common shares outstanding	60,370	60,020	60,328	59,917

STERIS Corporation
Consolidated Condensed Balance Sheets
(In thousands)

	September 30, 2015	March 31, 2015
(Unaudited)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 162,187	\$ 167,689
Accounts receivable, net	301,390	325,289
Inventories, net	183,951	160,818
Other current assets	65,480	66,636
Total Current Assets	713,008	720,432
Property, plant, and equipment, net	505,355	493,053
Goodwill and intangible assets, net	1,075,028	860,645
Other assets	15,687	23,161
Total Assets	\$ 2,309,078	\$ 2,097,291
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 84,083	\$ 99,340
Other current liabilities	173,404	183,991
Total Current Liabilities	257,487	283,331
Long-term debt	829,818	621,075
Other liabilities	129,982	119,239
Equity	1,091,791	1,073,646
Total Liabilities and Equity	\$ 2,309,078	\$ 2,097,291

STERIS Corporation
Segment Data
(In thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment Revenues:				
Healthcare	\$ 362,289	\$ 351,169	\$ 691,616	\$ 653,979
Life Sciences	71,040	59,148	127,812	117,762
STERIS Isomedix Services	55,839	51,850	109,528	103,043
Total Reportable Segments	489,168	462,167	928,956	874,784
Corporate and Other	729	562	843	588
Total Segment Revenues	\$ 489,897	\$ 462,729	\$ 929,799	\$ 875,372

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment Operating Income:				
Healthcare	\$ 20,336	\$ 29,943	\$ 38,011	\$ 47,909
Life Sciences	18,092	13,048	31,325	24,993
STERIS Isomedix Services	14,784	14,399	30,034	30,590
Total Reportable Segments	53,212	57,390	99,370	103,492
Corporate and Other	(30,549)	(3,967)	(32,491)	(5,901)
Total Operating Income	\$ 22,663	\$ 53,423	\$ 66,879	\$ 97,591

STERIS Corporation
Consolidated Condensed Statements of Cash Flows
(In thousands)

	Six Months Ended	
	September 30,	
	2015	2014
	(Unaudited)	(Unaudited)
Operating Activities:		
Net income	\$ 32,978	\$ 55,541
Pension settlement expense	26,515	-
Pension contributions	(4,687)	-
Non-cash items	43,027	44,573
Changes in operating assets and liabilities	(18,361)	4,794
Net cash provided by operating activities	<u>79,472</u>	<u>104,908</u>
Investing Activities:		
Purchases of property, plant, equipment, and intangibles, net	(39,928)	(36,527)
Proceeds from sale of property, plant, equipment and intangibles	38	796
Investments in businesses, net of cash acquired	(220,840)	(179,380)
Net cash used in investing activities	<u>(260,730)</u>	<u>(215,111)</u>
Financing Activities:		
Proceeds from issuance of long-term obligations	350,000	-
(Payments) Proceeds under credit facilities, net	(139,750)	126,470
Deferred financing fees and debt issuance costs	(2,426)	-
Repurchases of common shares	(12,974)	(5,440)
Cash dividends paid to common shareholders	(28,740)	(26,118)
Stock option and other equity transactions, net	8,111	8,686
Excess tax benefit from share-based compensation	4,676	4,505
Net cash provided by financing activities	<u>178,897</u>	<u>108,103</u>
Effect of exchange rate changes on cash and cash equivalents	(3,141)	(3,289)
Decrease in cash and cash equivalents	<u>(5,502)</u>	<u>(5,389)</u>
Cash and cash equivalents at beginning of period	167,689	152,802
Cash and cash equivalents at end of period	<u>\$ 162,187</u>	<u>\$ 147,413</u>

The following table presents a financial measure which is considered to be "non-GAAP financial measures" under Securities Exchange Commission rules. Free cash flow is defined by the Company as cash flows from operating activities less purchases of property, plant, equipment and intangibles, net (capital expenditures) plus proceeds from the sale of property, plant, equipment and intangibles. The Company uses free cash flow as a measure to gauge its ability to fund future principal debt repayments and growth outside of core operations, repurchase common shares, and pay cash dividends. STERIS's calculation of free cash flow may vary from other companies.

	Six Months Ended	
	September 30,	
	2015	2014
	(Unaudited)	(Unaudited)
Calculation of Free Cash Flow:		
Cash flows from operating activities	\$ 79,472	\$ 104,908
Purchases of property, plant, equipment, and intangibles, net	(39,928)	(36,527)
Proceeds from the sale of property, plant, equipment, and intangibles	38	796
Free Cash Flow	<u>\$ 39,582</u>	<u>\$ 69,177</u>

	Twelve Months Ended	
	March 31,	
	2016	
	(Outlook)*	
Cash flows from operating activities	\$ 235,000	
Purchases of property, plant, equipment, and intangibles, net	(105,000)	
Free Cash Flow	<u>\$ 130,000</u>	

* All amounts are estimates.

STERIS Corporation
Non-GAAP Earnings Per Share and Outlook

Non-GAAP financial measures are presented with the intent of providing greater transparency to supplemental financial information used by management and the Board of Directors in their financial analysis and operational decision making. These amounts are disclosed so that the reader has the same financial data that management uses with the belief that it will assist investors and other readers in making comparisons to our historical operating results and analyzing the underlying performance of our operations for the periods presented.

We believe that the presentation of these non-GAAP financial measures, when considered along with our GAAP financial measures and the reconciliation to the corresponding GAAP financial measures, provide the reader with a more complete understanding of the factors and trends affecting our business than could be obtained absent this disclosure. It is important for the reader to note that the non-GAAP financial measure used may be calculated differently from, and therefore may not be comparable to, a similarly titled measure used by other companies.

	Three months ended September 30,		Six months ended September 30,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Net Income per diluted share	\$0.14	\$0.52	\$0.55	\$0.93
Restructuring, net of tax	-	0.01	-	0.01
Inventory and property "step up" to fair value, net of tax	-	-	-	0.02
Amortization and impairment of purchased intangible assets, net of tax	0.07	0.12	0.13	0.17
Gain from fair value adjustment of acquisition related contingent consideration, net of tax	-	-	-	0.02
Settlement of Pension Obligation	0.27	-	0.27	-
Acquisition related transaction and integration expenses, net of tax	0.35	0.03	0.50	0.07
Adjusted net income per diluted share	<u>\$0.83</u>	<u>\$0.68</u>	<u>\$1.45</u>	<u>\$1.22</u>

	Twelve months ended March 31, 2016 (Outlook)*
Net Income per diluted share	\$2.03- \$2.18
Settlement of pension obligation	0.27
Amortization and impairment of purchased intangible assets, net of tax	0.29
Acquisition related transaction and integration expenses, net of tax	0.56
Adjusted net income per diluted share	<u>\$3.15- \$3.30</u>

* All amounts are estimates.

STERIS Corporation
Non-GAAP Financial Measures
(In thousands, except per share data)

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	Three months ended September 30,		Six months ended September 30,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Gross Profit	\$ 209,321	\$ 193,992	\$ 393,411	\$ 364,085
Restructuring	41	(336)	318	(450)
Amortization of inventory "step up" to fair value	-	-	-	1,234
Adjusted gross profit	\$ 209,362	\$ 193,656	\$ 393,729	\$ 364,869
Selling, general and administrative expenses	\$ 172,459	\$ 126,292	\$ 299,294	\$ 239,980
Amortization and impairment of purchased intangible assets	(6,682)	(11,518)	(12,703)	(16,718)
Amortization of property "step up" to fair value	(21)	(31)	(42)	(54)
Acquisition related transaction and integration costs	(23,982)	(3,062)	(35,526)	(6,696)
Settlement of Pension Obligation	(26,515)	-	(26,515)	-
Gain (loss) on fair value adjustment of acquisition related contingent consideration	-	-	-	(1,998)
Adjusted selling, general and administrative expenses	\$ 115,259	\$ 111,681	\$ 224,508	\$ 214,514
Operating income	\$ 22,663	\$ 53,423	\$ 66,879	\$ 97,591
Amortization of inventory and property "step up" to fair value	21	31	42	1,288
Amortization and impairment of purchased intangible assets	6,682	11,518	12,703	16,718
Acquisition related transaction and integration costs	23,982	3,062	35,526	6,696
Loss (gain) on fair value adjustment of acquisition related contingent consideration	-	-	-	1,998
Settlement of Pension Obligation	26,515	-	26,515	-
Restructuring	(15)	935	(464)	649
Adjusted operating income	\$ 79,848	\$ 68,969	\$ 141,201	\$ 124,940
Net income	\$ 8,687	\$ 31,004	\$ 32,978	\$ 55,541
Amortization of inventory and property "step up" to fair value, net of tax	17	25	34	1,030
Amortization and impairment of purchased intangible assets, net of tax	4,143	7,098	7,881	10,342
Acquisition related transaction and integration costs, net of tax	20,928	1,868	30,399	4,085
Loss (gain) on fair value adjustment of acquisition related contingent consideration, net of tax	-	-	-	1,219
Settlement of Pension Obligation	16,365	-	16,365	-
Restructuring, net of tax	(9)	570	(283)	396
Adjusted net income	\$ 50,131	\$ 40,565	\$ 87,374	\$ 72,613
Healthcare operating income	\$ 20,336	\$ 29,943	\$ 38,011	\$ 47,909
Amortization of inventory and property "step up" to fair value	21	31	42	1,288
Amortization and impairment of purchased intangible assets	5,990	11,418	11,870	16,516
Acquisition related transaction and integration costs	19,154	2,970	29,234	6,604
Loss (gain) from fair value adjustment of acquisition related contingent consideration	-	-	-	1,998
Restructuring	5	808	(444)	561
Adjusted Healthcare operating income	\$ 45,506	\$ 45,170	\$ 78,713	\$ 74,876
Life Sciences operating income	\$ 18,092	\$ 13,048	\$ 31,325	\$ 24,993
Amortization and impairment of purchased intangible assets	608	16	665	34
Acquisition related transaction and integration costs	2,183	50	2,443	50
Restructuring	-	124	-	110
Adjusted Life Sciences operating income	\$ 20,883	\$ 13,238	\$ 34,433	\$ 25,187
Isomedix operating income	\$ 14,784	\$ 14,399	\$ 30,034	\$ 30,590
Amortization and impairment of purchased intangible assets	84	84	168	168
Acquisition related transaction and integration costs	2,645	42	3,849	42
Restructuring	(20)	3	(20)	(22)
Adjusted Isomedix operating income	\$ 17,493	\$ 14,528	\$ 34,031	\$ 30,778

STERIS Corporation
Unaudited Supplemental Financial Data
Second Quarter Fiscal 2016
As of September 30, 2015

	FY 2016	FY 2015	FY 2016	FY 2015
	Q2	Q2	YTD	YTD
Total Company Revenues				
Capital Equipment	\$ 152,037	\$ 143,488	\$ 270,257	\$ 263,883
Consumables	122,108	113,357	236,195	223,402
Service	215,752	205,884	423,347	388,087
Total Recurring	337,860	319,241	659,542	611,489
Total Revenues	\$ 489,897	\$ 462,729	\$ 929,799	\$ 875,372
United States Revenues	\$ 395,220	\$ 365,482	\$ 755,689	\$ 682,833
United States Revenues as a % of Total	81%	79%	81%	78%
International Revenues	\$ 94,677	\$ 97,247	\$ 174,110	\$ 192,539
International Revenues as a % of Total	19%	21%	19%	22%

Segment Data	Q2	Q2	YTD	YTD
Healthcare				
Revenues				
Capital Equipment	\$ 131,151	\$ 127,272	\$ 234,868	\$ 229,543
Consumables	92,114	90,558	183,108	178,828
Service	139,024	133,339	273,640	245,608
Total Recurring	231,138	223,897	456,748	424,436
Total Healthcare Revenues, net	\$ 362,289	\$ 351,169	\$ 691,616	\$ 653,979
Operating Income	20,336	29,943	38,011	47,909
Adjusted Operating Income (1)	45,506	45,170	78,713	74,876
Life Sciences				
Revenues				
Capital Equipment	\$ 20,318	\$ 16,216	\$ 34,820	\$ 34,340
Consumables	29,994	22,799	53,087	44,574
Service	20,728	20,133	39,905	38,848
Total Recurring	50,722	42,932	92,992	83,422
Total Life Sciences Revenues	\$ 71,040	\$ 59,148	\$ 127,812	\$ 117,762
Operating Income	18,092	13,048	31,325	24,993
Adjusted Operating Income (1)	20,883	13,238	34,433	25,187
Isomedix Services				
Revenues	\$ 55,839	\$ 51,850	\$ 109,528	\$ 103,043
Operating Income	14,784	14,399	30,034	30,590
Adjusted Operating Income (1)	17,493	14,528	34,031	30,778
Corporate and Other				
Revenues	\$ 729	\$ 562	\$ 843	\$ 588
Operating Income (Loss)	(30,549)	(3,967)	(32,491)	(5,901)

Other Data	Q2	Q2	YTD	YTD
Product				
Total product revenues	274,145	256,845	506,452	487,285
Total product cost of revenues	148,088	142,991	277,944	272,966
Restructuring expense	41	(336)	318	(450)
Amortization of inventory "step up" to fair value	-	-	-	1,234
Total product cost of revenues, adjusted (1)	148,047	143,327	277,626	272,182
Total product gross profit, adjusted (1)	126,098	113,518	228,826	215,103
As a percentage, adjusted (1)	46.0%	44.2%	45.2%	44.1%
Service				
Total service revenues	215,752	205,884	423,347	388,087
Total service cost of revenues	132,488	125,746	258,444	238,321
Total service gross profit	83,264	80,138	164,903	149,766
As a percentage	38.6%	38.9%	39.0%	38.6%
Total Company gross profit margin, adjusted (1)	209,362	193,656	393,729	364,869
As a percentage, adjusted (1)	42.7%	41.9%	42.3%	41.7%
Healthcare Backlog	\$ 136,033	\$ 117,178	n/a	n/a
Life Sciences Backlog	47,325	46,102	n/a	n/a
Total Backlog	\$ 183,358	\$ 163,280	n/a	n/a
Free Cash Flow	\$ 21,919	\$ 46,084	\$ 39,582	\$ 69,177
Net Debt	\$ 667,631	\$ 472,537	n/a	n/a

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This supplemental data is consistent with publicly disclosed information provided in quarterly conference calls, earnings releases and SEC filings, and is subject to all definitions, precautions and limitations contained in those disclosures. Please see the Company's most recent 10-K for definitions (and reconciliation where appropriate) of adjusted measures, backlog, free cash flow and net debt.