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

Form 10-Q

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

For the quarter ended June 30, 2005

Commission file number 1-14643

STERIS Corporation
(Exact name of registrant as specified in its charter)

Ohio **(State or other jurisdiction of incorporation or organization)**	**34-1482024** **(IRS Employer Identification No.)**
5960 Heisley Road, Mentor, Ohio **(Address of principal executive offices)**	**44060-1834** **(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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The number of Common Shares outstanding as of July 31, 2005: 68,126,781

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STERIS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2005	March 31, 2005
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 37,453	$ 26,179
Accounts receivable (net of allowances of $8,671 and $9,882, respectively)	225,605	281,401
Inventories, net	110,074	96,197
Current portion of deferred income taxes, net	6,800	6,426
Prepaid expenses and other current assets	12,956	9,929
Total current assets	392,888	420,132
Property, plant, and equipment, net	406,431	413,578
Goodwill and intangibles, net	341,006	350,156
Other assets	1,868	1,856
Total assets	$1,142,193	$1,185,722
Liabilities and shareholders’ equity		
Current liabilities:		
Current portion of long-term indebtedness	$ 3,166	$ 4,889
Accounts payable	56,306	67,550
Accrued income taxes	17,907	13,474
Accrued payroll and other related liabilities	32,515	41,716
Accrued expenses and other	79,611	94,186
Total current liabilities	189,505	221,815
Long-term indebtedness	125,717	104,274
Deferred income taxes, net	38,690	38,862
Other liabilities	65,411	65,133
Total liabilities	419,323	430,084
Serial preferred shares, without par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common shares, without par value; 300,000 shares authorized; issued and outstanding shares of 68,096 and 69,627, respectively	174,177	211,657
Retained earnings	552,091	537,526
Accumulated other comprehensive income (loss):		
Minimum pension liability	(5,974)	(5,974)
Cumulative foreign currency translation adjustments	2,576	12,429
Total shareholders’ equity	722,870	755,638
Total liabilities and shareholders’ equity	$1,142,193	$1,185,722

See notes to consolidated financial statements.

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STERIS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,	
	2005	2004
Revenues:		
Product	$176,920	$168,425
Service	99,778	86,372
Total revenues	276,698	254,797
Cost of revenues:		
Product	101,638	95,194
Service	57,289	49,711
Total cost of revenues	158,927	144,905
Gross profit	117,771	109,892
Operating expenses:		
Selling, general, and administrative	81,793	72,566
Research and development	8,729	9,311
Total operating expenses	90,522	81,877
Income from operations	27,249	28,015
Non-operating (income) expense, net	(706)	701
Income before income tax expense	27,955	27,314
Income tax expense	10,623	9,697
Net income	$ 17,332	$ 17,617
Net income per common share:		
Basic	$ 0.25	$ 0.25
Diluted	$ 0.25	$ 0.25
Cash dividends declared per common share outstanding	$ 0.04	$ —

See notes to consolidated financial statements.

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STERIS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended June 30,	
	2005	**2004**
Operating activities:		
Net income	$ 17,332	$ 17,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	13,893	11,702
Deferred income taxes	(215)	4,379
Other items	(549)	1,817
Changes in operating assets and liabilities, excluding the effects of business acquisitions:		
Accounts receivable, net	55,544	17,970
Inventories, net	(12,407)	(3,623)
Other current assets	(2,557)	(3,889)
Accounts payable	(14,179)	(7,184)
Accruals and other, net	(15,769)	3,453
Net cash provided by operating activities	41,093	42,242
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(8,144)	(10,545)
Net cash used in investing activities	(8,144)	(10,545)
Financing activities:		
Proceeds (payments) under credit facilities, net	21,600	(5,247)
Payments on long-term obligations and capital leases, net	(1,675)	(1,118)
Repurchases of common shares	(39,394)	(28,149)
Cash dividends paid to common shareholders	(2,767)	—
Deferred financing fees	(217)	—
Stock option and other equity transactions, net	1,603	2,646
Net cash used in financing activities	(20,850)	(31,868)
Effect of exchange rate changes on cash and cash equivalents	(825)	(311)
Increase (decrease) in cash and cash equivalents	11,274	(482)
Cash and cash equivalents at beginning of period	26,179	80,408
Cash and cash equivalents at end of period	$ 37,453	$ 79,926

See notes to consolidated financial statements.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Throughout this document, references to "STERIS Corporation," "STERIS," or the "Company," are references to STERIS Corporation and its subsidiaries, except where a different meaning is clearly required by the context. The Company's fiscal year ends on March 31. References to a particular "year" or "year-end" refer to the Company's fiscal year.

Nature of Operations

The Company develops, manufactures, and markets a combination of equipment, consumables, and services for healthcare, pharmaceutical, scientific, research, industrial, and governmental customers throughout the world. The Company operates in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services.

Interim Financial Statements

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (including normal recurring accruals and adjustments) necessary to present fairly the financial condition, results of operations, and cash flows of the Company for the periods presented.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005. The Consolidated Balance Sheet at March 31, 2005 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. generally accepted accounting principles for complete financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates and, therefore, operating results for the three-month period ended June 30, 2005 are not necessarily indicative of results that may be expected for the full fiscal year ending March 31, 2006.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation. Further information regarding reclassifications of segment revenues and segment operating results is included in Note 11, "Business Segment Information."

Significant Accounting Policies

A detailed description of the Company's significant and critical accounting policies, estimates, and assumptions is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005. The Company's significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2005.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

Share-Based Compensation

The Company has granted nonqualified stock options to certain employees to purchase the Company's common shares at the market price on the date of grant. Stock options granted generally become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and generally expire 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule whereby options vest on a prorated basis as defined by specific option agreements in the event of employment termination. The Company accounts for share-based compensation under the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," as permitted by Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and accordingly recognizes no compensation expense when the exercise price equals the market price of the stock on the date of grant.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"), "Share-Based Payment," which is a revision of SFAS No. 123. This revised standard supersedes APB No. 25 and amends Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." This revised standard addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments. Under the revised standard, companies will no longer be able to account for such transactions using the intrinsic value method in accordance with APB No. 25. Instead, companies will be required to account for such transactions using a fair value method and recognize expense in the consolidated statements of income. In addition, the revised standard requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current accounting guidance. This requirement will reduce net operating cash flows and will increase net financing cash flows in periods after adoption. The Company cannot estimate what these amounts will be in the future because they depend on, among other things, when employees exercise stock options. However, the amount of operating cash flows recognized in prior periods for these excess tax deductions has historically not been material. SFAS No. 123R is effective for annual reporting periods beginning after June 15, 2005. The Company will adopt SFAS No. 123R on April 1, 2006. The Company has not yet determined which fair value model and transitional provision it will follow.

The following table contains pro forma disclosures regarding the effect on the Company's net income, earnings per basic common share, and earnings per diluted common share had the Company applied a fair value method of accounting for share-based compensation in accordance with SFAS No. 123. Depending on the model used to calculate share-based compensation expense in the future and other requirements of SFAS No. 123R, the pro forma disclosures currently used by the Company may not be indicative of the share-based compensation expense that will be recognized in the Company's future financial statements. Further, the structure and timing of future grants may also have differing impacts on future results.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,	
	2005	**2004**
Net income:		
As reported	$17,332	$17,617
Less: Stock-based compensation expense, net of income taxes, assuming the fair value method	1,476	1,457
Pro forma	$15,856	$16,160
Earnings per common share:		
Basic:		
As reported	$ 0.25	$ 0.25
Pro forma	0.23	0.23
Diluted:		
As reported	0.25	0.25
Pro forma	0.23	0.23

For the purpose of computing pro forma net income, the fair value of option grants was estimated at their grant date using the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in the Company's option grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different.

2. Common Shares

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

	Three Months Ended June 30,	
	2005	**2004**
	(shares in thousands)	
Weighted average common shares outstanding - basic	69,127	69,475
Dilutive effect of common share equivalents	759	967
Weighted average common shares outstanding and common share equivalents - diluted	69,886	70,442

Options to purchase the following number of common shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per common share because the exercise prices were greater than the average market price for the common shares during the period:

	Three Months Ended June 30,	
	2005	**2004**
	(shares in thousands)	
Number of common share options	1,396	1,488
Weighted average exercise price	$ 28.56	$ 28.67

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STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

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. generally accepted accounting principles 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 the Company's comprehensive income:

	Three Months Ended June 30,	
	2005	2004
Net income	$17,332	$17,617
Foreign currency translation adjustments	(9,853)	(1,460)
Total comprehensive income	$ 7,479	$16,157

4. Depreciable Assets

Information related to the major categories of the Company's depreciable assets is as follows:

	June 30, 2005	March 31, 2005
Land and land improvements (1)	$ 23,893	$ 23,518
Buildings and leasehold improvements	193,093	195,727
Machinery and equipment	250,680	242,009
Information systems	97,819	97,665
Radioisotope	111,629	108,519
Construction in progress (1)	37,071	36,973
Total property, plant, and equipment	714,185	704,411
Less: accumulated depreciation and depletion	(307,754)	(290,833)
Property, plant, and equipment, net	$ 406,431	$ 413,578

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

5. Inventories, Net

Inventories are stated at the lower of cost or market. The Company uses 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:

	June 30, 2005	March 31, 2005
Raw materials	$ 30,528	$26,769
Work in process	27,256	23,533
Finished goods	52,290	45,895
Inventories, net	$110,074	$96,197

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

6. Debt

Indebtedness was as follows:

	June 30, 2005	March 31, 2005
Private Placement	$100,000	$100,000
Credit facility	22,800	1,200
Other debt	6,083	7,963
Total	128,883	109,163
Less: current portion	3,166	4,889
Long-term portion	$125,717	$104,274

As of June 16, 2005, the Company entered into Amendment No. 2 (“Amendment No. 2”) to the Amended and Restated Credit Agreement (the “Credit Agreement”) dated March 29, 2004 with KeyBank National Association, as administrative agent for the lending institutions party thereto, and with such lending institutions. Among other things, Amendment No. 2 modified the Company’s existing Credit Agreement to amend the facility fee rates and applicable margins, extend the length of the facility to June 15, 2010, increase the swing line commitment component of the Credit Facility to $35.0 million, and relax certain covenants.

Additional information regarding the Company’s indebtedness is included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005.

7. Additional Consolidated Balance Sheets Information

Additional information related to the Company’s Consolidated Balance Sheets is as follows:

	June 30, 2005	March 31, 2005
Accrued payroll and other related liabilities:		
Compensation and related items	$12,351	$12,435
Accrued vacation	12,741	12,967
Accrued bonuses	2,428	7,697
Accrued employee commissions	4,995	8,617
Total accrued payroll and other related liabilities	$32,515	$41,716
Accrued expenses and other:		
Deferred revenues	$22,511	$34,376
Self-insured risk retention-GRIC	15,885	16,315
Other self-insured risks	872	1,265
Retirement benefit obligations-current portion	9,338	9,342
Accrued dealer commissions	4,393	4,589
Accrued warranty	6,460	6,230
Other	20,152	22,069
Total accrued expenses and other	$79,611	$94,186
Other liabilities:		
Retirement benefit obligations-long-term portion	$65,411	$65,133
Total other liabilities	$65,411	$65,133

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

8. Income Tax Expense

Income tax expense includes U.S. federal, state and local, and foreign income taxes, and is based on reported pre-tax income. Income tax expense is provided on an interim basis based upon the Company's estimate of the annual effective income tax rate. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company's ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives. The effective income tax rates for the three months ended June 30, 2005 and 2004 were 38.0% and 35.5%, respectively. The higher effective income tax rate for the three-month period ended June 30, 2005 is a result of a reduction in operating profits generated in international tax jurisdictions and the resulting inability of the Company to utilize a portion of foreign tax credits against foreign profits taxed in the United States.

9. Benefit Plans

The Company provides defined benefit pension plans for certain manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. In addition to providing pension benefits to certain employees, the Company sponsors an unfunded post-retirement medical benefit plan for two groups of U.S. employees comprised substantially of the same employees who receive pension benefits under the U.S. defined benefit pension plans. Benefits under this plan include retiree life insurance and retiree medical insurance, including prescription drug coverage and Medicare supplemental coverage. Additional information regarding the Company's defined benefit pension plans and other post-retirement medical benefit plan is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005.

Components of the net periodic benefit cost of the Company's defined benefit pension plans and other post-retirement medical benefit plan were as follows:

	Defined Benefit Pension Plans					
	U.S. Qualified		International		Other Post-Retirement Plan	
Three Months Ended June 30,	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Service cost	$ 222	$ 213	$184	$164	$ 272	$ 235
Interest cost	646	649	143	144	1,134	1,172
Expected return on plan assets	(697)	(733)	(85)	(89)	—	—
Net amortization and deferral	209	144	—	—	438	476
Net periodic benefit cost	$ 380	$ 273	$242	$219	$1,844	$1,883

It is the Company's practice to fund amounts for the defined benefit pension plans at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws. Liabilities for amounts in excess of these funding levels are included on the accompanying Consolidated Balance Sheets of the Company. As of June 30, 2005, the Company does not expect to make contributions to the defined benefit pension plans during fiscal 2006.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act expands Medicare benefits, primarily adding a prescription drug benefit for Medicare-eligible retirees beginning in 2006, as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In May 2004, the Financial Accounting Standards Board issued FASB Staff Position No. 106-2 ("FSP No. 106-2"), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which provides guidance on the accounting for the effects of the Act. The Company adopted FSP No. 106-2 on March 31, 2005. The effects of the adoption resulted in a reduction of $10,500 to the Company's accumulated other post-retirement benefit obligation at March 31, 2005. This amount is being amortized over approximately twelve years. For the quarter ended June 30, 2005, the effects of the adoption of FSP No. 106-2 resulted in a reduction of the Company's net periodic benefit cost of $225.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

10. Contingencies

The Company is involved in various patent, product liability, consumer, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. In accordance with Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies,” the Company records accruals for such contingencies to the extent that the Company concludes that their occurrence is both probable and estimable. The Company considers many factors in making these assessments, including the professional judgment of experienced members of management and the Company’s legal counsel. The Company has made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In the opinion of management, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse effect on the Company’s consolidated financial position, results of operations, or cash flows. Litigation is inherently unpredictable and actual results could materially differ from the Company’s estimates. The Company records anticipated recoveries under applicable insurance contracts when assured of recovery.

To the extent that management of the Company believes it is probable that a taxing authority will take a sustainable position on a matter contrary to the position taken by the Company, the Company provides tax accruals. If the Company was to prevail in matters for which accruals have been established, or is required to pay amounts in excess of established accruals, the Company’s effective income tax rate in a given financial statement period could be materially impacted.

Refer to Part II, Item 1, “Legal Proceedings,” on page 28 of this Form 10-Q.

11. Business Segment Information

The Company operates and reports in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. Operating income (loss) for each of the Company’s reportable business segments reflects the full allocation of all distribution, corporate, and research and development expenses to the reportable segments. These allocations are based upon variables such as segment headcount and revenues. The accounting policies for reportable segments are the same as those for the consolidated Company. For the quarter ended June 30, 2005, revenues from a single customer did not represent ten percent or more of the respective segment’s revenues. Additional information regarding the Company’s business segments is included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005.

Segment Service Reclassification

Effective April 1, 2003, the Company was realigned from a single reportable business segment to three strategically focused reportable business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. As the Company continues the evolution of its business segments, the Company has made a change in the reporting of its global service business which impacts the revenues and operating results of the Healthcare and Life Sciences segments. Effective April 1, 2005, the Company began tracking service revenues by customer account classification. Prior to April 1, 2005, the allocation between these segments was based upon geography. Segment revenues, the related costs of these revenues, and associated operating expenses have been reclassified to reflect the change in methodology. Fiscal 2005 information presented in the following tables reflects these reclassifications.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

Financial information for each of the Company's reportable business segments is presented in the following table:

	Three Months Ended June 30,	
	2005	2004
Revenues:		
Healthcare	$185,760	$168,414
Life Sciences	58,432	61,948
STERIS Isomedix Services	32,506	24,435
Total revenues	$276,698	$254,797
Operating income (loss):		
Healthcare	$ 23,243	$ 24,814
Life Sciences	(2,331)	(1,753)
STERIS Isomedix Services	6,337	4,954
Total operating income	$ 27,249	$ 28,015

Financial information for each of the Company's geographic areas is presented in the following table. Long-lived assets are those assets that are identified within the operations in each geographic area, including property, plant, equipment, goodwill, intangibles, and other assets.

	Three Months Ended June 30,	
	2005	2004
Revenues:		
United States	$223,350	$204,037
International	53,348	50,760
Total Revenues	$276,698	$254,797

	June 30, 2005	March 31, 2005
Long-lived assets:		
United States	$603,117	$607,548
International	146,188	158,042
Total long-lived assets	$749,305	$765,590

12. Repurchases of Common Shares

During the first quarter of fiscal 2006, the Company repurchased 1,623,300 of its common shares for $39,394, representing an average price of $24.27 per common share. At June 30, 2005, 1,102,700 common shares remained authorized for repurchase and 1,908,182 common shares were held in treasury.

13. Financial and Other Guarantees

The Company generally offers a limited parts and labor warranty on its capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the country where the Company conducts business. The Company provides for the estimated cost of product warranties at the time product revenues are recognized. Amounts due to customers for the Company's future performance under these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." Factors that affect the Company's warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

Changes in the Company's warranty liability during the first quarter of fiscal 2006 were as follows:

Balance, March 31, 2005	$ 6,230
Warranties issued during the period	2,585
Settlements made during the period	(2,355)
Balance, June 30, 2005	$ 6,460

The Company also issues product maintenance contracts to its customers that are accounted for in accordance with the requirements of FASB Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts." Such contracts generally range in terms from 1 to 5 years and require the Company to maintain and repair capital products over the maintenance contract term. Amounts due from customers under these contracts are initially recorded as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets. The liability recorded for such deferred revenue was $13,025 and $13,081 as of June 30, 2005 and March 31, 2005, respectively. Such deferred revenues are then amortized on a straight-line basis over the contract term and recognized as service revenues on the accompanying Consolidated Statements of Income. The activity related to the liability for deferred service contract revenues has been excluded from the table presented above.

14. Foreign Currency Forward Contracts

The Company enters into foreign currency forward contracts to hedge potential foreign currency gains and losses that arise from assets and liabilities denominated in foreign currencies, including inter-company transactions. The Company does not use derivative financial instruments for speculative purposes. These contracts are marked to market, with gains and losses recognized on the accompanying Consolidated Statements of Income within "Selling, general, and administrative expenses." At June 30, 2005, the Company had foreign currency forward contracts outstanding to sell euros and British pounds sterling with notional amounts of 17.7 million euros and 2.4 million British pounds sterling, respectively. In addition, at June 30, 2005, the Company had entered into foreign currency forward contracts to buy Canadian dollars with a notional amount of 21.4 million Canadian dollars.

15. Business Acquisitions

The Company's consolidated financial statements include the results of operations for acquired businesses from the date of the respective acquisition. During fiscal 2005, the Company acquired FHSurgical (on March 24, 2005), certain assets of Cosmed Group, Inc. (on January 7, 2005), and Albert Browne Limited (on September 15, 2004). The purchase price of each acquisition has been preliminarily allocated to net assets and goodwill and is subject to further adjustment as the Company finalizes costs associated with the respective acquisition and the valuation of their net assets. Additional information regarding recently acquired businesses is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005.

Pursuant to the terms of the Share Purchase Agreement with respect to Hamo Holding AG ("Hamo"), the final settlement of certain working capital adjustments and the resolution of certain indemnification claims were made during the first quarter of fiscal 2006. Settlement amounts received by the Company amounted to 2,150,000 Swiss francs (approximately $1.7 million) and are included in "Non-operating (income) expense, net" on the Consolidated Statements of Income. Hamo was acquired by the Company during fiscal 2004.

16. Subsequent Events

Subsequent to June 30, 2005, foreign currency forward contracts to sell euros and British pounds sterling with notional amounts of 17.7 million euros and 2.4 million British pounds sterling matured. In addition, foreign currency forward contracts to buy Canadian dollars with a notional amount of 21.4 million Canadian dollars matured.

STERIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(dollars in thousands, except per share amounts)

Subsequent to June 30, 2005, the Company entered into foreign currency forward contracts to sell euros and British pounds sterling with notional amounts of 20.0 million euros and 2.4 million British pounds sterling. In addition, subsequent to June 30, 2005, the Company entered into foreign currency forward contracts to buy Canadian dollars with a notional amount of 18.7 million Canadian dollars.

On July 29, 2005, the Company announced that its Board of Directors had declared a quarterly cash dividend in the amount of $.04 per common share, payable on September 9, 2005, to shareholders of record on August 12, 2005.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
STERIS Corporation

We have reviewed the consolidated balance sheet of STERIS Corporation and subsidiaries as of June 30, 2005, and the related consolidated statements of income and cash flows for the three-month periods ended June 30, 2005 and 2004. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2005 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, not presented herein, and in our report dated June 9, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of March 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Cleveland, Ohio
August 4, 2005

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

Financial Measures. In the following sections of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), the Company, at times, may refer to financial measures that are not required to be presented in the consolidated financial statements under U.S. generally accepted accounting principles. The Company has used the following financial measures that are not required to be presented under U.S. generally accepted accounting principles in the context of this report: Backlog, debt to capital, and days sales outstanding. The Company defines these financial measures as follows:

- Backlog- is defined by the Company as the amount of unfilled capital purchase orders at a point in time. The Company uses this figure as a measure to assist in the projection of short-term financial results and inventory requirements.
- Debt to capital- is defined by the Company as total long-term debt divided by the sum of long-term debt and shareholders' equity. The Company uses this figure as a financial liquidity measure to gauge its ability to borrow, provide strength/protection against creditors, fund growth, develop outside of its current business operations, and measure the risk of the Company's financial structure.
- Days sales outstanding("DSO's")- is defined by the Company as the average collection period for sales revenue. It is calculated as net accounts receivable divided by the trailing four quarter's revenues, multiplied by 365. The Company uses this figure to help gauge the quality of its accounts receivable and expected time to collect.

In the following sections of MD&A, the Company, at times, may also refer to financial measures which are considered to be "non-GAAP financial measures" under the rules of the Securities and Exchange Commission. Non-GAAP financial measures used by the Company are as follows:

- Free cash flow- is defined by the Company as cash flows from operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles, net, which is also presented in the Consolidated Statements of Cash Flows. The Company uses this measure to gauge its ability to fund future growth outside of core operations, repurchase common shares, and pay cash dividends. The following table summarizes the calculations of the Company's free cash flow for the quarters ended June 30, 2005 and 2004:

	Three Months Ended June 30,	
(dollars in thousands)	2005	2004
Cash flows from operating activities	$41,093	$42,242
Purchases of property, plant, equipment, and intangibles, net	8,144	10,545
Free cash flow	$32,949	$31,697

- The Company, at times, may refer to its results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparative analysis between the periods presented. For example, when discussing changes in revenues, the Company may, at times, exclude the impact of recently completed acquisitions.

The Company has presented these financial measures because it believes that meaningful analysis of its financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered alternatives to measures required by U.S. generally accepted accounting principles. The Company's calculations of these measures may differ from calculations of similar measures used by other companies.

Revenues- Defined. As required by Regulation S-X, the Company has presented separately on its Consolidated Statements of Income for each period presented, revenues generated as either product revenues or service revenues. In discussing revenues, the Company, at times, may refer to revenues in differing detail than that which is required by Regulation S-X. The terminology, definitions, and applications of terms that the Company uses to describe revenues may differ from terms used by other companies. The Company uses the following terms to describe revenues:

- Revenues - The Company's revenues are presented net of sales returns and allowances.
- Product Revenues - Product revenues are defined by the Company as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, freeze dryers, VHP® technology, water stills, and pure steam generators; surgical lights and tables; and the consumable family of products, which includes STERIS SYSTEM 1® consumables, sterility assurance products, skin care products, and cleaning consumables.
- Service Revenues - Service revenues are defined by the Company as revenues generated from parts and labor associated with the maintenance, repair, and installation of capital equipment, as well as revenues generated from contract sterilization offered through the Company's Isomedix Services segment.
- Capital Revenues - Capital revenues are defined by the Company as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, freeze dryers, VHP® technology, water stills, and pure steam generators; and surgical lights and tables.
- Consumable Revenues - Consumable revenues are defined by the Company as revenues generated from sales of the consumable family of products which includes STERIS SYSTEM 1® consumables, sterility assurance products, skin care products, and cleaning consumables.
- Recurring Revenues - Recurring revenues are defined by the Company as revenues generated from sales of consumable products and service revenues.

General Company Overview and Executive Summary. The mission of STERIS Corporation is to provide a healthier today and safer tomorrow through knowledgeable people and innovative infection prevention, decontamination and health science technologies, products, and services. The Company's dedicated employees around the world work together to supply a broad range of solutions by offering a combination of equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental customers.

STERIS participates in industries that currently benefit from strong underlying demand, with the bulk of the Company's revenues derived from the healthcare and pharmaceutical industries. As such, much of the growth in its markets is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years. In addition, each of STERIS's core industries are also benefiting from specific trends that drive growth. Within the healthcare market, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased Food & Drug Administration ("FDA") scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. In the contract sterilization industry, where Isomedix competes, an increasing trend toward the outsourcing of sterilization services continues to drive growth.

Beyond STERIS's core markets, infection-control issues are becoming a global concern, and emerging threats have gained prominence in the news. Through STERIS's Life Sciences segment, the Company is actively pursuing new opportunities to adapt its proven technologies to meet the needs of emerging markets such as defense, aerospace, and industrial decontamination.

Fiscal 2006 first quarter revenues increased $21.9 million, or 8.6%, to $276.7 million, as compared to the first quarter of fiscal 2005, driven by increased revenues within the Company's Healthcare and Isomedix Services segments. Revenue growth due to the fiscal 2005 acquisitions of Browne, FHSurgical, and certain assets of Cosmed was 5.3% during the first quarter of fiscal 2006, and the integration of these businesses has progressed well. Organic revenue growth was 3.3% during the first quarter of fiscal 2006 and was negatively impacted by continued weakness within the Company's Life Sciences segment, particularly related to international capital equipment sales. During the first quarter of fiscal 2006, the Company's gross margin percentage declined 50 basis points to 42.6% compared to the first quarter of fiscal 2005, primarily as a result of increased prices of certain raw materials, costs related to ongoing operations of recently acquired businesses, and lower volumes within the Life Sciences segment, which resulted in lower fixed cost absorption in certain manufacturing processes.

The Company's financial position and cash flows remain strong. A continued focus on working capital management and reduced capital spending levels resulted in fiscal 2006 first quarter free cash flow of $32.9 million. The Company continues to maintain low debt levels with its debt-to-capital ratio approximating 14.8% at June 30, 2005. During the fiscal 2006 first quarter, the Company continued to enhance shareholder value through a common share repurchase program, in which approximately 1.6 million common shares were repurchased at an average purchase price per share of $24.27. The Company also declared a quarterly cash dividend during the first quarter of fiscal 2006 and paid cash dividends of $0.04 per common share during the first quarter of fiscal 2006. The Company's strong financial position and cash flows currently afford it the financial flexibility to continue to return value to shareholders in the forms of strategic acquisitions, other initiatives that strengthen the Company's long-term competitive position, potential common share repurchases, and cash dividends.

Additional information regarding the Company's fiscal 2006 first quarter financial performance is included in the subsection below titled "Results of Operations."

Matters Affecting Comparability.

Business Acquisitions. The Company's financial results include the results of operations for acquired businesses from the date of the respective acquisition. During fiscal 2005, the Company acquired FHSurgical (on March 24, 2005), certain assets of Cosmed Group, Inc. (on January 7, 2005), and Albert Browne Limited (on September 15, 2004). Fiscal 2006 first quarter operating results includes aggregate revenues of $13.4 million related to these acquisitions.

International Operations. Given the nature of the Company's global operations, it maintains an inherent exposure to fluctuations in foreign currencies. During the first quarter of fiscal 2006, the Company's revenues were favorably impacted by $2.0 million, or 0.7%, and net income was negatively impacted by $0.8 million, or 4.3%, when compared to the same period in fiscal 2005.

Results of Operations. The following subsections provide information regarding the Company's results of operations for the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005.

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Revenues. The following table contains information regarding the Company's revenues for the three months ended June 30, 2005 and 2004:

(dollars in thousands)	Three Months Ended June 30, 2005	2004	Change	Percent Change	Percent of Total Revenues 2005	2004
Capital Revenues	$110,750	$110,762	$ (12)	0.0%	40.0%	43.5%
Consumable Revenues	66,170	57,663	8,507	14.8%	23.9%	22.6%
Product Revenues	176,920	168,425	8,495	5.0%	63.9%	66.1%
Service Revenues	99,778	86,372	13,406	15.5%	36.1%	33.9%
Total Revenues	$276,698	$254,797	$21,901	8.6%	100.0%	100.0%
Service Revenues	$ 99,778	$ 86,372	$13,406	15.5%	36.1%	33.9%
Consumable Revenues	66,170	57,663	8,507	14.8%	23.9%	22.6%
Recurring Revenues	165,948	144,035	21,913	15.2%	60.0%	56.5%
Capital Revenues	110,750	110,762	(12)	0.0%	40.0%	43.5%
Total Revenues	$276,698	$254,797	$21,901	8.6%	100.0%	100.0%
United States	$223,350	$204,037	$19,313	9.5%	80.7%	80.1%
International	53,348	50,760	2,588	5.1%	19.3%	19.9%
Total Revenues	$276,698	$254,797	$21,901	8.6%	100.0%	100.0%

Revenues increased $21.9 million, or 8.6%, to $276.7 million for the quarter ended June 30, 2005, as compared to $254.8 million for the comparable prior year quarter. As compared to the first quarter of fiscal 2005, recurring revenues increased $21.9 million, or 15.2%. The recurring revenues increase was generated from a 15.5% increase in service revenues and a 14.8% increase in consumable revenues. Within the Healthcare and Life Sciences segments, service revenues increased 9.6% and 6.1%, respectively, quarter-over-quarter. Capital revenues remained flat quarter-over-quarter as a result of continued weakness in the Company's Life Sciences segment, particularly within the international pharmaceutical marketplace, which offset the 7.5% increase in Healthcare capital revenues.

International revenues increased $2.6 million, or 5.1%, to $53.3 million, for the quarter ended June 30, 2005, as compared to $50.8 million for the comparable prior year quarter. International revenues were positively impacted by strong recurring and capital revenues growth within the international Healthcare marketplace. The international recurring revenues growth was driven by additional revenues generated from sales of consumable products from the recently acquired Browne business. International Healthcare capital revenues were positively impacted by sales generated from the recently acquired FHSurgical business. Within the Company's Life Sciences segment, international capital equipment sales declined 62.1%, which offset the positive growth in international Healthcare revenues.

United States revenues increased $19.3 million, or 9.5%, to $223.4 million, for the quarter ended June 30, 2005, as compared to $204.0 million for the comparable prior year quarter. United States revenues benefited from strong performance in the Isomedix Services segment, which was comprised of 7.3% organic revenue growth and 25.7% acquisition-related revenue growth associated with Cosmed. Quarter-over-quarter, United States Life Sciences capital revenues increased 39.7%, and also served to drive the Company's overall United States revenue growth. United States revenues also benefited from strong underlying demand for the Company's service offerings, particularly in the Healthcare segment.

Revenues are further discussed on a segment basis in the section of MD&A titled "Business Segment Results of Operations."

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Gross Profit. The following table contains information regarding the Company's gross profit for the three months ended June 30, 2005 and 2004:

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Change	Percent Change
Gross Profit:				
Product	$ 75,282	$ 73,231	$2,051	2.8%
Service	42,489	36,661	5,828	15.9%
Total Gross Profit	$117,771	$109,892	$7,879	7.2%
Gross Profit Percentage:				
Product	42.6%	43.5%		
Service	42.6%	42.4%		
Total Gross Profit Percentage	42.6%	43.1%		

Gross profit (margin) is impacted by the volume, pricing, and mix of sales of the Company's products and services, as well as the costs associated with the products and services that are sold. Period-over-period, the Company's gross margin decreased 50 basis points. Gross margins for the first quarter of fiscal 2006 were negatively impacted by higher raw materials prices, particularly related to stainless steel and certain petroleum-based chemicals. Gross margins were also negatively impacted by direct costs associated with the operations of recently acquired businesses and reduced volumes within the Life Sciences segment, which resulted in lower fixed cost absorption within certain manufacturing processes.

Operating Expenses. The following table contains information regarding the Company's operating expenses for the three months ended June 30, 2005 and 2004:

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Change	Percent Change
Operating Expenses:				
Selling, General, and Administrative	$81,793	$72,566	$9,227	12.7%
Research and Development	8,729	9,311	(582)	-6.3%
Total Operating Expenses	$90,522	$81,877	$8,645	10.6%

Significant components of total Selling, General, and Administrative expenses ("SG&A") are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. As a percentage of total revenues, SG&A increased 110 basis points to 29.6% for the first quarter of fiscal 2006 as compared to 28.5% during the first quarter of fiscal 2005. The increase in SG&A period-over-period resulted primarily from direct costs associated with the operations of recently acquired businesses. The Company also experienced higher professional fees as a result of various strategic initiatives.

As a percentage of total revenues, research and development expenses were 3.2% and 3.7% for the quarters ended June 30, 2005 and 2004, respectively. Research and development expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. The Company continues to focus research and development efforts on product development, product improvements, and the development of new technological innovations. Research and development efforts continue to be focused in the defense and industrial areas, sterile processing combination technologies, and the area of prions, or infectious proteins.

Non-Operating (Income) Expense, Net. The following table contains information regarding the Company's non-operating (income) expense, net for the three months ended June 30, 2005 and 2004:

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Change
Non-Operating (Income) Expense, Net:			
Interest Expense	$ 1,221	$ 987	$ 234
Interest and Miscellaneous Income	(1,927)	(286)	1,641
Non-Operating (Income) Expense, Net	$ (706)	$ 701	NM

Non-operating (income) expense, net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income.

Interest expense increased $0.2 million period-over-period as a result of higher average debt levels and higher interest rates during the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005. Interest and other miscellaneous income increased $1.6 million period-over-period. This increase resulted primarily from the final settlement of certain working capital adjustments and the resolution of certain indemnification claims pursuant to the terms of the Share Purchase Agreement with respect to Hamo Holding AG ("Hamo"), which was acquired by the Company during fiscal 2004.

Income Tax Expense. The following table contains information regarding the Company's income tax expense and effective income tax rates for the three months ended June 30, 2005 and 2004:

	Three Months Ended June 30,			
(dollars in thousands)	**2005**	**2004**	**Change**	**Percent Change**
Income Tax Expense	$10,623	$9,697	$ 926	9.5%
Effective Income Tax Rate	38.0%	35.5%		

The Company provides for income tax expense on an interim basis based upon the Company's estimate of the annual effective income tax rate. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings and the taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company's ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives. The Company's effective income tax rate was 38.0% for the first quarter of fiscal 2006 as compared to 35.5% for the first quarter of fiscal 2005. The higher effective income tax rate for the first quarter of fiscal 2006 resulted from a reduction of operating profits generated in international tax jurisdictions and the resulting inability of the Company to utilize a portion of foreign tax credits against foreign profits taxed in the United States.

Business Segment Results of Operations. Certain reclassifications have been made to previously reported segment revenues, the related costs of these revenues, and associated operating expenses. These reclassifications are further discussed in Note 11 to the Company's consolidated financial statements, "Business Segment Information." Information presented in the following tables and related discussion regarding segment revenues and operating results reflect these changes.

The Company operates and reports in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. Additional information regarding the Company's business segments is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005. The following table contains information regarding business segment revenues for the three months ended June 30, 2005 and 2004:

	Three Months Ended June 30,			
(dollars in thousands)	**2005**	**2004**	**Change**	**Percent Change**
Revenues:				
Healthcare	$185,760	$168,414	$17,346	10.3%
Life Sciences	58,432	61,948	(3,516)	-5.7%
STERIS Isomedix Services	32,506	24,435	8,071	33.0%
Total Revenues	$276,698	$254,797	$21,901	8.6%

Healthcare segment revenues represented 67.2% of total revenues for the first quarter of fiscal 2006 as compared to 66.1% for the comparable prior year quarter. Healthcare revenues increased $17.3 million, or 10.3%, to $185.8 million for the quarter ended June 30, 2005, as compared to $168.4 million for the first quarter of fiscal 2005. The increase in Healthcare revenues was driven by a 12.6% increase in recurring revenues. Strong service revenues within the United States marketplace and increased international consumable revenues primarily related to the recently-acquired Browne business fueled the increase. Capital revenues, which benefited from the FHSurgical acquisition, increased 7.5% quarter-over-quarter, primarily within the Healthcare segment's international marketplace. At June 30, 2005, the Healthcare segment's backlog amounted to $70.7 million, representing increases of $5.3 million, or 8.1%, and $6.4 million, or 9.9%, over the March 31, 2005 and June 30, 2004 levels, respectively.

Life Sciences segment revenues represented 21.1% of total revenues for the first quarter of fiscal 2006 as compared to 24.3% for the comparable prior year quarter. Life Sciences revenues decreased $3.5 million, or 5.7%, to $58.4 million for the quarter ended June 30, 2005, as compared to $61.9 million for the first quarter of fiscal 2005. The reduction in Life Sciences revenues was driven by a 16.3% decrease in capital revenues. Positive capital revenue growth of 39.7% within the United States marketplace was offset by continued weakness in demand within the international pharmaceutical marketplace where capital revenues decreased 62.1%. The overall decline in capital revenues within the segment was partially offset by 11.2% and 6.1% increases in consumable and service revenues, respectively. At June 30, 2005, the Life Sciences segment's backlog amounted to $53.6 million, representing decreases of $12.5 million, or 18.9%, and $15.5 million, or 22.4%, over the March 31, 2005 and June 30, 2004 levels, respectively.

STERIS Isomedix Services segment revenues represented 11.7% of total revenues for the first quarter of fiscal 2006 as compared to 9.6% for the comparable prior year quarter. The segment experienced revenue growth of $8.1 million, or 33.0%, to $32.5 million during the first quarter of fiscal 2006, as compared to the same prior year quarter. Revenues generated through organic growth remained strong at 7.3%, quarter-over-quarter. The integration of Cosmed to the segment's operations contributed 25.7% to the segment's revenue growth rate during the first quarter of fiscal 2006.

The following table contains information regarding business segment operating income (loss) for the three months ended June 30, 2005 and 2004:

	Three Months Ended June 30,			
(dollars in thousands)	**2005**	**2004**	**Change**	**Percent Change**
Operating Income (Loss):				
Healthcare	$23,243	$24,814	$(1,571)	-6.3%
Life Sciences	(2,331)	(1,753)	(578)	33.0%
STERIS Isomedix Services	6,337	4,954	1,383	27.9%
Total Operating Income	$27,249	$28,015	$ (766)	-2.7%

To determine segment operating income (loss), the Company reduces the respective segment's gross profit by direct expenses and indirect cost allocations, which reflect the full allocation of all distribution, corporate, and research and development expenses. Corporate cost allocations are based on each segment's portion of revenues, headcount, or other variables in relation to the total Company.

Healthcare segment operating income decreased $1.6 million, or 6.3%, to $23.2 million for the first quarter of fiscal 2006, as compared to $24.8 million for the comparable prior year quarter. Healthcare segment operating margins were 12.5% and 14.7% for the quarters ended June 30, 2005 and 2004, respectively. Increased raw material costs related to stainless steel and certain petroleum-based chemicals negatively impacted operating results and margins during the quarter ended June 30, 2005. Operating margins for the first quarter of fiscal 2006 also reflect additional direct costs associated with the operations of recently acquired businesses.

Life Sciences segment operating loss was $2.3 million and $1.8 million for the quarters ended June 30, 2005 and 2004, respectively. The segment's operating results were negatively impacted by reduced volumes and the resulting lower fixed cost absorption, along with increased raw material costs.

STERIS Isomedix Services segment operating income increased $1.4 million, or 27.9%, to $6.3 million for the first quarter of fiscal 2006 as compared to $5.0 million for the comparable prior year period, primarily due to increased volumes within the segment. The segment's operating margins were 19.5% and 20.3% for the quarters ended June 30, 2005 and 2004, respectively. For the first quarter of fiscal 2006, the segment's margins remained strong, but declined from the comparable prior year period as a result of direct costs associated with the operations of the recently acquired assets of Cosmed.

Liquidity and Capital Resources. The following table summarizes significant components of the Company's cash flows for the three months ended June 30, 2005 and 2004:

Cash Flows

(dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004
Operating activities:		
Net income	$ 17,332	$ 17,617
Non-cash items	13,129	17,898
Changes in operating assets and liabilities, excluding the effects of business acquisitions	10,632	6,727
Net cash provided by operating activities	$ 41,093	$ 42,242
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	$ (8,144)	$(10,545)
Net cash used in investing activities	$ (8,144)	$(10,545)
Financing activities:		
Proceeds (payments) under credit facilities, net	$ 21,600	$ (5,247)
Payments on long-term obligations and capital leases, net	(1,675)	(1,118)
Repurchases of common shares	(39,394)	(28,149)
Cash dividends paid to common shareholders	(2,767)	—
Deferred financing fees	(217)	—
Stock option and other equity transactions, net	1,603	2,646
Net cash used in financing activities	$(20,850)	$(31,868)
Debt-to-capital ratio	14.8%	13.5%
Free cash flow	$ 32,949	$ 31,697

Net Cash Provided by Operating Activities. Net cash provided by operating activities was $41.1 million for the first quarter of fiscal 2006 as compared to $42.2 million for the first quarter of fiscal 2005. Operating cash flows were derived as follows:

- Non-cash items- Non-cash items were $13.1 million for the first quarter of fiscal 2006 as compared to $17.9 million for the first quarter of fiscal 2005. Non-cash items include depreciation, depletion, and amortization, changes in deferred income taxes, and other items. The most significant component of non-cash items in both periods presented is depreciation, depletion, and amortization, which amounted to $13.9 million and $11.7 million for the first quarters of fiscal 2006 and 2005, respectively. The $2.2 million increase in depreciation, depletion, and amortization, period-over-period, is the result of increased levels of depreciable assets and intangibles, driven primarily by the fiscal 2005 acquisitions of Browne and Cosmed.
- Working capital- Excluding the impact of foreign currency translation adjustments and balances acquired from business acquisitions, changes to the Company's working capital amounted to $10.6 million and $6.7 million during the first quarters of fiscal 2006 and 2005, respectively. Information regarding significant components of the Company's fiscal 2006 first quarter working capital change is as follows (excluding the impact of foreign currency translation adjustments and balances acquired from business acquisitions):
  - Accounts receivable, net- Accounts receivable, net decreased $55.5 million during the quarter ended June 30, 2005. Accounts receivable balances are influenced by the timing of revenues, customer collections, and progress billings for contracts that are accounted for under the percentage of completion method of accounting for construction-type contracts. Accounts receivable days sales outstanding decreased to 72 days during the quarter ended June 30, 2005, from 92 days at March 31, 2005. The decrease in DSO's from the March 31, 2005 level is reflective of more aggressive collection efforts and enhanced collection procedures.
  - Inventories, net- Inventories, net increased $12.4 million during the quarter ended June 30, 2005. The Company has established targeted inventory production levels at certain manufacturing facilities in a

process called modified level-loading, whereby a relatively constant stream of inventory production occurs, which may result in varying inventory levels during the year as a result of customer demand fluctuations.

- Accounts payable, net- Accounts payable, net decreased $14.2 million during the first quarter of fiscal 2006 due primarily to varying payment due dates of accounts payable obligations and the Company's cash management strategies.
- Accruals and other, net- Accruals and other, net decreased $15.8 million during the quarter ended June 30, 2005. The decrease in accruals and other, net during the quarter was driven by the timing of payments under the Company's management incentive compensation programs. A reduction of accruals under various employee commission programs and a decrease in deferred revenues also contributed to the decrease in accruals and other, net during the quarter. These amounts are influenced by the timing and mix of revenues. These decreases were partially offset by the federal income tax provision for the first quarter of fiscal 2006.

Net Cash Used In Investing Activities. During the first quarter of fiscal 2006, capital expenditures amounted to $8.1 million as compared to $10.5 million during the first quarter of fiscal 2005. Lower capital spending levels during the first quarter of fiscal 2006 resulted primarily from the completion of several in process facilities expansion projects and information technology initiatives during the latter half of fiscal 2005.

Net Cash Used In Financing Activities. Net cash used in financing activities amounted to $20.9 million for the first quarter of fiscal 2006 as compared to $31.9 million for the first quarter of fiscal 2005. Information regarding the significant components of the Company's financing cash flows for the periods presented follows:

- Proceeds (payments) under credit facilities, net- During the first quarter of fiscal 2006, net proceeds from the Company's credit facility amounted to $21.6 million as compared to net payments under various credit facilities of $5.2 million during the prior year first quarter. Net proceeds from the credit facility during the first quarter of fiscal 2006 were used, in part, to fund the quarter's repurchases of common shares, provide flexibility in working capital management, and for other general corporate purposes. Net payments made during the first quarter of fiscal 2005 related primarily to payments made on Hamo bank facilities.
- Repurchases of common shares- During the first quarter of fiscal 2006, the Company repurchased 1,623,300 of its common shares at an average purchase price of $24.27 per common share, as compared to 1,265,100 of its common shares at an average purchase price of $22.25 per common share during the first quarter of fiscal 2005.
- Cash dividends paid to common shareholders- During the first quarter of fiscal 2006, the Company paid a cash dividend of $0.04 per outstanding common share to shareholders of record on May 31, 2005. Total cash dividends paid amounted to $2.8 million. The Company did not pay cash dividends during the comparable prior year quarter.
- Stock option and other equity transactions, net- Cash flows from stock option and other equity transactions, net are primarily derived from the issuance of the Company's common shares under various employee stock compensation programs. During the first quarters of fiscal 2006 and 2005, cash proceeds from the issuance of common shares under these programs totaled $1.5 million and $4.4 million, respectively.

Cash Requirements. The Company currently intends to fund short-term and long-term capital expenditures, as well as liquidity needs, with existing cash and cash equivalent balances and its existing credit facility, as well as cash generated by operations. The Company believes that these sources will be sufficient to meet working capital needs, capital requirements, and commitments for at least the next twelve months. However, the Company's capital requirements will depend on many factors, including the Company's rate of sales growth, market acceptance of the Company's products and services, costs of securing access to adequate manufacturing capacities, the timing and extent of research and development projects, and changes in operating expenses, all of which are subject to uncertainty. To the extent that the Company's existing sources of cash are insufficient to fund the Company's future activities, the Company may need to raise additional funds through public or private debt or equity financing. Additional funds may not be available on favorable terms to the Company, or at all.

Sources of Credit and Contractual and Commercial Commitments. Information regarding the Company's sources of credit and contractual and commercial commitments is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005. The Company's commercial commitments are approximately $41.3 million at June 30, 2005 reflecting a net decline of $32.2 million in surety bonds and other commercial commitments from March 31, 2005. The Company's contractual commitments have not changed materially from March 31, 2005. The maximum aggregate borrowing limits under the Credit Agreement of the Company described below have not changed since March 31, 2005. At June 30, 2005, the maximum amount available under this Credit Agreement was $216.2 million. The maximum aggregate borrowing limit of $275.0 million under the Credit Agreement is reduced by outstanding amounts and letters of credit issued under a sub-limit within the Credit Agreement. At June 30, 2005, these amounts totaled $22.8 million and $36.0 million, respectively.

As of June 16, 2005, the Company entered into Amendment No. 2 ("Amendment No. 2") to the Amended and Restated Credit Agreement (the "Credit Agreement") dated March 29, 2004 with KeyBank National Association, as administrative agent for the lending institutions party thereto, and with such lending institutions. Among other things, Amendment No. 2 modified the Company's existing Credit Agreement to amend the facility fee rates and applicable margins, extend the length of the facility to June 15, 2010, increase the swing line commitment component of the Credit Facility to $35.0 million, and relax certain covenants.

Critical Accounting Policies, Estimates, and Assumptions. Information related to the Company's critical accounting policies, estimates, and assumptions is included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005. The Company's critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2005.

Contingencies. The Company is involved in various patent, product liability, consumer, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. In accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," the Company records accruals for such contingencies to the extent that the Company concludes that their occurrence is both probable and estimable. The Company considers many factors in making these assessments, including the professional judgment of experienced members of management and the Company's legal counsel. The Company has made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In the opinion of management, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. Litigation is inherently unpredictable and actual results could materially differ from the Company's estimates. The Company records anticipated recoveries under applicable insurance contracts when assured of recovery.

To the extent that management of the Company believes it is probable that a taxing authority will take a sustainable position on a matter contrary to the position taken by the Company, the Company provides tax accruals. If the Company was to prevail in matters for which accruals have been established, or is required to pay amounts in excess of established accruals, the Company's effective income tax rate in a given financial statement period could be materially impacted.

International Operations. Given the nature of the Company's global operations, it maintains an inherent exposure to fluctuations in foreign currencies. During the first quarter of fiscal 2006, the Company's revenues were favorably impacted by $2.0 million, or 0.7%, and net income was negatively impacted by $0.8 million, or 4.3%, when compared to the same period in fiscal 2005. The Company cannot predict with certainty future changes in foreign currency exchange rates or the effect they will have on the Company's operations.

Forward-Looking Statements. This document may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to the Company or its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date of this report, and may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," and "seeks," or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, and changes in government regulations or the application or interpretation thereof. Many of these important factors are outside STERIS's control. No assurances can be provided as to any future financial results. Unless legally required, the Company does not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing or raw material cost that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or the Company's business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that application of or compliance with laws, court rulings, regulations, certifications or other requirements or standards may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect Company performance, results, or value, (d) the potential of international unrest or effects of fluctuations in foreign currencies of countries where the Company does a sizeable amount of business, and (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for the Company's products and services.

Availability of Securities and Exchange Commission Filings. The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and other information with the Securities and Exchange Commission ("SEC"). Copies of these materials can be obtained by visiting the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549, or by accessing the SEC's website at *http://www.sec.gov*. Information on the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, as soon as reasonably practicable after such materials are filed with or furnished to the SEC, the Company makes copies available to the public, free of charge, on or through the investor relations section of its website at *http://www.steris-ir.com*. Information on the Company's website is not incorporated by reference into this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the Company is subject to interest rate, foreign currency, and commodity risks. Information related to these risks and the Company's management of these exposures is included in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005, filed with the Securities and Exchange Commission on June 14, 2005. The Company's exposures to market risks have not changed materially since March 31, 2005.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that as of June 30, 2005, the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, that occurred during the quarter ended June 30, 2005, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in a number of legal proceedings and claims, which the Company believes arise from the ordinary course of its business, given its size, history, complexity, nature of its business, and industries in which it participates. These legal proceedings and claims generally involve a variety of legal theories and allegations, including without limitation, personal injury (e.g., slip and falls, automobile accidents), product liability (e.g., based on the operation or claimed malfunction of products), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants), property damage (e.g., claimed damage due to leaking equipment, fire), economic loss (e.g., breach of contract, other commercial claims), employment (e.g., wrongful termination), and other claims for damage and relief.

The FDA and the U.S. Department of Justice are conducting an investigation believed to involve the Company’s SYSTEM 1® sterile processing system. In January 2005, the Company received a subpoena for documents in connection with the investigation. The Company is currently responding to this subpoena and has offered and intends to cooperate with the government agencies regarding this matter.

The Company believes it has adequately reserved for its current litigation and that the ultimate outcome of its pending lawsuits and claims will not have a material adverse effect on the Company’s consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, proceedings, investigations, or claims or their effect. The Company presently maintains product liability insurance coverage, and other liability coverage in amounts and with deductibles that it believes are prudent.

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

The Company believes there have been no material recent developments concerning the Company’s legal proceedings since March 31, 2005 and no new material pending legal proceedings required to be reported.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the first quarter of fiscal 2006, the Company repurchased 1,623,300 of its common shares. These repurchases were pursuant to a single repurchase program which was approved by the Company’s Board of Directors and announced on July 28, 2004. This common share repurchase authorization replaced the common share repurchase authorization of July 24, 2002. The following table summarizes the common shares repurchased during the first quarter of fiscal 2006 under the Company’s common share repurchase program.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2005 through April 30, 2005	—	$ —	—	2,726,000
May 1, 2005 through May 31, 2005	903,600	23.88	903,600	1,822,400
June 1, 2005 through June 30, 2005	719,700	24.76	719,700	1,102,700
Total	1,623,300	$ 24.27	1,623,300	1,102,700

ITEM 6. EXHIBITS

(a) Exhibits:

Exhibit Number	Exhibit Description
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended September 30, 2004, as originally filed (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
4.2	Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.2 to the Registration Statement on Form 8-A filed April 16, 1999 (Commission File No. 1-14643), and incorporated herein by reference).
4.3	Amendment No. 1, dated June 7, 2002, to Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.1 to the Registration Statement on Form 8-A/A filed June 10, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	Executive Retention Agreement between STERIS Corporation and Dr. Peter A. Burke.
10.2	Amendment No. 2 to Amended and Restated Credit Agreement dated March 29, 2004 with KeyBank National Association, as administrative agent for the lending institutions party thereto, and such institutions (filed as Exhibit 10.1 to the Current Report on Form 8-K filed on June 21, 2005 (Commission File No. 1-14643), and incorporated herein by reference).

15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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.

STERIS Corporation

/s/ Laurie Brlas

Laurie Brlas
Senior Vice President and
Chief Financial Officer
August 9, 2005

Exhibit 10.1

EXECUTIVE RETENTION AGREEMENT

THIS EXECUTIVE RETENTION AGREEMENT (“Agreement”) is made as of the 8th day of February, 2005, by and between STERIS Corporation, an Ohio corporation (the “Company”), and Peter A. Burke (“Executive”). Capitalized terms not otherwise defined are used as defined in Exhibit A.

1. **EMPLOYEE STATUS.** As of the date of this Agreement, the Company is employing Executive, and Executive has agreed to be employed by the Company, upon and subject to the terms of this Agreement, as Senior Vice President. Executive agrees to continue to perform the duties as are reasonably assigned to him by the President and Chief Executive Officer (CEO) of the Company and comply with the terms of this Agreement. As used herein, “employment”, “employed”, or similar terms shall include employment by STERIS Corporation or its subsidiaries, parent or affiliates.

2. **RESPONSIBILITIES.** Except as otherwise specified in Paragraph 8(b) of this Agreement while employed by the Company, Executive shall:

(a) diligently and faithfully serve the Company in the capacities described above, and shall devote his best, good faith efforts and full business time and attention to the advancement of the Company’s interests and to the benefit of the Company’s shareholders;

(b) diligently and faithfully carry out the policies, programs and directions of the CEO and the Board of Directors of the Company; and

(c) fully cooperate with such other employees of, and consultants and representatives retained by, the Company.

3. **COMPENSATION.** The Company will compensate Executive for his services during his employment by the Company as follows:

(a) Base Compensation. The Company shall pay to Executive base compensation (salary) at his current rate for the 2005 Fiscal Year, payable in accordance with the Company’s normal payroll schedule. Executive’s base compensation in subsequent Fiscal Years while this Agreement is in effect shall be determined by the Company’s CEO and Board of Directors, but shall not be less than the rate of base compensation (salary) paid to Executive in Fiscal Year 2005. All payments are subject to all applicable taxes and other withholdings.

(b) Bonus. Executive shall have the opportunity to participate in the Company’s Management Incentive Compensation Plan (“Bonus”). Executive’s Bonus opportunity shall be established annually by the Company’s Board of Directors, and shall be communicated to Executive in writing at or about the same time as communicated by the Company to similarly situated employees. Any Bonus payable under this Agreement shall be paid to Executive in a single lump sum, and shall be subject to applicable taxes, other withholdings, and the criteria and conditions of the Management Incentive Compensation Plan.

(c) Benefits. Executive shall be entitled to participate in all benefit plans maintained from time to time by the Company for regular, full-time employees, currently including medical insurance, life insurance, dental, vacation, flexible spending account and short- and long-term disability plans. The maintenance and terms of any such plan shall be determined in the sole discretion of the Company. During his employment, Executive will be entitled to participate in any applicable, additional benefits and perquisites approved by the Company’s Board of Directors.

(d) Reimbursement of Expenses. Executive shall be entitled to reimbursement of ordinary and necessary out-of-pocket expenses reasonably incurred by Executive on behalf of the Company in the course of performing duties on behalf of the Company, upon furnishing appropriate documentation in the form and substance satisfactory to the Company and subject to the Company’s expense reimbursement policies as in effect at the time the expense is incurred.

(e) Equity-Based Compensation**.** Subject to the approval of the Company’s Board of Directors and the terms and conditions of applicable programs, Executive shall be eligible for stock option grants under the Company’s stock option programs as may be in effect from time to time.

4. **EMPLOYMENT DURATION AND TERM.** There is no specified term or duration of employment of the Executive, as Executive's employment with the Company is at-will. Therefore, either party can terminate the employment relationship at any time by written notice effective upon receipt. Such termination shall not, however, affect the surviving terms of this Agreement and the "Other Agreements" as defined below. The initial term of this Agreement shall be for three years commencing on the date of this Agreement.

5. **SEPARATION.**

(a) If Executive's employment with the Company is terminated by either party prior to the third anniversary of the date of this Agreement, the Company shall pay to Executive his earned but unpaid salary through the date of termination of employment and shall reimburse Executive pursuant to Paragraph 3(d) for expenses incurred prior to the termination, but shall have no obligation to pay any severance or other compensation or amounts after the date of termination except as specifically provided in this Section 5.

(b) If Executive's employment is terminated prior to the third anniversary of the date of this Agreement (or in the case of an extension pursuant to Paragraph 5(c), after the effective date of such extension, but prior to the third anniversary of the effective date of such extension) (i) by the Company without Cause, or (ii) by Executive with Good Reason, the Company will pay Executive (a) his then current base salary during the "Severance Period", and (b) the one-time payment Executive would have been paid, if any, as a Bonus (based on applicable targets, threshold and other Bonus Plan terms) relating to the Fiscal Year of termination if the Executive's employment had not been terminated, prorated to the date of termination (the foregoing sub items in this Paragraph 5(b) hereafter are collectively referred to as "Severance"). The "Severance Period" is the number of months remaining from the date of such termination to the date of the third anniversary of this Agreement (or any extension thereof), or twelve (12) months, whichever is greater. Severance shall be payable under the payment schedule that would have existed if the Executive had been employed by the Company during that period; provided, however, that if the payment of any amount of Severance to the Executive before the date which is six months after the date of Executive's separation from service (as defined in Section 409A of the Internal Revenue code) would cause all or any portion of the Severance to be subject to inclusion in the Executive's gross income for federal income tax purposes under Section 409A(a)(1)(A) of the Internal Revenue Code, then the payment of any such amount shall be delayed until the first business day after such date (or, if earlier, the date of the Executive's death). If Severance is payable pursuant to this Paragraph 5, Executive shall also be entitled, during the Severance Period to continue to participate in the Company's medical and dental insurance coverages as are in effect from time to time for corporate employees until the earlier of (x) Executive's eligibility under another employer's medical or dental plan, (y) the end of the Severance Period, or (z) expiration of the Executive's eligibility to participate in such coverages pursuant to COBRA. Executive agrees that the period of medical and dental coverage under the Company's plans shall count against the obligation to provide continuation coverage under ERISA. In addition, any exercise or other rights with respect to options for Company stock granted to Executive shall be continue to be subject to the terms and conditions of the applicable stock option plan and the Executive's Non-Qualified Stock Option Agreements, which remain in full force and effect, including without limitation the requirement of maintaining "Good Standing". For the sole purpose of calculating Executive's years of service to determine whether or not Executive has met the service requirements for "Qualifying Retirement" under the Company's 2002 Stock Option Plan: if Executive is terminated (by the Company without Cause or by Executive with Good Reason) during the first twelve months from the date of this Agreement, Executive shall be considered to have additional service credit with the Company equal to the number of months from the date of such termination to the date of the first anniversary of this Agreement. Executive shall not be entitled to any bonus or any other payment, compensation amount, option rights, or benefit other than as described in this Paragraph 5. Severance and the other rights and benefits provided under this Paragraph 5(b) are strictly contingent upon Executive's execution of a release of all claims against the Company (other than the right to receive such Severance and such other benefits) in form and substance and under procedures determined by the Company in its discretion to be adequate to effectively waive all such claims under applicable laws. Executive's right to Severance and the other rights and benefits provided under this Paragraph 5(b) shall automatically terminate upon any material breach by Executive of this Agreement or upon the Company's termination of Executive's employment for Cause or upon the Executive's termination without Good Reason.

(c) The Company shall have the option to extend the Severance obligations of this Paragraph 5 on the same terms by providing written notice to Executive at least twelve (12) months prior to the third anniversary date of this Agreement. If such extension notice is provided, extension shall become effective on the second anniversary of this Agreement. Similarly, the Company shall have the option to further extend the Severance obligations of this Paragraph 5 by providing written notice to Executive at least twelve (12) months prior to the third anniversary of the commencement of the applicable extension period (such extension to be effective on the second anniversary of the commencement of such period). In the event an extension notice is not provided at the applicable time described in this Paragraph 5(c), the Severance obligations shall expire at the end of the applicable three year period.

(d) Severance and benefits under this Paragraph 5 of this Agreement are in addition to, and do not supercede, any entitlements and benefits that may become due the Executive under the “Change of Control” Agreement between Company and Executive dated March 5, 2001, except insofar as the execution of both Agreements results in duplicate coverage.

6. **PROTECTIVE COVENANTS.** Executive agrees that the Change of Control Agreement, Stock Option Agreements (including non-compete and other terms), confidentiality and other agreements between the Company and Executive (“Other Agreements”) and the Company’s codes and policies in effect (now or in the future) shall remain in full force and effect subject to their terms, excluding any severance policy, benefits, or other post termination obligation except as specified in Paragraph 5(b). This Agreement shall be in addition to and not in substitute for such Other Agreements, provided that any material breach, default or violation by Executive under any such Other Agreements, shall constitute a breach of this Agreement, if so determined by Company. This Agreement and the Other Agreements are separate and distinct obligations and are intended to supplement, not conflict with, each other. However, in the event of any conflict between the terms of those Other Agreements and this Agreement, such conflict shall be governed by the terms of this Agreement. Executive acknowledges and agrees that (i) adequate consideration has been provided for this Agreement as well as the Other Agreements and that he will not dispute their binding effect, and (ii) both during and after his employment with the Company, Executive will freely assist and cooperate with the Company concerning matters in his knowledge or arising from or relating to his responsibilities with the Company.

7. **CONFIDENTIALITY.** As used in this Agreement, Confidential Information means any information concerning the Company or any Affiliate of the Company that is not ordinarily provided to Persons who are not employees of the Company except pursuant to a confidentiality agreement, provided that any information that is or becomes publicly known other than as a result of a breach of this Agreement by Executive shall not be or shall cease to be Confidential Information. Executive shall not disclose Confidential Information to any Person other than: (a) an officer, director or employee of the Company who needs to know such information in his or her capacity as such and (b) an attorney who has been retained by the Executive or Company with respect to matters relating to the Company and in accordance with attorney/client privilege. Executive shall not use Confidential Information for any purpose unrelated to his duties as an officer, director or employee of the Company. Nothing in this Agreement will prohibit Executive from disclosing Confidential Information as necessary to comply with valid legal process or investigations or to fulfill a legal duty of Executive, but Executive shall give the Company prompt notice of such process or investigation or Executive’s intent to disclose pursuant to such legal duty so that the Company may take such steps as it deems appropriate to limit or protect the Confidential Information to be disclosed.

8. **CLAIMS.**

(a) Expenses. In the event that Executive becomes a party, is threatened to be made a party, or is required to provide evidence or testimony, to any pending, threatened or completed investigation, action, suit or proceeding, whether civil or criminal, relating to the Executive’s service to the Company, the Company shall Indemnify the Executive as required by and consistent with applicable Company by-law or charter or any applicable statute. The Company will, to the fullest extent permitted by law and applicable Company by-law or charter, pay all Expenses reasonably incurred by Executive in connection with such investigation, defense, settlement or appeal of any threatened, pending or completed action, suit or proceeding, whether civil or criminal. Such payment of expenses is subject to receipt by the Company of a written undertaking from Executive to reimburse the Company for all Expenses actually paid by the Company to or on behalf of Executive in the event it shall be ultimately determined that the Company is not obligated to indemnify Executive for such Expenses, and to assign to the Company all rights of Executive to indemnification under any policy of directors and officers liability insurance to the extent of the amount of Expenses actually paid by the Company to or on behalf of Executive.

(b) Claims. Unless precluded by an actual or likely conflict of interest, the Company will have the right to control the defense of any claim covered by this Paragraph 8, using counsel selected by the Company. In the event that an actual or likely conflict of interest prevents the Company from defending the claim, Executive shall do so at the Company’s expense with counsel reasonably satisfactory to the Company. Executive shall not settle any claim defended by Executive without (i) the prior written consent of the Company if such settlement would require the Company to pay money, indemnify Executive, or be subject to injunctive or other equitable relief, and (ii) notifying the Company of the Executive’s intent to settle. Nothing in this Agreement restricts Executive from providing testimony or otherwise responding to government summons or subpoena as required by law. Executive shall give the Company prompt notice of receipt of such government process that relates his employment or responsibilities with the Company. If the Company wishes to accept any monetary settlement offer with respect to a claim that is subject to Company's indemnity under Paragraph 8 and Executive refuses to consent, the Company shall not be obligated to indemnify Executive beyond the amount of the settlement so offered. Each party shall promptly notify the other party of, and keep the other informed with respect to, any claim covered by this Paragraph 8.

9. **ARBITRATION.** Any disputes arising out of this Agreement or connected with Executive's employment shall be submitted by Executive and the Company to arbitration in Cleveland, Ohio. The arbitration shall be conducted by the American Arbitration Association or another arbitral body mutually agreed upon by the parties. The determination of the arbitrator shall be final and absolute. Notwithstanding this arbitration provision, the Company shall be entitled to apply to any court of competent jurisdiction for temporary or permanent injunctive relief or other equitable relief to enforce Paragraphs 6 or 7. The decision of the arbitrator may be entered as a judgment in any court of competent jurisdiction. The non-prevailing party in the Arbitration shall pay the reasonable legal fees of the other party in enforcing this Agreement.

10. **GOVERNING LAW; INTERPRETATION.** This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio. The titles of the paragraphs have been inserted as a matter of convenience of reference only and shall not be construed to control or affect the meaning or construction of this Agreement.

11. **SEVERABILITY.** In the event that any portion of this Agreement is found to be in violation of or conflict with any federal or state law, the parties agree that said portion shall be modified only to the extent necessary to enable it to comply with such law.

12. **ASSIGNMENT.** This Agreement shall not be assignable by either party without the prior written consent of the other; provided that the Company may, without such consent, assign this Agreement to any Person that acquires all or substantially all of its assets or otherwise succeeds to all or substantially all of its business and operations.

13. **NOTICES.** All notices given under this Agreement shall be in writing.

Any notice may be transmitted by any means selected by the sender. A notice that is mailed to a party at its address given below, registered or certified mail, return receipt requested, with all postage prepaid, will be deemed to have been given and received on the earlier of the date reflected on the return receipt or the third business day after it is posted. Any notice transmitted by recognized overnight courier service to a party at its address given below shall be deemed given and received on the first business day after it is delivered to the courier. Any notice given by any other means shall be deemed given and received only upon actual receipt. The addresses of the parties for notice purposes are as follows:

If to the Executive:	If to the Company:
Peter A. Burke	STERIS Corporation 5960 Heisley Road Mentor, Ohio 44060 Attn: Legal Department

with a copy to:

Thomas O. Henteleff
c/o Kleinfeld, Kaplan and Becker, LLP
1140 19th St. NW, Suite 900
Washington, DC 20036

Any person may change its address for notice purposes, or add additional persons to whom copies of any notice should be sent, by written notice to the other party.

14. **REMEDIES.** If Executive breaches any of his obligations under this Agreement in any material respect, then the Company may, at its sole option, terminate all remaining payments and benefits described in this Agreement and obtain reimbursement from Executive of all payments and benefits provided pursuant to Paragraph 5(b) of this Agreement, in addition to other remedies. If Company breaches its obligations under this Agreement in any material

respect, then Executive may, at his sole option, accelerate all amounts due under Paragraph 5(b) of this Agreement in addition to other remedies. The breaching party shall also pay expenses and costs incurred as a result of the breach (including, without limitation, reasonable attorneys' fees).

15. **ENTIRE AGREEMENT**. Subject to the provisions of Paragraph 6, this Agreement, together with Exhibit A, is the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes any and all prior and contemporaneous negotiations, understandings and agreements with regard to the subject matter hereof, whether oral or written, including any prior Executive employment agreement. Nothing herein changes the Executive's employment at will status, and Executive acknowledges and confirms that he is an employee at will and has no specific duration or promise of employment. The Company may withhold from any amount payable under this Agreement all federal, state, local, or other taxes and other deduction required by law, regulation, ruling or agreement to be withheld. No representation, inducement, agreement, promise or understanding altering, modifying, taking from or adding to the terms and conditions hereof shall have any force or effect unless the same is in writing and validly executed by the parties hereto or is part of a formal Company benefit plan.

16. **SURVIVAL.** The following provisions in this Agreement shall survive termination or expiration of this Agreement for any reason, as shall any other provisions which by their nature are intended to survive: Paragraphs 5, 7, 8, 9, 10, 13 and 14.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

STERIS CORPORATION		EXECUTIVE	
By:	/s/ Les C. Vinney		/s/ Peter A. Burke
Name:	Les C. Vinney	Name:	Peter A. Burke
Title:	President and Chief Executive Officer		

EXHIBIT A

Definitions

As used in the Executive Retention Agreement between STERIS Corporation (the Company) and Peter A. Burke (Executive) dated as of February 8, 2005 (the “Agreement”), the following terms have the indicated meanings:

“Affiliates” means any Person directly or indirectly controlling, controlled by or under direct or indirect common control with the Company. For purposes of this definition, “control” means the power to direct the management and policies of a Person, directly or through one or more intermediaries, whether through ownership of voting securities, by contract, or otherwise.

“Cause” means: (i) a material breach of this Agreement by Executive which, if curable, has not been cured within 30 days after notice from the Company, (ii) the Executive has engaged in dishonest conduct relating to or affecting the performance of his responsibilities for the Company, (iii) the Executive has been convicted of a crime relating to the performance of his duties on behalf of the Company, or involving moral turpitude or constituting a felony, (iv) the Executive has committed gross negligence, willful misconduct, or deceit with respect to the business of the Company, (v) Executive has failed without adequate justification to perform his duties under this Agreement with at least the same degree of skill, attention and care that he has exercised in the performance of his duties to the Company prior to the date of this Agreement, (vi) the Executive has violated the Company Code of Conduct or other codes, policies or requirements regarding employee conduct or performance, (vii) insubordination, (viii) death, or (ix) “Disability” as defined under the Company’s long term disability plan as in effect from time to time.

“Change in Control Agreement” means that certain Change in Control Agreement between Company and Executive dated March 5, 2001.

“Good Reason” means (i) a reduction in Executive’s salary below the minimum amount required by Paragraph 3(a) of the Agreement, (ii) the removal of Executive from the office described in Paragraph 1 of the Agreement other than for Cause, or (iii) any material breach of the Agreement by the Company which has not been cured by the Company within 30 days after notice from Executive.

“Fiscal Year” means the fiscal year of Company for financial reporting purposes, commencing April 1 and ending March 31.

“Person” means any individual and any corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

Exhibit 15.1

LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Board of Directors and Shareholders
STERIS Corporation

We are aware of the incorporation by reference in the following Registration Statements and related Prospectuses of our report dated August 4, 2005 relating to the unaudited consolidated interim financial statements of STERIS Corporation and Subsidiaries that are included in its Form 10-Q for the quarter ended June 30, 2005:

Registration Number	Description
333-40058	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Les C. Vinney
333-40082	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Laurie Brlas and the Nonqualified Stock Option Agreement between STERIS Corporation and David L. Crandall
333-65155	Form S-8 Registration Statement — STERIS Corporation 1998 Long-Term Incentive Compensation Plan
333-55839	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and John Masefield and the Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. DeAngelo
333-32005	Form S-8 Registration Statement — STERIS Corporation 1997 Stock Option Plan
333-06529	Form S-3 Registration Statement — STERIS Corporation
333-01610	Post-effective Amendment to Form S-4 on Form S-8 — STERIS Corporation
33-91444	Form S-8 Registration Statement — STERIS Corporation 1994 Equity Compensation Plan
33-91442	Form S-8 Registration Statement — STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan
33-55976	Form S-8 Registration Statement — STERIS Corporation 401(k) Plan
33-55258	Form S-8 Registration — STERIS Corporation Amended and Restated Non-Qualified Stock Option Plan
33-63770	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Charles L. Immel and Restricted Shares Agreement between STERIS Corporation and Charles L. Immel
333-63774	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Peter A. Burke
333-101308	Form S-8 Registration Statement — STERIS Corporation 2002 Stock Option Plan
333-91302	Form S-8 Registration Statement — Nonqualified Stock Option Agreement between STERIS Corporation and Mark D. McGinley

/S/ ERNST & YOUNG LLP

Cleveland, Ohio
August 4, 2005

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Les C. Vinney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ Les C. Vinney

Les C. Vinney
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Laurie Brlas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ Laurie Brlas

Laurie Brlas
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS Corporation (the “Company”) for the quarter ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, that, to such officer’s knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Les C. Vinney

Name: Les C. Vinney
Title: President and Chief Executive Officer
(Principal Executive Officer)

/s/ Laurie Brlas

Name: Laurie Brlas
Title: Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: August 9, 2005