UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number 0-20165

STERIS CORPORATION

(Exact name of registrant as specified in its charter)

OHIO	34-1482024
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
5960 HEISLEY ROAD, MENTOR, OHIO	44060
(Address of principal executive offices)	(Zip Code)

(216) 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 shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No .

Indicate the number of shares outstanding of each of the issuer's classes of common shares, as of the latest practicable date.

Common Shares, without par value	34,229,122
(Title of Class)	(Outstanding at January 31, 1997)

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PART I FINANCIAL INFORMATION

STERIS CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	DECEMBER 31, 1996	MARCH 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,822	$ 140,788
Marketable securities	6,120	9,193
Accounts receivable	147,877	129,312
Inventories	88,775	73,718
Current portion of deferred income taxes	8,963	5,219
Prepaid expenses and other assets	7,503	9,463
TOTAL CURRENT ASSETS	294,060	367,693
Property, plant, and equipment	168,163	155,470
Accumulated depreciation	(73,931)	(61,724)
Net property, plant, and equipment	94,232	93,746
Intangibles	197,488	156,391
Accumulated amortization	(65,392)	(52,683)
Net intangibles	132,096	103,708
Deferred income taxes	32,690	28,757
Other assets	957	2,098
TOTAL ASSETS	$ 554,035	$ 596,002
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term indebtedness	$ 1,352	$ 471
Accounts payable	35,654	31,308
Accrued income taxes	12,616	10,375
Accrued expenses and other	102,095	82,932
TOTAL CURRENT LIABILITIES	151,717	125,086
Long-term indebtedness	43,095	102,572
Other liabilities	69,693	64,285
TOTAL LIABILITIES	264,505	291,943
Shareholders' equity:		
Serial preferred shares, without par value, 3,000 shares authorized; no shares outstanding		
Common Shares, without par value, 100,000 shares authorized; issued and outstanding shares of 34,185 at December 31, 1996 and 32,995 at March 31, 1996	239,316	209,811
Retained earnings	53,597	100,119
Cumulative translation adjustment and other	(3,383)	(5,871)
TOTAL SHAREHOLDERS' EQUITY	289,530	304,059
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 554,035	$ 596,002

See notes to consolidated condensed financial statements.

STERIS CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	THREE MONTHS ENDED DECEMBER 31		NINE MONTHS ENDED DECEMBER 31	
	1996	1995	1996	1995
Net revenue	$ 151,005	$ 163,623	$ 417,363	$ 416,762
Cost of goods and services sold	91,231	101,323	256,978	259,853
Gross profit	59,774	62,300	160,385	156,909
Cost and expenses:				
Selling, general, and administrative	32,505	29,388	86,193	87,908
Research and development	5,425	4,651	15,598	12,712
Non-recurring items--Note E	0	0	90,831	0
	37,930	34,039	192,622	100,620
Income (loss) from operations	21,844	28,261	(32,237)	56,289
Interest expense	(192)	(1,371)	(2,140)	(4,478)
Interest income and other	715	1,671	3,512	4,876
Income (loss) before income taxes	22,367	28,561	(30,865)	56,687
Income tax expense	8,832	11,009	15,657	22,765
Net income (loss)	$ 13,535	$ 17,552	$ (46,522)	$ 33,922
Net income (loss) per share	$ 0.38	$ 0.50	$ (1.39)	$ 0.98
Weighted average number of shares outstanding used in computing income (loss) per share	36,089	35,041	33,535	34,637

See notes to consolidated condensed financial statements.

STERIS CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	NINE MONTHS ENDED DECEMBER 31, 1996	1995
OPERATING ACTIVITIES		
Net income (loss)	$ (46,522)	$ 33,922
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	10,872	14,911
Deferred taxes	51	7,392
Non-recurring items	53,261	0
Other items	5,581	2,481
Changes in operating assets and liabilities:		
Accounts receivable	(17,182)	(20,501)
Inventories	(3,078)	16,061
Other assets	1,697	(2,083)
Accounts payable and accruals	157	(9,883)
Accrued income taxes	2,242	4,793
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,079	47,093
INVESTING ACTIVITIES		
Purchases of property, plant, equipment, and patents	(12,231)	(9,232)
Investment in businesses	(82,482)	(276)
Proceeds from notes receivable	8,438	0
Purchases of marketable securities	(4,068)	(9,749)
Proceeds from sales of marketable securities	7,147	9,464
NET CASH USED IN INVESTING ACTIVITIES	(83,196)	(9,793)
FINANCING ACTIVITIES		
Payments on notes payable	(100,035)	(982)
Borrowing under line of credit	40,000	0
Proceeds from exercise of stock options	26,086	9,544
Tax benefits from exercise of stock options	3,419	2,666
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(30,530)	11,228
Effect of exchange rate changes on cash and cash equivalents	681	1,217
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(105,966)	49,745
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	140,788	64,075
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 34,822	$ 113,820

See notes to consolidated condensed financial statements

STERIS CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

PERIODS ENDED DECEMBER 31, 1996 AND 1995

A. - REPORTING ENTITY

STERIS Corporation ("STERIS") is a leading provider of infection prevention, contamination control, and surgical support systems, products, services, and technologies to healthcare, scientific, research and industrial Customers throughout the world. The Company has approximately 4,000 Associates (employees) worldwide, including more than 1,000 direct sales, service, and field support personnel. Customer Support facilities are located in major global market centers with manufacturing operations in the United States, Canada, Germany, and Finland. STERIS operates in a single business segment.

On May 13, 1996, STERIS consummated a merger with Amsco International, Inc. ("Amsco") in a tax-free, stock-for-stock transaction (the "Amsco Merger"). See Note D.

B. - BASIS OF PRESENTATION

The Amsco Merger has been accounted for by the pooling-of-interests method. Accordingly, the accompanying consolidated condensed financial statements give retroactive effect to the transaction and include the combined operations of STERIS and Amsco for all periods presented. In addition, the historical financial information of Amsco (previously reported on fiscal years ending December 31) has been recast to conform to STERIS's annual reporting period ending March 31.

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q; they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Accordingly, the reader of these financial statements may wish to refer to the audited consolidated financial statements of STERIS (Form 10-K for the year ended March 31, 1996) and Amsco (Form 8-K/A dated May 13, 1996 and filed June 25, 1996 for the year ended December 31, 1995) filed by STERIS with the Securities and Exchange Commission.

The accompanying consolidated condensed financial statements have been prepared in accordance with STERIS's customary accounting practices and have not been audited. Management believes that the financial information included herein reflects all adjustments necessary for a fair presentation of interim results and, except as discussed in Note E, all such adjustments are of a normal and recurring nature. The results for the nine months ended December 31, 1996, are not necessarily indicative of the results to be expected for the fiscal year ending March 31, 1997.

C. - EARNINGS (LOSS) PER SHARE

The computations of earnings (loss) per common share and common share equivalent give retroactive effect to the Amsco Merger and are based upon the weighted average number of common shares outstanding and where applicable, the dilutive effect of common share equivalents (consisting of stock options). Common share equivalents were antidilutive for the nine month period ended December 31, 1996 and accordingly were excluded from the computation of earnings (loss) per common share for such period. Following is a summary in thousands of common shares and common share equivalents outstanding used in the calculations of earnings (loss) per share.

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	1996	1995	1996	1995
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	34,161	32,757	33,535	32,364
Dilutive effect of stock options--primary basis	1,928	2,284	0	2,273
WEIGHTED AVERAGE COMMON SHARES AND EQUIVALENTS--PRIMARY BASIS	36,089	35,041	33,535	34,637
Additional dilutive effect of stock options--fully diluted basis	153	11	0	150
WEIGHTED AVERAGE COMMON SHARES AND EQUIVALENTS--FULLY DILUTED BASIS	36,242	35,052	33,535	34,787

D. - MERGERS AND ACQUISITIONS

AMSCO MERGER

On May 1, 1996, the shareholders of both STERIS and Amsco approved the Amsco Merger. The Amsco Merger was consummated on May 13, 1996. In accordance with the merger agreement, each outstanding share of Amsco common stock was converted on a tax-free basis into 0.46 of a common share of STERIS.

Summarized operating results of the separate entities for the period prior to the Amsco Merger follow (in thousands):

	STERIS	AMSCO	COMBINED
Three months ended December 31, 1995:			
Net revenue	$24,156	$139,467	$163,623
Income from operations	5,534	22,727	28,261
Net income	3,472	14,080	17,552
Nine months ended December 31, 1995:			
Net revenue	$65,568	$351,194	$416,762
Income from operations	14,024	42,265	56,289
Net income	8,892	25,030	33,922

Retained earnings were increased by $2,966,000 as a result of net income recorded by Amsco in the three month period ended March 31, 1996.

OTHER MERGERS AND ACQUISITIONS

In late December 1996, STERIS completed the acquisition of the assets of the infection control and contamination control businesses of Calgon Vestal Laboratories from Bristol-Myers Squibb Company. The acquisition expands STERIS's consumable product lines for surface cleaning and decontamination. The acquisition was accounted for using the purchase method of accounting.

During the fiscal second quarter 1996 STERIS acquired Surgicot, Inc., a privately held manufacturer and supplier of biological and chemical sterile process monitors, sterilization wraps and pouches, and other consumable infection prevention products for the healthcare and scientific markets. The acquisition was accounted for using the purchase method of accounting.

E. - NON-RECURRING ITEMS

Non-recurring charges of $81.3 million net of tax ($90.8 million pre-tax), or $2.44 per share, were recorded in the 1997 fiscal first quarter for costs connected to the Amsco Merger. The charges include transaction costs of $15.0 million and restructuring charges of $66.3 million net of tax ($75.8 million pre-tax). The transaction costs are for legal, accounting, investment banking, and related expenses. The restructuring charges are for (i) elimination of redundant facilities and other assets ($27.0 million), (ii) satisfaction of Amsco executive employment agreements and other employee severance ($19.3 million), (iii) write-off of goodwill related to Amsco's Finn-Aqua business ($29.5 million), and (iv) other merger-related items. Cash payments for the first nine months of fiscal 1997 related principally to transaction costs and executive employment agreements.

The effective income tax rate for the nine months ended December 31, 1996 differed from statutory rates principally because certain non-recurring items that increased the net loss are non-deductible for tax purposes. Non-deductible items include the write-off of goodwill related to

Amsco's Finn-Aqua business and provisions for certain executive severance costs. Also, additional tax valuation allowances were provided to reflect the effects of merger activities.

F. - INVENTORIES

Inventories were as follows (in thousands):

	DECEMBER 31, 1996	MARCH 31, 1996
Raw material	$31,394	$24,746
Work in process	13,469	19,139
Finished goods	43,912	29,833
	$88,775	$73,718

G. - FINANCING

Concurrent with the consummation of the Amsco Merger, STERIS entered into a two and one-half year $125 million unsecured revolving Credit Facility. The Credit Facility could provide credit to facilitate the integration of the operations of STERIS or could be used for general corporate purposes. Loans under the Credit Facility will bear interest, at STERIS's option, at either KeyBank National Association's prime rate or LIBOR rates plus 0.25 percent to 0.35 percent. The Credit Facility contains customary covenants which include maintenance of certain financial ratios. Outstanding borrowing under the Credit Facility was $40 million at December 31, 1996.

In July 1996, STERIS redeemed $99.4 million of Amsco's $100 million 4.5%/6.5% Convertible Subordinated Notes which were convertible into STERIS common shares. This transaction had no material effect on earnings per common and common equivalent share.

H. - CONTINGENCIES

Product Liability Exposure. As of December 31, 1996, 11 product liability lawsuits related to Amsco ethylene oxide ("EtO") sterilizers were pending. A significant number of similar suits related to EtO have been either dismissed or settled without a finding of liability. These settlements and the monetary damages in one case where a verdict was returned against Amsco have been nominal or have been covered by insurance, subject to applicable deductibles.

As of December 31, 1996, 13 product liability lawsuits unrelated to EtO, such as lawsuits related to Amsco non-EtO sterilizers, surgical tables and operating room lights, were pending. Plaintiffs request all forms of damage, including compensatory, special, exemplary and punitive damages. A significant number of similar suits have been either dismissed or settled without a finding of liability. Most of these settlements have been nominal, and the monetary damages in those cases where a verdict was returned against Amsco have been covered by insurance, subject to applicable deductibles.

STERIS presently anticipates having sufficient primary and excess insurance coverage for each policy year to cover existing asserted claims for compensatory damages, subject to applicable and customary deductibles. STERIS continues to defend itself vigorously in all of the above actions. Although there can be no assurance that the outcome of any of these pending lawsuits will be favorable to STERIS, STERIS believes that pending litigation will not have a material adverse effect on STERIS's business or financial condition.

FDA Regulation. As disclosed in the Amsco financial statements that are included in the STERIS 8-K/A filed with the SEC on June 25, 1996, Amsco was notified by the US Food and Drug Administration ("FDA") on January 20, 1995 that the FDA applied its Application Integrity Policy ("AIP") to Amsco. Consequently, all Amsco pre-market submissions would not be reviewed by FDA until Amsco completed certain corrective actions to the satisfaction of FDA, including audits of certain previously cleared 510(k) notifications. FDA's AIP has never been applied to STERIS nor has the review of any STERIS pre-market submission been delayed because of the AIP.

On December 24, 1996, FDA terminated the application of AIP to Amsco, and agreed to resume scientific review of Amsco pre-market submissions. This determination was based on the agency's review of corrective action plans, FDA's inspection of the Amsco subsidiary in Erie, Pennsylvania, and the withdrawal of certain 510(k)s. Additionally, based on audits of past Amsco data, STERIS agreed to either supplement certain existing pre-market notifications or file new pre-market notifications.

STERIS believes that it is currently in conformity in all material respects with all FDA-related regulatory requirements. It is, however, possible that the FDA would disagree with this belief and seek to apply one or more of the remedies available to it under applicable law which could have a material adverse effect on STERIS. STERIS is committed to maintaining compliance with all applicable FDA regulations.

Environmental Matters. Amsco has been identified by the EPA as one of approximately 50 potential responsible parties ("PRPs") within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (the "Superfund Act") with respect to a Superfund Act site near Erie, Pennsylvania (the "Site"). In 1992, the EPA issued a unilateral administrative order (the "Administrative Order") to 37 PRPs, including Amsco, to complete the remediation of the Site. Amsco, together with 19 other named PRPs, have formed a group to coordinate efforts to respond to the EPA's unilateral Administrative Order. It is estimated that the work needed to complete the remediation of the Site will cost between $10 million and $13 million.

Although STERIS believes that the resolution of Amsco's liability with respect to the Site will not have a material adverse effect on STERIS, there can be no assurance that the ultimate liability will not exceed current expectations.

Other Litigation. There are other various pending lawsuits and claims arising out of the conduct of STERIS's business. In the opinion of management, the ultimate outcome of these lawsuits and claims will not have a material adverse effect on STERIS's consolidated financial position or results of operations.

I. - SUBSEQUENT EVENT

On January 30, 1997 the Company announced that its Board of Directors had authorized the periodic repurchase of up to three million STERIS common shares in the open market. To date, the Company has repurchased 200,000 STERIS common shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BASIS OF DISCUSSION

The Amsco Merger has been accounted by the pooling-of-interests method. Accordingly, the accompanying consolidated condensed financial statements give retroactive effect to the transaction and include the combined operations of STERIS and Amsco for all periods presented. In addition, the historical financial information of Amsco (previously reported on fiscal years ending December 31) has been recast to conform to STERIS's annual reporting period ending March 31.

RESULTS OF OPERATIONS

The results of the third quarter and first nine months of fiscal 1997 are compared to the combination of STERIS and Amsco independent results in the prior year. The prior year results include STERIS third quarter and first nine months of fiscal 1996 and combine Amsco's fourth quarter and last nine months for the period ended December 31, 1995. The prior year totals reflect pooling-of-interest accounting associated with STERIS's acquisition of Amsco in May 1996.

Net revenue decreased by 7.7% to $151.0 million in the third quarter fiscal 1997 from the pooled $163.6 million in the third quarter fiscal 1996. Infection Prevention revenues increased by 0.3% in the third quarter fiscal 1997 to $80.4 million from $80.2 million for the comparable fiscal 1996 period. Surgical Support revenues decreased by 18.8% to $30.1 million in the third fiscal 1997 quarter from $37.1 million for the comparable 1996 period. Scientific, Management Services and Other revenue decreased by 12.6% to $40.5 million in the third quarter fiscal 1997 from $46.4 million in the third quarter fiscal 1996. Some of the factors contributing to the decrease in net revenue for the third quarter fiscal 1997 compared to the same period in fiscal 1996 were the following: (1) the learning curve demands associated with the October 1996 implementation of STERIS's newly consolidated domestic sales organization; (2) a new sales compensation program that eliminated specific ties to calendar year results; (3) the discontinuation of the Amsco December fiscal year; and (4) the mid week holidays in late December 1996.

Net revenues increased by 0.1% to $417.4 million in the first nine months of fiscal 1997 from $416.8 million in the same period fiscal 1996. Infection Prevention revenues increased by 3.4% to $222.9 million in the first nine months of fiscal 1997 from $215.5 million in the same period in fiscal 1996. Surgical Support sales decreased by 1.2% to $90.8 million in the nine months of fiscal 1997 from $91.9 million in the same period fiscal 1996. Scientific, Management Services and Other revenue decreased by 5.1% to $103.7 million in the first nine months of fiscal 1997 from $109.3 million in the same period in fiscal 1996. The decrease in sales for the Scientific, Management Services and Other revenue category was principally due to lower equipment sales which declined by 10.0% for the nine month period.

Revenues for the fiscal third quarter increased 9.0% from this year's second fiscal quarter which were 8.3% ahead of the first fiscal quarter. Since completing the acquisition of Amsco, the Company has reported increasing quarterly revenues of $127.9 million, $138.5 million, and $151.0 million in the first, second and third fiscal quarters, respectively.

The costs of products and services sold decreased in the third quarter fiscal 1997 by 10.0% to $91.2 million from $101.3 million in the third quarter fiscal 1996. The cost of products and services sold decreased for the first nine months of fiscal 1997 by 1.1% to $257.0 million from $259.9 million for the first nine months of fiscal 1996. The cost of products and services sold as a percentage of net revenue was 60.4% for the third quarter for fiscal 1997 compared to 61.9% for the same period in fiscal 1996. The decrease in the cost of products and services sold as a percentage of net revenue for the third quarter fiscal 1997 and the nine months ended December 31, 1996 resulted principally from cost savings from the effects of restructuring, the implementation of cost control measures and changes in the mix of products sold. Accessories, consumables and supplies, generally STERIS's highest margin products, increased as a percentage of net revenue from 13.4% for the third quarter fiscal 1996 to 20.9% for the comparable fiscal 1997 period. Accessories, consumables and supplies as a percentage of net revenue increased from 13.6% for the nine months ended December 1995 to 19.1% for the comparable fiscal 1997 period.

Selling, general, and administrative expenses increased in the third quarter fiscal 1997 by 10.6% to $32.5 million from $29.4 million in the third quarter fiscal 1996. The expenses as a percentage of net revenue increased to 21.5% in the third quarter fiscal 1997 from 18.0% for the same period in fiscal 1996. The increase was primarily attributable to the expansion of the sales, service, and Customer support operations of the Company and the inclusion of acquired companies' selling, general and administrative expenses. Selling, general, and administrative expenses decreased in the first nine months of fiscal 1997 by 1.9% to $86.2 million from $87.9 million in the same period fiscal 1996. Lower costs were the result of the Amsco Merger. The cost reductions included reduced depreciation and amortization charges on assets that were written-down and lower personnel costs resulting from employee severance.

Research and development expenses increased in the third quarter fiscal 1997 by 16.6% to $5.4 million from $4.7 million in the third quarter fiscal 1996. Research and development expenses increased in the first nine months of fiscal 1997 by 22.7% to $15.6 million from $12.7 million for the same period fiscal 1996. Research and development expenses as a percentage of net revenue were 3.6% for the third quarter fiscal 1997 compared to 2.8% for the third quarter fiscal 1996 and 3.7% for the first nine months of fiscal 1997 compared to 3.1% for the same period in fiscal 1996. The increases were due to additional product and application development expenditures.

Non-recurring charges of $81.3 million net of tax ($90.8 million pre-tax), or $2.44 per share, were recorded in the 1997 fiscal first quarter for costs connected to the Amsco

Merger. The charges include transaction costs of $15.0 million and restructuring charges of $66.3 million net of tax ($75.8 million pre-tax). The transaction costs are for legal, accounting, investment banking, and related expenses. The restructuring charges are for (i) elimination of redundant facilities and other assets ($27.0 million), (ii) satisfaction of Amsco executive employment agreements and other employee severance ($19.3 million), (iii) write-off of goodwill related to Amsco's Finn-Aqua business ($29.5 million), and (iv) other merger-related items. Cash payments for the first nine months of fiscal 1997 related principally to transaction costs and executive employment agreements.

Interest expense decreased in the third quarter fiscal 1997 by 86.0% to $0.2 million from $1.4 million in the third quarter fiscal 1996. Interest expense decreased in the first nine months of fiscal 1997 by 52.2% to $2.1 million from $4.5 million for the same period fiscal 1996. The decrease was due primarily to the July 1996 redemption of approximately $100 million of Amsco 4.5%/6.5% Convertible Subordinated Notes.

Interest income and other decreased in the third quarter fiscal 1997 by 57.3% to $0.7 million from $1.7 million in the third quarter fiscal 1996. Interest income and other decreased in the first nine months of fiscal 1997 by 28.0% to $3.5 million from $4.9 million for the same period fiscal 1996. The decrease in interest income was due primarily to lower cash, cash equivalents, and marketable security balances, with the lower balances resulting from the cash redemption of the aforementioned Amsco Convertible Subordinated Notes.

Third quarter fiscal 1997 income decreased by 22.9% to $13.5 million ($.38 per share) from $17.6 million ($.50 per share) in the third quarter fiscal 1996. Excluding the effect of non-recurring items, income for the first nine months of fiscal 1997 increased by 2.5% to $34.8 million ($.98 per share) from $33.9 million ($.98 per share) in the same period fiscal 1996. Such income as a percentage of revenue increase from 7.6% in the first fiscal 1997 quarter to 8.3% to 9.0% for the second and third quarters of fiscal 1997, respectively. Approximately one million additional shares were used in the earnings per share calculation in the current fiscal year compared to the prior fiscal year.

The effective income tax rate for the nine months ended December 31, 1996 differed from statutory rates principally because certain non-recurring items that increased the net loss are non-deductible for tax purposes. Non-deductible items include the write-off of goodwill related to Amsco's Finn-Aqua business and provisions for certain executive severance costs. Also, additional tax valuation allowances were provided to reflect the effects of merger activities.

As a result of the foregoing factors, the net loss for the first nine months ended fiscal 1997 was $46.5 million, compared to net income of $33.9 million in the same period fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $40.9 million in cash, cash equivalents and marketable securities as of December 31, 1996, compared to $150.0 million of the same at March 31, 1996. The decrease was primarily a result of the pay down of debt and acquisitions of businesses.

Accounts receivable increased by 14.4% to $147.9 million as of December 31, 1996, compared to $129.3 million at March 31, 1996. The increase was attributable to the acquisition of Amsco and the integration of certain Amsco products into STERIS invoicing systems and the resulting delays among Customers regarding remittance of funds, as well as an increase in receivables from international Customers.

Inventory increased by 20.4% to $88.8 million as of December 31, 1996, compared to $73.7 million at March 31, 1996. The increase was primarily attributable to inventories of businesses acquired in the second and third fiscal quarters that were accounted for under the purchase method of accounting.

Property, plant, and equipment increased by 8.2% to $168.2 million as of December 31, 1996, compared to $155.5 million at March 31, 1996. The increase was due primarily to the increases resulting from acquired businesses that were accounted using the purchase method of accounting, the investment in information systems, plant and equipment for an additional packaging plant for the production of sterilant and decontaminant and facility renovations, partially offset by the write-down of assets resulting from the Amsco Merger.

Intangibles increased by 26.3% to $197.5 million as of December 31, 1996, compared to $156.4 million at March 31, 1996. The change resulted primarily because of an increase related to goodwill and intangibles of acquired companies, offset by the write-down of goodwill related to the Finn-Aqua business, resulting from the Amsco Merger.

Deferred income taxes increased by 13.7% to $32.7 million as of December 31, 1996, compared to $28.8 million at March 31, 1996. The increase was due primarily to the recognition of costs resulting from the Amsco acquisition and Merger.

Current liabilities increased by 21.3% to $151.7 million as of December 31, 1996, compared to $125.1 million at March 31, 1996. The increase in current liabilities was primarily a result of the Amsco Merger.

Other liabilities were $69.7 million as of December 31, 1996, compared to $64.3 million of the same at March 31, 1996.

Concurrent with the consummation of the Amsco Merger, STERIS entered into a two and one-half year $125 million unsecured revolving Credit Facility. The Credit Facility could provide credit to facilitate the integration of the operations of STERIS and the acquired businesses or could be used for general corporate purposes. Loans under the Credit Facility will bear interest, at STERIS's option, at either KeyBank National Association's prime rate or LIBOR rates plus 0.25 percent to 0.35 percent. The Credit Facility contains customary covenants which include maintenance of certain financial ratios. Outstanding borrowing under the Credit Facility was $40 million at December 31, 1996.

The Company has no material commitments for capital expenditures. The Company believes that its cash requirements will increase due to increased sales requiring more working capital, accelerated research and development, and potential acquisitions or investments in complementary businesses. However, the Company believes that its available cash, cash flow from operations, and sources of credit will be adequate to satisfy its capital needs for the foreseeable future.

CONTINGENCIES

For a discussion of contingencies, see Note H to the consolidated condensed financial statements.

SEASONALITY

Historical data indicates that Amsco's results were subject to recurring seasonal fluctuations particularly in the December ending quarter. The historically higher sales and profitability in the December ending quarter were in part due to the Amsco sales compensation programs, Customer promotions and Customer buying patterns, and the close of the Amsco fiscal year. The change to a March 31 ending fiscal year and the related combined Company sales compensation programs and Customer promotions may alter these historical patterns. In addition, Amsco's sales and profitability within each quarter were disproportionately weighted towards the last month of the quarter, and generally towards the last days of such month.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

Reference is made to Part I, Item 2., Note H of this Report on Form 10-Q, which is incorporated herein by reference.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
27.1	Financial Data Schedule

(b) Reports on Form 8-K

None

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
(Registrant)

/s/ Michael A. Keresman, III

Michael A. Keresman, III

Chief Financial Officer and

Senior Vice President

(Principal Financial Officer)

February 14, 1997

9-MOS
MAR-31-1997
DEC-31-1996
34,822
6,120
147,877
0
88,775
294,060
168,163
(73,931)
554,035
151,717
0
239,316
0
0
50,214
554,035
417,363
417,363
256,978
256,978
0
0
2,140
(30,865)
15,657
(46,522)
0
0
0
(46,522)
(1.39)
(1.39)