

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

10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 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

(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

(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 .
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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

(Title of Class)

34,153,498

(Outstanding at October 31, 1996)

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

	SEPTEMBER 30, 1996	MARCH 31, 1996
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 56,701	\$ 140,788
Marketable securities	6,077	9,193
Accounts receivable	131,953	129,312
Inventories	80,890	73,718
Current portion of deferred income taxes	10,146	5,219
Prepaid expenses and other assets	7,017	9,463
	-----	-----
TOTAL CURRENT ASSETS	292,784	367,693
Property, plant, and equipment	141,564	155,470
Accumulated depreciation	(63,514)	(61,724)
	-----	-----
Net property, plant, and equipment	78,050	93,746
Other assets:		
Intangibles	131,136	156,391
Accumulated amortization	(56,495)	(52,683)
	-----	-----
Net intangibles	74,641	103,708
Deferred income taxes	32,919	28,757
Other	1,554	2,098
	-----	-----
	109,114	134,563
	-----	-----
TOTAL ASSETS	\$ 479,948	\$ 596,002
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term indebtedness	\$ 1,042	\$ 471
Accounts payable	33,828	31,308
Accrued income taxes	10,505	10,375
Accrued expenses and other	105,510	82,932
	-----	-----
TOTAL CURRENT LIABILITIES	150,885	125,086
Long-term obligations	3,102	102,572
Other liabilities	65,521	64,285
	-----	-----
TOTAL LIABILITIES	219,508	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 33,586 at September 30, 1996 and 32,995 at March 31, 1996	223,411	209,811
Retained earnings	40,062	100,119
Cumulative translation adjustment and other	(3,033)	(5,871)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	260,440	304,059
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 479,948	\$ 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 SEPTEMBER 30		SIX MONTHS ENDED SEPTEMBER 30	
	1996	1995	1996	1995
NET REVENUE	\$ 138,490	\$ 132,268	\$ 266,358	\$ 253,139
Cost of goods and services sold	85,165	84,210	165,747	158,530
GROSS PROFIT	53,325	48,058	100,611	94,609
Cost and expenses:				
Selling, general, and administrative	27,570	30,934	53,688	58,521
Research and development	5,871	4,279	10,173	8,061
Non-recurring transactions--Note E	0	0	90,831	0
	33,441	35,213	154,692	66,582
INCOME (LOSS) FROM OPERATIONS	19,884	12,845	(54,081)	28,027
Interest expense	(346)	(1,528)	(1,948)	(3,107)
Interest income and other	866	1,183	2,797	3,206
INCOME (LOSS) BEFORE INCOME TAXES	20,404	12,500	(53,232)	28,126
Income tax expense	8,866	5,301	6,825	11,755
NET INCOME (LOSS)	\$ 11,538	\$ 7,199	\$ (60,057)	\$ 16,371
NET INCOME (LOSS) PER SHARE	\$ 0.33	\$ 0.21	\$ (1.81)	\$ 0.47
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING USED IN COMPUTING INCOME (LOSS) PER SHARE	35,307	35,026	33,261	34,482

See notes to consolidated condensed financial statements.

STERIS CORPORATION
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
 (IN THOUSANDS)
 (UNAUDITED)

	SIX MONTHS ENDED SEPTEMBER 30	
	1996	1995
OPERATING ACTIVITIES		
Net income (loss)	\$ (60,057)	\$ 16,371
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,184	10,319
Deferred taxes	(357)	9,143
Non-recurring transactions	64,645	0
Other items	1,810	1,823
Changes in operating assets and liabilities:		
Accounts receivable	(1,258)	4,650
Inventories	(5,137)	1,622
Other assets	163	(1,475)
Accounts payable and accruals	(2,778)	(13,089)
Accrued income taxes	130	(4,004)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,345	25,360
INVESTING ACTIVITIES		
Purchases of property, plant, equipment, and patents	(6,588)	(7,092)
Investment in businesses	(7,482)	(698)
Proceeds from notes receivable	8,438	0
Purchases of marketable securities	(4,026)	(4,612)
Proceeds from sales of marketable securities	7,147	3,272
NET CASH USED IN INVESTING ACTIVITIES	(2,511)	(9,130)
FINANCING ACTIVITIES		
Payments on notes payable	(99,749)	(868)
Proceeds from exercise of stock options	11,827	9,065
Tax benefits from exercise of stock options	1,773	2,602
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(86,149)	10,799
Effect of exchange rate changes on cash and cash equivalents	228	1,648
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(84,087)	28,677
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	140,788	64,075
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 56,701	\$ 92,752

See notes to consolidated condensed financial statements.

STERIS CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

PERIODS ENDED SEPTEMBER 30, 1996 AND 1995

A. - REPORTING ENTITY

STERIS Corporation ("STERIS") is a leading provider of infection prevention and surgical support systems, products, services, and technologies to healthcare, scientific, and industrial customers throughout the world. The Company has approximately 3,500 Associates, Customer Support facilities in major global markets, and 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 six months ended September 30, 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 six months ended September 30, 1996. 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 SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	33,409	32,564	33,261	32,168
Dilutive effect of stock options-- primary basis	1,898	2,462	0	2,314
WEIGHTED AVERAGE COMMON SHARES AND EQUIVALENTS-- PRIMARY BASIS	35,307	35,026	33,261	34,482
Additional dilutive effect of stock options--fully diluted basis	170	90	0	295
WEIGHTED AVERAGE COMMON SHARES AND EQUIVALENTS-- FULLY DILUTED BASIS	35,477	35,116	33,261	34,777

D. - 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.

The AMSCO Merger has been accounted for as a pooling of interests and, accordingly, the consolidated condensed financial statements give retroactive effect to the combined operations of STERIS and AMSCO for all periods presented. Summarized operating results of the separate entities for the period prior to the AMSCO Merger follow (in thousands):

	STERIS -----	AMSCO -----	COMBINED -----
Three months ended September 30, 1995:			
Net Revenue	\$21,594	\$110,674	\$132,268
Income from operations	4,646	8,199	12,845
Net income	2,945	4,254	7,199
Six months ended September 30, 1995:			
Net Revenue	\$41,412	\$211,727	\$253,139
Income from operations	8,490	19,537	28,027
Net income	5,421	10,950	16,371

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.

E. - NON-RECURRING TRANSACTIONS

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 acquisition and 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 six months of fiscal 1997 related principally to transaction costs and executive employment agreements.

The effective income tax rate for the six months ended September 30, 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):

	SEPTEMBER 30, 1996	MARCH 31, 1996
	-----	-----
Raw material	\$27,673	\$24,746
Work in process	26,856	19,139
Finished goods	26,361	29,833
	-----	-----
	\$80,890	\$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 will 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 \$0 at September 30, 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 September 30, 1996, 13 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.

As of September 30, 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 all have been covered by insurance.

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 FDA on January 20, 1995 that the FDA has applied its Application Integrity Policy to AMSCO. Consequently, pre-market approval applications and 510(k) notifications submitted by AMSCO will not be reviewed by the FDA until AMSCO has completed certain corrective actions to the satisfaction of the FDA, including audits of certain previously cleared 510(k) notifications. The FDA's Application Integrity Policy has not been applied to 510(k) notifications submitted by STERIS. The audits have identified certain corrective actions that AMSCO has completed or intends to complete in the near future. STERIS cannot predict how long 510(k) notifications filed by AMSCO will not be reviewed by the FDA. STERIS believes that there are no material AMSCO product introductions planned for 1996 that require pre-market clearance. STERIS is continuing its discussions with the FDA regarding steps necessary for the FDA to resume its review of 510(k) notifications filed by AMSCO.

As a consequence of these corrective actions and given the experience of other companies subject to the Application Integrity Policy, it is more likely than not that the FDA will refer this matter to the Department of Justice (the "DOJ") and that the DOJ will pursue sanctions, including, but not limited to, fines and/or criminal sanctions. STERIS cannot predict, at this time, the impact of this continuing FDA review or corrective actions resulting therefrom, or the financial or other effect any fines or sanctions could have on the business, the consolidated financial position or the results of operations. In the event the DOJ pursues sanctions, the DOJ could apply certain guidelines that, if strictly adhered to, could result in any such fines and/or sanctions not being material.

Subject to the matters described above, STERIS believes that it is currently in conformity in all material respects with all regulatory requirements. It is, however, possible that the FDA would disagree with these beliefs and seek to apply one or more of the remedies available to it under applicable law as described above, which could have a material adverse effect on STERIS. STERIS is committed to maintaining compliance with all applicable FDA, EPA, and other governmental laws and 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.

Certain Litigation. A complaint, purporting to be a class action on behalf of the stockholders of AMSCO, was filed in the Chancery Court of the State of Delaware, New Castle County on December 22, 1995. The complaint names AMSCO, STERIS, and certain directors of AMSCO as defendants. The complaint alleges, among other things, that the AMSCO Board breached its fiduciary duties in considering and approving the Merger Agreement. Management of STERIS believes that the complaint is without merit and intends to vigorously defend the action.

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.

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

BASIS OF DISCUSSION

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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.

RESULTS OF OPERATIONS

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Net revenue increased by 4.7% to \$138.5 million in the second quarter fiscal 1997 from \$132.3 million in the second quarter fiscal 1996. Net revenue increased by 5.2% to \$266.4 million in the first six months of fiscal 1997 from \$253.1 million in the same period in fiscal 1996. Infection Prevention revenues increased by 7.4% in the second quarter fiscal 1997 to \$75.9 million from \$70.7 million. Infection Prevention revenues increased by 5.3% to \$142.5 million in the first six months of fiscal 1997 from \$135.4 million in the same period in fiscal 1996. Surgical Support sales increased by 5.2% to \$30.6 million in the second quarter fiscal 1997 from \$29.1 million over the comparable fiscal 1996 period. Surgical Support revenues increased by 10.6% to \$60.7 million in the first six months of fiscal 1997 from \$54.9 million in the same period in fiscal 1996. Scientific, Management Services and Other revenue decreased by 1.5% to \$32.0 million in the second quarter of fiscal 1997 from \$32.5 million in the second quarter fiscal 1996. Scientific, Management Services and Other revenues increased by 0.4% to \$63.1 million in the first six months of fiscal 1997 from \$62.9 million in the same period in fiscal 1996.

The costs of products and services sold increased in the second quarter fiscal 1997 by 1.1% to \$85.2 million from \$84.2 million in the second quarter fiscal 1996. The cost of products and services sold increased for the first six months of fiscal 1997 by 4.6% to \$165.7 million from \$158.5 million for the first six months of fiscal 1996. The cost of products and services sold as a

percentage of net revenue was 61.5 % for the second quarter for fiscal 1997 compared to 63.7% for the same period in fiscal 1996. The decrease in the cost of products and services sold as a percentage of net revenue resulted principally from changes in the mix of products sold.

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 acquisition and 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 six months of fiscal 1997 related principally to transaction costs and executive employment agreements.

Selling, general, and administrative expenses decreased in the second quarter fiscal 1997 by 10.9% to \$27.6 million from \$30.9 million in the second quarter fiscal 1996. Selling, general, and administrative expenses decreased in the first six months of fiscal 1997 by 8.3% to \$53.7 million from \$58.5 million in the same period fiscal 1996. Lower costs were incurred resulting from the AMSCO acquisition and merger. The cost reductions included reduced depreciation and amortization charges on assets that were written-down and lower personnel costs resulting from employee severance. Selling, general, and administrative expenses as a percentage of net revenue decreased to 19.9% in the second quarter fiscal 1997 from 23.4% for the same period in fiscal 1996. The decrease was primarily attributable to the cost reductions resulting from the AMSCO acquisition and merger.

Research and development expenses increased in the second quarter fiscal 1997 by 37.2% to \$5.9 million from \$4.3 million in the second quarter fiscal 1996. Research and development expenses increased in the first six months of fiscal 1997 by 26.2% to \$10.2 million from \$8.1 million for the same period fiscal 1996. Research and development expenses as a percentage of net revenue were 4.2% for the second quarter fiscal 1997 compared to 3.2% for the second quarter fiscal 1996 and 3.8% for the first six months of fiscal 1997 compared to 3.2% for the same period in fiscal 1996. The increase in dollars was due primarily to additional product and application development expenditures.

Interest expense decreased in the second quarter fiscal 1997 by 77.4% to \$0.3 million from \$1.5 million in the second quarter fiscal 1996. Interest expense decreased in the first six months of fiscal 1997 by 37.3% to \$1.9 million from \$3.1 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 second quarter fiscal 1997 by 26.8% to \$0.9 million from \$1.2 million in the second quarter fiscal 1996. Interest income and other decreased in the first six months of fiscal 1997 by 12.8% to \$2.8 million from \$3.2 million for the same period fiscal 1996. The decrease was due primarily to lower cash, cash equivalents, and marketable security balances.

Second quarter fiscal 1997 income increased by 60.3% to \$11.5 million (\$.33 per share) from \$7.2 million (\$.21 per share) in the second quarter fiscal 1996. Excluding the effect of non-recurring transactions, income for the first six months of fiscal 1997 increased by 29.8 % to \$21.2 million (\$.60 per share) from \$16.4 million (\$.47 per share) in the same period fiscal 1996.

The effective income tax rate for the six months ended September 30, 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 six months ended fiscal 1997 was \$60.1 million, compared to net income of \$16.4 million in the same period fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$56.7 million in cash and cash equivalents as of September 30, 1996, compared to \$140.8 million of the same at March 31, 1996. The decrease in cash and cash equivalents was primarily a result of the July 1996 redemption of approximately \$100 million AMSCO's 4.5%/6.5% Convertible Subordinated Notes.

Marketable securities decreased by 33.9% to \$6.1 million as of September 30, 1996, compared to \$9.2 million at March 31, 1996.

Accounts receivable increased by 2.0% to \$132.0 million as of September 30, 1996, compared to \$129.3 million at March 31, 1996.

Inventory increased by 9.7% to \$80.9 million as of September 30, 1996, compared to \$73.7 million at March 31, 1996.

Property, plant, and equipment decreased by 8.9% to \$141.6 million as of September 30, 1996, compared to \$155.5 million at March 31, 1996. The decrease was due primarily to the write-down of assets resulting from the AMSCO acquisition and merger.

Intangibles decreased by 16.1% to \$131.1 million as of September 30, 1996, compared to \$156.4 million at March 31, 1996. The decrease was due primarily to the write-down of goodwill related to the Finn-Aqua business, resulting from the AMSCO acquisition and merger.

Deferred income taxes increased by 14.5% to \$32.9 million as of September 30, 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.

Other assets were \$1.6 million as of September 30, 1996, compared to \$2.1 million of the same at March 31, 1996.

Current liabilities increased by 20.6% to \$150.9 million as of September 30, 1996, compared to

\$125.1 million at March 31, 1996. The increase in current liabilities was primarily a result of the AMSCO merger and acquisition.

Other liabilities were \$65.5 million as of September 30, 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 will 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 \$0 at September 30, 1996. As a result of the July 1996 redemption of approximately \$100 million AMSCO's 4.5%/6.5% Convertible Subordinated Notes, STERIS has minimal long-term indebtedness.

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

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

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 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 1996 Annual Meeting of Shareholders of STERIS Corporation was held on July 25, 1996, at 5960 Heisley Road, Mentor, Ohio. At the 1996 Annual Meeting, shareholders were asked to elect the following four directors to serve in the class with a term expiring at the Annual Meeting of Shareholders in 1998: Jerry E. Robertson (28,402,276 votes for, 162,334 withheld), Frank E. Samuel, Jr. (28,409,141 votes for, 154,469 withheld), Bill R. Sanford (28,405,679 votes for, 157,931 withheld), and Loyal W. Wilson (28,408,864 votes for, 154,746 withheld). Each of Messrs. Robertson, Samuel, Sanford, and Wilson were elected at the 1996 Annual Meeting to serve as directors in the class designated as Class II with a term expiring in 1998.

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)
November 14, 1996

6-MOS
MAR-31-1997
SEP-30-1996
56,701
6,077
131,953
0
80,890
292,784
141,564
(63,514)
479,948
150,885
0
223,411
0
0
37,029
479,948
266,358
266,358
165,747
165,747
0
0
1,948
(53,232)
6,825
(60,057)
0
0
0
(60,057)
(1.81)
(1.81)