

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001 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 0-21229

Stericycle, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3640402

(IRS Employer Identification Number)

28161 North Keith Drive
Lake Forest, Illinois 60045

(Address of principal executive offices including zip code)

(847) 367-5910

(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 reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO ,

As of August ?, 2001 there were 1?,???,??? shares of the Registrant's Common Stock outstanding.



Stericycle, Inc.
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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)**

	June 30, 2001	December 31, 2000
	----- (unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 3,164	2,666
Short-term investments.....	319	281
Accounts receivable, less allowance for doubtful accounts of \$3,810 in 2001 and \$3,625 in 2000.....	68,049	71,225
Parts and supplies.....	3,999	3,216
Prepaid expenses.....	2,099	1,858
Other.....	12,368	11,765
	-----	-----
Total current assets.....	89,998	91,011
	-----	-----
Property, plant and equipment:		
Land.....	7,486	7,486
Buildings and improvements.....	27,090	26,565
Machinery and equipment.....	54,473	54,040
Office equipment and furniture.....	7,043	6,515
Construction in progress.....	10,754	3,834
	-----	-----
	106,846	98,440
Less accumulated depreciation.....	(29,720)	(24,532)

Property, plant and equipment, net.....	77,126	73,908
Other assets:		
Goodwill, less accumulated amortization of \$32,073 in 2001 and \$24,507 in 2000.....	412,774	418,790
Other.....	15,987	14,273
Total other assets.....	428,761	433,063
Total assets.....	\$ 595,885	\$ 597,982

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long term debt.....	\$ 6,942	\$ 5,097
Accounts payable.....	10,052	14,444
Due to seller.....	1,474	1,631
Accrued compensation.....	4,965	3,887
Accrued acquisition related expenses.....	911	3,766
Accrued liabilities.....	21,683	13,783
Deferred revenue.....	797	505
Total current liabilities.....	46,824	43,113
Long-term debt, net of current portion.....	328,562	345,104
Other liabilities.....	3,240	3,628
Redeemable preferred stock		
Series A convertible preferred stock (par value \$.01 share, 75,000 shares authorized, 74,625 outstanding in 2001, 75,000 outstanding in 2000 liquidation preference of \$78,784 in 2001 and \$77,883 in 2000).....	72,339	71,437
Common shareholders' equity		
Common stock (par value \$.01 per share, 30,000,000 shares authorized, 15,483,640 issued and outstanding in 2001, 15,208,866 issued and outstanding in 2000).....	155	152
Additional paid-in capital.....	144,279	141,304
Accumulated other comprehensive (loss).....	(2,027)	--
Accumulated deficit.....	2,513	(6,756)
Total shareholders' equity.....	144,920	134,700
Total liabilities and shareholders' equity.....	\$ 595,885	\$ 597,982

The accompanying notes are an integral part of these financial statements

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues.....	\$ 88,549	\$ 79,557	\$ 174,384	\$ 157,225
Costs and expenses:				
Cost of revenues.....	53,348	48,261	105,119	95,618
Selling, general and administrative expenses.....	16,250	14,726	32,078	29,210
Acquisition related costs.....	89	1,407	327	1,407
Total costs and expenses.....	69,687	64,394	137,524	126,235
Income from operations.....	18,862	15,163	36,860	30,990

Other income (expense):				
Interest income.....	139	112	180	308
Interest expense.....	(9,016)	(9,955)	(18,456)	(19,810)
Other income.....	(554)	(140)	(726)	(28)
	-----	-----	-----	-----
Total other income (expense)...	(9,431)	(9,983)	(19,002)	(19,530)
	-----	-----	-----	-----
Income before income taxes.....	9,431	5,180	17,858	11,460
Income tax expense.....	3,837	2,094	7,247	4,601
	-----	-----	-----	-----
Net income.....	\$ 5,594	\$ 3,086	\$ 10,611	\$ 6,859
	=====	=====	=====	=====
Earnings per share - Basic.....	\$ 0.32	\$ 0.17	\$ 0.69	\$ 0.46
	=====	=====	=====	=====
Earnings per share - Diluted.....	\$ 0.27	\$ 0.15	\$ 0.51	\$ 0.35
	=====	=====	=====	=====
Weighted average number of common shares outstanding--Basic.	15,405,682	14,792,602	15,323,297	14,784,264
	=====	=====	=====	=====
Weighted average number of common shares outstanding--Diluted.....	20,852,124	19,917,299	20,729,704	19,824,059
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(unaudited)

	For the Six Months Ended June 30,	
	----- 2001	----- 2000
	-----	-----
OPERATING ACTIVITIES:		
Net income.....	\$ 10,611	\$ 6,859
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock compensation expense.....	82	80
Depreciation and amortization.....	12,323	11,612
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable.....	3,152	(10,023)
Parts and supplies.....	(783)	(1,039)
Prepaid expenses.....	(241)	(1,144)
Other assets.....	(1,629)	1,221
Accounts payable.....	(4,392)	(2,821)
Accrued liabilities.....	3,877	(5,488)
Deferred revenue.....	292	97
	-----	-----
Net cash provided by (used in) operating activities....	23,292	(646)
	-----	-----
INVESTING ACTIVITIES:		
Payments for acquisitions and international investments, net of cash acquired.....	(3,957)	(1,624)
Short-term investments.....	(38)	237
Capital expenditures.....	(6,619)	(3,550)
	-----	-----
Net cash used in investing activities.....	(10,614)	(4,937)
	-----	-----
FINANCING ACTIVITIES:		
Repayment of long term debt.....	(8,901)	(15,129)
Net proceeds and repayments on line of credit.....	(5,000)	6,700
Payments of deferred financing costs.....	--	(522)
Principal payments on capital lease obligations.....	(796)	(965)

Proceeds from issuance of common stock.....	2,504	768
Net cash used in financing activities.....	(12,193)	(9,148)
Net increase in cash and cash equivalents.....	485	(14,731)
Cash and cash equivalents at beginning of period.....	2,666	19,344
Cash and cash equivalents at end of period.....	\$ 3,151	\$ 4,613
	=====	=====

The accompanying notes are an integral part of these financial statements

STERICYCLE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

Unless the context requires otherwise, "we", "us" or "our" refers to Stericycle, Inc. and its subsidiaries on a consolidated basis.

NOTE 1--BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; but the Company believes the disclosures in the accompanying condensed consolidated financial statements are adequate to make the information presented not misleading. In our opinion, all adjustments necessary for a fair presentation for the periods presented have been reflected and are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2000, as filed with our 2000 Annual Report on Form 10-K. The results of operations for the six-month period ended June 30, 2001 are not necessarily indicative of the results that may be achieved for the entire year ending December 31, 2001.

NOTE 2--STOCK OPTIONS

During the quarter ended June 30, 2001, options to purchase 91,087 shares of common stock were granted to employees. These options vest ratably over a five year period and have an exercise price ranging from \$40.36-\$45.92 per share.

NOTE 3--STOCK ISSUANCES

During the quarter ending June 30, 2001, options to purchase 163,429 shares of common stock were exercised at prices ranging from \$0.53-\$22.50 per share. In addition, warrants with rights to purchase 31,752 shares of common stock were exercised at a prices ranging from \$7.96-\$16.50 per share.

NOTE 4--INCOME TAXES

At June 30, 2001, we had net operating loss carry forwards for federal income tax purposes of approximately \$7.5 million (excluding 3CI and Med-Tech) which expire beginning in 2006.

NOTE 5--DERIVATIVE INSTRUMENTS

We have entered into interest rate swap agreements that effectively convert a portion of our floating-rate debt to a fixed-rate basis for the next 2 years, thus reducing the impact of interest rate changes on future interest expense. In addition during the year ended December 31, 2000, we entered into an interest rate collar agreement reducing the impact of interest rate changes on future interest expense. This agreement expires in March 2002. Approximately 84% (\$175 million) of our outstanding floating-rate debt was designated as the hedged items to interest rate swap/collar agreements at June 30, 2001. The differential to be paid or received is accrued monthly as an adjustment to interest expense.

We adopted SFAS 133 on January 1, 2001 which requires us to adjust instruments that are designated and qualify as a cash flow hedge. The effective portion of the gain or loss on the derivative instrument is recognized as a component of other comprehensive income (loss) and is reclassified into earnings in the same period during which the hedged transaction affects earnings. The remaining gain or loss in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. Adoption of this new accounting standard resulted in a \$.2 million effect of change in accounting principle, which has been recorded as other comprehensive loss. During the quarter ended June 30, 2001, we recognized a net loss of \$13 thousand related to the ineffective portion of our hedging instruments.

NOTE 6--COMPREHENSIVE INCOME

During the three months ended June 30, 2001, total comprehensive income amounted to \$0.5 million. The components of comprehensive income are net income and the cumulative loss on derivative instruments.

NOTE 7--SUBSEQUENT EVENTS

On July 2, 2001 we acquired American Medical Disposal, Inc., which serves customers in Texas, Oklahoma, Arkansas, Nebraska and Missouri, for \$6.25 million in cash and \$6.25 million in company stock.

NOTE 8--CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Payments under the Company's senior subordinated notes (the Notes) are unconditionally guaranteed, jointly and severally, by all of the Company's wholly-owned domestic subsidiaries, which include Environmental Control Company, Inc., acquired in May 1997, Waste Systems, Inc., acquired October 1, 1998, Med-Tech Environmental, Inc., acquired December 31, 1998, BFI Medical Waste, Inc., acquired on November 12, 1999, and certain other subsidiaries which have insignificant assets and operations (collectively, "the guarantors"). Financial information concerning the guarantors as of June 30, 2001 and December 31, 2000 and for the three and six month periods ended June 30, 2001 and 2000 is presented below for purposes of complying with the reporting requirements of the guarantor subsidiaries. The financial information concerning the guarantors is being presented through condensed consolidating financial statements since we have more than minimal independent operations and the guarantees are full and unconditional and are joint and several. Financial statements for the guarantors have not been presented because management does not believe that such financial statements are material to investors.

CONDENSED CONSOLIDATING BALANCE SHEET JUNE 30, 2001 UNAUDITED

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
ASSETS						
Current assets:						
Cash and cash equivalents.....	\$ 50,000	\$	\$ 50,000	\$	\$	\$ 50,000
Other current assets.....			--			--
Total current assets.....	50,000	--	50,000	--	--	50,000
Property, plant and equipment, net.....			--			--
Goodwill, net.....			--			--
Investment in subsidiaries.....			--			--
Other assets.....			--			--
Total assets.....	\$ 50,000	\$ --	\$ 50,000	\$ --	\$ --	\$ 50,000
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt.....	\$ 10,000	\$	\$ 10,000	\$	\$	\$ 10,000
Other current liabilities.....			--			--
Total current liabilities.....	10,000	--	10,000	--	--	10,000
Long-term debt, net of current portion.....			--			--
Other liabilities.....			--			--
Convertible preferred stock.....			--			--
Common shareholders' equity.....			--			--
Total liabilities and shareholders' equity.....	\$ 10,000	\$ --	\$ 10,000	\$ --	\$ --	\$ 10,000

CONDENSED CONSOLIDATING BALANCE SHEET DECEMBER 31, 2000 AUDITED

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
ASSETS						
Current assets:						
Cash and cash equivalents.....	\$ 1,408	\$ 595	\$ 2,003	\$ 663	\$ --	\$ 2,666
Other current assets.....	78,193	12,220	90,413	7,113	(9,181)	88,345
Total current assets.....	79,601	12,815	92,416	7,776	(9,181)	91,011
Property, plant and equipment, net.....	60,165	242	60,407	13,501	--	73,908
Goodwill, net.....	377,178	29,384	406,562	12,228	--	418,790
Investment in subsidiaries.....	63,306	3,308	66,614	--	(66,614)	--
Other assets.....	19,234	6,582	25,816	124	(11,667)	14,273
Total assets.....	\$ 599,484	\$ 52,331	\$ 651,815	\$ 33,629	\$ (87,462)	\$ 597,982
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt.....	\$ 4,035	\$ --	\$ 4,035	\$ 1,062	\$ --	\$ 5,097
Other current liabilities.....	43,175	1,233	44,408	2,793	(9,185)	38,016
Total current liabilities.....	47,210	1,233	48,443	3,855	(9,185)	43,113

Long-term debt, net of current portion.....	344,142	--	344,142	12,585	(11,623)	345,104
Other liabilities.....	1,995	--	1,995	1,633	--	3,628
Convertible preferred stock.....	71,437	--	71,437	--	--	71,437
Common shareholders' equity.....	134,700	51,098	185,798	15,556	(66,654)	134,700
Total liabilities and shareholders' equity.....	\$ 599,484	\$ 52,331	\$ 651,815	\$ 33,629	\$ (87,462)	\$ 597,982

**CONDENSED CONSOLIDATING STATEMENT OF INCOME
THREE MONTHS ENDED JUNE 30, 2001
UNAUDITED**

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues.....	\$ 20,000	\$ 60,000	\$ 80,000	\$ 6,618	\$ (92)	\$ 86,526
Cost of revenues.....	10,000	38,000	48,000	4,912	(92)	52,820
Selling, general, and administrative expense.....	6,000	7,619	13,619	1,128	--	14,747
Acquisition related expenses.....	1,500	--	1,500	--	--	1,500
Total costs and expenses.....	17,500	45,619	63,119	6,040	(92)	69,067
Income from operations.....	2,500	14,381	16,881	578	--	17,459
Equity in net income (loss) of subsidiaries.....	8,670	(256)	8,414	--	(8,414)	--
Other (expense) income, net.....	(9,581)	86	(9,495)	(488)	--	(9,983)
Income before income taxes.....	1,589	14,211	15,800	90	(8,414)	7,476
Income tax expense (benefit).....	(2,756)	4,850	2,094	--	--	2,094
Net income.....	\$ 4,345	\$ 9,361	\$ 13,706	\$ 90	\$ (8,414)	\$ 5,382

**CONDENSED CONSOLIDATING STATEMENT OF INCOME
THREE MONTHS ENDED JUNE 30, 2000
UNAUDITED**

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues.....	\$ 16,994	\$ 56,037	\$ 73,031	\$ 6,618	\$ (92)	\$ 79,557
Cost of revenues.....	8,367	35,074	43,441	4,912	(92)	48,261
Selling, general, and administrative expense.....	5,979	7,619	13,598	1,128	--	14,726
Acquisition related expenses.....	1,407	--	1,407	--	--	1,407
Total costs and expenses.....	15,753	42,693	58,446	6,040	(92)	64,394
Income from operations.....	1,241	13,344	14,585	578	--	15,163
Equity in net income (loss) of subsidiaries.....	8,670	(256)	8,414	--	(8,414)	--
Other (expense) income, net.....	(9,581)	86	(9,495)	(488)	--	(9,983)
Income before income taxes.....	330	13,174	13,504	90	(8,414)	5,180
Income tax expense (benefit).....	(2,756)	4,850	2,094	--	--	2,094
Net income.....	\$ 3,086	\$ 8,324	\$ 11,410	\$ 90	\$ (8,414)	\$ 3,086

**CONDENSED CONSOLIDATING STATEMENT OF INCOME
SIX MONTHS ENDED JUNE 30, 2001
UNAUDITED**

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues.....	\$ 30,547	\$ 113,451	\$ 143,998	\$ 13,345	\$ (118)	\$ 157,225
Cost of revenues.....	17,423	68,421	85,844	9,892	(118)	95,618
Selling, general, and administrative expense.....	12,416	14,460	26,876	2,334	--	29,210
Acquisition related expenses.....	1,407	--	1,407	--	--	1,407
Total costs and expenses.....	31,246	82,881	114,127	12,226	(118)	126,235
Income (loss) from operations.....	(699)	30,570	29,871	1,119	--	30,990
Equity in net income (loss) of subsidiaries.....	19,561	(251)	19,310	--	(19,310)	--
Other (expense) income, net.....	(18,873)	174	(18,699)	(831)	--	(19,530)
Income before income taxes.....	(11)	30,493	30,482	288	(19,310)	11,460
Income tax expense (benefit).....	(6,870)	11,471	4,601	--	--	4,601
Net income.....	\$ 6,859	\$ 19,022	\$ 25,881	\$ 288	\$ (19,310)	\$ 6,859

CONDENSED CONSOLIDATING STATEMENT OF INCOME
SIX MONTHS ENDED JUNE 30, 2000
UNAUDITED

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues.....	\$ 30,547	\$ 113,451	\$ 143,998	\$ 13,345	\$ (118)	\$ 157,225
Cost of revenues.....	17,423	68,421	85,844	9,892	(118)	95,618
Selling, general, and administrative expense.....	12,416	14,460	26,876	2,334	--	29,210
Acquisition related expenses.....	1,407	--	1,407	--	--	1,407
Total costs and expenses.....	31,246	82,881	114,127	12,226	(118)	126,235
Income (loss) from operations.....	(699)	30,570	29,871	1,119	--	30,990
Equity in net income (loss) of subsidiaries.....	19,561	(251)	19,310	--	(19,310)	--
Other (expense) income, net.....	(18,873)	174	(18,699)	(831)	--	(19,530)
Income before income taxes.....	(11)	30,493	30,482	288	(19,310)	11,460
Income tax expense (benefit).....	(6,870)	11,471	4,601	--	--	4,601
Net income.....	\$ 6,859	\$ 19,022	\$ 25,881	\$ 288	\$ (19,310)	\$ 6,859

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2001
UNAUDITED

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash (used in) provided by operating activities.....	\$ (4,335)	\$ 2,982	\$ (1,353)	\$ 707	\$ --	\$ (646)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures.....	(1,853)	(1,446)	(3,299)	(251)	--	(3,550)
Payments for acquisitions and international investments, net of cash acquired.....	(642)	(982)	(1,624)	--	--	(1,624)
Proceeds from maturity of short-term investments.....	237	--	237	--	--	237
Net cash used in investing activities	(2,258)	(2,428)	(4,686)	(251)	--	(4,937)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Net proceeds from bank line of credit	6,700	--	6,700	--	--	6,700
Principal payments on capital lease obligations.....	(84)	(632)	(716)	(249)	--	(965)
Repayment of long term debt.....	(15,161)	--	(15,161)	32	--	(15,129)
Payments of deferred financing costs.	(522)	--	(522)	--	--	(522)
Proceeds from issuance of common stock.....	768	--	768	--	--	768
Net cash used in financing activities...	(8,299)	(632)	(8,931)	(217)	--	(9,148)
Net (decrease) increase in cash and cash equivalents.....	\$ (14,892)	\$ (78)	\$ (14,970)	\$ 239	\$ --	\$ (14,731)
Cash and cash equivalents at beginning of period.....						2,666
Cash and cash equivalents at end of period.....						\$ (12,065)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2000
UNAUDITED

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON- GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash (used in) provided by operating activities.....	\$ (4,335)	\$ 2,982	\$ (1,353)	\$ 707	\$ --	\$ (646)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures.....	(1,853)	(1,446)	(3,299)	(251)	--	(3,550)
Payments for acquisitions and international investments, net of cash acquired.....	(642)	(982)	(1,624)	--	--	(1,624)
Proceeds from maturity of short-term investments.....	237	--	237	--	--	237
Net cash used in investing activities	(2,258)	(2,428)	(4,686)	(251)	--	(4,937)
CASH FLOWS FROM FINANCING ACTIVITIES:						

Net proceeds from bank line of credit	6,700	--	6,700	--	--	6,700
Principal payments on capital lease obligations	(84)	(632)	(716)	(249)	--	(965)
Repayment of long term debt	(15,161)	--	(15,161)	32	--	(15,129)
Payments of deferred financing costs	(522)	--	(522)	--	--	(522)
Proceeds from issuance of common stock	768	--	768	--	--	768
Net cash used in financing activities	(8,299)	(632)	(8,931)	(217)	--	(9,148)
Net (decrease) increase in cash and cash equivalents	\$ (14,892)	\$ (78)	\$ (14,970)	\$ 239	\$ --	(14,731)
Cash and cash equivalents at beginning of period						19,344
Cash and cash equivalents at end of period						\$ 4,613

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

We provide regulated medical waste collection, transportation and treatment services to our customers and related training and education programs and consulting services. We also sell ancillary supplies and transport pharmaceuticals, photographic chemicals, lead foil and amalgam for recycling in selected geographic service areas. We are also expanding into international markets through joint ventures or by licensing our proprietary technology and selling associated equipment.

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

The following summarizes (in thousands) the Company's operations:

	Three Months Ended June 30,			
	2001		2000	
	\$	%	\$	%
Revenues	\$ 88,549	100.0	\$ 79,557	100.0
Cost of revenues	53,348	60.2	48,261	60.7
Gross profit	35,201	39.8	31,296	39.3
Selling, general and administrative expenses	16,250	18.4	14,726	18.5
Income from operations before acquisition related costs	18,951	21.4	16,570	20.8
Acquisition related costs	89	0.1	1,407	1.8
Income from operations	18,862	21.3	15,163	19.1
Net income	5,594	6.3	3,086	3.9
Depreciation and amortization	6,201	7.0	5,829	7.3
EBITDA before acquisition related costs*	24,960	28.2	22,259	28.0
Earnings per share-Diluted	0.27		0.15	
Earnings per share-Diluted (before acquisition related costs)	0.27		0.20	
Earnings per share-Diluted (fully taxed at 40% before acquisition related costs)	0.27		0.20	

*EBITDA before acquisition related costs is calculated as the sum of net income, plus net interest expense, income tax expense, depreciation expense, amortization expense, and acquisition related costs, to the extent deducted in calculating net income.

** Cash flow per share includes the benefit of 15- year goodwill amortization for tax purposes versus 25 to 40-year goodwill amortization for book purposes and excludes acquisition related costs.

Revenues. Revenues increased \$8.9 million, or 11.3%, to \$88.5 million during the three months ended June 30, 2001 from \$79.6 million during the comparable period in 2000 as a result of our continued strategy of focusing on sales to higher-margin small account customers, higher international equipment sales and higher revenues by 3CI Complete Compliance Corporation, of which our wholly-owned subsidiary, Waste Systems, Inc. is a majority shareholder. International equipment revenues during the three months ended June 30, 2001 increased \$0.4 million to \$1.0 million from \$0.6 million during the comparable period in 2000. During the three months ended June 30, 2001, acquisitions contributed approximately \$0.8 million to the increase in revenues as compared to the prior year. For the quarter, our base internal revenue growth for small account customers increased approximately 10% while revenues from large account customers also increased by approximately 5%.

Cost of Revenues. Cost of revenues increased \$5.0 million to \$53.3 million during the three months ended June 30, 2001 from \$48.3 during the comparable period in 2000. The increase was primarily due to higher energy, supply, and labor costs and volume growth. The gross margin percentage increased to 39.8% during the three months ended June 30, 2001 from 39.3% during the same period in 2000 as a result of productivity improvements offsetting the higher energy, supply and labor costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$16.3 million for the three months ended June 30, 2001 from \$14.7 million for the comparable period in 2000. The increase was largely the result of higher spending on the Steri-safe compliance program and other strategic marketing investments. Selling, general and administrative expenses as a percent of revenues decreased to 18.4% during the three months ended June 30, 2001 from 18.5% during the comparable period in 2000. Excluding amortization, selling, general and administrative expenses as a percent of revenue increased to 14.4% during the three months ended June 30, 2001 from 14.3% during the comparable period in 2000.

Acquisition related costs. During the three months ended June 30, 2001, we incurred acquisition-related costs of \$0.1 million related to the integration of the BFI acquisition.

EBITDA. Earnings before interest, income taxes, depreciation and amortization ('EBITDA') before the acquisition related charges increased by 12.1% to \$25.0 million or 28.2% of revenue for the three months ended June 30, 2001 as compared to \$22.3 million or 28.0% of revenue for the comparable period in 2000. The increase in EBITDA is primarily due to the factors described above.

Interest Expense and Interest Income. Interest expense decreased to \$9.0 million during the three months ended June 30, 2001 from \$10.0 million during the comparable period in 2000 primarily due to decreased interest rates related to borrowings associated with the BFI acquisition.

Other Expense. Other expense increased to \$0.6 million during the three months ended June 30, 2001 from \$0.1 million during the comparable period in 2000 primarily due to a one time audit adjustment in state and local taxes and increased minority interest expense related to our foreign subsidiaries as opposed to minority interest income during the comparable period in 2000.

Income Tax Expense. Income taxes for the three months ended June 30, 2001 reflects an effective tax rate of approximately 40.7% for federal and state income taxes.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

The following summarizes (in thousands) the Company's operations:

	Six Months Ended June 30,			
	2001		2000	
	\$	%	\$	%
Revenues.....	\$ 174,384	100.0	\$ 157,225	100.0
Cost of revenues.....	105,119	60.3	95,618	60.8
Gross profit.....	69,265	39.7	61,607	39.2
Selling, general and administrative expenses.....	32,078	18.4	29,210	18.6
Income from operations before acquisition related costs.....	37,187	21.3	32,397	20.6
Acquisition related costs.....	327	0.2	1,407	0.9
Income from operations.....	36,860	21.1	30,990	19.7
Net income.....	10,611	6.1	6,859	4.4
Depreciation and amortization.....	12,323	7.1	11,612	7.4
EBITDA before acquisition related costs*.....	49,146	28.2	43,981	28.0
Earnings per share-Diluted.....	0.51		0.35	
Earnings per share-Diluted (before acquisition related costs).....	0.52		0.39	
Earnings per share-Diluted (fully taxed at 40% before acquisition related costs).....	0.52		0.39	

*EBITDA before acquisition related costs is calculated as the sum of net income, plus net interest expense, income tax expense, depreciation expense, amortization expense, and acquisition related costs, to the extent deducted in calculating net income.

** Cash flow per share includes the benefit of 15- year goodwill amortization for tax purposes versus 25 to 40-year goodwill amortization for book purposes and excludes acquisition related costs.

Revenues. Revenues increased \$17.2 million, or 10.9%, to \$174.4 million during the six months ended June 30, 2001 from \$157.2 million during the comparable period in 2000 as a result of our continued strategy of focusing on sales to higher-margin small account customers, higher international equipment sales and higher revenues by 3CI Complete Compliance Corporation, of which our wholly-owned subsidiary, Waste Systems, Inc. is a majority shareholder. International equipment revenues during the six months ended June 30, 2001 increased \$2.1 million to \$3.2 million from \$1.0 million during the comparable period in 2000. During the six months ended June 30, 2001, acquisitions contributed approximately \$1.3 million to the increase in revenues as compared to the prior year. For the six months, our base internal revenue growth for small account customers increased approximately 9% while revenues from large account customers also increased by approximately 3%.

Cost of Revenues. Cost of revenues increased \$9.5 million to \$105.1 million during the six months ended June 30, 2001 from \$95.6 million during the comparable period in 2000. The increase was primarily due to higher energy, supply, and labor costs and volume growth. The gross margin percentage increased to 39.7% during the six months ended June 30, 2001 from 39.2% during the same period in 2000 as a result of productivity improvements offsetting the higher energy, supply and labor costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to \$25.2 million for the six months ended June 30, 2001 from \$22.5 million for the comparable period in 2000. The increase was largely the result of higher administrative expenses related to the international business and spending on the Steri-safe compliance program and other strategic marketing investments. Selling, general and administrative expenses as a percent of revenues decreased to 18.4% during the six months ended June 30, 2001 from 18.6% during the comparable period in 2000. Excluding amortization, selling, general and administrative expenses as a percent of revenue increased to 14.4% during the six months ended June 30, 2001 from 14.3% during the comparable period in 2000.

Acquisition related costs. During the six months ended June 30, 2001, we incurred acquisition-related costs of \$0.3 million related to the integration of the BFI acquisition.

EBITDA. Earnings before interest, income taxes, depreciation and amortization ('EBITDA') before the acquisition related charges increased by 12.1% to \$25.0 million or 28.2% of revenue for the six months ended June 30, 2001 as compared to \$22.3 million or 28.0% of revenue for the comparable period in 2000. The increase in EBITDA is primarily due to the factors described above.

Interest Expense and Interest Income. Interest expense decreased to \$9.0 million during the three months ended June 30, 2001 from \$10.0 million during the comparable period in 2000 primarily due to decreased interest rates related to borrowings associated with the BFI acquisition.

Other Expense. Other expense increased to \$0.7 million during the six months ended June 30, 2001 from \$0.03 million during the comparable period in 2000 primarily due to a one time audit adjustment in state and local taxes and increased minority interest expense related to our foreign subsidiaries as opposed to minority interest income during the comparable period in 2000.

Income Tax Expense. Income taxes for the six months ended June 30, 2001 reflects an effective tax rate of approximately 40.5% for federal and state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, our working capital was \$44.0 million compared to working capital of \$47.9 at December 31, 2000. The decrease in working capital is primarily due to lower accounts receivable balances. We have available a \$50,000,000 revolving line of credit secured by our accounts receivable and all of our other assets. At March 31, 2001 we had \$5.0 million in borrowings under this line.

Net cash provided by operating activities was \$23.3 million during the six months ended June 30, 2001 compared net cash used in operations of \$0.6 million for the comparable period in 2000. This increase primarily reflects lower accounts receivable and higher net income, depreciation and amortization expenses, accrued liability and deferred revenue balances partially offset by a lower accounts payable balance and higher other asset balances.

Net cash used in investing activities for the six months ended June 30, 2001 was \$10.6 million compared to \$4.9 million for the comparable period in 2000. This increase is primarily attributable to the increase in capital expenditures and investments in international joint ventures. Capital expenditures were \$6.6 million for the six months ended June 30, 2001 compared to \$3.6 million for the same period in 2000. This rate of capital spending is within the 4-5% of revenues that we anticipated spending on infrastructure upgrades during 2001. After the upgrades are completed we will have 15-22% of our treatment capacity in incineration and 78-85% in non- incineration technologies such as autoclave and ETD. Investments in acquisitions and international joint ventures for the six months ended June 30, 2001 were \$4.0 million versus \$1.6 million in the comparable period in 2000.

Net cash used in financing activities was \$12.2 million during the six months ended June 30, 2001 compared to \$9.1 million for the comparable period in 2000. During the first three months of 2001 we made repayments of \$8.9 million in debt which consisted of approximately \$0.7 million in scheduled repayments and \$8.2 million in prepayments.

FROM TIME TO TIME WE ISSUE FORWARD-LOOKING STATEMENTS RELATING TO SUCH THINGS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, ACQUISITION ACTIVITIES AND SIMILAR MATTERS.

A VARIETY OF FACTORS COULD CAUSE OUR ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN OUR FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATION INCLUDE DIFFICULTIES AND DELAYS IN COMPLETING AND INTEGRATING BUSINESS ACQUISITIONS; DELAYS AND DIVERSION OF ATTENTION RELATING TO PERMITTING AND OTHER REGULATORY COMPLIANCE; DIFFICULTIES AND DELAYS RELATING TO MARKETING AND SALES ACTIVITIES; AND GENERAL UNCERTAINTIES ACCOMPANYING THE EXPANSION INTO NEW GEOGRAPHIC SERVICE AREAS.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed with this Report:

11 Statement Re: Computation of Per Share Earnings

(b) Reports on Form 8-K

We did not file any Current Reports on Form 8-K during the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 10, 2001

STERICYCLE, INC.

(Registrant)

By: /s/ FRANK J.M. TEN BRINK

Frank J.M. ten Brink

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



STERICYCLE, INC. AND SUBSIDIARIES

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Numerator:				
Net Income.....	\$ 5,594	\$ 3,086	\$ 10,611	\$ 6,859
Preferred stock dividends.....	(649)	(633)	(1,294)	(1,292)
Numerator for basic earnings per share.....	\$ 4,945	\$ 2,453	\$ 9,317	\$ 5,567
Effective of dilutive securities: Preferred stock dividends.....	649	633	1,294	1,292
Numerator for diluted earnings per share income available to common shareholders after assumed conversions.....	\$ 5,594	\$ 3,086	\$ 10,611	\$ 6,859
Denominator:				
Denominator for basic earnings per share weighted average shares.....	15,405,682	14,792,602	15,323,297	14,784,264
Effective of dilutive securities: Employee stock options.....	887,690	616,067	847,291	546,645
Warrants.....	75,385	149,058	93,871	133,578
Convertible preferred stock.....	4,483,367	4,359,572	4,465,245	4,359,572
Dilutive potential shares.....	5,446,442	5,124,697	5,406,407	5,039,795
Denominator for diluted earnings per share adjusted weighted average shares and assumed conversions.....	20,852,124	19,917,299	20,729,704	19,824,059
Earnings per share - Basic.....	\$ 0.32	\$ 0.17	\$ 0.61	\$ 0.38
Earnings per share - Diluted.....	\$ 0.27	\$ 0.15	\$ 0.51	\$ 0.35

