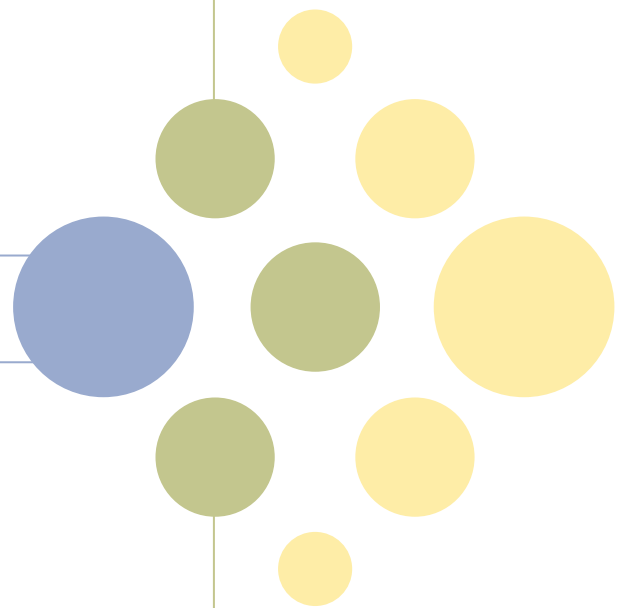




Stericycle®

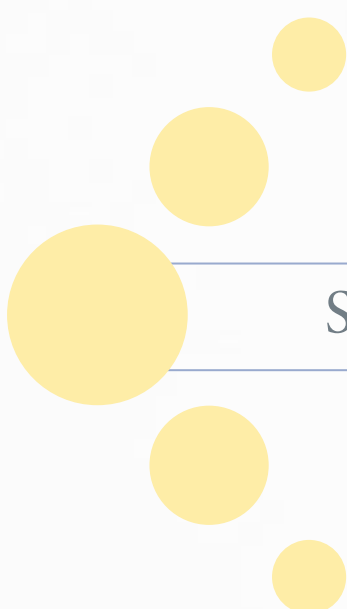
2002 Annual Report

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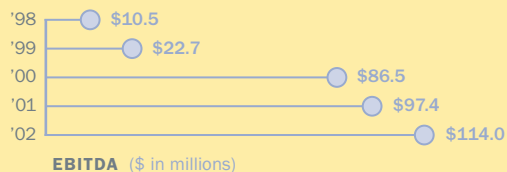
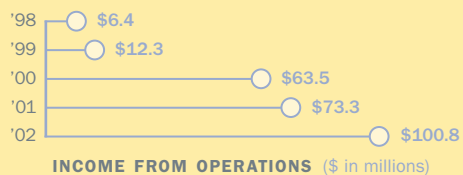
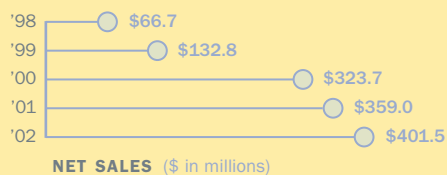
Since 1989, Stericycle has committed to:



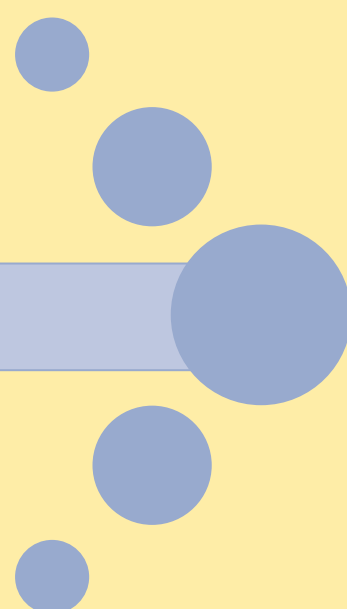
Year ended December 31,	2002	2001	2000	1999	1998
<small>(Dollars in thousands except per share amounts)</small>					
Statement of Operations Data					
Net Sales	\$ 401,519	\$ 359,024	\$ 323,722	\$ 132,848	\$ 66,681
Income from Operations	100,832	73,294	63,466	12,284	6,424
Net Income*	45,724	14,710	14,511	13,968	5,713
Diluted Net Income Per Share	1.01	0.35	0.36	0.46	0.26
EBITDA**	\$ 114,039	\$ 97,395	\$ 86,512	\$ 22,728	\$ 10,489
Balance Sheet Data					
Cash and Short-Term Investments	\$ 8,887	\$ 13,017	\$ 2,947	\$ 19,629	\$ 1,819
Total Assets	667,095	614,530	597,982	595,786	97,755
Long-Term Debt	224,124	267,365	345,104	355,444	23,460
Shareholders' Equity	\$ 326,729	\$ 232,510	\$ 134,700	\$ 118,114	\$ 53,651

* Please see footnote 2 included in Item 6. Selected Financial Data in the enclosed Form 10-K for an explanation of the impact in 1999, 2000, 2001 and 2002 of acquisition-related charges and other excluded charges on Net Income and Diluted Net Income Per Share.

** Please see footnote 3 included in Item 6. Selected Financial Data in the enclosed Form 10-K for the calculation of EBITDA.



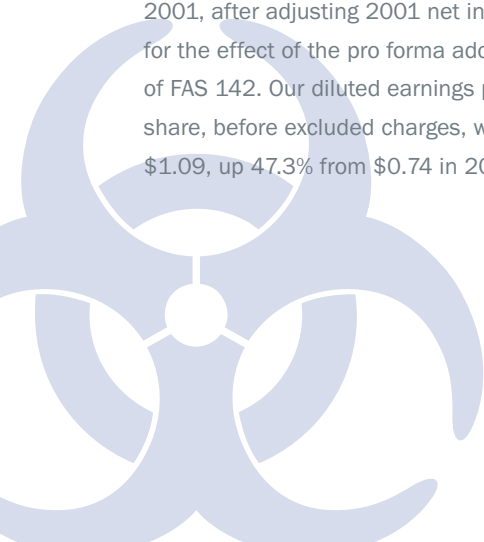
continued growth...



DEAR FELLOW SHAREHOLDERS:

2002 was another record year for Stericycle. We continued to set new financial records, increased the account penetration of our new Steri-SafeSM OSHA Compliance Program, successfully completed 11 acquisitions, enjoyed strong growth in our base business, and significantly strengthened our balance sheet. We feel confident that Stericycle is well positioned for continued revenue growth and accelerating profit growth in 2003 and beyond.

Our revenues in 2002 grew to over \$401.5 million, an 11.8% increase over 2001. Gross margins increased to 41.0% from 39.8% in 2001. Operating income before excluded charges (primarily premiums paid in connection with the repurchase of subordinated debt and the write-down of idled incinerators) rose 35.2% to \$104.1 million compared to \$77.0 million in 2001. Operating margins for the year were 25.9%, versus 21.4% in 2001. Our after-tax net income before excluded charges increased by 57.3% to \$49.1 million from \$31.2 million in 2001, after adjusting 2001 net income for the effect of the pro forma adoption of FAS 142. Our diluted earnings per share, before excluded charges, were \$1.09, up 47.3% from \$0.74 in 2001.



Accomplishments in 2002

In addition to reporting record financial results in 2002, we continued to strengthen Stericycle's industry leadership position by successfully expanding the penetration of our new Steri-SafeSM OSHA Compliance Program for small quantity generators throughout the United States. Following a limited offering to selected customers in 2000, we now have approximately 50,000 Steri-SafeSM subscribers. We are the only national provider of integrated medical waste and compliance services in North America. Other accomplishments in 2002 include:

STRONG GROWTH. Our \$401.5 million in reported revenues for 2002 reflects strong growth from four areas. Our large quantity generator business (primarily hospitals) continued to grow internally at an approximate rate of 5%. We also continued to see improving margins in this very competitive market segment. Our small quantity generator business (primarily physicians' offices) grew internally at an approximate rate of 10% as a result of our focused direct selling efforts and our innovative Steri-SafeSM OSHA Compliance Program. We completed 11 acquisitions and integrated the acquired customers into our existing collection route, transfer station and treatment plant infrastructure. Finally, we continued to strengthen our position in international markets. We added a second ETD placement in Japan and expanded our presence in Mexico with our Mexican subsidiary's acquisition of a local medical waste business.

DEBT REDUCTION. We continued to generate strong free cash flow from operations. In 2002, we utilized \$57.5 million of the \$96.9 million of cash that we generated from operations to reduce

our debt, dramatically improving the strength of our balance sheet. Our debt to total capitalization continued to decline, falling to 39.1% at the end of 2002 from 50.2% a year ago.

Priorities for 2003

By expanding on Stericycle's industry leadership position in 2002, we feel confident we have built an operating platform needed to drive future growth and explore new frontiers for our business. Our priorities for 2003 are as follows—

REVENUE GROWTH. In the large quantity generator customer arena, our focus will be on capitalizing on the opportunity created by the decision of potential customers to outsource their waste management services rather than spend capital for on-site treatment. We will continue, however, to maintain our discipline of acquiring hospital business only if it meets our minimum margin expectations. In January 2003, we acquired Scherer Healthcare, Inc. During the year, we will focus on expanding Scherer's Bio Systems sharps management outsourcing system throughout our nationwide network. In the small quantity generator segment, our marketing efforts will focus on selling our Steri-SafeSM OSHA compliance services in addition to infectious waste management services and on shifting accounts to a subscription service rather than billing by the pick-up, which has benefits to both our customers and us. We will continue to aggressively pursue "tuck-in" acquisitions and international growth opportunities. We are finding attractive opportunities for our proprietary ETD processing technology in a number of international markets that are anxious to use an alternative to incineration technology.

PROFIT GROWTH. We hope to be able to continue to improve our operating margins in 2003. Productivity will remain a key focus for our team. We will seek to further improve our collection route densities, reduce our long haul transportation costs, and reduce our plant operating costs. We are enhancing our continuous improvement culture to encourage productivity improvement ideas across all areas of our organization.

SERVICE INNOVATION. During 2003, we will remain focused on our customers as our top priority, as we continue to enhance our offering of comprehensive solutions to their compliance and medical waste management needs. We will continue to fulfill our commitment to customer responsiveness by exploring new service offerings to both our large and small quantity generator customers. Our innovative Steri-SafeSM OSHA compliance services that help customers enjoy a safer workplace in a cost effective manner, and new outsourcing programs like the Bio Systems sharps management program, are some of the additional services that we will be offering in the future.

We remain very excited about the future for Stericycle. Stericycle is the clear leader in providing medical waste management and OSHA compliance services to the healthcare community. We plan to focus on the many growth opportunities our industry leadership position affords us and to continually refine the efficiency of our operations. Thank you for your continuing support.



Jack W. Schuler, Chairman



Mark C. Miller, President and CEO

continued innovation...



Continuing Our Leadership in Medical Waste Management and Compliance Services for the Healthcare Industry

In 2002, Stericycle maintained its industry leading position as the only national provider of medical waste management services. New services, in particular our Steri-SafeSM OSHA Compliance Program, enabled us to broaden the scope of services that we provide to the healthcare industry. At the end of 2002, we were uniquely positioned as a provider of medical waste and OSHA compliance services, giving our customers a more comprehensive service offering than is available from other service providers.

Stericycle leads the industry in the number of customers served and in its unmatched operational infrastructure, reflecting both internal growth and the acquisition of over 66 medical waste businesses since 1993. Stericycle now services approximately 290,000 customers utilizing its 42 treatment/collection facilities and 97 transfer/collection sites in North America.

Our national network of treatment/collection facilities and transfer/collection sites enables us to uniquely address customer needs. Stericycle uses both incineration and non-incineration treatment technologies to insure that customers' waste are managed in strict compliance with applicable regulations. By offering customers a choice in treatment technology, we are able to help our customers to maximize the use of non-incineration treatment while maintaining regulatory compliance for those wastes that require incineration.

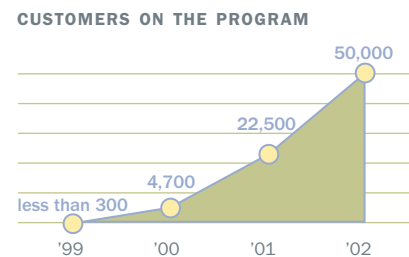
In 2002, the activities in Stericycle's operating areas emphasized the continued execution of our core business strategy. The operating team maintained its historical focus on leveraging our existing business to grow revenues, expand margins, and improve profitability. We also continued to grow through acquisitions by completing 11 transactions that added density to existing operations and expanded our network of treatment and transportation assets. In order to offset increased costs in the areas of wages, benefits, and insurance, the operating units focused on productivity improvements in every area within the organization. Their ultimate success in meeting this challenge and reducing costs is reflected in the significant margin expansion and net income improvement that we achieved in 2002.

The Stericycle sales team was very successful on all fronts in 2002. In addition to maintaining strong internal growth by continuing to add new large and small customers, the group capitalized on the outsourcing trend that continues in the hospital segment of our business. The full implementation of the Federal EPA Title V air quality regulations resulted in the decision of many hospitals to close their incinerators and outsource their medical waste services. Through the hard work of our team, we successfully added new customers as a result of this new business opportunity. For those customers who wished to continue on-site treatment, the sales team emphasized back-up contracts, which allow us to provide interim service when the customer cannot operate its own on-site treatment equipment. We have found that over time back-up contracts often convert to full service outsource contracts when the customer realizes the economic benefits of outsourcing.

In 2002, the sales team also achieved great results with the continued national rollout of our Steri-SafeSM OSHA Compliance Program. The sales team continued to convert more customers to the program, and we finished 2002 with approximately 50,000 customers on the new subscription model program. The outlook for continued conversion in 2003 remains very encouraging. As healthcare providers come to understand the value and benefits of the compliance program, we believe that more and more accounts will choose to switch to Steri-SafeSM.

STERI-SAFESM OSHA COMPLIANCE PROGRAM CONTINUING TO GAIN MOMENTUM

We successfully test marketed our Steri-SafeSM OSHA Compliance Program to our small quantity customers in 1999 and 2000. We completed our first level training and national launch of the program in 2001. We continued to show tremendous success in adding new customers and upgrading existing customers to the program during 2002.





continued leadership...



International Operations: Continuing Development of Future Opportunities

In 2002 our joint ventures in Argentina and South Africa, in which we hold minority interests, became fully operational. Our international operating team completed installations of our patented electro-thermal-deactivation (ETD) treatment equipment in both Japan and Australia in 2002. We believe that our ETD technology provides a competitive advantage in international markets because the ETD process does not create any regulated air or water emissions and can enhance the ability to reuse and recycle post treated materials. We believe our patents and other intellectual property can provide additional opportunities to create shareholder value in many countries around the world.

Continuing Responsibility to the Environment

Stericycle was founded on the belief that there was a need for safe, secure, and environmentally responsible management of regulated medical waste. From its beginnings, Stericycle has championed the use of non-incineration, alternate treatment technologies such as our patented ETD process. While we recognize that regulations as currently in force mandate that some types of medical waste must be

incinerated, we also know from years of experience working with our many customers that there are ways to reduce the amount of waste that is ultimately incinerated. The most effective strategy we have seen to date involves comprehensive waste minimization and segregation education and training of our customers. Working in a cooperative partnership with our customers, we have made tremendous strides in shifting away from incineration and moving towards alternate treatment technologies.

In 2002, the company was able to close two of its incinerators (located in Missouri and Arizona) as more and more customers made the decision to segregate their waste streams and move away from incineration. At the same time, we added or expanded six non-incineration treatment plants. We facilitated the shift in customer behavior by providing additional training and non-incineration treatment options to our customers. The new non-incineration treatment capacity that came on-line provided lower cost and convenient treatment alternatives for customers previously using incineration. Our commitment to moving away from incineration and towards non-incineration resulted in a substantial decrease in the amount of customer waste that is incinerated. At the close of 2002, incineration was less than 13% of our treatment capacity, compared to over 30% two years ago. Clearly the strategy of working cooperatively with our customers, offering educational and alternate treatment options is proving to be effective.

In 2003, we will continue our efforts to shift more and more of the waste we collect into non-incineration treatment. Additionally, we will focus on providing comprehensive, on-going waste elimination/minimization/segregation training to our customers. Our current waste auditing and training programs have been updated to include an increased emphasis on educating our customers on the proper disposal of their non-medical waste materials and toxic substances, such as mercury containing waste. To assist our customers in complying with proper waste disposal, we have developed new offerings, such as our Mercury Mailback program that enables the customer to easily and economically manage wastes that should be kept out of the medical waste stream. Finally, we remain committed to lending our assistance and expertise wherever practical in support of programs that reduce toxic substances in the environment. For example, in 2002 we were recognized by the State of Rhode Island for our contribution towards significantly reducing mercury in the environment.



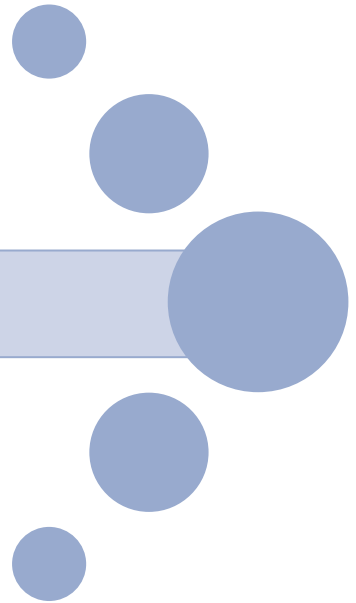


97 Collection/Transfer Facilities



42 Treatment Facilities

continued responsibility...



OUR MISSION...

to be the leading company dedicated

to the environmentally

responsible management

of infection control and compliance services

for the healthcare community



OFFICERS

Mark C. Miller

President, Chief Executive Officer and Director

Richard Kogler

Executive Vice President, Chief Operating Officer

Frank J.M. ten Brink

Executive Vice President, Chief Financial Officer

Richard L. Foss

Executive Vice President, Corporate Development

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Chairman of the Board

*Chairman, Nominating and Governance Committee
Member Audit Committee*

Mark C. Miller

President & Chief Executive Officer

Patrick F. Graham

Vice President,
Business Development and Strategic Projects,
The Gillette Company
Member Compensation Committee

John Patience

Co-Founder & Partner, Crabtree Partners
*Member Nominating and Governance Committee
Member Audit Committee*

Peter Vardy

Managing Partner, Peter Vardy & Associates (Ret.)
Member Compensation Committee

L. John Wilkerson, Ph.D.

General Partner, Galen Partners, L.P.
Chairman, Compensation Committee

Rod F. Dammeyer

President, CAC, LLC
*Chairman, Audit Committee
Member Nominating and Governance Committee*

John P. Connaughton

Managing Director, Bain Capital
Member Compensation Committee

Thomas R. Reusché

Managing Director & Co-Founder,
Madison Dearborn Partners, Inc.
Member Audit Committee

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Johnson and Colmar

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TRANSFER AGENT

LaSalle Bank N.A.

135 S. LaSalle Street, Suite 1960
Chicago, Illinois 60603

FORM 10-K

Additional copies of this Annual Report or
Form 10-K filed with the Securities and
Exchange Commission are available, without
charge, upon request from the company,
Attention: Investor Relations

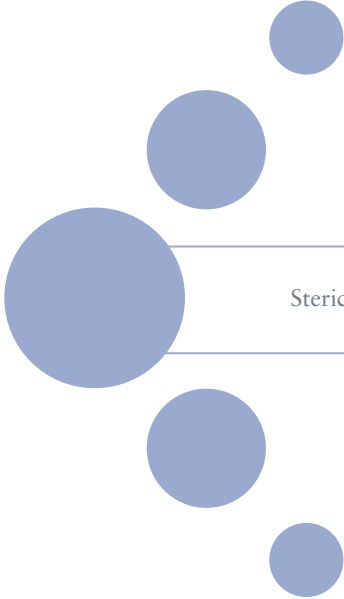
ANNUAL MEETING

The annual meeting of stockholders will be
held on Tuesday, May 6, 2003 at 11:00 AM at
Embassy Suites Hotel, 5500 N. River Road,
Rosemont, Illinois 60018

NASDAQ® SYMBOL

SRCL

to be continued in 2003...



Stericycle, Inc. • 28161 N. Keith Drive, Lake Forest, IL 60045 • 800-643-0240 • www.stericycle.com
