Registered No: 09257343

STERIS plc

Annual Report and Accounts

For the year ended March 31, 2018

CONTENTS **PAGES**

STRATEGIC REPORT

INTRODUCTION

Throughout this Annual Report, STERIS plc and its subsidiaries together are called “STERIS,” “the Company,” “we,” “us,” or “our,” unless otherwise noted. References in this Annual Report to a particular “year,” "fiscal year," or “year-end” mean our fiscal year, which ends on March 31. For example, fiscal year 2018 ended on March 31, 2018.

STERIS is a leading provider of infection prevention and other procedural products and services. Our mission is to help our Customers create a healthier and safer world by providing innovative healthcare and life science product and service solutions around the globe. We offer our Customers a unique mix of innovative capital equipment products, such as sterilizers and washers, surgical tables, lights and equipment management systems and connectivity solutions such as operating room integration; consumable products such as detergents and gastrointestinal endoscopy accessories and other products; services, including equipment installation and maintenance, microbial reduction of medical devices, instrument and scope repair solutions, laboratory services and outsourced reprocessing.

STERIS plc (“Parent”) was organized in 2014 under the laws of England and Wales under the name Solar New HoldCo Limited as a private limited company for the purpose of effecting under the laws of England and Wales the combination (“Combination”) of STERIS Corporation, an Ohio corporation (“Old STERIS”), and Synergy Health plc, a public limited company organized under the laws of England and Wales (“Synergy”). Effective November 2, 2015 the Parent was re-registered as a public company under the name of STERIS plc and the Combination closed. As a result of the Combination closing, STERIS plc became the ultimate parent company of Old STERIS and Synergy. Synergy has been re-registered under the name of Synergy Health Limited. The acquisition of Old STERIS was accounted for in the consolidated financial statements as a merger between entities under common control; accordingly the historical consolidated financial statements of Old STERIS for periods prior to November 2, 2015, are considered to be the historical financial statements of STERIS plc.

Due to the timing of the closing of the Combination, the results of Synergy are only reflected in the results of operations of the Company from November 2, 2015 forward, which will affect comparability for the fiscal 2016 periods to more recent fiscal periods of the Company throughout this Annual Report.

With registered offices located in Derby, England, STERIS plc has approximately 12,000 employees worldwide. Through our field sales and service and a network of dealers and distributors, we serve Customers in more than 100 countries around the world.

We operate and report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Non-allocated operating costs that support the entire Company and items not indicative of operating trends are excluded from segment operating income. Certain minor organizational changes were made to better align with our Customers, resulting in several smaller operations shifting among the segments. The prior period revenues and operating income measures have been recast for comparability.

STRATEGY AND BUSINESS TRENDS

Our mission is to help our Customers create a healthier and safer world by providing innovative healthcare and life science product and service solutions around the globe. Our dedicated employees around the world work together to supply a broad range of solutions by offering a combination of capital equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental Customers.

The bulk of our revenues are derived from the healthcare and pharmaceutical industries. Much of the growth in these industries is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years, and is dependent upon advancement in healthcare delivery, acceptance of new technologies, government policies, and general economic conditions. The pharmaceutical industry has been impacted by increased regulatory scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. Within healthcare, there is increased concern regarding the level of hospital acquired infections around the world; increased demand for medical procedures, including preventive screenings such as endoscopies and colonoscopies; and a desire by our Customers to operate more efficiently, all of which are driving increased demand for many of our products and services.

We believe we have opportunity to expand internationally, as we currently serve only a portion of the world that could benefit from our products. Through our subsidiaries, we operate in various international locations. United States revenues represented 70% of our fiscal 2018 revenues. Revenues from the United Kingdom and Europe, Middle East and Africa ("EMEA") were 8% and 13%, respectively, of our fiscal 2018 revenues. The remaining 9% was generated in Canada, the Asia Pacific and Latin American regions.

We completed several acquisitions and asset purchases in fiscal 2018 and 2017 that expanded our product and service offerings to our Customers.

During fiscal 2018, we divested our Synergy Health Healthcare Consumable Solutions ("HCS") business with annual revenues of approximately $40 million. During fiscal 2017, we divested our Applied Infection Control ("AIC") product line (annual revenues of approximately $50 million) and four businesses acquired in the Combination with Synergy consisting of: the UK Linen Management Services business (annual revenues of approximately $50 million), U.S. Linen Management Services business (annual revenues of approximately $50 million), Synergy Health Netherlands Linen Management Services (annual revenues of approximately $75 million) and Synergy Health Laboratory Services (annual revenues of approximately $15 million).

U.S. Tax Reform. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “TCJA”). The TCJA makes broad and complex changes to the U.S. tax code that will affect the Company’s fiscal year ending March 31, 2018, including, but not limited to, (1) requiring a one-time transition tax on certain unrepatriated earnings of non-U.S. subsidiaries which is payable over eight years, (2) bonus depreciation that will allow for full expensing of qualified property and (3) reduction of the U.S. federal corporate tax rate. The TCJA reduces the federal corporate income tax rate to 21.0 percent beginning January 1, 2018. Section 15 of the Internal Revenue Code stipulates that our fiscal year ending March 31, 2018, will have a U.S. blended corporate income tax rate of approximately 31.5 percent, which is based on the applicable tax rates before and after the TCJA and the number of days in the fiscal year.

The TCJA also establishes new tax laws that may affect the Company’s fiscal year 2019 and forward, including, but not limited to, (1) reduction of the U.S. federal corporate income tax rate as noted above; (2) elimination of the corporate alternative minimum tax ("AMT"); (3) the creation of the base erosion anti-abuse tax ("BEAT"), a new minimum tax; (4) a general elimination of U.S. federal income taxes on dividends from non-U.S. subsidiaries; (5) a new provision designed to tax global intangible low-taxed income ("GILTI"), which allows for the possibility of using foreign tax credits ("FTCs") and a deduction of up to 50 percent to offset the income tax liability (subject to some limitations); (6) a new limitation on deductible interest expense; (7) the repeal of the domestic production activity deduction; (8) limitations on the deductibility of certain executive compensation; (9) limitations on the use of FTCs to reduce the U.S. income tax liability; and (10) limitations on net operating losses ("NOLs") generated after December 31, 2017, to 80.0 percent of taxable income.

Fluctuations in foreign currency rates can impact revenues and costs outside of the United States, creating variability in our results for fiscal 2019 and beyond.

In fiscal 2019 and beyond, we expect to continue to manage our costs, grow our business with internal product and service development, invest in greater capacity, and augment these value creating methods with acquisitions of additional products and services. We plan to continue our efforts to in-source some of the production that we have traditionally out-sourced.

BUSINESS MODEL

INFORMATION RELATED TO BUSINESS SEGMENTS

Our chief operating decision maker is our President and Chief Executive Officer (“CEO”). The CEO is responsible for performance assessment and resource allocation. The CEO regularly receives discrete financial information about each reportable segment, and uses this information to assess performance and allocate resources. The accounting policies of the reportable segments are the same as those described in Note 1 to the Consolidated Financial Statements titled, “Nature of Operations and Summary of Significant Accounting Policies,” of this Annual Report and Accounts. Segment performance information for fiscal years 2018, 2017, and 2016 is presented in Note 2 to our Consolidated Financial Statements titled, “Business Segment Information” and in the section titled, “Business Segment Results of Operations" within the Business Review portion of this Annual Report and Accounts.

HEALTHCARE PRODUCTS SEGMENT

Description of Business. Our Healthcare Products segment provides a broad portfolio of infection prevention, procedural and GI solutions including; consumable products, equipment maintenance and installation services, and capital equipment to acute care hospitals, ambulatory surgery centers and GI clinics. These solutions aid our Customers in improving the safety, quality, productivity, and utility consumption of their surgical, sterile processing, gastrointestinal, and emergency environments.

Products Offered. Our solutions include cleaning chemistries and sterility assurance products, accessories for GI procedures, washers, sterilizers and other pieces of capital equipment essential to the operations of a sterile processing department ("SPD") and equipment used directly in the operating room, including surgical tables, lights, equipment management services, and connectivity solutions.

Services Offered. Our Healthcare Products segment service associates install, maintain, upgrade, repair, and troubleshoot capital equipment throughout the world.

Customer Concentration. Our Healthcare Products segment sells consumables, services and capital equipment, to Customers in the United Kingdom, United States and many other countries throughout the world. For the year ended March 31, 2018, no Customer represented more than 10% of the Healthcare Product segment's total revenues.

Competition. We compete with a number of large companies that have significant product portfolios and global reach, as well as a number of small companies with very limited product offerings and operations in one or a limited number of countries. On a product basis, competitors include 3M, Belimed, Cantel Medical, Ecolab, Getinge, Hill-Rom, Johnson & Johnson, Skytron, and Stryker.

HEALTHCARE SPECIALTY SERVICES SEGMENT

Description of Business. Our Healthcare Specialty Services segment provides a range of solutions and managed services including; hospital sterilization services and instrument and scope repairs to acute care hospitals and other healthcare settings that aid our Customers in improving the safety, quality and productivity of their operations.

Services Offered. Our Healthcare Specialty Services segment provides comprehensive instrument and endoscope repair and maintenance solutions (on-site or at one of our dedicated facilities), custom process improvement consulting and outsourced sterile processing (on-site at the hospital and in off-site reprocessing centers). Linen Management Services were divested during fiscal 2017.

Customer Concentration. Our Healthcare Specialty Services segment offers an array of services to Customers in the United Kingdom, United States and many other countries throughout the world. For the year ended March 31, 2018, no Customer represented more than 10% of the Healthcare Specialty Services segment's total revenues.

Competition. We compete with a number of large companies that have significant product portfolios and global reach, as well as a number of small companies with very limited service offerings and operations in one or a limited number of countries. On a service line basis, competitors include Owens & Minor, Stryker, Olympus, Pentax, Karl Storz, Mobile, Northfield, BBraun Sterilog Limited, Berendsen plc, CleanLease (Clean Lease Fortex), Rentex Awé and Rentex Floren.

LIFE SCIENCES SEGMENT

Description of Business. Our Life Sciences segment designs, manufactures and sells consumable products, equipment maintenance, specialty services and capital equipment primarily to pharmaceutical manufacturers around the world.

Products Offered. These solutions include formulated cleaning chemistries, barrier products, sterility assurance products, steam and vaporized hydrogen peroxide sterilizers and washer disinfectors.

Services Offered. Our Life Sciences segment service associates install, maintain, upgrade, repair, and troubleshoot equipment throughout the world. We offer various preventive maintenance programs and repair services to support the effective operation of capital equipment over its lifetime.

Customer Concentration. Our Life Sciences segment sells consumables, services and capital equipment, to Customers in the United Kingdom, United States and many other countries throughout the world. For the year ended March 31, 2018, no Customer represented more than 10% of the Life Sciences segment’s total revenues.

Competition. Our Life Sciences segment operates in highly regulated environments where the most intense competition results from technological innovations, product performance, convenience and ease of use, and overall cost-effectiveness. We compete for pharmaceutical Customers with a number of large companies that have significant product portfolios and global reach, as well as a number of small companies with very limited product offerings and operations in one or a limited number of countries. Competitors include Belimed, Ecolab, Fedegari, Getinge, MECO, Stilmas, and Techniplast.

APPLIED STERILIZATION TECHNOLOGIES SEGMENT

Description of Business. Our Applied Sterilization Technologies ("AST") segment provides contract sterilization services through a network of over 50 facilities located in 16 countries. As a technology neutral service provider, we offer unbiased technology assessments dependent on the individual requirements of each product. Our Customers are primarily medical device and pharmaceutical manufacturers.

Services Offered. We offer two main modalities for sterilization: irradiation and gas. Within irradiation, we offer Gamma, electron beam and X-ray technologies. Gamma utilizes radioisotope (cobalt-60). Electron beam and X-ray utilize high energy electrons as their radiation source. Our offerings for gas sterilization are ethylene oxide ("EO") and hydrogen peroxide. In addition, we offer an array of laboratory testing services that complements the manufacturing of sterile products. Our locations are in major population centers and core distribution corridors throughout the Americas, Europe and Asia. Our technical services group supports Customers in all phases of product development, materials testing, and process validation.

Customer Concentration. Our Applied Sterilization Technologies segment’s services are offered to Customers throughout the world. For the year ended March 31, 2018, no Customer represented more than 10% of the segment’s revenues.

Competition. Applied Sterilization Technologies operates in a highly regulated industry and competes with Sterigenics International, Inc., other smaller contract sterilization companies and manufacturers that sterilize products in-house.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to STERIS or its industry, products or activities 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 specified in this Annual Report and may be identified by the use of forward-looking terms such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “outlook,” “impact,” “potential,” “confidence,” “improve,” “optimistic,” “deliver,” “comfortable,” “trend”, 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, actions of regulatory agencies, and changes in laws, government regulations, labeling or product approvals or the application or interpretation thereof. Other risk factors are described herein and in STERIS’s other securities filings, including Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2018. Many of these important factors are outside of STERIS’s control. No assurances can be provided as to any result or the timing of any outcome regarding matters described in this Annual Report or otherwise with respect to any regulatory action, administrative proceedings, government investigations, litigation, warning letters, cost reductions, business strategies, earnings or revenue trends or future financial results. References to products are summaries only and should not be considered the specific terms of the product clearance or literature. Unless legally required, STERIS 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) STERIS’s ability to meet expectations regarding the accounting and tax treatments of the Combination (the “Combination”) with STERIS Corporation and Synergy Health plc (“Synergy”), (b) the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in connection with the Combination within the expected time-frames or at all and to successfully integrate the operations of the companies, (c) the integration of the operations of the companies being more difficult, time-consuming or costly than expected, (d) operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) being greater than expected following the Combination, (e) the retention of certain key employees of Synergy being difficult, (f) STERIS’s ability to meet expectations regarding the accounting and tax treatment of the Tax Cuts and Jobs Act (“TCJA”) or the possibility that anticipated benefits resulting from the TCJA will be less than estimated, (g) changes in tax laws or interpretations that could increase our consolidated tax liabilities, including, changes in tax laws that would result in STERIS being treated as a domestic corporation for United States federal tax purposes, (h) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, (i) the possibility that market demand will not develop for new technologies, products or applications or services, or business initiatives will take longer, cost more or produce lower benefits than anticipated, (j) the possibility that application of or compliance with laws, court rulings, certifications, regulations, regulatory actions, including without limitation those relating to FDA, warning notices or letters, government investigations, the outcome of any pending FDA requests, inspections or submissions, or other requirements or standards may delay, limit or prevent new product introductions, affect the production and marketing of existing products or services or otherwise affect STERIS’s performance, results, prospects or value, (k) the potential of international unrest, economic downturn or effects of currencies, tax assessments, adjustments or anticipated rates, raw material costs or availability, benefit or retirement plan costs, or other regulatory compliance costs, (l) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS’s products and services, (m) the possibility of delays in receipt of orders, order cancellations, or delays in the manufacture or shipment of ordered products or in the provisions of services, (n) the possibility that anticipated growth, cost savings, new product acceptance, performance or approvals, or other results may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental, or other issues or risks associated with STERIS’s businesses, industry or initiatives including, without limitation, those matters described in our Annual Report on Form 10-K and other securities filings, may adversely impact STERIS’s performance, results, prospects or value, (o) the impact on STERIS and its operations of the “Brexit” or the exit of other member countries from the EU, (p) the impact on STERIS and its operations of any new legislation, regulations or orders, including, but not limited to any new trade or tax legislations, regulations or orders, that may be implemented by the new U.S. Administration or Congress, or of any responses thereto, (q) the possibility that anticipated financial results or benefits of recent acquisitions, including the Combination, or of STERIS’s restructuring efforts, or of recent divestitures, will not be realized or will be other than anticipated, and (r) the effects of contractions in credit availability, as well as the ability of STERIS’s Customers and suppliers to adequately access the credit markets when needed.

PRINCIPAL RISKS AND UNCERTAINTIES

This section describes certain risk factors that could affect our business, financial condition and results of operations. You should consider these risk factors when evaluating the forward-looking statements contained in this Annual Report and Accounts, because our actual results and financial condition might differ materially from those projected in the forward-looking statements should these risks occur. We face other risks besides those highlighted below. These other risks include additional uncertainties not presently known to us or that we currently believe are immaterial, but may ultimately have a significant impact. Should any of these risks, described below or otherwise, actually occur, our business, financial condition, performance, prospects, value, or results of operations could be negatively affected.

Given the scale of our business, we recognize that the scope and potential impact of our principal risks and uncertainties are subject to constant change. The Board has ultimate ownership of risk management with responsibilities cascaded through the organization through the management team. We have implemented risk management programs and processes to ensure that the Board and management have sufficient oversight of our principal risks and uncertainties.

MARKET RISKS

Risk or uncertainty	Discussion
Doing business internationally	
We conduct manufacturing, sales and distribution operations on a worldwide basis and are subject to a variety of risks associated with doing business internationally. Implementation and achievement of international growth objectives also may be impeded by political, social, and economic uncertainties or unrest in countries in which we conduct operations or market or distribute our products.	We maintain significant international operations, including operations in the U.S., Canada, Mexico, Europe, Asia Pacific and Latin America. As a result, we are subject to a number of risks and complications associated with international manufacturing, sales, services, and other operations. These include: risks associated with currency exchange rate fluctuations; difficulties in enforcing agreements and collecting receivables through some foreign legal systems; enhanced credit risks in certain European countries as well as emerging market regions; Customers with longer payment cycles than Customers in the United States; significant variations in tax rates among the countries in which we do business, and tax withholding obligations in respect of our earnings; tax laws that restrict our ability to use tax credits, offset gains, or repatriate funds; tariffs, exchange controls or other trade restrictions including transfer pricing restrictions when products produced in one country are sold to an affiliated entity in another country; general economic and political conditions in countries where we operate or where end users of our products are situated, including the potential implications of the U.K. “Brexit” or the withdrawal from the EU of other member countries; difficulties associated with managing a large organization spread throughout various countries; difficulties in enforcing intellectual property rights or weaker intellectual property right protections in some countries and difficulties associated with compliance with a variety of laws and regulations governing international trade, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act and laws and regulations dealing with trade with persons in sanctioned countries.
Compliance with multiple, and potentially conflicting, international laws and regulations, import and export limitations, anti-corruption laws, and exchange controls may be difficult, burdensome or expensive.	We are subject to compliance with various laws and regulations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. We are also subject to limitations on trade with persons in sanctioned countries. While our employees and agents are required to comply with these laws, we cannot assure you that our internal policies and procedures will always protect us from violations of these laws, despite our commitment to legal compliance and corporate ethics.

Risk or uncertainty	Discussion
Economic conditions and financial market access	
Changes in economic climate may adversely affect us.	Adverse economic cycles or conditions and Customer, regulatory or government response to those cycles or conditions, could affect our results of operations. The onset of these cycles or conditions may not be foreseeable and there can be no assurance when they will begin to improve after they occur. There also can be no assurance as to the strength or length of any recovery from a business downturn or recession. Credit and liquidity problems may make it difficult for some businesses to access credit markets and obtain financing and may cause some businesses to curtail spending to conserve cash in anticipation of persistent business slowdowns and liquidity needs. If our Customers have difficulty financing their purchases due to tight credit markets or related factors or because of other operational or utilization problems they may be experiencing or otherwise decide to curtail their purchases, our business could be adversely affected. Our exposure to bad debt losses could also increase if Customers are unable to pay for products previously ordered and delivered. Many of our Customers are governmental entities or other entities that rely on government healthcare systems or government funding. If government funding for healthcare becomes limited or restricted in countries in which we operate, our Customers may be unable to pay their obligations on a timely basis or to make payment in full and it may become necessary to increase reserves. In addition, there can be no assurance that there will not be an increase in collection difficulties. Prospectively, additional adverse effects resulting from these conditions may include decreased healthcare utilization, further pricing pressure on our products and services, and/or weaker overall demand for our products and services, particularly capital products.
Our acquisition activity and ability to grow organically may be adversely affected if we are unable to continue to access the financial markets.	Our recent acquisitions have been financed largely through cash on hand and borrowings under our bank credit facilities. Future acquisitions or other capital requirements will necessitate additional cash. To the extent our existing sources of cash are insufficient to fund these or other future activities, we may need to raise additional funds through new or expanded borrowing arrangements or equity. There can be no assurance that we will be able to obtain additional funds beyond those available under existing bank credit facilities on terms favorable to us, or at all, or that such facilities can be replaced when they terminate.

LEGAL, REGULATORY AND TAX RISKS

Risk or uncertainty	Discussion
Healthcare laws and reimbursement	
Changes in healthcare laws or government and other third-party payor reimbursement levels to healthcare providers, or failure to meet healthcare reimbursement or other requirements, might negatively impact our business.	We sell many of our products and services to hospitals and other healthcare providers and pharmaceutical manufacturers. Many of these Customers are subject to or supported by government programs or receive reimbursement for services from third-party payors, such as government programs, including Medicare and Medicaid, private insurance plans, and managed care programs. Reimbursement systems vary significantly by country. However, government-managed healthcare systems control reimbursement for healthcare services in many countries. Public budgetary constraints may significantly impact the ability of hospitals, pharmaceutical manufacturers, and other Customers supported by such systems to purchase our products. Government or other third-party payors may deny or change coverage, reduce their current levels of reimbursement for healthcare services, or otherwise implement measures to regulate pricing or contain costs. In addition, our costs may increase more rapidly than reimbursement levels or permissible pricing increases or we may not satisfy the standards or requirements for reimbursement. Among other provisions, the U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, imposed an excise tax on medical devices manufactured or offered for sale in the United States. Early in 2018, U.S. Congress enacted legislation that extended the suspension of the excise tax, which suspension had been in place in since the beginning of calendar year 2016, for 2018 and 2019. Should the U.S. Congress take no further action with regard to this tax we will begin to incur excise tax in the fourth quarter of fiscal 2020. We incurred \$5.8 million in medical device excise taxes for fiscal 2016. In addition, we have been required to commit significant resources to "Sunshine Act" compliance. Various additional health care reform proposals have emerged at the federal and state level, and we are unable to predict which, if any, of those proposals will be enacted.

Risk or uncertainty	Discussion
Product related regulations and claims	
We are subject to extensive regulatory requirements and must receive and maintain regulatory clearance or approval for many products and operations. Failure to receive or maintain, or delays in receiving, clearance or approvals may hurt our revenues, profitability, financial condition, or value.	Our operations are subject to extensive regulation in the countries where we do business. In the United States, our products and services are regulated by the FDA and other regulatory authorities. In many foreign countries, sales of our products and services are subject to extensive regulations that may or may not be comparable to those of the FDA. In Europe, our products are regulated primarily by country and community regulations of those countries within the European Economic Area and must conform to the requirements of those authorities. Government regulation applies to nearly all aspects of testing, manufacturing, safety, labeling, storing, recordkeeping, reporting, promoting, distributing, and importing or exporting of medical devices, products, and services. In general, unless an exemption applies, a sterilization, decontamination or medical device or product or service must receive regulatory approval or clearance before it can be marketed or sold. Modifications to existing products or the marketing of new uses for existing products also may require regulatory approvals, approval supplements or clearances. If we are unable to obtain any required approvals, approval supplements or clearances for any modification to a previously cleared or approved device, we may be required to cease manufacturing and sale, or recall or restrict the use of such modified device, pay fines, or take other action until such time as appropriate clearance or approval is obtained. Regulatory agencies may refuse to grant approval or clearance, or review and disagree with our interpretation of approvals or clearances, or with our decision that regulatory approval is not required or has been maintained. Regulatory submissions may require the provision of additional data and may be time consuming and costly, and their outcome is uncertain. Regulatory agencies may also change policies, adopt additional regulations, or revise existing regulations, each of which could prevent or delay approval or clearance of devices, or could impact our ability to market a previously cleared, approved, or unregulated device. Our failure to comply with the regulatory requirements of the FDA or other applicable regulatory requirements in the United States or elsewhere might subject us to administratively or judicially imposed sanctions. These sanctions include, among others, warning letters, fines, civil penalties, criminal penalties, injunctions, debarment, product seizure or detention, product recalls and total or partial suspension of production, sale and/or promotion.
Our products are subject to recalls and restrictions, even after receiving United States or foreign regulatory clearance or approval.	Ongoing medical device reporting regulations require that we report to appropriate governmental authorities in the United States and/or other countries when our products cause or contribute to a death or serious injury or malfunction in a way that would be reasonably likely to contribute to a death or serious injury if the malfunction were to recur. Governmental authorities can require product recalls or impose restrictions for product design, manufacturing, labeling, clearance, or other issues. For the same reasons, we may voluntarily elect to recall or restrict the use of a product. Any recall or restriction could divert managerial and financial resources and might harm our reputation among our Customers and other healthcare professionals who use or recommend our products and services.

We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters.	We face an inherent business risk of exposure to product liability claims and other legal and regulatory actions. A significant increase in the number, severity, amount, or scope of these claims and actions may, as described above with respect to recalls and restrictions, result in substantial costs and harm our reputation or otherwise adversely affect product sales and our business. Product liability claims and other legal and regulatory actions may also distract management from other business responsibilities. We are also subject to a variety of other types of claims, proceedings, investigations, and litigation initiated by government agencies or third parties and other potential risks and liabilities. These include compliance matters, product regulation or safety, taxes, employee benefit plans, employment discrimination, health and safety, environmental, antitrust, customs, import/export, government contract compliance, financial controls or reporting, intellectual property, allegations of misrepresentation, false claims or false statements, commercial claims, claims regarding promotion of our products and services, or other similar or different matters. Any such claims, proceedings, investigations or litigation, regardless of the merits, might result in substantial costs, restrictions on product use or sales, or otherwise injure our business. Administratively or judicially imposed or agreed sanctions might include warning letters, fines, civil penalties, criminal penalties, loss of tax benefits, injunctions, product seizure, recalls, suspensions or restrictions, re-labeling, detention, and/or debarment. We also might be required to take actions such as payment of substantial amounts, or revision of financial statements, or to take, or be subject to, the following types of actions with respect to our products, services, or business: redesign, re-label, restrict, or recall products; cease manufacturing and selling products; seizure of product inventory; comply with a court injunction restricting or prohibiting further marketing and sale of products or services; comply with a consent decree, which could result in further regulatory constraints; dedication of significant internal and external resources and costs to respond to and comply with legal and regulatory issues and constraints; respond to claims, litigation, and other proceedings brought by Customers, users, governmental agencies, and others; disruption of product improvements and product launches; discontinuation of certain product lines or services; or other restrictions or limitations on product sales, use or operation, or other activities or business practices. Some product replacements or substitutions may not be possible or may be prohibitively costly or time consuming. The impact of any legal, regulatory, or compliance claims, proceeding, investigation, or litigation, is difficult to predict. We maintain product liability and other insurance with coverages believed to be adequate. However, product liability or other claims may exceed insurance coverage limits, fines, penalties and regulatory sanctions may not be covered by insurance, or insurance may not continue to be available or available on commercially reasonable terms. Additionally, our insurers might deny claim coverage for valid or other reasons or may become insolvent.

Our business and financial condition could be adversely affected by difficulties in acquiring or maintaining a proprietary intellectual ownership position.	To maintain our competitive position for our products, we need to obtain patent or other proprietary rights for new and improved products and to maintain and enforce our existing patents and other proprietary rights. We typically apply for patents in the United States and in strategic other countries. We may also acquire patents through acquisitions. We may encounter difficulties in obtaining or protecting patents. We rely on a combination of patents, trademarks, trade secrets, know-how, and confidentiality agreements to protect the proprietary aspects of our technology. These measures afford only limited protection, and competitors may gain access to our intellectual property and proprietary information. Litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets, and to determine the validity and scope of our proprietary rights. Litigation may also be brought against us claiming that we have violated the intellectual property rights of others. Litigation may be costly and may divert management's attention from other matters. Additionally, in some foreign countries with weaker intellectual property rights, it may be difficult to maintain and enforce patents and other proprietary rights or defend against claims of infringement.
Tax and trade risks	
Current economic and political conditions make tax rules in any jurisdiction subject to significant change.	The U.S. Tax Cuts and Jobs Act ("TCJA") was signed into law on December 22, 2017. Additional guidance is likely to be issued clarifying the application of this new legislation. We cannot predict the overall impact that the additional guidance may have on our business. It is reasonable to expect that global taxing authorities will be reviewing current legislation for potential modifications in reaction to the implementation of the TCJA. In addition, further changes in the tax laws of other jurisdictions could arise, including as a result of the base erosion and profit shifting (BEPS) project undertaken by the Organization for Economic Cooperation and Development (OECD). The OECD, which represents a coalition of member countries, has issued recommendations that, in some cases, would make substantial changes to numerous long-standing tax positions and principles. These contemplated changes, to the extent adopted by OECD members and/or other countries, could increase tax uncertainty and may adversely impact our provision for income taxes.
Our tax rate is uncertain and may vary from expectations, which could have a material impact on our results of operations and earnings per share.	There can be no assurance that we will be able to maintain any particular worldwide effective corporate tax rate. We cannot give any assurance as to what our effective tax rate will be in the future because of, among other things, uncertainty regarding the tax policies of the jurisdictions in which we and our affiliates operate, including the potential tax implications of the U.K. "Brexit". Our actual effective tax rate may vary from our expectations, and such variance may be material. Additionally, tax laws or their implementation and applicable tax authority practices in any particular jurisdiction could change in the future, possibly on a retroactive basis, and any such change could have a material adverse impact on us and our affiliates.
Changes in tax treaties and trade agreements could negatively impact our costs, results of operations and earnings per share.	Legislative and regulatory action may be taken in the U.S. which, if ultimately adopted, could override or otherwise adversely impact tax treaties upon which we rely or broaden the circumstances under which STERIS would be considered a U.S. resident, each of which could materially and adversely affect our tax obligations. We cannot predict the outcome of any specific legislative or regulatory proposals. However, if proposals were adopted that had the effect of disregarding our incorporation in the U.K. or limiting our ability as a U.K. company to take advantage of tax treaties with the U.S., we could be subject to increased taxation and/or potentially significant expense. Existing free trade laws and regulations, such as the North American Free Trade Agreement, provide certain beneficial duties and tariffs for qualifying imports and exports, subject to compliance with the applicable classification and other requirements. Changes in laws and regulations or policies governing the terms of foreign trade, and in particular, increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products could have a material adverse impact on our business and financial results.

Proposed legislation relating to the denial of U.S. federal or state governmental contracts to U.S. companies that redomicile abroad could adversely affect our business.	Various U.S. federal and state legislative proposals that would deny governmental contracts to redomiciled companies may adversely affect us if adopted into law. We are unable to predict the likelihood that any such proposed legislation might become law, the nature of regulations that may be promulgated under any future legislative enactments, or the effect such enactments or increased regulatory scrutiny could have on our business.
The U.S. Internal Revenue Service (the "IRS") may not agree that we are a foreign corporation for U.S. federal tax purposes.	Although we are incorporated under the laws of England and Wales and are a tax resident in the U.K. for U.K. tax purposes, the IRS may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code" and such Section, "Section 7874"). For U.S. federal tax purposes, a corporation generally is considered to be a tax resident in the jurisdiction of its organization or incorporation. Because we are incorporated under the laws of England and Wales, we would generally be classified as a non-U.S. corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874, however, provides an exception to this general rule under which a non-U.S. incorporated entity may, in certain circumstances (including a transaction pursuant to which a U.S. corporation is acquired by a non-U.S. corporation), be treated as a U.S. corporation for U.S. federal tax purposes. If we were to be treated as a U.S. corporation for U.S. federal tax purposes, we could be subject to substantial additional U.S. tax liability. Additionally, if we were treated as a U.S. corporation for U.S. federal tax purposes, non-U.S. holders of STERIS ordinary shares would be subject to U.S. withholding tax on the gross amount of any dividends we paid to such shareholders. For U.K. tax purposes, we are expected, regardless of any application of Section 7874, to be treated as a U.K. tax resident. Consequently, if we are treated as a U.S. corporation for U.S. federal tax purposes under Section 7874, we could be liable for both U.S. and U.K. taxes, which could have a material adverse effect on our financial condition and results of operations.

BUSINESS AND OPERATIONAL RISKS

Risk or uncertainty	**Discussion**
Competition	
Our businesses are highly competitive, and if we fail to compete successfully, our revenues and results of operations may be hurt.	We operate in a highly competitive global environment. Our businesses compete with other broad-line manufacturers, as well as many smaller businesses specializing in particular products or services, primarily on the basis of brand, design, quality, safety, ease of use, serviceability, price, product features, warranty, delivery, service, and technical support. We face increased competition from new infection prevention, sterile processing, contamination control, surgical support, cleaning consumables, gastrointestinal endoscopy accessories, contract sterilization, and other products and services entering the market. Competitors and potential competitors also are attempting to develop alternate technologies and sterilizing agents, as well as disposable medical instruments and other devices designed to address the risk of contamination.
Consolidations among our healthcare and pharmaceutical Customers may result in a loss of Customers or more significant pricing pressures.	A number of our Customers have consolidated. These consolidations are due in part to healthcare cost reduction measures initiated by competitive pressures as well as legislators, regulators and third-party payors. In an effort to attract Customers, some of our competitors have also reduced production costs and lowered prices. This has resulted in greater pricing pressures on us and in some cases loss of Customers. Additional consolidations could result in a loss of Customers or more significant pricing pressures.

Decreased availability or increased costs of raw materials or energy supplies or other supplies might increase our production costs or limit our production capabilities or curtail our operations.	We purchase raw materials, fabricated and other components, and energy supplies from a variety of suppliers. Key materials include stainless steel, organic and inorganic chemicals, fuel, cobalt-60, EO, and plastic components. The availability and prices of raw materials and energy supplies are subject to volatility and are influenced by worldwide economic conditions, speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, anticipated or perceived shortages, and other factors. Also, certain of our key materials and components have a limited number of suppliers. Some are single-sourced in certain regions of the world, such as cobalt-60 and EO, which are necessary to our AST operations; the unavailability or short supply of these products might disrupt or cause shutdowns of portions of our AST operations or have other adverse consequences. Shortages in supply, regulatory or security requirements, or increases in the price of raw materials, components and energy supplies may adversely affect us.
Our operations, and those of our suppliers, are subject to a variety of business continuity hazards and risks, any of which could interrupt production or operations or otherwise adversely affect our performance, results, or value.	Business continuity hazards and other risks include: explosions, fires, earthquakes, inclement weather, and other disasters; utility or other mechanical failures; unscheduled downtime; labor difficulties; inability to obtain or maintain any required licenses or permits; disruption of communications; data security, preservation and redundancy disruptions; inability to hire or retain key management or employees; disruption of supply or distribution; and regulation of the safety, security or other aspects of our operations. The occurrence of any of these or other events might disrupt or shut down operations, or otherwise adversely impact the production or profitability of a particular facility, or our operations as a whole. Certain casualties also might cause personal injury and loss of life, or severe damage to or destruction of property and equipment, and for casualties occurring at our facilities, result in liability claims against us. Although we maintain property and casualty insurance and liability and similar insurance of the types and in the amounts that we believe are customary for our industries, our insurance coverages have limits and we are not fully insured against all potential hazards and risks incident to our business.

We engage in acquisitions and affiliations, divestitures, and other business arrangements. Our growth may be adversely affected if we are unable to successfully identify, price, and integrate strategic business candidates or otherwise optimize our business portfolio.	Our success depends, in part, on strategic acquisitions and joint ventures, which are intended to complement or expand our businesses, divestiture of non-strategic businesses, and other actions intended to optimize our portfolio of businesses. This strategy depends upon our ability to identify, appropriately price, and complete these types of business development transactions or arrangements and to obtain any necessary financing. In the last several fiscal years we have made a number of acquisitions, the most significant of which was the acquisition of Synergy Health plc. We also completed several divestitures of non-strategic businesses or product lines during fiscal 2018 and 2017 including linen management services in the U.K., U.S. and Netherlands, laboratory services in the U.K., a consumables product line in the U.K., and our Applied Infection Control product line. Our success with respect to these recent and future acquisitions will depend on our ability to integrate the businesses acquired, retain key personnel, realize identified cost synergies and otherwise execute our strategies. Our success will also depend on our ability to develop satisfactory working arrangements with our strategic partners in joint ventures or other affiliations, or to divest or realign businesses. Competition for strategic business candidates may result in increases in costs and price for acquisition candidates and market valuation issues may reduce the value available for divestiture of non-strategic businesses. These types of transactions are also subject to a number of other risks and uncertainties, including: delays in realizing or failure to realize anticipated benefits of the transactions; diversion of management's time and attention from other business concerns; difficulties in retaining key employees, Customers, or suppliers of the acquired or divested businesses; difficulties in maintaining uniform standards, controls, procedures and policies, or other integration or divestiture difficulties; adverse effects on existing business relationships with suppliers or Customers; other events contributing to difficulties in generating future cash flows; risks associated with the assumption of contingent or other liabilities of acquisition targets or retention of liabilities for divested businesses and difficulties in obtaining financing.
If our continuing efforts to create a lean business and in-source production to reduce costs are not successful, our profitability may be hurt or our business otherwise might be adversely affected.	We have undertaken various activities to create a lean business, including in-sourcing. We continue to look for opportunities to in-source production that is currently provided by third parties and have made large investments during the past few fiscal years. These activities may not produce the full efficiencies and cost reduction benefits that we expect or efficiencies and benefits might be delayed. Implementation costs also might exceed expectations.
Our business and results of operations may be adversely affected if we are unable to recruit and retain qualified management and other personnel or other compliance matters adversely impact our personnel.	Our continued success depends, in large part, on our ability to hire and retain highly qualified people and if we are unable to do so, our business and operations may be impaired or disrupted. Competition for highly qualified people is intense and there is no assurance that we will be successful in attracting or retaining replacements to fill vacant positions, successors to fill retirements or employees moving to new positions, or other highly qualified personnel. In addition, legal, regulatory or compliance matters create significant distraction or diversion of significant or unanticipated resources or attention that could have a material adverse effect on the responsibilities and retention of qualified employees.

We could experience a failure of a key information technology system, process or site or a breach of information security, including a cybersecurity breach or failure of one or more key information technology systems, networks, processes, associated sites or service providers.	We rely extensively on information technology (IT) systems to conduct business. In addition, we rely on networks and services, including internet sites, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third-parties or their vendors, to assist in conducting our business. Numerous and evolving cybersecurity threats pose potential risks to the security of our IT systems, networks and services, as well as the confidentiality, availability and integrity of our data. While we have made investments seeking to address these threats, including monitoring of networks and systems, hiring of experts, employee training and security policies for employees and third-party providers, the techniques used in these attacks change frequently and may be difficult to detect for periods of time and we may face difficulties in anticipating and implementing adequate preventative measures. If our IT systems are damaged or cease to function properly, the networks or service providers we rely upon fail to function properly, or we or one of our third-party providers suffer a loss or disclosure of our business or stakeholder information due to any number of causes ranging from catastrophic events or power outages to improper data handling or security breaches and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action. Enforcement of the General Data Protection Regulation ("GDPR") is effective as of May 2018. The GDPR is focused on the protection of personal data not merely the privacy of personal data. The GDPR creates a range of new compliance obligations and will significantly increase financial penalties for noncompliance (including possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the most serious infringements).

Quantitative and Qualitative Disclosures Relative to Certain Risks

In the ordinary course of business, we are exposed to various risks, including, but not limited to, interest rate, foreign currency, and commodity risks. These risks are described in the sections that follow.

INTEREST RATE RISK

As of March 31, 2018, we had $988.2 million in fixed rate senior notes outstanding. As of March 31, 2018, we had $331.2 million in outstanding borrowings under our Credit Agreement. Borrowings under the Credit Agreement are exposed to changes in interest rates. We monitor our interest rate risk, but do not engage in any hedging activities using derivative financial instruments. For additional information regarding our debt structure, refer to Note 21 to our Consolidated Financial Statements titled, "Debt."

FOREIGN CURRENCY RISK

We are exposed to the impact of foreign currency exchange fluctuations. This foreign currency exchange risk arises when we conduct business in a currency other than the U.S. dollar. For most operations, local currencies have been determined to be the functional currencies. The financial statements of subsidiaries are translated to their U.S. dollar equivalents at end-of-period exchange rates for assets and liabilities and at average currency exchange rates for revenues and expenses. Translation adjustments for subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) within equity. Note 7 to our consolidated financial statements titled, "Accumulated Other Comprehensive Income (Loss)," contains additional information about the impact of translation on accumulated other comprehensive income (loss) and equity. Transaction gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized in the Consolidated Statements of Income. Since we operate internationally and approximately 30% of our revenues and 40% of our cost of revenues are generated outside the United States, foreign currency exchange rate fluctuations can significantly impact our financial position, results of operations, and competitive position.

We enter into foreign currency forward contracts to hedge monetary assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. At March 31, 2018, we held foreign currency forward contracts to buy 13.0 million Canadian dollars.

COMMODITY RISK

We are dependent on basic raw materials, sub-assemblies, components, and other supplies used in our operations. Our financial results could be affected by the availability and changes in prices of these materials. Some of these materials are sourced from a limited number of suppliers or only a single supplier. These materials are also key source materials for our competitors. Therefore, if demand for these materials rises, we may experience increased costs and/or limited or unavailable supplies. As a result, we may not be able to acquire key production materials on a timely basis, which could impact our ability to produce products and satisfy incoming sales orders on a timely basis. In addition, the costs of these materials can rise suddenly and result in significantly higher costs of production. We believe that we have adequate sources of supply for many of our key materials and energy sources. Where appropriate, we enter into long-term supply contracts as a basis to guarantee a reliable supply. We may also enter into commodity swap contracts to hedge price changes in a certain commodity that impacts raw materials included in our cost of revenues. At March 31, 2018, we held commodity swap contracts to buy 592,460 pounds of nickel.

BUSINESS REVIEW

In this Business Review section of our Strategic Report, we explain the general financial condition and the results of operations for STERIS and its subsidiaries including:

- what factors affect our business;
- what our earnings and costs were;
- why those earnings and costs were different from the year before;
- where our earnings came from;
- how this affects our overall financial condition;
- what our expenditures for capital projects were; and
- where cash will come from to fund future debt principal repayments, growth outside of core operations, repurchase ordinary shares, pay cash dividends and fund future working capital needs.

KEY PERFORMANCE INDICATORS

Definitions.

We sometimes use the following financial measures in the context of this report: backlog; debt-to-total capital; days sales outstanding: and free cash flow. We define these financial measures as follows:

- Backlog – We define backlog as the amount of unfilled capital equipment purchase orders at a point in time. We use this figure as a measure to assist in the projection of short-term financial results and inventory requirements.
- Debt-to-total capital – We define debt-to-total capital as total debt divided by the sum of total debt and shareholders' equity. We use this figure as a financial liquidity measure to gauge our ability to borrow and fund growth.
- Days sales outstanding ("DSO") – We define DSO as the average collection period for accounts receivable. It is calculated as net accounts receivable divided by the trailing four quarters' revenues, multiplied by 365 days. We use this figure to help gauge the quality of accounts receivable and expected time to collect.
- Free cash flow – We define free cash flow as net cash provided by operating activities as presented in the Consolidated Statement of Cash Flows less purchases of property, plant, equipment, and intangibles plus proceeds from the sale of property, plant, equipment, and intangibles, which are also presented in the Consolidated Statement of Cash Flows. We use this as a measure to gauge our ability to fund future debt principal repayments and growth outside of core operations, repurchase shares, and pay cash dividends.

We separately present revenues generated as either product revenues or service revenues on our Consolidated Statement of Income for each period presented. When we discuss revenues, we may, at times, refer to revenues summarized in other ways. The terminology, definitions, and applications of terms that we use to describe revenues may be different from terms used by other companies. We use the following terms to describe revenues:

- Revenues – Our revenues are presented net of sales returns and allowances.
- Product Revenues – We define product revenues as revenues generated from sales of consumable and capital equipment products.
- Service Revenues – We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of our capital equipment. Service revenues also include hospital sterilization services, instrument and scope repairs, and linen management as well as revenues generated from contract sterilization and laboratory services offered through our Applied Sterilization Technologies segment. Linen management services were divested in fiscal 2017.
- Capital Equipment Revenues – We define capital equipment revenues as revenues generated from sales of capital equipment, which includes steam sterilizers, low temperature liquid chemical sterilant processing systems, including SYSTEM 1 and 1E, washing systems, VHP® technology, water stills, and pure steam generators; surgical lights and tables; and integrated OR.
- Consumable Revenues – We define consumable revenues as revenues generated from sales of the consumable family of products, which includes SYSTEM 1 and 1E consumables, V-Pro consumables, gastrointestinal endoscopy

accessories, sterility assurance products, skin care products, cleaning consumables, barrier product solutions and surgical instruments.

- Recurring Revenues – We define recurring revenues as revenues generated from sales of consumable products and service revenues.

We, at times, also refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparisons between the periods presented. These non-GAAP financial measures are not intended to be, and should not be, considered separately from or as an alternative to the most directly comparable GAAP financial measures.

These non-GAAP financial measures are presented with the intent of providing greater transparency to supplemental financial information used by management and the Board of Directors in their financial analysis and operational decision-making. These amounts are disclosed so that the reader has the same financial data that management uses with the belief that it will assist investors and other readers in making comparisons to our historical operating results and analyzing the underlying performance of our operations for the periods presented.

We believe that the presentation of these non-GAAP financial measures, when considered along with our GAAP financial measures and the reconciliation to the corresponding GAAP financial measures, provide the reader with a more complete understanding of the factors and trends affecting our business than could be obtained absent this disclosure. It is important for the reader to note that the non-GAAP financial measure used may be calculated differently from, and therefore may not be comparable to, a similarly titled measure used by other companies.

Highlights.

Revenues increased $7.2 million, or 0.3%, to $2,620.0 million for the year ended March 31, 2018, as compared to $2,612.8 million for the year ended March 31, 2017. The increase reflects organic revenue growth within all business segments, the favorable impact of our recent acquisitions and the positive impact of fluctuations in currencies, which more than offset the impact of our recent divestitures.

Fiscal 2018 operating income increased 77.3% to $403.5 million over the fiscal 2017 operating income of $227.6 million. The increase is attributable to gross profit improvements, recent acquisitions, and lower acquisition and integration related expenses. Fiscal 2017 was also negatively impacted by losses from the divestiture of certain non-core operations and a goodwill impairment loss.

Net cash flows from operations were $457.6 million and free cash flow was $294.3 million in fiscal 2018 compared to net cash flows from operations of $424.1 million and free cash flow of $256.0 million in fiscal 2017. Cash flow from operations and free cash flow increased primarily due to higher earnings and lower requirements to fund operating assets and liabilities. Our debt-to-total capital ratio was 29.1% at March 31, 2018. During the year, we increased our quarterly dividend for the twelfth consecutive year to $0.31 per share per quarter.

At March 31, 2018, we had a backlog of $193.9 million. Of this amount, $133.0 million and $60.8 million related to our Healthcare Products and Life Sciences segments, respectively. At March 31, 2017, we had backlog orders of $162.9 million. Of this amount, $109.7 million and $53.2 million related to our Healthcare Products and Life Sciences segments, respectively. A significant portion of the backlog orders at March 31, 2018, is expected to ship in the 2019 fiscal year.

RESULTS OF OPERATIONS

In the following subsections, we discuss our earnings and the factors affecting them. We begin with a general overview of our operating results and then separately discuss earnings for our operating segments.

FISCAL 2018 AS COMPARED TO FISCAL 2017

Revenues. The following table compares our revenues, in total and by type and geography, for the year ended March 31, 2018 to the year ended March 31, 2017:

(dollars in thousands)	Years Ended March 31, 2018	Years Ended March 31, 2017	Change	Percent Change
Total revenues	**$ 2,619,996**	$ 2,612,756	$ 7,240	0.3 %
Revenues by type:				
Service revenues	**1,399,363**	1,414,437	(15,074)	(1.1)%
Consumable revenues	**581,563**	558,834	22,729	4.1 %
Capital equipment revenues	**639,070**	639,485	(415)	(0.1)%
Revenues by geography:				
United Kingdom revenues	**207,514**	229,603	(22,089)	(9.6)%
United States revenues	**1,836,414**	1,803,457	32,957	1.8 %
Other foreign revenues	**576,068**	579,696	(3,628)	(0.6)%

Revenues increased $7.2 million, or 0.3%, to $2,620.0 million for the year ended March 31, 2018, as compared to $2,612.8 million for the year ended March 31, 2017. This increase is primarily attributable to organic growth within all business segments, favorable pricing, the benefit of acquisitions and the positive impact of fluctuations in currencies. These increases were largely offset by the impact of our recent divestitures.

Service revenues for fiscal 2018 decreased $15.1 million, or 1.1%, over fiscal 2017, as the impact of recent divestitures more than offset increases in other service offerings. Consumable revenues increased $22.7 million, or 4.1%, during fiscal 2018 over fiscal 2017, reflecting growth within the Healthcare Products and Life Sciences business segments, which more than offset the impact of the divestitures of the AIC product line and HCS business within the Healthcare Products segment. Capital equipment revenues decreased by $0.4 million, or 0.1%, during fiscal 2018 as compared to fiscal 2017, reflecting a decline in revenues from the Healthcare Products segment, which was offset by growth in revenues from the Life Sciences segment.

United Kingdom revenues for fiscal 2018 were $207.5 million, a decrease of $22.1 million, or 9.6%, over fiscal 2017 revenues of $229.6 million, reflecting a 11.1% decline in service revenues, primarily resulting from our fiscal 2017 divestitures of our laboratory and linen management services.

United States revenues for fiscal 2018 were $1,836.4 million, an increase of $33.0 million, or 1.8%, over fiscal 2017 revenues of $1,803.5 million. Strength in Life Sciences capital equipment and service offerings within the Healthcare Products, Life Sciences and Applied Sterilization Technologies segments more than offset the negative impact of the decline in capital equipment revenues from the Healthcare Products segment and the recent divestitures.

Revenues from other foreign locations for fiscal 2018 were $576.1 million, a decrease of 0.6% over the fiscal 2017 revenues of $579.7 million, primarily due to the fiscal 2017 divestiture of the Netherlands Linen Management Services, which more than offset growth in Canada and in the Asia Pacific and Latin America regions.

Gross Profit. The following table compares our gross profit for the year ended March 31, 2018 to the year ended March 31, 2017:

(dollars in thousands)	Years Ended March 31, 2018	2017	Change	Percent Change
Gross profit:				
Product	**$ 574,456**	$ 574,299	$ 157	NM
Service	**519,767**	451,333	68,434	15.2%
Total gross profit	**$ 1,094,223**	$ 1,025,632	$ 68,591	6.7%
Gross profit percentage:				
Product	**47.1%**	47.9%		
Service	**37.1%**	31.9%		
Total gross profit percentage	**41.8%**	39.3%		

Our gross profit is affected by the volume, pricing and mix of sales of our products and services, as well as the costs associated with the products and services that are sold. Our gross profit increased $68.6 million and gross profit percentage increased 250 basis points to 41.8% for fiscal 2018 as compared to 39.3% for fiscal 2017. The increase in our gross profit percentage was due to the favorable impact of the divestiture of lower margin operations (190 basis points), favorable mix (60 basis points), and favorable pricing (30 basis points) which were partially offset by the negative impact of currencies (30 basis points).

Operating Expenses. The following table compares our operating expenses for the year ended March 31, 2018 to the year ended March 31, 2017:

(dollars in thousands)	Years Ended March 31, 2018	2017	Change	Percent Change
Operating expenses:				
Selling, general, and administrative	**$ 615,337**	$ 593,495	$ 21,842	3.7 %
Net loss on divestitures	**14,547**	86,574	(72,027)	NM
Goodwill impairment loss	**—**	58,356	(58,356)	NM
Research and development	**60,782**	59,397	1,385	2.3 %
Restructuring expenses	**103**	215	(112)	NM
Total operating expenses	**$ 690,769**	$ 798,037	$ (107,268)	(13.4)%

NM - Not meaningful

Selling, General, and Administrative Expenses. 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. SG&A slightly increased by 3.7% in fiscal 2018 over fiscal 2017.

Net loss on divestitures. Net loss on divestitures was $14.5 million and $86.6 million in fiscal 2018 and 2017, respectively. Additional information regarding net loss on divestitures is included in Note 10 to our consolidated financial statements titled, "Business Acquisitions and Divestitures".

Goodwill impairment loss. Goodwill impairment loss of $58.4 million was recorded during fiscal 2017 as a result of our annual goodwill impairment review in the third quarter relative to the Synergy Health Netherlands linen management reporting unit.

Research and Development. Research and development expenses increased $1.4 million during fiscal 2018, as compared to fiscal 2017. 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. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological platform innovations. During fiscal 2018, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of sterile processing combination technologies, procedural products and accessories, and devices and support accessories used in gastrointestinal endoscopy procedures.

Non-Operating Expenses, Net. Non-operating expense (income), net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous expense. The following table compares our non-operating expense (income), net for the year ended March 31, 2018 to the year ended March 31, 2017:

(dollars in thousands)	Years Ended March 31, 2018	2017	Change
Non-operating expenses, net:			
Interest expense	**$ 50,629**	$ 44,520	$ 6,109
Interest income and miscellaneous expense	**(2,157)**	(1,571)	(586)
Non-operating expenses, net	**$ 48,472**	$ 42,949	$ 5,523

Interest expense increased $6.1 million during fiscal 2018 as compared to 2017. This increase was primarily due to an increase in the proportion of higher-cost, fixed rate debt following the issuance and sale of senior notes in a private placement to certain investors on February 27, 2017. Interest income and miscellaneous expense is immaterial.

Additional information regarding our outstanding debt is included in Note 21 to our consolidated financial statements titled, "Debt".

Income Tax Expense. The following table compares our income tax expense and effective income tax rates for the years ended March 31, 2018 and March 31, 2017:

(dollars in thousands)	Years Ended March 31, 2018	2017	Change	Percent Change
Income tax expense	**$ 63,360**	$ 74,015	$ (10,655)	(14.4)%
Effective income tax rate	**17.8%**	40.1%		

The effective income tax rate for fiscal 2018 was 17.8% as compared to 40.1% for fiscal 2017. The fiscal 2018 effective tax rate decreased when compared to fiscal 2017 primarily due to the TCJA impact and non-recurring nondeductible costs related to divestitures. Additional information regarding our income tax expense is included in Note 6 to our consolidated financial statements titled, "Income Taxes."

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). The SEC staff issued Staff Accounting Bulletin No.118 ("SAB 118"), which provides guidance on accounting for the tax effects of the TCJA. SAB 118, provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under Accounting Standards Codification ("ASC") Topic 740, Income Taxes. Our accounting for the various elements of the TCJA is incomplete. However, in accordance with SAB 118 guidance, we were able to make what we believe to be reasonable estimates of certain effects and therefore recorded a provisional net tax benefit of approximately $18.9 million related to the reduction of the U.S. federal corporate income tax rate and the deemed repatriation transition tax. While we were able to make what we believe to be reasonable estimates of the tax rate reduction and transition tax effects, both items may be affected by other analyses related to the TCJA as well as actual activities to occur in the remainder of the Company's measurement period. We are continuing to gather information and will reflect final effects within the measurement period permitted by SAB 118.

Business Segment Results of Operations. We operate and report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Non-allocated operating costs that support the entire Company and items not indicative of operating trends are excluded from segment operating income.

Our Healthcare Products segment offers infection prevention and procedural solutions for healthcare providers worldwide, including consumable products, equipment maintenance and installation services, and capital equipment.

Our Healthcare Specialty Services segment provides a range of specialty services for healthcare providers including hospital sterilization services and instrument and scope repairs. Linen Management Services were divested in fiscal 2017.

Our Life Sciences segment offers consumable products, equipment maintenance, specialty services and capital equipment primarily for pharmaceutical manufacturers.

Our Applied Sterilization Technologies segment offers contract sterilization and laboratory services primarily for medical device and pharmaceutical Customers.

Certain minor organizational changes were made to better align with our Customers, resulting in several smaller operations shifting among the segments. The prior period revenues and operating income measures have been recast for comparability.

The accounting policies for reportable segments are the same as those for the consolidated Company. Management will evaluate performance and allocate resources based on a segment operating income measure. Operating income (loss) for each segment is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which result in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. These allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare Products segment is responsible for the management of all but two manufacturing facilities and uses standard cost to sell products to the other segments. Corporate and other includes certain non-allocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits. Segment operating income excludes certain adjustments which include acquisition related costs, amortization of acquired intangibles, restructuring costs and other charges that management believes may or may not recur with similar materiality or impact on operating income in future periods. Management believes that by adjusting for these items they gain better insight and greater transparency of the operating performance of the segments, thus aiding them in more meaningful financial trend analysis and operational decision making. For more information regarding our segments please refer to Note 2 to our consolidated financial statements titled "Business Segment Information".

The following table compares business segment and Corporate and other revenues and operating income for the year ended March 31, 2018 to the year ended March 31, 2017:

(dollars in thousands)	Years ended March 31, 2018	2017	Change	Percent Change
Revenues:				
Healthcare Products	**$ 1,276,054**	$ 1,266,517	$ 9,537	0.8 %
Healthcare Specialty Services	**469,065**	539,536	(70,471)	(13.1)%
Life Sciences	**361,590**	328,866	32,724	10.0 %
Applied Sterilization Technologies	**513,287**	477,837	35,450	7.4 %
Total revenues	**$ 2,619,996**	$ 2,612,756	$ 7,240	0.3 %
Operating income (loss):				
Healthcare Products	**221,795**	227,707	(5,912)	(2.6)%
Healthcare Specialty Services	**28,910**	10,573	18,337	173.4 %
Life Sciences	**106,737**	97,180	9,557	9.8 %
Applied Sterilization Technologies	**173,375**	158,379	14,996	9.5 %
Corporate	**(17,439)**	(17,307)	(132)	NM
Total operating income before adjustments	**$ 513,378**	$ 476,532	$ 36,846	7.7 %
Less: Adjustments				
Goodwill impairment loss (1)	**—**	58,356		
Amortization of inventory and property "step up" to fair value (2)	**1,599**	4,743		
Amortization and impairment of purchased intangible assets (2)	**67,793**	66,398		
Acquisition related transaction and integration charges (3)	**16,211**	30,082		
Loss (gain) on fair value adjustment of acquisition related contingent consideration	**(593)**	2,569		
Net loss on divestiture of businesses (2)	**14,547**	86,574		
Impact of the TCJA (4)	**10,264**	—		
Restructuring charges	**103**	215		
Total operating income	**$ 403,454**	$ 227,595		

(1) For more information regarding our goodwill impairment loss see Note 9 to our consolidated financial statements titled, "Goodwill and Intangible Assets".
(2) For more information regarding our recent acquisitions and divestitures see Note 10 to our consolidated financial statements titled, "Business Acquisitions and Divestitures".
(3) Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
(4) Represents a one-time special employee bonus paid to most U.S. employees and associated professional fees.

Healthcare Products revenues increased 0.8% in the fiscal 2018 year, as compared to fiscal 2017, reflecting growth in consumable and service revenues of 2.2% and 7.2%, respectively, which were partially offset by a 4.0% decline in capital equipment revenues. The increase was attributable to organic growth, acquisitions and the positive impact of fluctuations in currencies, and was partially offset by divestitures. At March 31, 2018, the Healthcare Products segment's backlog amounted to $133.0 million, increasing $23.3 million, or 21.3%, compared to the backlog of $109.7 million at March 31, 2017.

Healthcare Specialty Services revenues decreased 13.1% in the fiscal 2018 year, as compared to fiscal 2017. The negative impact of the divestitures was partially offset by organic growth and the positive impact of fluctuations in currencies.

Life Sciences revenues increased 10.0% in the fiscal 2018 year, as compared to fiscal 2017, reflecting growth of 19.6%, 5.2% and 8.6% in capital equipment, consumable and service revenues, respectively. The increase was primarily attributable to organic growth and the positive impact of fluctuations in currencies. Life Sciences backlog at March 31, 2018 amounted to $60.8 million, increasing $7.7 million compared to the backlog of $53.2 million at March 31, 2017.

Applied Sterilization Technologies revenues increased 7.4% in the fiscal year 2018, as compared to fiscal 2017. Revenues in fiscal 2018 were favorably impacted by increased volume from our core medical device Customers and the positive impact of fluctuations in currencies, which was partially offset by the impact of the divestitures.

The Healthcare Products segment’s operating income decreased $5.9 million to $221.8 million in fiscal year 2018, as compared to $227.7 million in fiscal year 2017. The segment's operating margin was 17.4% for fiscal year 2018 compared to 18.0% for fiscal year 2017. The decrease in operating income in fiscal 2018 was primarily due to increased spending on research and development, negative fluctuations in currencies, and higher allocated corporate costs, which more than offset organic growth.

The Healthcare Specialty Services segment’s operating income increased $18.3 million to $28.9 million for fiscal year 2018 as compared to $10.6 million in fiscal year 2017. The segment’s operating margin was 6.2% for fiscal year 2018 compared to 2.0% for fiscal year 2017. The increase in operating income in fiscal 2018 was primarily due to the divestiture of the low margin Linen Management Services operations and growth in retained businesses.

The Life Sciences business segment’s operating income increased $9.6 million to $106.7 million for fiscal year 2018 as compared to $97.2 million in fiscal year 2017. The segment’s operating margin was 29.5% for fiscal year 2018 compared to 29.6% for fiscal year 2017. The increase in operating income in fiscal 2018 was primarily attributable to higher volume which was partially offset by unfavorable product mix.

The Applied Sterilization Technologies segment’s operating income increased $15.0 million to $173.4 million for fiscal year 2018 as compared to $158.4 million for fiscal year 2017. The Applied Sterilization Technologies segment's operating margin was 33.8% for fiscal year 2018 compared to 33.1% for fiscal year 2017. The segment’s operating income increase in fiscal 2018 over fiscal 2017 was primarily due to increased volume from the segment’s core medical device Customers.

LIQUIDITY AND CAPITAL RESOURCES

We define free cash flow as net cash provided by operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles plus proceeds from the sale of property, plant, equipment, and intangibles, which are also presented within investing activities in the Consolidated Statements of Cash Flows. We use this as a measure to gauge our ability to fund future debt principal repayments and growth outside of core operations, repurchase shares, and pay cash dividends. The following table summarizes the calculation of our free cash flow for the years ended March 31, 2018 and 2017:

(dollars in thousands)	Years Ended March 31, 2018	2017
Net cash flows provided by operating activities	**$ 457,632**	$ 424,086
Purchases of property, plant, equipment and intangibles, net	**(165,457)**	(172,901)
Proceeds from the sale of property, plant, equipment and intangibles	**2,094**	4,846
Free cash flow	**$ 294,269**	$ 256,031

The following table summarizes significant components of our cash flows for the years ended March 31, 2018 and 2017:

(dollars in thousands)	Years Ended March 31, 2018	2017
Net cash provided by operating activities	**$ 457,632**	$ 424,086
Net cash used in investing activities	**(203,829)**	(104,255)
Net cash (used in) provided by financing activities	**(356,184)**	(267,099)
Debt-to-total capital ratio	**29.1%**	34.6%
Free cash flow	**$ 294,269**	$ 256,031

Net Cash Provided By Operating Activities – The net cash provided by our operating activities was $457.6 million for the year ended March 31, 2018 compared to $424.1 million for the year ended March 31, 2017 . The following discussion summarizes the significant changes in our operating cash flows for the years ended March 31, 2018 and 2017:

- Net cash provided by operating activities increased 7.9% in fiscal 2018 compared to fiscal 2017. The improvement is primarily due to higher earnings and lower requirements to fund operating assets and liabilities.

Net Cash Used In Investing Activities – The net cash used in our investing activities was $203.8 million for the year ended March 31, 2018, compared to $104.3 million for the year ended March 31, 2017. The following discussion summarizes the significant changes in our investing cash flows for the years ended March 31, 2018 and 2017:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures totaled $165.5 million during fiscal 2018 and $172.9 million during fiscal 2017.
- Proceeds from the sale of business – During fiscal 2018 and 2017, we received $8.9 million and $135.7 million, respectively, for the proceeds from the sale of certain non-core businesses. For more information, refer to our Note 10 to our consolidated financial statements, titled "Business Acquisitions and Divestitures".
- Investments in business, net of cash acquired – During fiscal 2018 and 2017 we used $46.3 million and $65.6 million respectively, for acquisitions. For more information on these acquisitions refer to Note 10 to our consolidated financial statements titled, "Business Acquisitions and Divestitures".
- Purchases of investments – During fiscal 2017, we invested an additional $6.4 million in the common stock of Servizi Italia, S.p.A., a leading provider of integrated linen washing and outsourced sterile processing services to hospital Customers.
- Other – In connection with the Netherlands Linen Management Services divestiture, we entered into a loan agreement to provide financing to the buyer for a period of 15 years. During fiscal 2018, we provided $3.1 million under this agreement. For more information on these acquisitions refer to Note 10 to our consolidated financial statements titled, "Business Acquisitions and Divestitures".

Net Cash (Used In) Provided By Financing Activities – Net cash used in financing activities was $356.2 million for the year ended March 31, 2018, compared to net cash used by financing activities of $267.1 million for March 31, 2017. The following discussion summarizes the significant changes in our financing cash flows for the years ended March 31, 2018 and 2017:

- Proceeds from the issuance of long-term obligations – On February 27, 2017, we issued and sold to various institutional investors fixed-rate Series A Senior Notes, in the aggregate principal amount of $95.0 million, €99.0 million, and £75.0 million or a total of approximately $293.7 million. We provide additional information about our debt structure in Note 21 to our consolidated financial statements titled, “Debt”.
- Payments on long-term obligations - During fiscal 2018 and fiscal 2017, we repaid $222.5 million and $172.5 million on our bank term loan.
- Proceeds under credit facilities, net – At the end of fiscal 2018, $331.2 million of debt was outstanding under our bank credit facility, compared to $521.6 million of debt outstanding under this facility at the end of fiscal 2017. We provide additional information about our bank credit facility including the fiscal 2018 refinancing in Note 21 to our consolidated financial statements titled, “Debt”.
- Repurchases of shares – During fiscal 2018, we purchased 656,663 of our ordinary shares in the aggregate amount of $58.5 million, which included $0.3 million of taxes and commissions. We also obtained 127,903 of our ordinary shares in connection with our stock-based compensation award programs in the amount $7.0 million during fiscal 2018. During fiscal 2017, we purchased 1,286,183 of our ordinary shares in the aggregate amount of $90.5 million, which included $0.5 million of taxes and commissions. We also obtained 168,906 of our ordinary shares in connection with our stock-based compensation award programs in the amount $7.0 million. We provide additional information about our share repurchases in Note 16 to our consolidated financial statements titled, “Repurchases of Ordinary Shares.”
- Deferred financing fees and debt issuance costs - We paid $2.0 million, and $1.1 million in fiscal 2018 and 2017, respectively, for financing fees and debt issuance costs related to our Credit Agreement, Private Placement debt, and former Bridge Credit Agreement. For more information on our debt refer to Note 21 to our consolidated financial statements titled, "Debt".
- Cash dividends paid to ordinary shareholders – During fiscal 2018, we paid cash dividends totaling $102.9 million or $1.21 per outstanding share. During fiscal 2017, we paid cash dividends totaling $93.2 million or $1.09 per outstanding share.

- Stock option and other equity transactions, net – We generally receive cash for issuing shares upon the exercise of options under our employee stock option program. During fiscal 2018 and fiscal 2017, we received cash proceeds totaling $11.1 million, and $5.0 million, respectively, under these programs. During fiscal 2018 we also paid dividends in the amount of $1.4 million to minority interest shareholders.

Cash Flow Measures. Free cash flow was $294.3 million in fiscal 2018 compared to $256.0 million in fiscal 2017. The increase in cash flow from operations and free cash flow was primarily due to higher earnings and lower requirements to fund operating assets and liabilities.

ENVIRONMENT

Environmental stewardship inspires us to reinvent the way we innovate and operate. As part of the global community, we're committed to providing our Customers with environmentally responsible solutions that help them meet their goals, so they can focus on what they do best - providing the highest quality patient care.

Our Environmental stewardship initiatives encompass our products and solutions, company operations and social responsibility. We are committed to helping protect the environment and communities in which we operate. Our environmental stewardship focus is explained on our website at www.steris.com/about/stewardship.

CORPORATE SOCIAL RESPONSIBILITY

We recognize the importance of corporate social responsibility and understand that we have a broader obligation to manage our business in a responsible and sustainable way for all of our stakeholders. Our Code of Business Conduct sets the standard for legal and ethical behavior, addressing things like bribery and corruption, supply chain transparency, proper behavior in the workplace, and avoiding conflicts of interest. Our code of conduct is built upon our mission to help our Customers create a healthier and safer world by providing innovative healthcare and life science product and service solutions around the globe. We are committed to the highest professional, ethical and safety standards, and we encourage and support all of our people in having a positive impact in everything they do, whether it is in the workplace or the local community. We recognize the importance of managing day-to-day activities in a responsible way, being accountable for the impact of all operational activities on the environment and on those around us, and creating a working environment in which our people throughout the world have the opportunity to learn, grow and perform.

Our stakeholders include:

- Our Customers
- Our People
- Our Shareholders

Our commitment to sustainability is explained on our website at https://www.steris.com/sustainability/indexd.cfm.

Our Values. Our vision is inspired by our Customers' efforts to create a healthier and safer world, and guided by our legacy of leadership and innovation; we strive to be a great company. To us, this means we will make a difference by providing world-class product and service solutions for our Customers, safe and rewarding work for our people, and superior returns for our shareholders. Our culture ties to our guiding principles, our core values. Our values are more than just words on paper, they are in our DNA. Our values help mold the way we work together to serve our Customers:

- **Customer First**-Always
- **People**-the foundation
- **Innovation**-the best
- **Teamwork**-winning together
- **Accountability**-right now
- **Integrity**-stewardship commitment

Caring for our Customers

We are making a difference for our Customers every day. Everything we do, and everything we think about, is about how we can help our Customers improve productivity, increase efficiency and enhance the safety of patients, caregivers and products.

Caring for our People

Health and Safety. Throughout the communities in which we operate,we provide meaningful jobs with market-competitive wages and benefits.We are also fully committed to providing a safe workplace. The safety of our employees, Customers and other people who may be affected by our activities is a key priority. We constantly strive to improve and adopt an approach of continuous review and enhancement. Our safety culture is based upon these beliefs:

- Training employees to work safely is essential.
- Frequent management audits are a must.
- All workplace exposures can be safeguarded.
- Working safely is a condition of employment.
- Prevention of personal injuries is good business.
- Promotion of off-the-job safety contributes to a safer workplace.

Our World Class Safety Excellence strategy is explained on our website at https://www.steris.com/about/hse/safety.cfm.

Employee Development and Retention. Our success is based on our ability to attract, develop and retain quality talent at all levels of the organization. We are committed to the safety and success of our people. We continue to invest in STERIS University, which reinforces our commitment and value to our people. STERIS University was created to support our associates' professional growth and development and promote the many offerings that are available to our employees and Customers globally. STERIS University provides our Customers and associates throughout the world an opportunity to enhance their learning and development through various training methods, including: online learning, classroom, seminars, webinars as well as resources and reference materials. We expect the performance of every person to continually improve with personal initiative and proper support.We strive to protect our people’s jobs whenever possible. We care deeply about our people and their overall level of engagement. We routinely look to capture new ideas as well as other opportunities for improvement by soliciting feedback from our teams. Every 12-18 months, we encourage all associates to participate in our Employee Engagement Survey. We work to take their input and continually improve. In 2017, over 80% of our people completed the survey. We are committed to educating and developing our people. This dedication to developing and retaining the best talent in the industry allows us to have a positive global impact on the healthcare and life science industries and the communities we serve.

Employee Engagement. Our policies and practices are designed to keep employees informed on matters relevant to them through regular updates of our internal employee website. We generally consider the needs of our employees when agreeing to policies which affect them.

We value the opinions, beliefs and ideas of our people-their contributions are the main source of value for our Customers and our Company. To help us continue to learn, we utilize a third party to conduct formal engagement surveys which we follow up with small employee group discussions. This process has been valuable in helping us recognize things we do well and foster an open conversation about how we can make STERIS an even better place to work. We encourage ongoing feedback and two-way communication supporting employees’ goals and overall performance.

Diversity. Diversity is a core belief of STERIS in how we succeed in our business. We recruit the best available people who are aligned with and embody our core values. We are committed to equality, assessing candidates based on qualifications. We believe that our future success is dependent on attracting and retaining people from a cross-section of our communities who understand their local markets, and in doing so we will create a competitive advantage for STERIS.

We give full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is our policy where practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion as appropriate.

Employee Gender

	March 31, 2018		March 31, 2017	
	Male	Female	Male	Female
Directors	9	2	9	2
Senior Managers	474	144	429	137
Employees of the Company	7,673	3,620	8,693	3,907

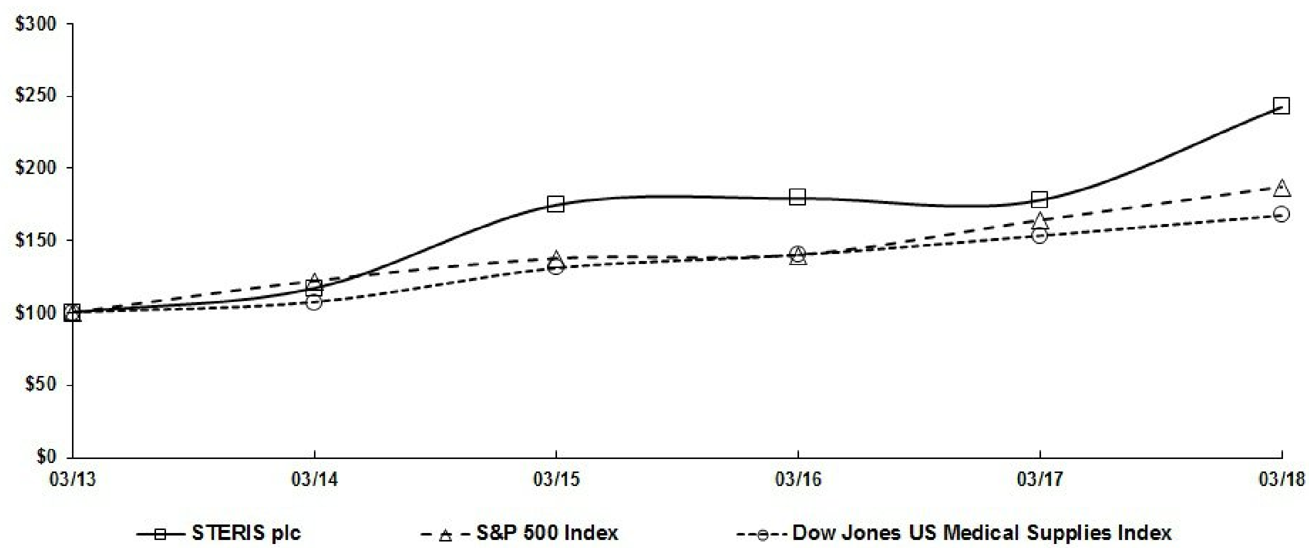
Ethics and Compliance. We require all employees to be lawful and ethically responsible in all business practices. We expect all employees to learn and comply with all company policies, applicable laws, and the principles outlined in our Code of Business Conduct. We have also established an integrity Helpline to report unethical or compliance related issues over the phone and/or via email. More information about our Code of Business Conduct can be found online at www.steris.com/about/codeofconduct.We hold a seat and actively participate on the Boards of AdvaMed and MDMA. AdvaMed has roughly 300 member companies and promotes policies that foster the highest ethical standards, timely patient access to safe and effective products, and economic policies that reward value creation. The AdvaMed Code of Ethics on Interactions with Health Care Professionals ("AdvaMed Code") facilitates ethical interactions between MedTech companies and health care professionals to ensure that medical decisions are based on the best interests of the patient. Our CEO is a long-term member of, and currently chairs, the AdvaMed Ethics Committee, which is responsible for the Code of Ethics. MDMA is the leading voice representing the interests of innovative and entrepreneurial medical technology companies. MDMA's goal is to provide patients and clinicians with timely access to safe and effective medical technologies that improve the quality of life. We oppose all forms of slavery, servitude, forced labor, and human trafficking. Using the STERIS Integrity Helpline or Webline, employees can anonymously report potential Code of Conduct concerns.

Caring for our Shareholders

Capital Allocation Priorities. We are committed to our disciplined capital allocation priorities; maintaining and growing our dividend responsibly relative to our growth, investing in organic businesses, targeting acquisitions in adjacent product and service offerings and share repurchases if other uses of cash are lower than our desired rate of return and do not offset dilution.

Total Return to Shareholders. We strive to deliver a total return to shareholders that exceeds the average market over the long-term. The following graph shows the cumulative performance for our shares over the last five years as of March 31 of each year compared with the performance of the Standard & Poor's 500 Index and Dow Jones U.S. Medical Supplies Index as of the same date. The graph assumes $100 invested as of March 31, 2013 in our shares and in each of the named indices. The past performance shown in this graph does not necessarily guarantee future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*



*$100 invested on 3/31/13 in stock or index, including reinvestment of dividends. Fiscal year ending March 31.

	3/13	3/14	3/15	3/16	3/17	3/18
STERIS plc	100.00	116.89	174.67	179.22	177.98	242.60
S&P 500 Index	100.00	121.86	137.37	139.82	163.83	186.75
Dow Jones US Medical Supplies Index	100.00	107.25	131.07	140.16	153.60	167.78

For and on behalf of the Board

J. Adam Zangerle
Company Secretary
Date: June 5, 2018
Registered Number 09257343

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Accounts for the year ended March 31, 2018.

Basis of Presentation

The Directors have elected to prepare the Consolidated Financial Statements in accordance with accounting principles generally acceptable in the United States of America (U.S. GAAP) as permitted by Statutory Instrument 2015 No. 1675, The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015 (SI 2015 No. 1675). The Report of the Directors and Consolidated Financial Statements have also been prepared in accordance with the Companies Act 2006 (the "Act").

The parent company balance sheet is prepared in accordance with the Act and U.K. Generally Accepted Accounting Practice Financial Reporting Standards 102 (U.K. GAAP) taking advantage of reduced disclosure exemptions as noted in Parent Company Note 1.

The accompanying consolidated financial statements include the accounts of STERIS plc, a U.K. company, and its controlled subsidiary companies. In this Report of the Directors, we use the terms "STERIS," "we," the "Company," "our" and "us" to refer to STERIS plc and its subsidiaries.

The Consolidated Financial Statements are based on the Company's Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on May 30, 2018 with the inclusion of additional disclosures as required by the Act.

Company Name and Domicile

STERIS plc is a public limited company organized under the laws of England and Wales.

Directors

The Directors who served during the year were:

John P. Wareham
Richard C. Breeden
Cynthia L. Feldmann
David B. Lewis
Jacqueline B. Kosecoff
Sir Duncan K. Nichol
Walter M Rosebrough, Jr.
Mohsen M. Sohi
Dr. Richard M. Steeves
Loyal W. Wilson
Michael B. Wood

Greenhouse Gas Emissions

At STERIS, our Environmental Stewardship and Sustainability Initiatives encompass our products and services, Company operations and social responsibility. We are committed to helping protect the environment and communities in which we operate. These initiatives are explained on our website at https://www.steris.com/about/company/.

Reporting Period - April 1, 2017 to March 31, 2018.

Operational Control Methodology - We have adopted the operational control method of reporting which includes those entities over which the Company has operational control. The emissions reported below are for the approximately 170 facilities and offices around the world where the Company exercises direct operational control. These emissions are those which are considered material to the Company. There were approximately 20 facilities excluded from the analysis.

Emissions Scopes - Mandatory greenhouse gas (GHG) reporting requires emissions associated with Scope 1 (direct emissions from combustion of fuel and operation of facilities) and Scope 2 (indirect emissions from purchased electricity, heating and cooling) to be reported. It is optional to report Scope 3 (indirect emissions from the inputs and outputs to the main business activity - i.e. supply chain and consumer/end-user related emissions). While we have not collected and presented Scope 3 data in this year's report, there is potential to do this in future years.

Methodology - Actual emissions data was used to complete the current year assessment for a majority of facilities under our operational control. For certain sites where actual emissions data was unavailable, we calculated the emissions data using the following assumptions:

- Known energy intensity (electricity kwh/sq ft and gas kwh per sq ft) was used to calculate electricity and gas consumption for sites where the only data available is floor area/capacity data.
- Refrigerant gas losses from air conditioning (fugitive scope 1 emissions) was not calculated due to lack of data. The expectation is that this would contribute a relatively small proportion to the overall footprint.
- For certain leased and shared sites for which data was unavailable, electricity and natural gas data were estimated based on the actual data entries for other sites with actual floor areas, and the energy intensity of these sites (kWh / sq ft).

STERIS plc's Emissions by Scope for the year ended March 31 (in tonnes of $CO2_e$):

	For the Year Ended March 31	
Scope	**2018**	**2017**
Scope 1	70,601	110,732
Scope 2	70,845	92,415
Total	141,446	203,147

Emissions Intensity - Emissions have also been calculated using an "intensity metric," which will assist the Company in monitoring how well it is controlling emissions on an annual basis, independent of fluctuations in the levels of its activity. For the Company the most suitable metric is "emissions per $M revenue" and "emissions per employee."

The Company's emissions per $M revenue are shown in the table below.

	Tonnes $CO2_e$/$M Revenue	
Scope	**2018**	**2017**
Scope 1	26.95	42.39
Scope 2	27.04	35.38
Total	53.99	77.77

The Company's emissions per employee are shown in the table below:

	Tonnes $CO2_e$/Employee	
Scope	**2018**	**2017**
Scope 1	5.93	8.79
Scope 2	5.95	7.33
Total	11.88	16.12

Political Donations

No political donations were made by the Company during fiscal 2018 or fiscal 2017.

Employees

Information relating to employees is incorporated herein by reference to the Employees section of the Strategic Report contained in this report, titled "Caring for Our People." Refer to Note 17 to the Consolidated Financial Statements included in this Annual Report and Accounts for further discussion of share based compensation programs.

Dividends

During fiscal 2018, we paid cash dividends totaling $102.9 million or $1.21 per outstanding share. During fiscal 2017, we paid cash dividends totaling $93.2 million or $1.09 per outstanding share.

In April 2018, the Board of Directors approved the declaration of an interim dividend to shareholders of $0.31 per ordinary share to be paid in June 2018 to shareholders of record as of the close of business on June 8, 2018.

Future dividends on STERIS plc ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of STERIS plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of STERIS plc may deem relevant, as well as our ability to pay dividends in compliance with the Act.

Acquisition of Own Shares

Shares may be repurchased from time to time through open market transactions, including 10b5-1 plans. The repurchase program may be suspended or discontinued at any time. During the year, the company repurchased and canceled 664,963 ordinary shares at an aggregate cost of $59.2 million, which included $0.3 million of taxes and commissions.

Further, the company obtained and canceled 127,903 £0.10 par value ordinary shares at a cost of $7.0 million in relation to employee share based compensation plans either as a result of service conditions not being met or surrendered to satisfy employee income tax withholding requirements.

Refer to Note 16 titled "Repurchase of Ordinary Shares" for further information regarding share repurchases.

The shares which have been redeemed make up less than 2% of total called up share capital.

Research and Development

Research and development is an important factor in our long-term strategy. For the years ended March 31, 2018 and 2017 research and development expenses were $60.8 million and $59.4 million, respectively. We incurred these expenses primarily for the research and development of commercial products. We are focused on introducing products that increase efficiencies for our Customers. We have new products throughout our business, including hydrogen peroxide sterilizers, washer disinfectors, steam sterilizers, consumables, including sterility assurance products, accessories for use in GI procedures and surgical products including the latest generation of operating room integration products.

Foreign Branches

The Company has foreign branches, they are not material in the context of the group.

Future Developments

The Directors do not anticipate that the Company's significant/material activities will change in the foreseeable future.

Directors Indemnity

The Company has entered into qualifying third party deeds of indemnity with each of its Directors. The Company has also entered into deeds of indemnity with certain executive officers. The deeds of indemnity provide that the Company will indemnify such persons to the maximum extent permitted by applicable law against all losses suffered or incurred by them, among other things, that arise out of or in connection with his or her appointment as a Director or officer, an act done, concurred in or omitted to be done by such person in connection with such person's performance of his or her functions as a Director or officer, or an official investigation, examination or other proceedings ordered or commissioned in connection with the affairs of the Company or any company in of which he or she is serving as a Director or officer at the request of the indemnifying company. These indemnities were in place during the financial year and at the date of approval of the financial statements.

Use of Financial Instruments

For more information on the Company's risk management process and the policies for mitigating certain types of risk refer to the section titled, "Quantitative and Qualitative Disclosures Relative to Certain Risks" in this Annual Report and Accounts. Details of the financial instruments used for these purposes are set out in Note 13 to the Consolidated Financial Statements.

Disclosure of Information to the Auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made inquiries of fellow Directors and the group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of Going Concern

The Directors have undertaken a going concern assessment having given consideration to the Financial Reporting Council's "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" published in 2016. As a result of this assessment, and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Auditor

In accordance with section 489 of the Act, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Significant Events Since Year End

This report was issued on June 5, 2018. The Company has evaluated events and transactions subsequent to the balance sheet date.

The Company is not aware of any events or transactions (other than those disclosed) that occurred subsequent to the balance sheet date but prior to June 5, 2018, that would require recognition or disclosure in its Consolidated Financial Statements or Parent Company Balance Sheet.

For and on behalf of the Board

J. Adam Zangerle
Company Secretary
Date: June 5, 2018
Registered Number 09257343

DIRECTORS' REMUNERATION REPORT

This report sets out the relevant disclosures relating to Directors' remuneration for the financial year ended March 31, 2018. The report has been prepared in accordance with the requirements of Schedule 8 of the U.K. Large and Medium-sized Companies & Groups (Accounts & Reports) Regulations 2008, as amended in 2013 (the “Regulations”), which apply to the Company. The relevant sections of the report have been audited by Ernst & Young LLP. The Company’s Annual Report on Directors' Remuneration for fiscal 2018 will be subject to an advisory vote at the forthcoming 2018 Annual General Meeting of Shareholders. The Company’s Annual Report on Directors' Remuneration for fiscal 2017 was approved by shareholders on an advisory basis at the Company’s 2017 Annual General Meeting. The Company’s Director Remuneration Policy (the “Policy”) was approved by the Company’s shareholders at the Company’s 2016 Annual General Meeting on August 2, 2016, effective as of meeting date, and will apply until the Annual General Meeting to be held in 2019. A copy of the Policy is attached as Appendix A to the Company’s 2016 Proxy Statement (Schedule 14A, filed with the SEC June 13, 2016), which may be found on the Company’s website at www.steris.com under “Investor Relations”, “Financials”, “SEC Filings”.

On November 2, 2015, the Company completed its combination (the “Combination”) with STERIS Corporation, which was in effect STERIS plc’s predecessor, and with Synergy Health plc. Pursuant to the Combination, Synergy Health plc became a direct wholly-owned subsidiary of the Company and STERIS Corporation became an indirect wholly-owned subsidiary of the Company. References in this report to the actions of “the Company”, “us”, “we” or “STERIS” (or its board of directors, committees of its board of directors, or any of its directors and/or officers) or any similar references relating to periods before the date of the Combination should be construed as references to the actions of STERIS Corporation (or, where appropriate, its board of directors, committees of its board of directors or its directors and/or officers), unless the context otherwise requires.

STATEMENT OF THE CHAIRMAN OF THE COMPENSATION COMMITTEE

Our remuneration programs are intended to support our business strategy and to align the financial interests of our executives with those of our shareholders over both the short-term and the long-term. These remuneration programs also are designed to support and promote the achievement of our goals and objectives by helping to recruit and retain executive talent required to successfully manage our business. Our executive compensation programs seek to align compensation with individual and Company performance to achieve the goals and objectives of the business by providing and balancing incentives for annual financial performance as well as the generation of long-term value, growth and profitability. Therefore, executive compensation is generally structured to provide a significant portion of the compensation opportunity on the basis of the long-term performance of STERIS stock, as well as business performance and other factors that influence shareholder value. The Committee believes that the design of our executive compensation programs provides appropriate incentives and alignment with the interests of our shareholders.

The most significant compensation decisions made or supported by the Compensation Committee during fiscal 2018 impacting the Executive Director and other Directors and other executive officers were as follows:

- Reviewing various types of potential performance based long-term equity award alternatives.
- Approving a change in the pricing of stock option grants for executives, including the Executive Director, beginning with the 2019 fiscal year, from grant date fair market value to 110% of grant date fair market value.
- Reviewing and revising the Company’s peer group to improve benchmarking for compensation decisions.
- Approving changes to the Company’s compensation arrangements for senior executives for fiscal 2018 intended to enhance the Company’s U.S. tax benefits.
- Amending the Company’s Management Incentive Compensation Plan effective April 1, 2018 for the purpose of creating a single plan covering all members of management, including executive officers, eligible for incentive compensation.
- Terminating the Company’s Senior Executive Management Incentive Compensation Plan effective for the fiscal year beginning April 1, 2018.

These decisions result from the Compensation Committee's ongoing monitoring of the alignment of our executive compensation programs to our goals, business strategies, and market trends.

Based upon compensation consultant recommendations and other considerations, the annual compensation of Non-Executive Directors was increased during fiscal 2018, effective as of the term office that began August 1, 2017, by $40,000 per Director. Any further compensation decisions in respect of the 2019 fiscal year will be discussed in the Director Remuneration Report for fiscal 2019. The Committee believes that the Company is well positioned for long-term shareholder value creation and that the Company’s remuneration programs will continue to achieve their purpose by linking pay to performance.

This Directors' Remuneration Report was approved by the Board on June 5, 2018.

Loyal Wilson
Chairman
Compensation Committee

THE COMPANY'S ANNUAL REPORT ON DIRECTORS' REMUNERATION

GOVERNANCE (unaudited)

Compensation Committee

The Compensation Committee assists the Company's Board of Directors in carrying out its overall responsibilities with regard to executive compensation, including oversight of the determination and administration of the Company's compensation philosophy, policies, and schemes for the Company's executive officers, including its Executive Director. The Compensation Committee annually reviews and determines the compensation of the Company's executive officers, including Mr. Rosebrough, the Company's President and Chief Executive Officer and sole Executive Director, subject to the input of the other independent members of the Board. The Compensation Committee consults with Mr. Rosebrough on, and directly approves, the compensation of other executive officers, including special hiring and severance arrangements. The Compensation Committee administers the Company's 2006 Long-Term Equity Incentive Plan, including approving the grant of equity awards to executive officers, including Mr. Rosebrough, and delegating authority to Mr. Rosebrough with respect to equity awards to less senior employees, and is responsible for interpretation of the plan. The Compensation Committee also has oversight responsibility with respect to the Company's other employee benefit programs. The Compensation Committee reviews compensation disclosures with respect to executives, including Executive Directors, contained in the Company's Annual Report on Form 10-K, proxy statement and this Directors' Remuneration Report.

During fiscal 2018, the members of the Committee were as follows:

- Loyal Wilson (Chair)
- Dr. Jacqueline Kosecoff
- Sir Duncan Nichol
- John Wareham
- Dr. Michael Wood

All of the above persons except Dr. Jacqueline Kosecoff were members of the Committee for all of fiscal 2018. Dr. Jacqueline Kosecoff became a member of the Compensation Committee on August 1, 2017. None of the members of the Compensation Committee is an executive officer of the Company and each member is independent, as such term is defined under the rules of the New York Stock Exchange and the Company's own independence standards.

Nominating and Governance Committee

Our Nominating and Governance Committee is responsible, among other matters, for periodically reviewing the compensation of our Non-Executive Directors and making recommendations to our Board of Directors. The Board of Directors has ultimate decision making authority with respect to its compensation.

The following persons were members of the Committee for all of fiscal 2018:

- Richard C. Breeden (Chair)
- Dr. Jacqueline Kosecoff
- David B. Lewis
- Dr. Mohsen M. Sohi

Sir Duncan Nichol became a Committee member in August, 2017.

None of the members of the Nominating and Governance Committee is an executive officer of the Company and each member is independent, as such term is defined under the rules of the New York Stock Exchange and the Company's own independence standards. The remuneration of the Company's Non-Executive Directors is considered by the Board as a whole with recommendations made by the Committee.

Compensation Consultant

Frederic W. Cook & Company, Inc. ("FW Cook") served as independent compensation consultant for the Compensation Committee for fiscal 2018. FW Cook was selected as replacement compensation consultant effective November 2, 2016, culminating a request for proposal process conducted by the Compensation Committee and the Chair of the Nominating and Governance Committee.

The compensation consultant reports directly to the Compensation Committee, except with respect to advisory compensation projects undertaken at the request of the Nominating and Governance Committee. The consultant does not advise Company management or receive other remuneration from the Company. The Committee annually reviews the independence of its compensation consultants pursuant to United States Securities & Exchange Commission and New York Stock Exchange Rules, and the Committee determined that no conflict of interest existed or exists that would prevent either from serving as an independent consultant to the Committee. Factors considered in determining that the consultant was independent included the following: fees received from the Company were an immaterial portion of the consultant's aggregate revenue, the consultant had in place policies and procedures to prevent conflicts of interest, the consultant had no business or personal relationship with any executive officer, and the consultant's representatives assigned to the Company, David Cole and Dana Etra, FW Cook partners, held no Company Ordinary Shares. The Compensation Committee's compensation consultant participates in all meetings of the Compensation Committee during which remuneration matters for the Executive Director and other executive officers are discussed and the consultant communicates between meetings with the Chairman of the Compensation Committee.

The consultant assisted the Compensation Committee in respect of fiscal 2018 by, among other things:

- providing insights and advice regarding the Company's remuneration philosophy, objectives and strategy for the Company's senior executive officers;
- reviewing and reassessing peer group criteria for the Company. (The peer group acts as a market check for executive officer and non-executive director remuneration purposes);
- reviewing, advising on and providing comments with respect to management's proposals for senior executive salaries, incentive compensation and long-term share-based incentive schemes;
- providing specific insights and advice regarding performance based equity compensation
- providing insights and advice regarding the Committee's analysis of risks arising from the Company's remuneration policies and practices;
- providing compensation data from proxies and other disclosures of peer group and other survey data for compensation benchmarking;
- advising on changes to certain of the Company's compensation plans intended to enhance the Company's U.S. tax benefits; and
- advising on various forms of performance based equity incentives for Company executives including the Executive Director.

The consultant also assisted the Nominating and Governance Committee by advising with respect to Non-Executive Director remuneration and providing compensation data from proxy statements and other disclosures and information concerning peer group and other companies for benchmarking. FW Cook also advised the Nominating and Governance Committee regarding competitive market compensation for Non-Executive Directors and made certain recommendations relating thereto.

The compensation consultant did not provide any services, other than those described above, to the Company during the 2018 fiscal year. A fixed fee of $43,750 was paid to FW Cook for the period from April 2017 through October 2017. A fixed fee of $52,083 was payable to FW Cook for the period November 2017 through March 2018. An aggregate of $95,833 in fixed fees was paid or is payable to FW Cook in respect of full fiscal 2018. An additional $33,683 has been paid or is payable to FW Cook for fiscal 2018 for out of scope services relating to performance based long-term equity incentive design.

SINGLE FIGURE REMUNERATION TABLE FOR THE FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

The "fy 2018" and "fy 2017" columns below includes remuneration for the Company's 2018 and 2017 fiscal years respectively for each person who was a Director for any portion of the year.

Directors' Remuneration (audited)

	(1) Salary and Fees		(2) Benefits		(3) Annual Bonus		(4) Equity Awards		(5) Pension		(6) Other		(7) Total	
	fy 2018 $	fy 2017 $	fy 2018 $	fy 2017 $	fy 2018 $	fy 2017 $	fy 2018 $	fy 2017 $	fy 2018 $	fy 2017 $	fy 2018 $	fy 2017 $	fy 2018 $	fy 2017 $
Executive Director														
Walter M Rosebrough [(a)(b)(c)]	859,616	839,615	117,670	135,268	979,962	464,005	3,488,983	3,154,479	8,976	7,584	—	—	5,455,207	4,600,951
Non-Executive Directors[(d)(e)(f)]														
Richard C. Breeden	15,000	7,500	7,487	12,129	—	—	231,668	194,704	—	—	13,151	9,902	267,306	224,235
Bruce A. Edwards	—	83,333	—	—	—	—	—	—	—	—	—	—	—	83,333
Cynthia L. Feldmann	65,000	65,000	6,566	9,524	—	—	166,564	129,730	—	—	6,398	5,570	244,528	209,824
Dr. Jacqueline B. Kosecoff	65,000	7,500	8,649	15,651	—	—	172,964	194,704	—	—	3,900	3,101	250,513	220,956
David B. Lewis	85,000	80,000	4,837	10,126	—	—	173,051	134,946	—	—	14,455	11,043	277,343	236,115
Kevin M. McMullen	—	21,666	—	1,789	—	—	—	44,984	—	—	—	—	—	68,439
Duncan K. Nichol	65,000	131,668	—	—	—	—	174,961	134,946	—	—	4,174	1,588	244,135	268,202
Dr. Mohsen M. Sohi	65,000	65,000	5,611	10,371		—	166,564	129,730	—	—	215	—	237,390	205,101
Dr. Richard M. Steeves	80,000	131,668	668	—	—	—	166,650	129,730	—	—	2,086	794	249,404	262,192
John P. Wareham	105,000	105,000	6,583	9,273	—	—	223,830	187,397	—	—	9,734	7,287	345,147	308,957
Loyal W. Wilson	16,000	13,000	5,626	9,819	—	—	231,581	194,704	—	—	14,794	12,241	268,001	229,764
Dr. Michael B. Wood	65,000	66,000	6,155	11,168	—	—	166,650	129,730	—	—	4,944	3,368	242,749	210,266

(a) Salary and fees for the 2018 and 2017 fiscal years are actual amounts paid or accrued for the respective fiscal years. Benefit amounts for the 2018 and 2017 fiscal years are actual amounts of taxable benefits paid or accrued for the respective fiscal years.

(b) Amounts shown for Mr. Rosebrough for fiscal 2018 and 2017 represent restricted stock and stock options that vested in fiscal 2018 and 2017 respectively. Mr. Rosebrough's awards vest in four equal annual increments: the amounts shown represent those portions of his fiscal 2013, 2014, 2015, 2016 and 2017 stock option and restricted stock awards that vested in fiscal 2018 and 2017. Fiscal 2018 vestings of awards for Mr. Rosebrough occurred between May 30 and June 1 and all fiscal 2017 vestings of awards for Mr. Rosebrough occurred on May 31, 2016. Restricted stock awards were valued at the closing price on the NYSE of the Company's stock on the vesting date. Stock option awards were valued at the difference between the closing price on the NYSE of the Company's stock on the vesting date and the option price. Restricted stock values realized on vesting during fiscal 2018 were an aggregate of $1,462,692 and during fiscal 2017 were an aggregate of $1,327,849. Stock option spreads for fiscal 2018 vestings were an aggregate of $2,026,291 and for fiscal 2017 vestings were an aggregate of $1,826,630.

(c) On May 30, 2017 the Company granted 16,000 restricted shares to Mr. Rosebrough, with the shares vesting in four equal annual installments on May 30, 2018, May 30, 2019 and June 1, 2020 and June 1, 2021.All the Restricted Shares, in addition to the regular vesting rules, were also subject to forfeiture prior to April 1, 2018 had the Performance Goal for the one-year period from April 1, 2017 to March 31, 2018 not been met or exceeded. The Performance Goal for the period was Adjusted Net Income of at least Three Hundred Million Dollars ($300,000,000). For purposes of this award, "Adjusted Net Income" meant the Company's Net Income from continuing operations as reported in the Company's Consolidated Statement of Income ("Income Statement") for the Performance Period, adjusted as follows for those items specified by the respective amounts as reported in the Company's Income Statement for the Performance Period: (i) add income tax expense, (ii) add interest expense, (iii) subtract interest income and miscellaneous expense, net, (iv) add depreciation, depletion, and amortization expense, (v) add goodwill impairment charges, (vi) add losses on the sale of businesses, (vii) subtract gains on the sale of businesses, and (viii) add restructuring charges, net. The subject Performance Goal was exceeded, and the restricted shares continue to remain subject the service vesting requirements and forfeiture provisions to the extent service terminates before vesting occurs. While there was a performance measure attached to this award for the 2018 fiscal year, the substance of such award was consistent with the equity awards granted in the prior year. Therefore no amount has been included in column 3 in this table. Instead amounts in respect of this award will be disclosed consistently with historic equity awards at the point of vesting. The inclusion of the performance measure in the 2018 fiscal year award provided the Company the ability to expense the award for income tax reporting purposes upon vesting. Had this award been treated as an annual bonus, an additional $1.6 million would have been included in column 3 based on the NYSE closing share price at the first annual vesting date of May 30, 2018.

(d) All amounts contained in columns (1) and (4) include for all Directors, other than Messrs, Edwards and McMullen, fees paid during the 2018 or 2017 fiscal year in cash and/or equity for serving on the Board and serving as Chairman of a Board committee, if applicable, for the terms of office that began in 2018 and in 2017, respectively and fees paid during fiscal 2018 and 2017 for attending excess meetings during the 2016-2017 term of office and the 2015-2016 term of office if applicable. Fees in column (1) for fiscal 2017 also include for Messrs. Nichol and Steeves cash amounts to these persons for the last four months of their 2015-2016 term of office. Fees in column (1) for fiscal 2017 for Mr. Edwards are cash amounts paid to Mr. Edwards for the last five months of the term of office ending August 2, 2016. Fees shown in columns (1) and (4) for fiscal 2017 for Mr. McMullen represent a pro rata portion of cash and equity awards received by Mr. McMullen for his term of office ending August 2, 2016. Fees payable to all Non-Executive Directors in respect of the terms of office beginning in August of the 2018 fiscal year and in August of the 2017 fiscal year consist of cash and equity awards; amounts shown in column (1) for Non-Executive Directors are cash fees and amounts shown in column (4) represent equity awards, consisting of one or more of the following: shares, stock options and Career Restricted Stock Units (CRSUs). CRSUs are restricted stock units, with each unit representing a share of the Company's stock; CRSUs are discussed in more detail in the notes to the table "Equity Interests of Directors as of March 31, 2018" in the Company's 2018 proxy statement. Shares and CRSUs were valued based upon the closing sales price per share on the New York Stock Exchange Composite Tape on the effective date of grant. Stock options were valued based upon the grant date fair value under FASB ASC Topic 718 utilizing assumptions discussed in the notes to our financial statements for the fiscal year, ended March 31, 2017 and March 31, 2018, as applicable.

(e) Benefits consist of Company paid UK tax return preparation assistance and tax advice for non-UK based Directors.

(f) Amounts shown for Non-Executive Directors under "Other" represent dividend equivalents paid to Non-Executive Directors during the 2018 fiscal year and during the 2017 fiscal year, as applicable. Dividend equivalents are payable with respect to CRSUs received by Non-Executive Directors in payment of a portion of their Director fees.

Description of Benefits (audited)

The benefits described under the "Benefits" column in the above table for the Executive Director include employer paid cost of medical and dental coverage, auto allowance, tax preparation/financial planning fees, club dues, dividends on restricted stock, par value reimbursement and other miscellaneous taxable benefits, and costs of preparation of UK personal income tax returns and UK tax advice. The benefits described under the "Benefits" column for fiscal 2018 and fiscal 2017 for Non-Executive Directors consist of costs of preparation of UK personal income tax returns and UK tax advice.

Determination of Fiscal 2018 Annual Bonus (audited)

None of the Non-Executive Directors are entitled to bonuses.

Mr. Rosebrough was covered by the Company's Senior Executive Management Incentive Compensation Plan for fiscal 2018 with a threshold performance target based upon Adjusted Net Income and regular performance targets based upon adjusted EBIT (operating income) and adjusted free cash flow. EBIT achievement had a 75% weighting and free cash flow achievement had a 25% weighting. His target bonus percentage was 120% of base salary. The threshold performance target was attained. After adjusting for special items not representative of ongoing operations, regular performance targets and achievement under the Plan for the twelve month period ended March 31, 2018 were as follows:

Twelve Months Ended March 31, 2018 - Dollars in Millions							
	0% Threshold	100% Target	200% Maximum	Weighting	Full Year Actual	Attainment %	Weighting Attainment
Adjusted Total Company EBIT	$461.2	$516.2	$561.2	75.00%	$513.4	95	71.3%
Adjusted Free Cash Flow	$267.2	$297.2	$327.2	25.00%	$308.0	95	23.7%
Total							95%

Adjustments for comparability were made for the following: gain on fair value adjustment and settlement of contingent consideration, inventory and property "step up" to fair value, amortization of acquired intangible assets, acquisition related transaction and integration expenses, net loss from divestitures, impact of U.S. Tax Cuts and Jobs Act, and restructuring charges. Adjusted free cash flow achievement was limited to adjusted EBIT achievement since adjusted EBIT achievement did not exceed target. Management believes that these adjustments may or may not occur with similar materiality or impact on operating income in future periods.

The Compensation Committee approved a bonus of $979,962 for Mr. Rosebrough based on performance against applicable regular Plan criteria and personal goals and objectives for fiscal 2018 (95% of target bonus opportunity). The maximum bonus that could have been payable under the plan for fiscal 2018 for attainment of objectives was $2,063,078. Mr. Rosebrough's award is payable in June 2018.

Equity Awards Made During the 2018 Fiscal Year (audited)

The following table shows the types of equity awards made to Directors during the 2018 fiscal year, the gross number of shares covered by each award and the grant date fair value of each award:

	Type of Award, Number of Shares Covered and Value[1]							
	Restricted Stock		Options[2]		Ordinary Shares		CRSUs	
	Number	Value $	Number	Value $	Number	Value $	Number	Value $
Executive Director								
Walter M. Rosebrough, Jr.[3]	16,000	1,233,120	136,000	2,065,527	—	—	—	—
Non-Executive Directors[4]								
Richard C. Breeden	—	—	4,058	79,213	—	—	1,768	152,455
Cynthia L. Feldmann	—	—	4,058	79,213	782	67,432	231	19,919
Dr. Jacqueline B. Kosecoff	—	—	927	18,095	1,565	134,950	231	19,919
David B. Lewis	—	—	927	18,095	—	—	1,797	154,955
Duncan K. Nichol	—	—	—	—	—	—	2,029	174,961
Dr. Mohsen M. Sohi	—	—	4,058	79,213	782	67,432	231	19,919
Dr. Richard M. Steeves	—	—	4,058	79,213	—	—	1,014	87,437
John P. Wareham	—	—	5,450	106,385	—	—	1,362	117,445
Loyal W. Wilson	—	—	4,058	79,213	753	64,931	1,014	87,437
Dr. Michael B. Wood	—	—	4,058	79,213	—	—	1,014	87,437

(1) The total value of these awards is shown in the single figure table under "Equity Awards" for fiscal year 2018 for each of the Directors other than Mr. Rosebrough. Shares and CRSUs were valued based upon the closing sales price per share on the New York Stock Exchange Composite Tape on the effective date of grant. Stock options were valued based upon the grant date fair value under FASB ASC Topic 718 utilizing assumptions discussed in the notes to our financial statements included in our Form 10-K for the fiscal year ended March 31, 2018.

(2) All option exercise prices are equal to the NYSE closing price of the Company's stock on the grant effective date. The grant date for Mr. Rosebrough's options was May 30, 2017 and the price for his options was $77.07 per share. The grant date for the options of the other Directors was August 9, 2017 and the price for their options was $86.23 per share.

(3) Award amounts were based on the criterion contained in the Company's Director Remuneration Policy. These awards were granted on May 30, 2017 and each vest, and become exercisable in the case of the options, in four equal annual installments on May 30, 2018, May 30, 2019 and June 1, 2020 and June 1, 2021. As noted in footnote (c) under the Single Figure Remuneration Table all the restricted shares granted to Mr. Rosebrough are subject to the achievement of a performance measure in the period ended March 31, 2018, as well as annual service based vesting.

(4) All of these awards were granted August 9, 2017. Award amounts are based upon the NYSE closing price of the Company's stock on the grant effective date, and in the case of stock options, a Black Scholes calculation. All options are vested and immediately exercisable, ordinary share grants are immediately vested and CRSUs are immediately vested but the underlying CRSU shares are not distributable until 6 months after the termination of the Director's Board service.

Option Exercises by Directors during the 2018 Fiscal Year (audited)

The options exercised by Directors during the 2018 fiscal year are specified below. All of the shares obtained by Ms. Feldmann, Dr. Kosecoff, Dr. Sohi and Dr. Wood, were sold in the market in conjunction with the exercises. Mr. Breeden retained all of the shares obtained from his exercise. Mr. Wilson used 725 of his option shares to pay the exercise price and retained the balance of his option shares.

Director	Grant Date	Option Price	Number of Option Shares	Expiration Date	Date of Exercise	Gain Upon Exercise / Sale
Richard Breeden	7/31/2008	$34.17	2,744	7/31/2018	2/9/2018	$141,042
Cynthia L. Feldmann	8/3/2012	$32.36	3,218	8/3/2022	2/26/2018	$189,830
Dr. Jacqueline B. Kosecoff	7/31/2008	$34.17	2,744	7/31/2018	2/28/2018	$158,521
Dr. Mohsen M. Sohi	7/31/2008	$34.17	2,744	7/31/2018	8/9/2017	$142,167
Loyal Wilson	7/27/2007	$27.68	3,387	7/27/2017	6/8/2017	$177,547
Dr. Michael Wood	7/27/2007	$27.68	3,387	7/27/2017	5/10/2017	$163,490

Equity Interests of Directors as of March 29, 2018 (audited)

	Beneficially Owned Shares[(1)]	Restricted Stock[(1)]	Career Restricted Stock Units (CRSUs)[(2)]	Options[(3)(4)]	Total
Executive Director					
Walter M Rosebrough, Jr.	75,533	41,543	—	546,340	663,416
Non-Executive Directors					
Richard C. Breeden	97,181	—	11,278	34,271	142,730
Cynthia L. Feldmann	7,996	—	5,341	13,986	27,323
Dr. Jacqueline B. Kosecoff	41,570	—	3,076	31,140	75,786
David B. Lewis	6,684	—	12,362	10,399	29,445
Duncan K. Nichol	—	—	3,919	—	3,919
Dr. Mohsen M. Sohi	21,693	—	231	29,136	51,060
Dr. Richard M. Steeves	536,469	—	1,959	7,839	546,267
John P. Wareham	31,560	—	8,360	40,342	80,262
Loyal W. Wilson	29,156	—	12,461	27,774	69,391
Dr. Michael B. Wood	26,131	—	4,321	32,358	62,810

(1) Includes, where applicable, shares owned by connected persons; restricted stock is presented separately. Mr. Rosebrough's restricted stock grants vest in annual increments of 25% and vesting of his restricted stock is service related and not subject to performance conditions except for his 2017 restricted stock award, which is subject to both performance and service conditions; all restricted stock presented is unvested. Mr. Breeden has disclaimed beneficial ownership of 1,359 of the shares included as Beneficially Owned. Please refer to footnote (c) of Single Figure Remuneration Table.

(2) Career Restricted Stock Units (CRSUs) will be settled in STERIS ordinary shares six months after the cessation of the Director's Board service. Career Restricted Stock Units are units that represent share equivalents of the Company's stock. A Non-Executive Director may elect that all or a portion of his annual retainer fee be paid in CRSUs. The amount of CRSUs the Director receives will be determined by dividing the amount of fees the Director elects to be paid in CRSUs by the closing price of the Company's stock on the NYSE on the grant date. Dividend equivalents are payable on the CRSUs. Within six months following the termination of a Director's Board service, a number of Ordinary Shares equal to the number of units standing to the credit of the Director will be transferred to the Director.

(3) As of March 29, 2018, all stock options held by the Non-Executive Directors were fully vested and exercisable. As of that date, Mr. Rosebrough held 546,340 stock options, of which 240,835 were vested and exercisable. Vesting of Mr. Rosebrough's options is service related and not subject to performance conditions.

(4) All stock options have option prices equal to the closing price of the Company's shares on the NYSE on the option grant date. All stock options have ten year terms. Outstanding options held by Non-Executive Directors as of March 29, 2018 have terms extending from July 31, 2018 to August 9, 2027. Outstanding options held by the Executive Director as of March 29, 2018 have terms extending from May 30, 2022 to May 30, 2027. Post-termination exercise periods for vested options can extend from three months after termination until the expiration of the term, depending upon the circumstances.

Stock Ownership Guidelines (audited)

The Company has established Stock Ownership Guidelines for both the Executive Director and Non-Executive Directors.

Under the Guidelines for the Non-Executive Directors, each Non-Executive Director is required to own Company Ordinary Shares with a value of at least six (6) times the cash portion of the annual Director fees payable to the Director (determined before giving effect to any election by the Director to receive fees in a different form). The cash portion of the annual Director fees for Non-Executive Directors for the 2017-18 term of office was $105,000 for the Chairman and $65,000 for each of the other Non-Executive Directors (determined before giving effect to any election by the Director to receive fees in other forms).

A new Director has a period of five years from the date of initial appointment or election to satisfy the guidelines. For purposes of the guidelines, all shares held beneficially directly or indirectly by a Director and all career restricted stock units ("CRSUs"), if any, held by a Director will be counted; however, stock options are not counted for guideline purposes. Based upon the number of shares and CRSUs held by each of our Directors as of March 29, 2018 and our share price of $93.36 per share as of the close of business on that date, each person who served as a Company Director as of such date, other than Sir Duncan Nichol, satisfied the guidelines as of such date. Sir Duncan Nichol has until November 2, 2020 to satisfy the Guidelines.

The Company’s Executive Director is subject to Officer Stock Ownership guidelines. These guidelines require stock ownership with a value equal to six times the Executive Director’s base salary. In determining whether these guidelines are satisfied, the following share types are included for guideline purposes (stock options do not count towards share ownership): shares purchased outright; shares acquired from exercised stock options (but not unexercised options); and/or unvested restricted shares and restricted shares that have vested. From the time an executive achieves a position subject to these guidelines, he or she has a five-year period to attain the applicable shareholding requirements. Based on the closing price of the Company’s Ordinary Stock on the NYSE on March 29, 2018 of $93.36 per share and the President and CEO’s base salary rate in effect on that date, he satisfied these guidelines.

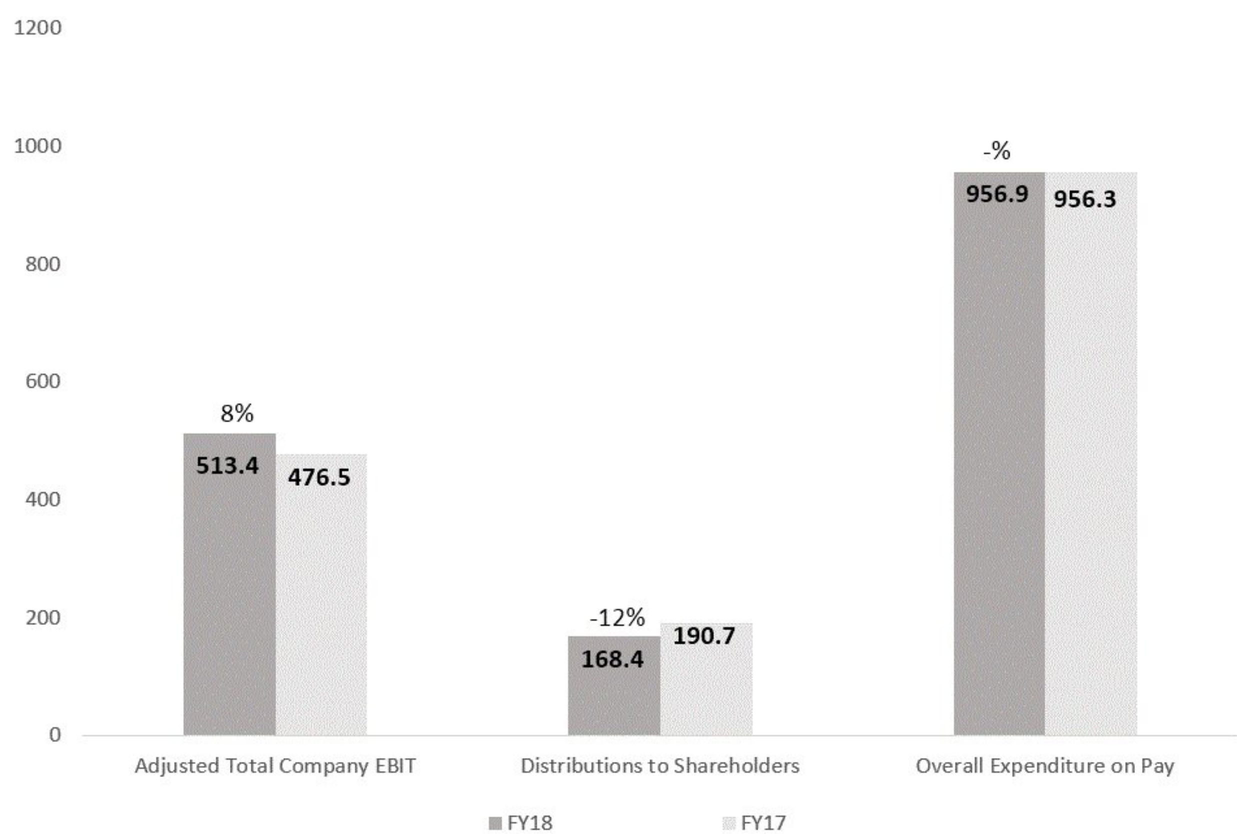
Percentage Change in Remuneration of CEO (unaudited)

The table below shows the percentage change in remuneration of the Executive Director for the last financial year compared with the remuneration of all employees.

% change FY2018 to FY2017	*Salary/fees*	*Taxable benefits*	*Performance related bonus*
Executive Director	2.38%	(13.00)%	111.20%
All employees	1.49%	(23.33)%	19.14%

Relative Importance of Spend on Pay (unaudited)

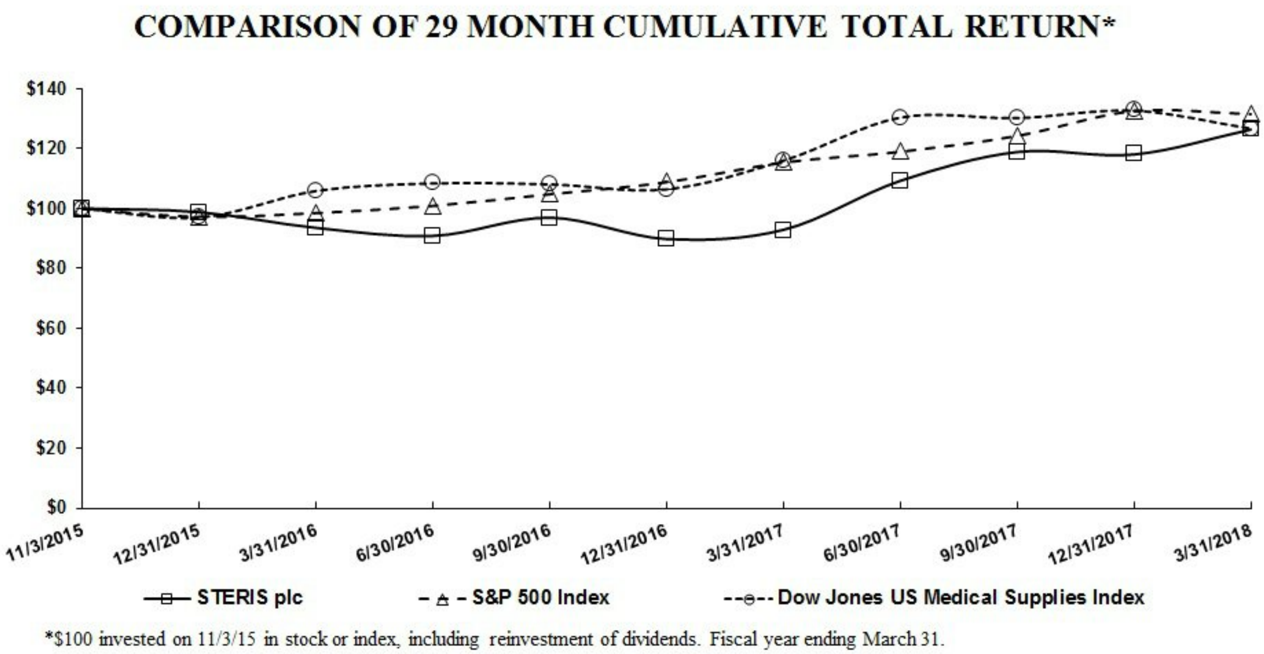
The chart below shows the relative importance of overall expenditure on pay by the Company compared to a key financial measure and distributions to shareholders in the year in the form of dividends and share repurchase programs. Adjusted total company earnings before interest and taxes (EBIT) has been chosen as a metric for this comparison as the directors believe that it best represents earnings of the operations of the Company and is the primary performance indicator used in the determination of the annual performance related bonus. See the section above titled “Determination of Fiscal 2018 Annual Bonus” for further detail. Amounts in graph are presented in millions of dollars.



Performance Graph (unaudited)

The information below is not subject to audit.

The following graph shows the cumulative performance for our shares from the date the Company became listed on the NYSE on November 3, 2015 through March 31, 2018 compared with the performance of the Standard & Poor's 500 Index and the Dow Jones U.S. Medical Supplies Index as of the same date. We believe the indices chosen are appropriate because the Standard & Poor's index is a widely followed measure of business stock performance generally and the U.S. Medical Supplies Index tracks companies with businesses similar to a substantial portion of our business. The graph assumes $100 invested as of November 3, 2015 in our shares and in each of the named indices. The past performance shown in this graph does not necessarily guarantee future performance.



	2015		2016				2017				2018
	11/3	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31
STERIS plc	100.00	98.73	93.47	90.76	96.89	89.70	92.82	109.30	118.98	118.14	126.52
S&P 500 Index	100.00	97.29	98.60	101.02	104.91	108.93	115.53	119.10	124.44	132.71	131.70
Dow Jones US Medical Supplies Index	100.00	97.05	105.94	108.46	108.15	106.47	116.09	130.49	130.32	132.80	126.81

Select CEO remuneration information for the fiscal years ended March 31, 2018, March 31, 2017 and the five-month period ended March 31, 2016 (unaudited):

	FY 2018	FY 2017	FY 2016
Total single figure:	$ 5,455,207	$ 4,600,951	$ 815,910
Annual Bonus: % of maximum that could have been paid:	47.5%	25.12%	63.29%
Equity Awards: % of shares and options vesting in the fiscal year relative to the maximum number that could have been paid:	100%(1)	100%(1)	N/A

(1) Vesting of these awards is based upon the passage of time.

Director Pension Scheme (audited)

The Company's subsidiary, STERIS Corporation, maintains the STERIS Corporation 401(k) Savings Plan, which is a defined contribution plan, for its U.S. based employees and those of its affiliates. The amount of $8,976 shown in the table for the 2018 fiscal year is the amount of the matching employer contribution made to the Plan during fiscal 2018 for Mr. Rosebrough. The amount of $7,584 shown in the table for the 2017 fiscal year is the amount of the matching employer contribution made to the Plan during fiscal 2017 for Mr. Rosebrough. None of the other Directors participate, or are permitted to participate, in the STERIS Corporation 401(k) Savings Plan, and no other pension schemes are provided to Directors

Terms of Office (audited)

The Company has no mandatory retirement policy for employees. With respect to Non-Executive Directors, while there is no limitation on the number of terms a Director may serve, the Nominating and Governance Committee will not ordinarily recommend a nominee for election for a term beginning on or after the nominee's 75th birthday unless it has determined that under the circumstances such nomination would be in the best interests of the Company and its shareholders. The Company's Board waived this requirement with respect to Sir Duncan Nichol and John Wareham for the 2017-2018 term of office.

Payments to Past Directors (audited)

Mr. McMullen received $1,562 in benefits during fiscal 2018. There were no other payments made by the Company in fiscal 2018 to past directors.

Payments for Loss of Office (audited)

There were no payments made during the 2018 or 2017 fiscal year to Company Directors for loss of office as Company Directors.

Implementation of Director Remuneration Policy for Fiscal 2019 (unaudited)

The Company's Directors' Remuneration Policy was approved by the Company's shareholders at the 2016 Annual General Meeting of Shareholders and the Policy was implemented immediately. There have been no changes to the Policy since its adoption and the Company intends to adhere to the Policy as adopted. The Policy is attached as Appendix A to the Company's Proxy Statement for its 2016 Annual General Meeting of Shareholders. The Proxy Statement (Schedule 14A, filed June 13, 2016) may be found at www.steris.com under "Investor Relations", "Financials", "SEC Filings".

Executive Director compensation, including equity awards, is reviewed each year relative to the market medians of peers and other similarly sized companies. Adjustments generally will be made to the extent comparisons show compensation being provided by the Company to be below market. Changes for fiscal 2019 will be disclosed at the end of the fiscal year. Performance measures for the Executive Director for fiscal 2019 will include adjusted EBIT and adjusted free cash flow, with the latter metrics having weightings of 75% and 25% respectively. Specific performance targets have been approved, but cannot be disclosed at this time because in the opinion of the Directors this information is commercially sensitive and disclosures at this time would be problematic. Fiscal 2019 equity awards will not have any performance measures attached.These disclosures will be contained in the Company's next Director Remuneration Report.

Non-Executive Director compensation is reviewed periodically by the Company's Nominating and Governance Committee and Board of Directors and may be adjusted if found to be below market.

Statement of Voting at General Meeting (unaudited)

At the 2017 Annual General Meeting of Shareholders, 74,088,382 shares were voted on a non-binding advisory basis on the Company's Directors' Remuneration Report. Of those shares voted, 96.30% voted to approve the Report and 3.70% voted against the Report. There were also 161,901 abstentions and 2,778,675 broker non-votes.

At the 2016 Annual General Meeting of Shareholders, 58,686,979 shares were voted on the Company's Directors' Remuneration Policy. Of the shares voted, 98.05% voted to approve the Policy and 1.95% voted against the Policy. There were also 522,094 abstentions and 3,578,390 broker non-votes.

STATEMENT OF DIRECTORS RESPONSIBILITES

The Directors are responsible for preparing the Annual Report and the consolidated and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare consolidated and parent company financial statements for each financial year. Under that law, the Directors have elected to prepare consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as permitted by Statutory Instrument 2015 No. 1675 The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015 (SI 2015 No. 1675) and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 (United Kingdom Accounting Standards and applicable law).

Under Company law the Directors must not approve the consolidated or parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the consolidated and parent company and of the profit or loss of the consolidated company for that period. In preparing the consolidated and parent company financial statements, the Directors are required to:

- for the consolidated financial statements, present fairly the financial position, financial performance and cash flows of the consolidated group;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and accounting estimates that are reasonable and prudent;
- for the consolidated financial statements, provide additional disclosures when compliance with the specific requirements in U.S. GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the consolidated group's financial position and financial performance;
- state whether the consolidated financial statements have been prepared in accordance with U.S. GAAP subject to any material departures disclosed and explained in the financial statements;
- for the parent company financial statements, state whether applicable U.K. Accounting Standards (including Financial Reporting Standard 102) have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the consolidated group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the consolidated and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the consolidated group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, the Report of the Directors and the Directors' Remuneration Report.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STERIS PLC

Opinion

In our opinion:

- STERIS plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in accordance with accounting principles generally accepted in United States of America ('U.S.GAAP');

- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- the group and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of STERIS plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2018	Balance sheet as at 31 March 2018
Consolidated statement of income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies
Consolidated statement of shareholders' equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 25 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and U.S.GAAP. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Revenue recognition and sales cut off • Impact of The Tax Cuts and Jobs Act • Goodwill and other intangible assets impairment assessment • Impact of the transition to ASC 606 – Revenue from contracts with customers
Audit scope	• We performed an audit of the complete financial information of 4 components and audit procedures on specific balances for a further 9 components. • The components where we performed full or specific audit procedures accounted for 76% of income before non-underlying items and tax, 79% of revenue and 83% of total assets.
Materiality	• Group materiality of $19 million which represents 5% of income before non-underlying items and tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition and sales cut off ($2,620 million, PY comparative $2,613 million) The group has a mix of service and product revenues. We assess revenue as being subject to a higher risk of misstatement in relation to management override. The fraud risk is that revenues may be overstated through posting of non-standard journal entries, including non-standard journal entries associated with cut off, directly or indirectly by management. Refer to the Strategic report on page 19 for a split of the revenues and the accounting policy on page 61.	We designed and executed our audit procedures to be responsive to the fraud risk: • We updated our understanding of the revenue recognition processes. We performed walkthroughs of the revenue processes to confirm that our understanding was correct. We tested the design operating effectiveness of key controls, including the controls around the processing of journal entries and the precision set by management when performing controls involving the review of reports and data. • We worked with our IT specialists to test the design and operation of IT processes, the application controls and the data and reports used in certain controls over revenue and the IT general control environment. • We tested a sample of the non-routine journal entries that effect revenue to evaluate their propriety by corroborating to supporting documentation. • We made inquiries of personnel who have access to posting manual journal entries regarding whether they have any awareness of instances of inappropriate posting of manual journal entries or management override of controls. • We performed sales cut-off testing procedures at year end (and at the accounts receivable confirmation date of 31 December 2017). This including testing a sample of dispatches either side of the period end and testing accrued and deferred revenue balances to ensure that revenue was recorded in the correct period.	The group's revenue recognition accounting policy and the application thereof is appropriate. Additionally, the revenue recognition disclosures made by the group are appropriate and in conformity with U.S.GAAP. No material matters were identified as a result of our audit procedures.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of The Tax Cuts and Jobs Act The Tax Cuts and Jobs Act (the ’Act’) was enacted on 22 December 2017 in the United States. The Act has a number of considerations where either the rates to calculate the tax due, or the nature of the calculations have been amended. The effects of the Act are significant, including the $19 million net tax gain recorded in the year, which consists of a $36 million gain as a result of the re-measurement of deferred taxes at the lower 21% federal rate, partially offset by the accrual of an estimated $17 million transition tax on foreign earnings. The tax amounts disclosed at the year-end are the group’s provisional estimate of the impact of the Act. Based on Staff Accounting Bulletin (SAB) 118, the group has an allowable period of adjustment of the estimates of up to one year from the date of the Act.	• We documented and walked through the processes undertaken by management as a response to the Act, and the additional procedures implemented to calculate the financial statement impact. • We tested the design and operating effectiveness of the controls relating to current and deferred tax balances. • With the involvement of our tax specialists we assessed the methodology of the calculations to evaluate whether they were in compliance with the Act. The inputs were agreed to supporting documentation, and the calculations reperformed including ensuring that the rate applied to deferred tax was accurate. • We verified the adjustment for transition tax through testing the book and tax basis for each material foreign investment, assessing the judgement portion subject to transition and confirming that the appropriate date ranges were applied.	The group’s income tax accounting policy and application thereof are appropriate. Additionally, the income tax provision and related disclosures are appropriate and in conformity with U.S.GAAP. The income tax provision is fairly stated and reflects management’s best estimates of the impact of the Act. The group has also appropriately disclosed that it has taken advantage of the SEC’s relief provisions, which provides the group with a one year measurement period to adjust any provisional amounts recorded related to U.S. tax reform.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Goodwill and other identifiable intangible assets impairment assessment The group has goodwill of $2,434 million (2017: $2,231million) along with intangible assets of $727 million (2017: $725million). Goodwill is not amortised, but assessed for impairment on an annual basis, having been allocated to cash generating units ('CGUs'). There are four CGUs within the business, being AST, Healthcare Services, Healthcare Products and Life Sciences. Management's assessment shows headroom for each of the CGUs. See notes 9 and 10 from page 78 and 80 in the financial statements for more details. The accounting policy is included on page 63.	• We engaged our valuation specialists to perform a comparative analysis of the weighted average cost of capital used in the current year discounted cash flow ('DCF') analysis for the AST and Healthcare Services CGUs. • We assessed the reasonableness of other assumptions used within the DCF analysis including revenue growth, contribution margin and terminal growth by corroborating the assumptions with supporting objective evidence and considering the existence of contradictory evidence including industry statistics, long term GDP rates and historical results. • We performed procedures on the group's projected financial information including inquiries of management, comparing the projected amounts to budgeted information presented to the Board of Directors, and performing a look back analysis of actual results to prior year forecast to assess the reliability of managements forecasting process.	The group's goodwill and other identifiable intangible assets accounting policies and application thereof (including the determination of the CGUs for goodwill impairment assessments) are appropriate. The amounts and disclosures included within the financial statements are appropriate and in conformity with U.S.GAAP.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of the transition to ASC 606 – Revenue from contracts with customers The group will adopt ASC 606 effective from1 April 2018, applying the modified retrospective method. There is a requirement to disclose the known effects of the implementation of the standard in the current year financial statements, as documented on page 66.	• We performed procedures to understand management's response to the new standard, including a walkthrough of the process and testing the design and operating effectiveness of the controls in the process. • We independently performed an analysis over the completeness of the revenue streams identified. • We re-performed management's testing of a sample of revenue contracts, and tested an additional sample of contracts independently to identify whether there are any differences between ASC 606 and ASC 605. • Where differences in the accounting were identified, we obtained the calculations prepared by management of the impact. We verified whether the calculations were in line with ASC 606 and tested the inputs of the calculation back to the underlying contracts and transaction history on a sample basis.	Management appropriately determined the different revenue streams for assessment under the new standard, and the accounting impact on each of these streams. The disclosures provided in the financial statements are in conformity with U.S.GAAP.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

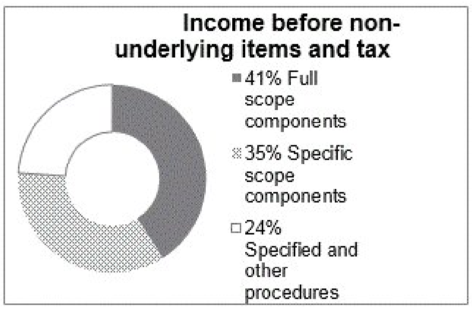
In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 175 reporting components of the group, we selected 13 components covering entities within the United States of America, the United Kingdom, Canada and Mexico, which represent the principal business units within the group.

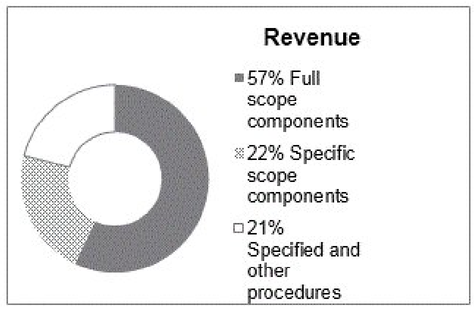
Of the 13 components selected, we performed an audit of the complete financial information of 4 components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 9 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

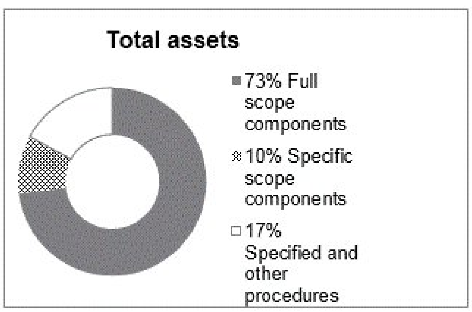
The reporting components where we performed audit procedures accounted for 76% (2017: 89%) of the group's income before non-underlying items and tax, 79% (2017: 83%) of the group's revenue and 83% (2017: 92%) of the group's total assets. For the current year, the full scope components contributed 41% (2017: 60%) of the group's income before non-underlying items and tax, 57% (2017: 67%) of the group's revenue and 73% (2017: 64%) of the group's total assets. The specific scope components contributed 35% (2017: 29%) of the group's income before non-underlying items and tax, 22% (2017: 16%) of the group's revenue and 10% (2017: 28%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant components tested for the group. We also instructed 3 components to perform specified procedures over cash and inventory. These procedures included obtaining bank reconciliations and confirmations and attending and tying through inventory counts.

Of the remaining 159 components that together represent 24% of the group's income before non-underlying items and tax, none are individually greater than 1% of the group's income before non-underlying items and tax. For these components we have evaluated the existence and effectiveness of group wide controls at a consolidated level over the preparation of the component financial information, including a number of monitoring and review controls which assess the overall performance of the group. Further to this, we performed other procedures at a consolidated level, including gross margin analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.







Changes from the prior year

We have challenged our approach to scoping in the current year. The number of components selected for full scope and specific scope procedures has reduced compared to the prior year. The reduction was considered appropriate following our re-assessment of the size and risk of components within the group, the assurance obtained from testing group wide controls and the operation of the U.S.finance shared service centre.

Involvement with component teams

The preparation of the consolidated financial statements together with the operation of the U.S.finance shared service centre are located in Mentor, Ohio. Due to the requirement to prepare consolidated financial statements in compliance with Companies Act 2006 we established an integrated primary team comprising of both U.K. and U.S.audit team members. The integrated primary team determined the type of work that needed to be undertaken at each of the components by either the U.S.or U.K. audit teams, or by component auditors from other EY global network firms operating under our instruction. Members of the primary audit team performed the audit work on the 4 full scope and the 9 specific scope components.

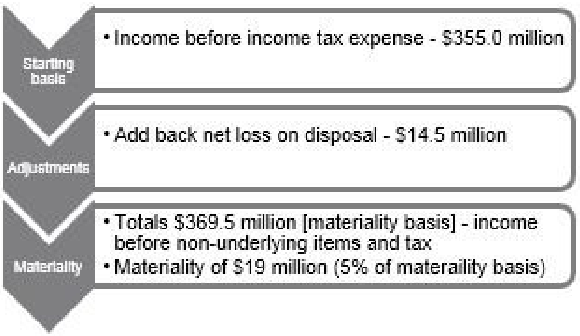
Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be $19 million (2017: $16 million), which is 5% (2017: 5%) of income before non-underlying items and tax. We believe that income before non-underlying items and tax is the most appropriate basis for materiality as it provides a more meaningful measure of the underlying trading performance of the business.



Non underlying items in the prior year consisted of net loss on disposal of $86.6 million and goodwill impairment loss of $58.4 million.

We determined materiality for the parent company to be $14 million (2017: $12 million), which is 1% (2017: 1%) of equity.

During the course of our audit, we reassessed initial materiality and no changes were made based on profitability being in line with the forecasts.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely $14 million (2017: $12 million). We set performance materiality at this percentage based on our assessment of the group's internal controls, internal audit function and our historical experience of auditing the entity.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $0.9 million to $14.0 million (2017: $0.8 million to $10.5 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.9 million (2017: $0.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 3 - 43, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (U.K.) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

/s/ Ernst & Young LLP

Christopher Voogd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, U.K.

Date: 5 June 2018

CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share amounts)

Years ended March 31,	Note	2018	2017	2016
Revenues:				
Product		**$ 1,220,633**	$ 1,198,319	$ 1,128,985
Service		**1,399,363**	1,414,437	1,109,779
Total revenues (turnover)	2	**2,619,996**	2,612,756	2,238,764
Cost of revenues:				
Product		**646,177**	624,020	617,368
Service		**879,596**	963,104	725,915
Total cost of revenues		**1,525,773**	1,587,124	1,343,283
Gross profit		**1,094,223**	1,025,632	895,481
Operating expenses:				
Selling, general, and administrative		**615,337**	593,495	626,710
Net loss on divestitures		**14,547**	86,574	—
Goodwill impairment loss		**—**	58,356	—
Research and development		**60,782**	59,397	56,664
Restructuring expenses		**103**	215	(820)
Total operating expenses		**690,769**	798,037	682,554
Income from operations	2	**403,454**	227,595	212,927
Non-operating expenses, net:				
Interest expense		**50,629**	44,520	42,708
Interest income and miscellaneous expense		**(2,157)**	(1,571)	(1,665)
Total non-operating expenses, net		**48,472**	42,949	41,043
Income before income tax expense		**354,982**	184,646	171,884
Income tax expense	6	**63,360**	74,015	60,299
Net income		**291,622**	110,631	111,585
Less: Net income attributable to noncontrolling interests		707	666	822
Net income attributable to shareholders		**$ 290,915**	$ 109,965	$ 110,763
Net income per common share				
Basic		**$ 3.42**	$ 1.29	$ 1.57
Diluted		**$ 3.39**	$ 1.28	$ 1.56
Cash dividends declared per common share outstanding		**$ 1.21**	$ 1.09	$ 0.98

The notes on pages 60 to 107 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands)

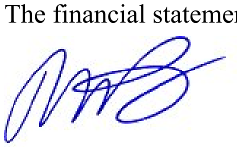
Years ended March 31,		2018		2017		2016
Net income	**$**	**291,622**	$	110,631		111,585
Less: Net income attributable to noncontrolling interests		**707**		666		822
Net income attributable to shareholders	**$**	**290,915**	$	109,965	$	110,763
Other comprehensive (loss) income						
Unrealized gain (loss) on available for sale securities, (net of taxes of $516, $402, and ($266), respectively)		**1,792**		851		(1,741)
Amortization of pension and postretirement benefit plans costs, (net of taxes of $1,860, $963, and ($700), respectively)		**(4,387)**		(7,463)		(3,032)
Pension settlement (net of taxes of $0, $0, and $10,563, respectively)		**—**		—		17,029
Change in cumulative foreign currency translation adjustment		**254,982**		(165,931)		(13,746)
Total other comprehensive income (loss) attributable to shareholders		**252,387**		(172,543)		(1,490)
Comprehensive (loss) income attributable to shareholders	**$**	**543,302**	$	(62,578)	$	109,273

The notes on pages 60 to 107 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
(in thousands)

March 31,	Note	2018	2017
FIXED ASSETS			
Goodwill and intangibles, net	9	**$ 3,160,764**	**$ 2,956,190**
Tangible fixed assets, net	11	**1,010,524**	**915,908**
Investments		**11,378**	**7,923**
Total fixed assets		**4,182,666**	**3,880,021**
CURRENT ASSETS			
Inventories, net	12	**205,731**	**197,837**
Trade receivables, net		**528,066**	**483,451**
Deferred tax assets: amounts recoverable in greater than one year	6	**6,273**	**8,760**
Other non-current assets		**21,738**	**17,872**
Prepaid expenses and other current assets		**54,326**	**53,596**
Total debtors		**610,403**	**563,679**
Cash and cash equivalents		**201,534**	**282,918**
Total current assets		**1,017,668**	**1,044,434**
TOTAL ASSETS		**$ 5,200,334**	**$ 4,924,455**
CAPITAL, RESERVES AND LIABILITIES			
Called up share capital (Preferred shares, with £0.10 par value; 100 shares authorized; 100 issued and outstanding)		**$ 15**	**$ 15**
Called up share capital, (Ordinary shares, with £0.10 par value; £17,006 aggregate par amount authorized; 84,747 and 84,948 issued and outstanding in 2018 and 2017, respectively.)		**13,095**	**13,108**
Share premium account		**1,158,635**	**1,147,620**
Capital redemption reserve		**274**	**179**
Share option and other reserves		**1,041,034**	**1,019,660**
Other reserves		**11,685**	**(240,702)**
Profit and loss account		**981,222**	**858,722**
Total shareholders' equity		**3,205,960**	**2,798,602**
Noncontrolling interest		**11,340**	**11,431**
TOTAL EQUITY		**3,217,300**	**2,810,033**
LIABILITIES			
Deferred income taxes, net	6	**159,971**	**171,805**
Pensions and similar obligations	18, 22	**48,657**	**47,947**
Other provisions for liabilities	22	**39,070**	**39,031**
Total provisions for liabilities		**247,698**	**258,783**
Long-term indebtedness	21	**1,316,001**	**1,478,361**
Other liabilities		**20,007**	**10,331**
Accrued long-term income taxes		**18,922**	**2,089**
Total creditors: amounts falling due after more than one year		**1,354,930**	**1,490,781**
Accounts payable		**$ 135,866**	**$ 133,479**
Accrued payroll and other related liabilities	22	**90,165**	**75,344**
Accrued income taxes		**379**	**14,640**
Accrued expenses and other	22	**153,996**	**141,395**
Total creditors: amounts falling due within one year		**380,406**	**364,858**
Total creditors		**1,735,336**	**1,855,639**
TOTAL LIABILITIES		**1,983,034**	**2,114,422**
TOTAL LIABILITIES AND EQUITY		**$ 5,200,334**	**$ 4,924,455**

The financial statements were approved by the Board of Directors on June 5, 2018.



Walter M Rosebrough, Jr., Director

The notes on pages 60 to 107 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)	Ordinary Shares, called up share capital		Share premium account	Capital redemption reserve	Share option and other reserves	Preferred shares, called up share capital	Treasury shares		Other reserves	Profit and loss account	Non-controlling Interest	Total Equity
	Shares	Amount				Amount	Shares	Amount				
Balance at March 31, 2015	59,675	$ —	$ —	$ —	$ 264,853	$ —	10,364	$(320,343)	$ (66,669)	$1,193,791	$ 2,014	$1,073,646
Comprehensive income:												
Net income	—	—	—	—	—	—	—	—	—	110,763	822	111,585
Other comprehensive loss	—	—	—	—	—	—	—	—	(1,490)	—	—	(1,490)
Repurchases of ordinary shares	(267)	(2)	—	—	(1,018)	—	248	(12,974)	—	(375)	—	(14,369)
Equity compensation programs	664	2	1,935	—	11,687	—	(538)	13,667	—	—	—	27,291
Retirement of treasury shares	—	—	—	—	(20,133)	—	(10,074)	319,650	—	(299,517)	—	—
Issuance of shares for Synergy Combination	25,839	13,222	1,140,792	—	733,465	15	—	—	—	—	13,574	1,901,068
Purchase of subsidiary shares from noncontrolling interest	9	1	—	—	634	—	—	—	—	—	(1,453)	(818)
Issuance of subsidiary shares from noncontrolling interest	—	—	—	—	—	—	—	—	—	—	1,443	1,443
Tax benefit of stock options exercised	—	—	—	—	6,281	—	—	—	—	—	—	6,281
Cash dividends – $0.98 per ordinary share	—	—	—	—	—	—	—	—	—	(65,203)	—	(65,203)
Change in noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(542)	(542)
Balance at March 31, 2016	85,920	$ 13,223	$1,142,727	$ —	$ 995,769	$ 15	—	$ —	$ (68,159)	$ 939,459	$ 15,858	$3,038,892
Comprehensive income:												
Net income	—	—	—	—	—	—	—	—	—	109,965	666	110,631
Other comprehensive loss	—	—	—	—	—	—	—	—	(172,543)	—	—	(172,543)
Repurchases of ordinary shares	(1,455)	(179)	—	179	—	—	—	—	—	(97,509)	—	(97,509)
Equity compensation programs and other	416	53	4,893	—	18,880	—	—	—	—	—	—	23,826
Purchase of subsidiary shares from noncontrolling interest	67	11	—	—	5,011	—	—	—	—	—	(5,374)	(352)
Issuance of subsidiary shares from noncontrolling interest	—	—	—	—	—	—	—	—	—	—	530	530
Dividends – $1.09 per ordinary share	—	—	—	—	—	—	—	—	—	(93,193)	—	(93,193)
Other changes in noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(249)	(249)
Balance at March 31, 2017	84,948	$ 13,108	$1,147,620	$ 179	$1,019,660	$ 15	—	$ —	$(240,702)	$ 858,722	$ 11,431	$2,810,033
Comprehensive income:												
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**290,915**	**707**	**291,622**
Other comprehensive loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**252,387**	**—**	**—**	**252,387**
Repurchases of ordinary shares	**(793)**	**(95)**	**—**	**95**	**—**	**—**	**—**	**—**	**—**	**(65,485)**	**—**	**(65,485)**
Equity compensation programs and other	**592**	**82**	**11,015**	**—**	**21,374**	**—**	**—**	**—**	**—**	**—**	**—**	**32,471**
Dividends – $1.21 per ordinary share	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(102,930)**	**—**	**(102,930)**
Other changes in noncontrolling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(798)**	**(798)**
Balance at March 31, 2018	**84,747**	**$ 13,095**	**$1,158,635**	**$ 274**	**$1,041,034**	**$ 15**	**—**	**$ —**	**$ 11,685**	**$ 981,222**	**$ 11,340**	**$3,217,300**

The notes on pages 60 to 107 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

Years Ended March 31,	2018	2017	2016
Operating activities:			
Net income	**$ 291,622**	$ 110,631	$ 111,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, and amortization	**178,332**	188,142	143,740
Deferred income taxes	**(24,722)**	31,274	704
Share-based compensation expense	**22,187**	18,794	16,147
Pension settlement expense	**—**	—	26,470
Pension contributions made in settlement	**—**	—	(4,641)
Loss on the disposal of property, plant, equipment, and intangibles, net	**2,582**	760	1,813
Loss on sale of businesses	**14,547**	86,574	—
Excess tax benefit from share-based compensation	**—**	—	(6,281)
Goodwill impairment loss	**—**	58,356	—
Other items	**32,229**	(13,242)	(14,328)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	**(37,731)**	(48,140)	(31,560)
Inventories, net	**(5,178)**	(12,829)	1,810
Other current assets	**(1,244)**	2,324	(9,599)
Accounts payable	**563**	6,884	5,249
Accruals and other, net	**(15,555)**	(5,442)	13,566
Net cash provided by operating activities	**457,632**	424,086	254,675
Investing activities:			
Purchases of property, plant, equipment, and intangibles, net	**(165,457)**	(172,901)	(126,407)
Proceeds from the sale of property, plant, equipment, and intangibles	**2,094**	4,846	844
Proceeds from the sale of businesses	**8,888**	135,713	—
Purchases of investments	**—**	(6,356)	—
Acquisition of business, net of cash acquired	**(46,271)**	(65,557)	(604,021)
Other	**(3,083)**	—	—
Net cash used in investing activities	**(203,829)**	(104,255)	(729,584)
Financing activities:			
Proceeds from the issuance of long-term obligations	**—**	293,730	350,000
Payments on long-term obligations	**(222,500)**	(172,500)	(92,567)
Proceeds under credit facilities, net	**29,065**	(196,613)	369,451
Deferred financing fees and debt issuance costs	**(2,029)**	(1,073)	(5,169)
Acquisition related deferred or contingent consideration	**(2,064)**	(9,918)	—
Repurchases of common shares	**(65,485)**	(97,509)	(14,369)
Cash dividends paid to common shareholders	**(102,929)**	(93,193)	(65,203)
Proceeds from issuance of equity to minority shareholders	**—**	5,022	625
Stock option and other equity transactions, net	**9,758**	4,955	11,240
Excess tax benefit from share-based compensation	**—**	—	6,281
Net cash (used in) provided by financing activities	**(356,184)**	(267,099)	560,289
Effect of exchange rate changes on cash and cash equivalents	**20,997**	(18,655)	(4,228)
Increase (decrease) in cash and cash equivalents	**(81,384)**	34,077	81,152
Cash and cash equivalents at beginning of period	**282,918**	248,841	167,689
Cash and cash equivalents at end of period	**$ 201,534**	$ 282,918	$ 248,841

The notes on pages 60 to 107 are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations. STERIS plc (“Parent”) was organized in 2014 under the laws of England and Wales under the name Solar New HoldCo Limited as a private limited company for the purpose of effecting the combination (“Combination”) of STERIS Corporation, an Ohio corporation (“Old STERIS”), and Synergy Health plc, a public limited company organized under the laws of England and Wales (“Synergy”). Effective November 2, 2015, the Parent was re-registered as a public company under the name of STERIS plc and the Combination closed. As a result of the Combination closing, STERIS plc became the ultimate parent company of Old STERIS and Synergy. Synergy has been re-registered under the name of Synergy Health Limited. The acquisition of Old STERIS was accounted for in the consolidated financial statements as a merger between entities under common control; accordingly the historical consolidated financial statements of Old STERIS for periods prior to November 2, 2015, are considered to be the historical financial statements of STERIS plc.

STERIS plc is a leading provider of infection prevention and other procedural products and services. We offer our Customers a unique mix of innovative consumable products, such as detergents, gastrointestinal ("GI") endoscopy accessories, barrier product solutions, and other products and services, including: equipment installation and maintenance, microbial reduction of medical devices, instrument and scope repair solutions, laboratory testing services, on-site and off-site reprocessing, and capital equipment products, such as sterilizers and surgical tables, and connectivity solutions such as operating room (“OR”) integration.

We operate and report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. We describe our business segments in Note 2 to our consolidated financial statements titled, "Business Segment Information."

Our fiscal year ends on March 31. References in this Annual Report to a particular "year," "fiscal year," or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below.

Basis of Presentation. The Directors have elected to prepare Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as permitted by Statutory Instrument 2015 No. 1675 The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015 (SI 2015 No. 1675). The Report of the Directors and Consolidated Financial Statements are also prepared in accordance with the Act.

The Consolidated Financial Statements have been prepared for purposes of satisfying Act requirements for entities domiciled in the U.K. The basis of preparation for these Consolidated Financial Statements is U.S. GAAP to the extent that the use of those principles does not contravene any provisions of the Act or any regulations made there under as permitted by SI 2015 No. 1675. The Company has mirrored the Consolidated Financial Statements and Notes thereto to our Form 10-K filed with the SEC on May 30, 2018 to the extent that the Consolidated Financial Statements and Notes thereto contained in our Form 10-K do not contravene any provisions of the Act or any regulations made there under as permitted by SI 2015 No. 1675.

Where compliance with the provisions of the Act is inconsistent with the requirements to give a true and fair view of the state of affairs and profit or loss in accordance with U.S. GAAP, the Directors have invoked the true and fair override. The Act requires that goodwill and indefinite-lived intangible assets must be written off over the useful economic life of the intangible asset. Under U.S. GAAP, the Company does not amortize goodwill nor indefinite-lived intangible assets. Instead goodwill and indefinite-lived intangible assets are carried at cost less impairment, with impairment tested at least annually. As the Company's treatment of goodwill and indefinite-lived intangible assets conflicts with SI 2008/410, the Directors have invoked a true and fair override in order to overcome the requirement to amortize goodwill and indefinite-lived intangible assets. The Company is not able to determine the financial effect of the impact of non-amortization of goodwill, which had a carrying amount of $2,433,784 and $2,231,303 at March, 31 2018 and 2017, respectively, nor the financial effect of the impact of non-amortization of indefinite-lived intangible assets, which had a carrying amount of $35,266 and $34,970 at March, 31 2018 and 2017, respectively.

Principles of Consolidation. We use the consolidation method to report our investment in our subsidiaries. Therefore, the accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. We eliminate inter-company accounts and transactions when we consolidate these accounts. Investments in equity of unconsolidated affiliates, over which the Company has significant influence, but not control, over the financial and operating polices, are accounted for primarily using the equity method. These investments are immaterial to the Company's Consolidated Financial Statements.

(amounts in thousands, except per share amounts and as noted)

Use of Estimates. We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available.

Cash Equivalents and Supplemental Cash Flow Information. Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased. We invest our excess cash in short-term instruments including money market funds and time deposits with major banks and financial institutions. We select investments in accordance with the criteria established in our investment policy. Our investment policy specifies, among other things, maturity, credit quality and concentration restrictions with the objective of preserving capital and maintaining adequate liquidity.

Information supplementing our Consolidated Statements of Cash Flows is as follows:

Years Ended March 31,	2018	2017	2016
Cash paid during the year for:			
Interest	**$ 48,663**	$ 42,797	$ 37,165
Income taxes	**85,629**	78,009	60,885
Cash received during the year for income tax refunds	**7,747**	2,002	1,697

Revenue Recognition. We recognize revenue for products when ownership passes to the Customer, which is based on contract or shipping terms and for services when the service is provided to the Customer. Our Customers include end users as well as dealers and distributors who market and sell our products. Our revenue is not contingent upon resale by the dealer or distributor. We have no further obligations related to bringing about resale and our standard return and restocking fee policies are applied. Revenues are reported net of sales and value-added taxes collected from Customers.

We also have individual Customer contracts that offer discounted pricing. Dealers and distributors may be offered sales incentives in the form of rebates. We reduce revenue for discounts and estimated returns, rebates, and other similar allowances in the same period the related revenues are recorded. Returns, rebates, and similar allowances are estimated based on historical experience and trend analysis.

In transactions that contain multiple elements, such as when products, maintenance services, and other services are combined, we recognize revenue as each product is delivered or service is provided to the Customer. We allocate the total arrangement consideration to each element based on its relative selling price, based on the price for the product or service when it is sold separately.

We offer preventive maintenance agreements to our Customers with contract terms of one to five years which require us to maintain and repair our products during this time. Amounts received under these Customer contracts are initially recorded as deferred service revenues and then recognized as service revenues ratably over the contract term.

Accounts Receivable. Accounts receivable are presented at their face amount, less allowances for sales returns and uncollectible accounts. Accounts receivable consist of amounts billed and currently due from Customers and amounts earned but unbilled. We generally obtain and perfect security interest in products sold in the United States when we have a concern with the Customer's risk profile.

We maintain an allowance for uncollectible accounts receivable for estimated losses in the collection of amounts owed by Customers. We estimate the allowance based on analyzing a number of factors, including amounts written off historically, Customer payment practices, and general economic conditions. We also analyze significant Customer accounts on a regular basis and record a specific allowance when we become aware of a specific Customer’s inability to pay. As a result, the related accounts receivable are reduced to an amount that we reasonably believe is collectible.

We maintain an allowance for sales returns based upon known returns and estimated returns for both capital equipment and consumables. We estimate returns of capital equipment and consumables based upon recent historical experience.

Inventories, net. Inventories are stated at the lower of their cost or market value. We determine cost based upon a combination of the last-in, first-out (“LIFO”) and first-in, first-out (“FIFO”) cost methods. For inventories valued using the LIFO method, we believe that the use of the LIFO method results in a matching of current costs and revenues. Inventories valued using the LIFO method represented approximately 26.0% and 29.0% of total inventories at March 31, 2018 and 2017, respectively. Inventory costs include material, labor, and overhead. If we had used only the FIFO method of inventory costing, inventories would have been $17,280 and $16,706 higher than those reported at March 31, 2018 and 2017, respectively.

(amounts in thousands, except per share amounts and as noted)

We review inventory on an ongoing basis, considering factors such as deterioration, obsolescence, and other items. We record an allowance for estimated losses when the facts and circumstances indicate that particular inventories will not be usable. If future market conditions vary from those projected, and our estimates prove to be inaccurate, we may be required to write-down inventory values and record an adjustment to cost of revenues.

Property, Plant, and Equipment. Our property, plant, and equipment consists of land and land improvements, buildings and leasehold improvements, machinery and equipment, information systems, radioisotope (cobalt-60), and construction in progress. Property, plant, and equipment are presented at cost less accumulated depreciation and depletion. We capitalize additions and improvements. Repairs and maintenance are charged to expense as they are incurred.

Land is not depreciated and construction in progress is not depreciated until placed in service. Depreciation of most assets is computed on the cost less the estimated salvage value by using the straight-line method over the estimated remaining useful lives. Depletion of radioisotope is computed using the annual decay factor of the material, which is similar to the sum-of-the-years-digits method.

We generally depreciate or deplete property, plant, and equipment over the useful lives presented in the following table:

Asset Type	Useful Life (years)
Land improvements	3-40
Buildings and leasehold improvements	2-50
Machinery and equipment	2-20
Information Systems	2-20
Radioisotope (cobalt-60)	20

When we sell, retire, or dispose of property, plant, and equipment, we remove the asset's cost and accumulated depreciation from our Consolidated Balance Sheet. We recognize the net gain or loss on the sale or disposition in the Consolidated Statements of Income in the period when the transaction occurs.

Interest. We capitalize interest costs incurred during the construction of long-lived assets. We capitalized interest costs of $528 and $1,141 for the years ended March 31, 2018 and 2017, respectively. Total interest expense for the years ended March 31, 2018, 2017, and 2016 was $50,629, $44,520, and $42,708, respectively.

Identifiable Intangible Assets. Our identifiable intangible assets include product technology rights, trademarks, licenses, and Customer and vendor relationships. We record these assets at cost, or when acquired as part of a business acquisition, at estimated fair value. We generally amortize identifiable intangible assets over periods ranging from 5 to 20 years using the straight-line method. Our intangible assets also include indefinite lived assets including certain trademarks and tradenames that were acquired in connection with business combinations. These assets are tested at least annually for impairment.

Investments. Investments in marketable securities are stated at fair value and are included in either "Investments" or "Other non-current assets" on the Consolidated Balance Sheets. A reclassification has been made in the comparative balance sheet from "Other non-current assets" to "Investments" for consistency with the current year presentation. Unrealized gains and losses on marketable securities classified as available-for-sale are recorded in Accumulated Other Comprehensive Income (Loss).

Asset Impairment Losses. Property, plant, equipment, and identifiable intangible assets are reviewed for impairment when indicators of impairment exist and circumstances indicate that the carrying value of such assets may not be recoverable. Impaired assets are recorded at the lower of carrying value or estimated fair value. We monitor for such indicators on an ongoing basis and if an impairment exists, we record the loss in the Consolidated Statements of Income during that period.

Asset Retirement Obligations. We incur retirement obligations for certain assets. We record initial liabilities for the asset retirement obligations ("ARO") at fair value. Recognition of ARO includes: estimating the present value of a liability and offsetting asset, the subsequent accretion of that liability and depletion of the asset, and a periodic review of the ARO liability estimates and discount rates used in the analysis. We provide additional information about our asset retirement obligations in Note 11 to our consolidated financial statements titled, "Property, Plant and Equipment."

Acquisitions of Business. Assets acquired and liabilities assumed in a business combination are accounted for at fair value on the date of acquisition. Costs related to the acquisition are expensed as incurred.

Goodwill. We perform our annual impairment test for goodwill in the third quarter of each year. We may consider qualitative indicators of the fair value of a reporting unit when it is unlikely that a reporting unit has impaired goodwill. We may also utilize a discounted cash flow analysis that requires certain assumptions and estimates be made regarding market conditions and our future profitability. We review the book value compared to the fair value at the reporting unit level. We calculate the fair value of our reporting units based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows to measure fair value. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections, strategic plans, and operating plans. We believe such assumptions and estimates are also comparable to those that would be used by other market place participants.

Self-Insurance Liabilities. We record a liability for self-insured risks that we retain for general and product liabilities, workers' compensation, and automobile liabilities based on actuarial calculations. We use our historical loss experience and actuarial methods to calculate the liability. This liability includes estimates for both losses and incurred but not reported claims. We review the assumptions used to calculate the estimated liability at least annually to evaluate the adequacy of the amount recorded. We maintain insurance policies to cover losses greater than our estimated liability, which are subject to the terms and conditions of those policies. We are also self-insured for certain employee medical claims. We estimate a liability for incurred but not reported claims based upon recent claims experience.

Benefit Plans. We sponsor defined benefit pension plans. We also sponsor a post-retirement benefits plan for certain former employees. We determine our costs and obligations related to these plans by evaluating input from third-party professional advisers. These costs and obligations are affected by assumptions including the discount rate, expected long-term rate of return on plan assets, the annual rate of change in compensation for eligible employees, estimated changes in costs of healthcare benefits, and other factors. We review the assumptions used on an annual basis.

We recognize an asset for the overfunded status or a liability for the underfunded status of defined benefit pension and post-retirement benefits plans in our consolidated balance sheets. This amount is measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for other post-retirement benefit plans). Changes in the funded status of the plans are recorded in other comprehensive income in the year they occur. We measure plan assets and obligations as of the balance sheet date. We provide additional information about our pension and other post-retirement benefits plans in Note 18 to our consolidated financial statements titled, "Benefit Plans."

Fair Value of Financial Instruments. Except for long-term debt, our financial instruments are highly liquid or have short-term maturities. We provide additional information about the fair value of our financial instruments in Note 14 titled, "Fair Value Measurements."

Foreign Currency Translation. Most of our operations use their local currency as their functional currency. Financial statements of subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Translation adjustments for subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) within equity. Transaction gains and losses resulting from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized as incurred in the accompanying Consolidated Statement of Income, except for certain inter-company balances designated as long-term in nature.

Forward and Swap Contracts. We enter into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies, including inter-company transactions.We may also enter into commodity swap contracts to hedge price changes in nickel that impact raw materials included in our cost of revenues. We do not use derivative financial instruments for speculative purposes. These contracts are marked to market, with gains and losses recognized within "Selling, general, and administrative expenses" or "Cost of revenues" in the accompanying Consolidated Statements of Income.

Warranty. Warranties are provided on the sale of certain of our products and services and an accrual for estimated future claims is recorded at the time revenue is recognized. We estimate warranty expense based primarily on historical warranty claim experience.

Shipping and Handling. We record shipping and handling costs in costs of revenues. Shipping and handling costs charged to Customers are recorded as revenues in the period the product revenues are recognized.

Advertising Expenses. Costs incurred for communicating, advertising and promoting our products are generally expensed when incurred as a component of Selling, General and Administrative Expense. We incurred $10,886, $12,622, and $10,785 of advertising costs during the years ended March 31, 2018, 2017, and 2016, respectively.

Research and Development. We incur research and development costs associated with commercial products and expense these costs as incurred. If a Customer reimburses us for research and development costs, the costs are charged to the related contracts as costs of revenues.

Income Taxes. We defer income taxes for all temporary differences between pre-tax financial and taxable income and between the book and tax basis of assets and liabilities. We record valuation allowances to reduce net deferred tax assets to an amount that we expect will more-likely-than-not be realized. In making such a determination, we consider all available information, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and if applicable, any carryback claims that can be filed. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes and the effective tax rate.

We evaluate uncertain tax positions in accordance with a two-step process. The first step is recognition: The determination of whether or not it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate tax authority and that the tax authority will have full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not threshold is measured to determine the amount of benefit to recognize in the financial statements. The measurement process requires the determination of the range of possible settlement amounts and the probability of achieving each of the possible settlements. The tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. No tax benefits are recognized for positions that do not meet the more-likely-than-not threshold. Tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which the threshold is no longer met. We describe income taxes further in Note 6 to our consolidated financial statements titled, “Income Taxes.”

Medical Device Excise Tax. The Medical Device Excise Tax became effective January 1, 2013. The excise tax was mandated by the 2010 health care reform legislation and assesses a 2.3% tax on the sale or use of certain medical devices that are sold or manufactured in the United States. Many of our products are subject to the excise tax. Late in 2015, Congress enacted legislation that suspended the excise tax for 2016 and 2017. Early in 2018, U.S. Congress enacted legislation that extended the suspension of the excise tax for 2018 and 2019. Therefore, we did not incur Medical Device Excise taxes during fiscal 2018 or 2017. Should the U.S. Congress take no further action with regard to this tax we will begin to incur excise tax in the fourth quarter of fiscal 2020. We incurred Medical Device Excise taxes of $5,802 during fiscal year 2016, which was included in cost of revenues in the period of sale.

Share-Based Compensation. We describe share-based compensation in Note 17 to our consolidated financial statements titled, “Share-Based Compensation.” We measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. We record liability awards at fair value each reporting period and the change in fair value is reflected as share-based compensation expense in our Consolidated Statements of Income. The expense is classified as cost of goods sold, selling, general and administrative expenses or research and development expenses in a manner consistent with the employee’s compensation and benefits. These costs are recognized in the Consolidated Statement of Income over the period during which an employee is required to provide service in exchange for the award.

Restructuring. We recognize restructuring expenses as incurred. Asset impairment and accelerated depreciation expenses primarily relate to inventory write-downs for rationalized products and adjustments in the carrying value of the related facilities and machinery and equipment to their estimated fair value. In addition, the remaining useful lives of other property, plant, and equipment associated with the related operations are reevaluated based on the respective restructuring plan, which may result in the acceleration of depreciation and amortization of certain assets.

(amounts in thousands, except per share amounts and as noted)

Recently Issued Accounting Standards Impacting the Company

Recently Issued Accounting Standards Impacting the Company are presented in the following table:

Standard	Date of Issuance	Description	Date of Adoption	Effect on the financial statements or other significant matters
Standards that have recently been adopted				
ASU 2016-07, "Investments - Equity Method and Joint Ventures, Simplifying the Transition to the Equity Method of Accounting" (Topic 323)	March 2016	The standard replaces the previous requirement to retroactively adopt the equity method. The new standard requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within that period. Early adoption is permitted.	First Quarter Fiscal 2018	The prospective adoption of this standard did not have a material impact on our consolidated financial statements.
ASU 2015-11, "Inventory - Simplifying the Measurement of Inventory" (Topic 330)	July 2015	The standard requires an entity to measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and should be applied prospectively. Early adoption is permitted.	First Quarter Fiscal 2018	The prospective adoption of this standard did not have a material impact on our consolidated financial statements.
ASU 2017-04, "Intangibles - Goodwill and Other, Simplifying the Test for Goodwill Impairment" (Topic 350)	January 2017	This standard eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedures that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments of this standard, an entity would perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The loss should not exceed the total amount of goodwill allocated to that reporting unit. Tax effects should be considered. The standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.	Third Quarter Fiscal 2018	The prospective adoption of this standard did not have a material impact on our consolidated financial statements.

(amounts in thousands, except per share amounts and as noted)

ASU 2016-09, "Stock Compensation: Improvements to Employee Share-Based Payment Accounting" (Topic 718)	March 2016	The standard simplifies several aspects of the accounting for share-based payment award transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within that period. Early adoption is permitted.	First Quarter Fiscal 2017	As a result of the adoption of this standard, we recorded $6.6 million and $5.1 million of excess tax benefits associated with share based compensation in the Consolidated Statements of Income for the years ended March 31, 2018 and 2017, respectively, and have included the associated cash flows as cash provided by operating activities. Prior periods have not been restated.
Standards that have not yet been adopted				
ASU 2014-09, "Revenue from Contracts with Customers" and subsequently issued amendments	May 2014	The standard will replace existing revenue recognition standards and significantly expand the disclosure requirements for revenue arrangements. It may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date. The standard update is effective for annual periods beginning after December 15, 2017 and interim periods within that period. Early adoption is not permitted before the original public entity effective date of December 15, 2016.	N/A	We have completed our evaluation of our revenue streams and contracts and have adopted this standard on April 1, 2018 using the modified retrospective method. We have identified certain historical revenue transactions for which the timing of recognition would have been different under this standard. The amount of the cumulative adjustment required to defer revenue based on these transactions at the end of fiscal 2018 represents less than 0.5% of fiscal 2018 revenues, which will reduce retained earnings as of April 1, 2018. We are in the process of finalizing our revenue accounting policy and implementing changes to our business processes, disclosures and controls. Additionally, we expect to provide the required additional disclosures in periods subsequent to the adoption.

(amounts in thousands, except per share amounts and as noted)

ASU 2016-01, "Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Liabilities" (Subtopic 825-10)	January 2016	The standard changes how equity investments are measured and presents changes in the fair value of financial liabilities measured under the fair value option. Presentation and disclosure requirements for financial instruments are also affected. Entities will be required to measure equity investments that do not result in consolidation and are not recorded under the equity method at fair value with changes in fair value recognized in net income. The standard clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.	N/A	The impact that the standard will have on our consolidated financial statements will depend on the future variability in the fair values of our equity investments. However, based on current investment holdings, the impact is not expected to be material.
ASU 2016-02, "Leases" (Topic 842)	February 2016	The standard will require lessees to record all leases, whether finance or operating, on the balance sheet. An asset will be recorded to represent the right to use the leased asset, and a liability will be recorded to represent the lease obligation. The standard is effective for annual periods beginning after December 15, 2018 and interim periods within that period. Early adoption is permitted.	N/A	We are currently evaluating the impact that the standard will have on our consolidated financial statements. We are also evaluating our lease portfolio, software packages, process and policy change requirements. We anticipate that most of our operating leases will result in the recognition of additional assets and corresponding liabilities in our Consolidated Balance Sheet, however we do not expect the standard to have a material impact on our financial position. The actual impact will depend on our lease portfolio at the time of adoption. More information regarding our total operating lease commitments at March 31, 2018, is disclosed in Note 11, "Tangible Assets".
ASU 2016-13, "Measurement of Credit Losses on Financial Instruments"	June 2016	The standard requires a financial asset (or group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted.	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements.

(amounts in thousands, except per share amounts and as noted)

ASU 2016-15, "Statement of Cash Flows" (Topic 230)	August 2016	This standard provides guidance on the following specific cash flow issues: Debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The standard is effective for annual periods beginning after December 15, 2017 and interim periods within that period. Early adoption is permitted.	N/A	The impact that the standard will have will depend on the future occurrence of the relevant transactions or conditions addressed by the standard.
ASU 2016-16, "Income Taxes, Intra-Entity Transfers of Assets Other Than Inventory" (Topic 740)	October 2016	The standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The new standard requires the recognition of income tax consequences resulting from an intra-entity transfer of an asset other than inventory when the transfer occurs. The standard is effective for annual periods beginning after December 15, 2017. Early adoption is permitted.	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements. The impact will depend on the value of future intra-entity transfers.
ASU 2017-07 "Compensation - Retirement Benefits - Improving the Presentation of Net Periodic Pension and Net Periodic Postretirement Benefit Cost" (Topic 715)	March 2017	This standard requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations, if one is presented. The standard is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted.	N/A	The adoption of this standard is not expected to have a material impact on our consolidated financial statements as it principally relates to classification of costs within our Consolidated Statements of Income. The components of our net periodic benefit costs are disclosed in Note 18, "Benefit Plans".
ASU 2017-09 "Compensation - Stock Compensation" (Topic 718)	May 2017	The standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This standard is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted.	N/A	The impact will depend on the future occurrence of the relevant terms or conditions addressed by the standard.

(amounts in thousands, except per share amounts and as noted)

ASU 2017-12 "Targeted Improvements to Accounting for Hedging Activities" (Topic 815)	August 2017	The standard provides targeted improvements to accounting for hedging activities by expanding an entity’s ability to hedge non-financial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted in any interim period after issuance of the standard. The standard should be applied using a modified retrospective approach for cash flow and net investment hedge relationships that exist on the date of adoption, and prospectively for presentation and disclosure requirements.	N/A	We do not expect this standard to have a material impact on our consolidated financial statements.
ASU 2018-02 "Income Statement - Reporting Comprehensive Income" (Topic 220)	February 2018	The standard allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act and requires certain disclosures about stranded tax effects. The underlying guidance requiring that the effect of a change in tax laws or rates be in included in income form continuing operations is not affected. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those years. Early adoption is permitted.	N/A	We are in the process of evaluating the impact that the standard will have on our consolidated financial statements.

2. BUSINESS SEGMENT INFORMATION

We operate and report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Corporate is presented separately and contains the costs that are associated with being a publicly traded company and certain other corporate costs.

Our Healthcare Products segment offers infection prevention and procedural solutions for healthcare providers worldwide, including consumable products, equipment maintenance and installation services, and capital equipment.

Our Healthcare Specialty Services segment provides a range of specialty services for healthcare providers including hospital sterilization services and instrument and scope repairs. Linen Management Services were divested in fiscal 2017.

Our Life Sciences segment offers consumable products, equipment maintenance and specialty services for pharmaceutical manufacturers and research facilities, and capital equipment.

Our Applied Sterilization Technologies segment offers contract sterilization and laboratory services for medical device and pharmaceutical Customers and others.

Certain minor organizational changes were made to better align with our Customers, resulting in several smaller operations shifting among the segments. The prior period measures have been recast for comparability. For the year ended March 31, 2018, revenues from a single Customer did not represent ten percent or more of any reportable segment’s revenues.

(amounts in thousands, except per share amounts and as noted)

The accounting policies for reportable segments are the same as those for the consolidated Company. Management evaluates performance and allocates resources based on a segment operating income measure. Operating income (loss) for each segment is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which result in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. These allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare Products segment is responsible for the management of all but two manufacturing facilities and uses standard cost to sell products to the other segments. Corporate includes certain non-allocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits. Segment operating income excludes certain adjustments which include acquisition related costs, amortization of acquired intangibles, restructuring costs and other charges that management believes may or may not recur with similar materiality or impact on operating income in future periods. Management believes that by excluding these items they gain better insight and greater transparency of the operating performance of the segments, thus aiding them in more meaningful financial trend analysis and operational decision making.

Years Ended March 31,	2018	2017	2016
Revenues:			
Healthcare Products	**$ 1,276,054**	$ 1,266,517	$ 1,203,884
Healthcare Specialty Services	**469,065**	539,536	421,110
Life Sciences	**361,590**	328,866	297,733
Applied Sterilization Technologies	**513,287**	477,837	316,037
Total revenues	**$ 2,619,996**	$ 2,612,756	$ 2,238,764
Operating income (loss):			
Healthcare Products	**221,795**	227,707	181,009
Healthcare Specialty Services	**28,910**	10,573	24,555
Life Sciences	**106,737**	97,180	84,564
Applied Sterilization Technologies	**173,375**	158,379	99,854
Total reportable segments	**530,817**	493,839	389,982
Corporate	**(17,439)**	(17,307)	(11,320)
Total operating income before adjustments	**$ 513,378**	$ 476,532	$ 378,662
Less: Adjustments			
Goodwill impairment loss (1)	**—**	58,356	—
Amortization of inventory and property "step up" to fair value (2)	**1,599**	4,743	9,907
Amortization of purchased intangible assets (2)	**67,793**	66,398	47,704
Acquisition and integration related transaction charges (3)	**16,211**	30,082	82,891
Loss (gain) on fair value adjustment of acquisition related contingent consideration	**(593)**	2,569	(736)
Net loss on divestiture of businesses (2)	**14,547**	86,574	—
Settlement of pension obligation (4)	**—**	—	26,470
Impact of the U.S. Tax Cuts and Jobs Act (5)	**10,264**	—	—
Restructuring charges	**103**	215	(501)
Total operating income	**$ 403,454**	$ 227,595	$ 212,927

(1) For more information regarding our goodwill impairment loss see Note 9 titled, "Goodwill and Intangible Assets".
(2) For more information regarding our recent acquisitions and divestitures see Note 10 titled, "Business Acquisitions and Divestitures".
(3) Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.
(4) See Note 18 titled, "Benefit Plans" for more information related to the settlement of the pension obligation.
(5) Represents a one-time special employee bonus paid to most U.S. employees and associated professional fees.

Assets include the current and long-lived assets directly attributable to the segment based on the management of the location or on utilization. Certain corporate assets were allocated to the reportable segments based on revenues. Assets attributed to sales and distribution locations are only allocated to the Healthcare Products and Life Sciences segments.

(amounts in thousands, except per share amounts and as noted)

Individual facilities, equipment, and intellectual properties are utilized for production by both the Healthcare Products and Life Sciences segments at varying levels over time. As a result, an allocation of total assets, capital expenditures, and depreciation and amortization is not meaningful to the individual performance of the Healthcare Products and Life Sciences segments. Therefore, their respective amounts are reported together.

March 31,	2018	2017
Assets:		
Healthcare Products and Life Sciences	**$ 1,621,156**	$ 1,576,923
Healthcare Specialty Services	**813,909**	809,596
Applied Sterilization Technologies	**2,765,269**	2,537,936
Total assets	**$ 5,200,334**	$ 4,924,455

Years Ended March 31,	2018	2017	2016
Capital Expenditures:			
Healthcare Products and Life Sciences	**$ 52,767**	$ 39,253	$ 34,581
Healthcare Specialty Services	**16,497**	42,408	31,308
Applied Sterilization Technologies	**96,193**	91,240	60,518
Total Capital Expenditures	**$ 165,457**	$ 172,901	$ 126,407
Depreciation, Depletion, and Amortization:			
Healthcare Products and Life Sciences	**$ 52,025**	$ 46,709	$ 49,142
Healthcare Specialty Services	**29,269**	56,860	36,114
Applied Sterilization Technologies	**97,038**	84,573	58,484
Total Depreciation, Depletion, and Amortization	**$ 178,332**	$ 188,142	$ 143,740

Financial information for each of our United States and international geographic areas is presented in the following table. Revenues are based on the location of these operations and their Customers. Property, plant and equipment, net are those assets that are identified within the operations in each geographic area.

Years Ended March 31,	2018	2017	2016
Revenues:			
United Kingdom	**$ 207,514**	$ 229,603	$ 144,577
United States	**1,836,414**	1,803,457	1,662,050
Other locations	**576,068**	579,696	432,137
Total Revenues	**$ 2,619,996**	$ 2,612,756	$ 2,238,764

March 31,	2018	2017
Property, Plant, and Equipment, Net		
United Kingdom	**$ 97,586**	$ 76,695
United States	**530,591**	499,760
Other locations	**382,347**	339,453
Property, Plant, and Equipment, Net	**$ 1,010,524**	$ 915,908

3. DIRECTORS' REMUNERATION

Information regarding the Directors' remuneration and further information regarding the remuneration of the Executive Director (the highest paid director) is incorporated herein by reference to the audited section of the Directors' Remuneration Report contained in this report.

Total salary and fees, benefits, equity and performance related bonus of the Directors of STERIS plc during fiscal 2018 and 2017 was $3,966 and $3,441, respectively. Executive Director compensation related to long term incentive plans was $1,463 and $1,328 during fiscal 2018 and 2017, respectively. The employer contribution to the Executive Director's defined contribution retirement plan during fiscal 2018 and 2017 was $9 and $8.

During fiscal 2018 and fiscal 2017 gains arising from stock option exercises by Directors totaled $973 and $364, respectively.

4. AUDITORS' REMUNERATION

The consolidated group obtained the following services from the auditor, Ernst & Young LLP and its associates, at costs as detailed in the tables below (in thousands):

	Fiscal 2018	Fiscal 2017
Audit of the Consolidated financial statements	**$ 3,612**	$ 4,998
Auditing of subsidiaries of the company	**932**	1,029
Other Services:		
Audit-related assurance services	**375**	375
Taxation compliance services	**22**	26
All taxation advisory services	**2,017**	486
Other non-audit services	**2**	2
	$ 6,960	$ 6,916
Audit of occupational pension schemes	**$ —**	$ 29

5. EMPLOYEES

The average number of persons employed by the Company during each fiscal year was as follows:

	Fiscal 2018	Fiscal 2017
Healthcare Products	**4,682**	4,662
Healthcare Specialty Services	**3,515**	4,773
Life Sciences	**823**	761
Applied Sterilization Technologies	**2,400**	2,339
Corporate	**838**	802
	12,258	13,337

Employee costs were as follows (in thousands):

	Fiscal 2018	Fiscal 2017
Wages and salaries	**$ 793,270**	$ 767,283
Social security costs	**42,519**	39,986
Share based compensation expense	**22,187**	18,794
Pension and post-retirement benefits expense	**21,285**	25,434
Other, primarily employee benefits	**77,686**	104,845
	$ 956,947	$ 956,342

(amounts in thousands, except per share amounts and as noted)

6. INCOME TAXES

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “TCJA”). The SEC staff issued Staff Accounting Bulletin No.118 (“SAB 118”), which provides guidance on accounting for the tax effects of the TCJA. SAB 118, provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under Accounting Standards Codification (“ASC”) Topic 740, Income Taxes. Our accounting for the various elements of the TCJA is incomplete. However, in accordance with SAB 118 guidance, we were able to make what we believe to be reasonable estimates of certain effects and therefore, have recorded a provisional net tax benefit of approximately $18,913 related to the reduction of the U.S. federal corporate income tax rates effect on our deferred tax balances and partially offset by the deemed repatriation transition tax for fiscal year 2018.

The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21.0%. Additionally, given the significant changes included in the TCJA, the Company re-evaluated the realizability of certain deferred tax assets, including foreign tax credits and interest deferral, and determined that valuation allowances needed to be adjusted. The Company is still analyzing certain aspects of the TCJA, including interpretations by state and local tax authorities, and additional Treasury guidance that may be issued which could potentially affect the measurement of these balances or give rise to new deferred tax amounts. The Company recorded a provisional $36,422 tax benefit for the remeasurement of deferred tax balances and related valuation allowances.

TCJA includes a one-time transition tax based on post-1986 unremitted earnings and profits ("E&P") of non-U.S. subsidiaries owned directly or indirectly by U.S. subsidiaries of the Company which have been previously deferred from U.S. income taxes. The amount of the transition tax also depends on the amount of E&P held in cash or other specified assets. The Company recorded a provisional tax expense of $17,509 for the transition tax. This amount may change when Treasury issues additional guidance and the Company finalizes the calculation of E&P, including the amounts held in cash or other specified assets, and finalizes the calculation of available foreign tax credits.

Income from continuing operations before income taxes was as follows:

Years Ended March 31,	2018	2017	2016
United States operations	**$ 203,872**	$ 189,429	$ 105,758
United Kingdom operations	**3,253**	(36,420)	(20,553)
Other locations operations	**147,857**	31,637	86,679
	$ 354,982	$ 184,646	$ 171,884

(amounts in thousands, except per share amounts and as noted)

The components of the provision for income taxes related to income from continuing operations consisted of the following:

Years Ended March 31,	2018	2017	2016
Current:			
United States federal	**$ 47,728**	$ 43,900	$ 41,653
United States state and local	**7,727**	8,171	7,943
United Kingdom	**6,671**	362	2,194
Other locations	**22,667**	21,094	13,924
	84,793	73,527	65,714
Deferred:			
United States federal	**(15,728)**	10,293	1,427
United States state and local	**2,656**	2,131	299
United Kingdom	**(2,968)**	(2,292)	(6,973)
Other locations	**(5,393)**	(9,644)	(168)
	(21,433)	488	(5,415)
Total Provision for Income Taxes	**$ 63,360**	$ 74,015	$ 60,299

The total provision for income taxes can be reconciled to the tax computed at the United Kingdom federal statutory tax rate for 2018 and 2017 and the United States federal statutory tax rate for 2016 as follows:

Years Ended March 31,	2018	2017	2016
National statutory tax rate	**19.0 %**	20.0 %	35.0 %
Increase in accruals for uncertain tax positions	**0.1 %**	0.3 %	0.2 %
U.S. state and local taxes, net of federal income tax benefit	**2.3 %**	3.8 %	3.3 %
Increase in valuation allowances	**0.1 %**	0.1 %	1.0 %
U.S. research and development credit	**(0.5)%**	(1.1)%	— %
U.S. foreign income tax credit	**(0.2)%**	0.0 %	(0.6)%
Difference in non-United States tax rates	**— %**	0.0 %	(8.5)%
Difference in non-United Kingdom tax rates	**4.1 %**	6.0 %	— %
Excise tax gross-up	**— %**	— %	3.4 %
U.S. manufacturing deduction	**(0.8)%**	(2.5)%	(2.5)%
Excess tax benefit for equity compensation	**(1.8)%**	(2.8)%	— %
Tax rate changes on deferred tax assets and liabilities	**(10.3)%**	(2.3)%	— %
U.S. transition tax on foreign earnings	**4.9 %**	— %	— %
Acquisitions and divestitures	**0.5 %**	9.0 %	— %
Goodwill impairment on divestitures	**— %**	7.9 %	— %
Capitalized acquisition costs	— %	0.2 %	5.3 %
All other, net	**0.4 %**	1.5 %	(1.5)%
Total Provision for Income Taxes	**17.8 %**	40.1 %	35.1 %

(amounts in thousands, except per share amounts and as noted)

Unrecognized Tax Benefits. We classify uncertain tax positions and related interest and penalties as long-term liabilities within "Other liabilities" in our accompanying Consolidated Balance Sheets, unless they are expected to be paid within 12 months, in which case, the uncertain tax positions would be classified as current liabilities within "Accrued income taxes." We recognize interest and penalties related to unrecognized tax benefits within "Income tax expense" in our accompanying Consolidated Statements of Income.

A reconciliation of the beginning and ending balances of the total amounts of unrecognized tax benefits is as follows:

	2018	2017
Unrecognized Tax Benefits Balance at April 1	**$ 1,884**	$ 3,527
Increases for tax provisions of current year	**356**	510
Balances related to acquired/disposed businesses	**—**	(1,502)
Other, including currency translation	**260**	(651)
Unrecognized Tax Benefits Balance at March 31	**$ 2,500**	$ 1,884

We recognized interest and penalties related to uncertain tax positions in the provision for income taxes. As of March 31, 2018, and 2017 we had $295 and $184 accrued for interest and penalties, respectively. The increase during fiscal 2018 is primarily associated with the addition of current year uncertain tax positions. If all unrecognized tax benefits were recognized, the net impact on the provision for income tax expense would be $2,795. It is reasonably possible that during the next 12 months, there will be no material reductions in unrecognized tax benefits as a result of the expiration of various statutes of limitations or matters related to transfer pricing.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state and local, as well as foreign jurisdictions. We are no longer subject to United States federal examinations for years before fiscal 2015 and, with limited exceptions, we are no longer subject to United States state and local, or non-United States, income tax examinations by tax authorities for years before fiscal 2011. We remain subject to tax authority audits in various jurisdictions wherever we do business. We do not expect the results of these examinations to have a material adverse effect on our consolidated financial statements.

We estimate that the tax benefit from our Costa Rican Tax Holiday is $945 (or $0.01 per fully diluted share), annually. The Tax Holiday runs fully exempt, from income tax, through 2025 and partially exempt through 2029.

(amounts in thousands, except per share amounts and as noted)

Deferred Taxes. The significant components of the deferred tax assets and liabilities recorded in our accompanying balance sheets at March 31, 2018 and 2017 were as follows:

March 31,	2018	2017
Deferred Tax Assets:		
Post-retirement benefit accrual	**$ 3,505**	$ 6,116
Compensation	**12,334**	17,196
Net operating loss carryforwards	**26,217**	35,129
Accrued expenses	**5,795**	7,807
Insurance	**3,417**	4,957
Deferred income	**4,632**	8,962
Bad debt	**1,426**	1,740
Pension	**5,247**	4,647
Other	**1,668**	781
Deferred Tax Assets	**64,241**	87,335
Less: Valuation allowance	**13,596**	16,366
Total Deferred Tax Assets	**50,645**	70,969
Deferred Tax Liabilities:		
Depreciation and depletion	**61,171**	74,092
Intangibles	**140,398**	156,291
Other	**2,774**	3,631
Total Deferred Tax Liabilities	**204,343**	234,014
Net Deferred Tax Assets (Liabilities)	**$ (153,698)**	$ (163,045)

At March 31, 2018, we had U.S. federal operating loss carryforwards of $34,866, which remain subject to a 20 year carryforward period. Additionally, we had non-U.S. operating loss carry forwards of $51,309. Although the majority of the non-U.S. carryforwards have indefinite expiration periods, those carryforwards that have definite expiration periods will expire if unused between fiscal years 2019 and 2027. In addition, we have recorded tax benefits of $3,863 related to state operating loss carryforwards. If unused, these state operating loss carryforwards will expire between fiscal years 2019 and 2038. At March 31, 2018, we had $129 of tax credit carryforwards. These credit carryforwards can be used through fiscal 2027.

We review the need for a valuation allowance against our deferred tax assets. A valuation allowance of $13,596 has been applied to a portion of the net deferred tax assets because we do not believe it is more-likely-than-not that we will receive future benefit. The valuation allowance decreased during fiscal 2018 by $2,770.

Other than the provisional tax expense recorded for the one-time transition tax on unremitted earnings of non-US subsidiaries, no additional provision has been made for income taxes on undistributed earnings of foreign subsidiaries as the amounts continue to be indefinitely reinvested. The Company is still evaluating whether to change its indefinite reinvestment assertion in light of U.S. Tax Reform and considers this conclusion to be incomplete. If the Company subsequently changes its assertion, it will account for the change in the quarter of fiscal year 2019 when the analysis is complete. The amount of undistributed earnings of subsidiaries was approximately $1,100,000 at March 31, 2018. It is not practicable to estimate the additional income taxes and applicable withholding taxes that would be payable on the remittance of such undistributed earnings.

In October 2015, the Organization for Economic Cooperation and Development (OECD), in conjunction with the G20, finalized broad-based international tax policy guidelines that involve transfer pricing and other international tax subjects. While some member jurisdictions automatically adopt the new OECD guidelines, most member countries can adopt the guidelines only by new law or regulations. We are currently adopting processes to comply with the reporting requirements specified by the guidelines and are evaluating the other parts of the guidelines.

(amounts in thousands, except per share amounts and as noted)

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) shown in our Consolidated Statements of Shareholders' Equity consists of the following:

Years Ended March 31,	2018	2017	2016
Cumulative foreign currency translation adjustment	**$ 16,457**	$ (238,525)	$ (72,594)
Amortization of pension and postretirement benefit plans costs, net of taxes	**(6,742)**	(2,355)	5,108
Unrealized gain (loss) on available for sale securities	**1,970**	178	(673)
Total	**$ 11,685**	$ (240,702)	$ (68,159)

8. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Amounts in Accumulated Other Comprehensive Income (Loss) are presented net of the related tax. Foreign Currency Translation is not adjusted for income taxes. Changes in our Accumulated Other Comprehensive Income (Loss) balances, net of tax, for the years ended March 31, 2018 and March 31, 2017 were as follows:

	Gain (Loss) on Available for Sale Securities [1]		Defined Benefit Plans [2]		Foreign Currency Translation [3]		Total Accumulated Other Comprehensive Income (Loss)	
	2018	2017	2018	2017	2018	2017	2018	2017
Beginning Balance	**$ 178**	$ (673)	**$ (2,355)**	$ 5,108	**$ (238,525)**	$ (72,594)	**$ (240,702)**	$ (68,159)
Other Comprehensive Income (Loss) before reclassifications	**1,703**	745	**(2,291)**	(5,491)	**254,982**	(165,931)	**254,394**	(170,677)
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	**89**	106	**(2,096)**	(1,972)	**—**	—	**(2,007)**	(1,866)
Net current-period Other Comprehensive Income (Loss)	**1,792**	851	**(4,387)**	(7,463)	**254,982**	(165,931)	**252,387**	(172,543)
Ending Balance	**$ 1,970**	$ 178	**$ (6,742)**	$ (2,355)	**$ 16,457**	$ (238,525)	**$ 11,685**	$ (240,702)

(1) Realized gain (loss) on available for sale securities is reported in the Interest income and miscellaneous expense line of the Consolidated Statements of Income.

(2) Amortization (gain) of defined benefit pension items is reported in the Selling, general, and administrative expense line of the Consolidated Statements of Income.

(3) The effective portion of gain or loss on net debt designated as non-derivative net investment hedging instruments is recognized in Accumulated other comprehensive income and is reclassified to income in the same period when a gain or loss related to the net investment in the foreign operation is included in income.

(amounts in thousands, except per share amounts and as noted)

9. GOODWILL AND INTANGIBLE ASSETS

Changes to the carrying amount of goodwill for the years ended March 31, 2018, 2017 and 2016 were as follows:

	Healthcare Products Segment	Healthcare Specialty Services Segment	Life Sciences Segment	Applied Sterilization Technologies Segment	Synergy Combination	Total
Balance at March 31, 2016	363,770	154,272	147,334	83,035	1,408,192	2,156,603
Goodwill acquired or allocated	19,618	21,781	—	—	—	41,399
Synergy allocation	—	376,807	—	1,308,717	(1,411,781)	273,743
Divestitures	—	(85,806)	—	—	—	(85,806)
Impairment	—	(58,356)	—	—	—	(58,356)
Foreign currency translation adjustments	(5,623)	(32,819)	(820)	(60,607)	3,589	(96,280)
Balance at March 31, 2017	$ 377,765	$ 375,879	$ 146,514	$ 1,331,145	$ —	$ 2,231,303
Goodwill acquired or allocated	**16,418**	**3,501**	**—**	**15,847**	**—**	**35,766**
Reassignment	**—**	**(1,855)**	**—**	**1,855**	**—**	**—**
Foreign currency translation adjustments	**10,491**	**10,500**	**2,302**	**143,422**	**—**	**166,715**
Balance at March 31, 2018	**$ 404,674**	**$ 388,025**	**$ 148,816**	**$ 1,492,269**	**$ —**	**$ 2,433,784**

The fiscal 2018 goodwill increase was due to our recent business acquisitions, which are discussed in Note 10, titled "Business Acquisitions" and the impact of foreign currency. The fiscal 2018 reassignment between the Healthcare Specialty Services and the Applied Sterilization Technologies segments resulted from certain minor organizational changes that were made to better align with our Customers.

The fiscal 2017 goodwill increase within the Healthcare Products segment primarily relates to the acquisition of Medisafe. The fiscal 2017 goodwill increase within the Healthcare Specialty Services and Applied Sterilization Technologies segments was primarily the result of the finalization of purchase accounting related to the Synergy acquisition. The Healthcare Specialty Services segment was also impacted by the fiscal 2017 acquisitions of Compass Medical, Inc., Phoenix Surgical Holdings, Ltd., and Endo-Tek LLP, the Synergy Health UK Linen Management Services divestiture and the Synergy Health Netherlands goodwill impairment discussed below.

We evaluate the recoverability of recorded goodwill amounts annually during the third fiscal quarter, or when evidence of potential impairment exists. As a result of our annual goodwill impairment review for fiscal year 2017, we concluded that the carrying value of one of our reporting units exceeded its fair value. The Synergy Health Netherlands linen management unit was reported within our Healthcare Specialty Services segment. Financial forecasts prepared for the annual assessment reflected pricing pressures, volume declines driven by overcapacity in the market, and a decline in the overall market size. These factors resulted in further degradation of the already low operating margin and cash flows of this unit. We incurred a goodwill impairment charge of $58,356 as a result, which is recorded within Goodwill impairment loss in the Consolidated Statements of Income. The fair market value of the reporting unit was determined under an income approach using discounted cash flows and estimated fair market values. Fair value calculated using a discounted cash flow analysis is classified within level 3 of the fair value hierarchy and requires several assumptions including risk adjusted discount rates and financial forecasts.

As a result of our annual impairment review for goodwill for fiscal year 2018 and fiscal year 2016, no indicators of impairment were identified.

Our fiscal 2018, 2017, and 2016 acquisitions are described in Note 10 to our consolidated financial statements titled, "Business Acquisitions and Divestitures".

(amounts in thousands, except per share amounts and as noted)

Information regarding our intangible assets is as follows:

	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	**$ 663,532**	**$ 150,358**	$ 597,386	$ 96,648
Non-compete agreements	**4,738**	**3,790**	4,722	3,629
Patents and technology	**226,318**	**107,598**	211,812	86,665
Trademarks and tradenames	**83,509**	**36,864**	80,223	32,547
Supplier relationships	**54,800**	**7,307**	54,800	4,567
Other	**10**	**10**	10	10
Total	**$ 1,032,907**	**$ 305,927**	$ 948,953	$ 224,066

The table below contains additional information regarding our intangibles by category:

	Customer Relationships	**Non-compete Agreements**	**Patents and Technology**	**Trademarks and Tradenames**	**Supplier Relationships**	**Other**	**Total**
COST:							
Balance at April 1, 2017	597,386	4,722	211,812	80,223	54,800	10	948,953
Additions and Acquisitions	7,049	—	9,193	91	—	—	16,333
Foreign currency translation	59,097	16	5,313	3,195	—	—	67,621
Balance at March 31, 2018	663,532	4,738	226,318	83,509	54,800	10	1,032,907
AMORTIZATION:							
Balance at April 1, 2017	96,648	3,629	86,665	32,547	4,567	10	224,066
Charge for year	48,089	161	16,538	2,667	2,740	—	70,195
Foreign currency translation	5,621	—	4,395	1,650	—	—	11,666
Balance at March 31, 2018	150,358	3,790	107,598	36,864	7,307	10	305,927
NET BOOK VALUE:							
As of March 31, 2018	513,174	948	118,720	46,645	47,493	—	726,980
As of March 31, 2017	500,738	1,093	125,147	47,676	50,233	—	724,887

Certain trademarks and tradenames obtained as a result of business combinations are indefinite-lived assets. The approximate carrying value of these assets at March 31, 2018 and March 31, 2017 was $35,266 and $34,970, respectively. We evaluate our indefinite-lived intangible assets annually during the third quarter, or when evidence of potential impairment exists. No impairment was taken for the fiscal years 2018, 2017 or 2016. Total amortization expense for finite-lived intangible assets was $70,195, $68,607, and $49,782 for the years ended March 31, 2018, 2017, and 2016, respectively. Based upon the current amount of intangible assets subject to amortization, the amortization expense for each of the five succeeding fiscal years is estimated to be as follows:

	2019	2020	2021	2022	2022
Estimated amortization expense	$ 68,447	$ 67,390	$ 66,742	$ 63,832	$ 59,061

The estimated annual amortization expense presented in the preceding table has been calculated based upon March 31, 2018 currency exchange rates.

During the third quarter of fiscal 2017, we adopted a new branding strategy change as part of the integration of certain Synergy Health operations into the Healthcare Specialty Services Segment. Under this new branding strategy, hospital sterilization services and instrument repair services will utilize the STERIS Instrument Management Services brand name. The Synergy Health trade name was phased out during the fourth quarter of fiscal 2017. As a result, we have shortened the estimated useful life of the Synergy Health trade name and accelerated the corresponding amortization expense over the remainder of fiscal 2017, resulting in an additional expense of $14,444 within the Selling, general and administrative expense line on the Consolidated Statements of Income.

10. BUSINESS ACQUISITIONS AND DIVESTITURES

Fiscal 2018 Acquisitions

We completed six minor purchases that continued to expand our product and service offerings in the Healthcare Products, Healthcare Specialty Services and Applied Sterilization Technologies segments. The aggregate purchase price associated with these transactions was approximately $52.9 million, net of cash acquired and including potential contingent consideration of $5.4 million. The purchase price for the acquisitions was financed with both cash on hand and with credit facility borrowings. Purchase price allocations will be finalized within a measurement period not to exceed one year from the applicable closing.

Fiscal 2017 Acquisitions

Compass Medical, Inc.

On September 16, 2016, we purchased the assets of Compass Medical, Inc. ("Compass") for approximately $16.0 million. The purchase price was financed with bank credit facility borrowings. Compass specializes in the sale and repair of flexible endoscopes. On an annual basis, Compass has generated revenues of approximately $6.0 million and is being integrated into our Healthcare Specialty Services segment.

Phoenix Surgical Holdings, Ltd. and Endo-Tek LLP

On August 31, 2016, we purchased 100% of the shares of Phoenix Surgical Holdings, Ltd. and the assets of Endo-Tek LLP ("Phoenix Surgical and Endo-Tek") for approximately $14.3 million combined, net of cash acquired. The purchase price was financed with cash on hand. On an annual basis, these operations, which specialize in the repair of endoscopes, generated approximately $8.0 million in combined revenue and are being integrated into our Healthcare Specialty Services segment.

Medisafe

On July 22, 2016, we purchased 100% of the shares of Medisafe Holdings, Ltd. ("Medisafe"), a U.K. manufacturer of washer/disinfector equipment and related consumables and services for approximately $34.5 million, net of cash acquired. The purchase price was financed with cash on hand. On an annual basis, the Medisafe product line has generated $18.0 million in revenue. The acquisition of Medisafe provides washer manufacturing and research and development capabilities in the U.K. Medisafe's products and services are being integrated into our Healthcare Products segment.

Fiscal 2016 Acquisitions

Synergy Health plc

On November 2, 2015, STERIS acquired all outstanding shares of Synergy in a cash and stock transaction valued at £24.80 ($38.17) per Synergy share, or a total of approximately $2.3 billion based on the lowest trading price of Old STERIS’s stock of $73.02 per share on November 2, 2015. The Combination brought together businesses that generate revenues from over 100 countries and that are geographically complementary. Total costs of approximately $63.8 million before tax were incurred during fiscal year 2016 related to the Combination and are reported in Selling, general and administrative expense.

During the fiscal 2017 third quarter, adjustments were made to finalize the opening balance sheet fair value estimates. Adjustments related primarily to property, plant and equipment, intangible assets and goodwill. The cumulative impact of the final purchase price allocation resulted in a cumulative decrease in depreciation, amortization and depletion expense of approximately $20.0 million, of which approximately $17.0 million was recorded within Selling, general and administrative expense and approximately $3.0 million was recorded within Cost of revenues in the Consolidated Statements of Income. The cumulative foreign currency translation adjustment recorded as a result of the finalization of purchase accounting was approximately $170.0 million.

(amounts in thousands, except per share amounts and as noted)

Actual and Pro Forma Impact

Our fiscal 2016 consolidated financial statements include Synergy's results of operations from the date of acquisition on November 2, 2015 through March 31, 2016. Net sales and operating income attributable to Synergy during this period and included in our consolidated financial statements for the fiscal year ended March 31, 2016 total $254.9 million and $3.7 million, respectively.

The following unaudited pro forma information gives effect to our acquisition of Synergy as if the acquisition had occurred at the beginning of fiscal 2016 and Synergy had been included in our consolidated results of operations for fiscal year ended March 31, 2016.

Amounts are unaudited	Fiscal Year Ending March 31, 2016
Net revenues	$ 2,619,056
Net income from continuing operations	188,269

The historical consolidated financial information of STERIS and Synergy has been adjusted in the pro forma information to give effect to pro forma events that are (1) directly attributable to the transaction, (2) factually supportable and (3) expected to have a continuing impact on the combined results. The unaudited pro forma results include adjustments to reflect the amortization of the inventory step-up, the incremental depreciation from the fair value adjustments to property, plant and equipment, and the incremental intangible asset amortization to be incurred based on the valuations of the assets acquired. Adjustments to financing costs and income tax expense also were made to reflect the capital structure and anticipated effective tax rate of the combined entity. These pro forma amounts are not necessarily indicative of the results that would have been obtained if the acquisition had occurred prior to the beginning of the period presented or that may occur in the future, and does not reflect future synergies, integration costs, or other such costs or savings.

Gepco

On July 31, 2015, we acquired all of the outstanding shares of General Econopak, Inc. (“Gepco”), since renamed STERIS Barrier Products Solutions, Inc., for a purchase price of $176.5 million in cash, including a customary working capital adjustment. Gepco is a Pennsylvania-based manufacturer of product solutions in the areas of sterility maintenance, barrier protection, and sterile cleanroom products for pharmaceutical, biotechnology and veterinary Customers. Gepco has been integrated into our Life Sciences business segment. The purchase price was financed through a combination of credit facility borrowings and cash on hand. The purchase price has been allocated to the net assets acquired based on fair values at the acquisition date. The acquisition qualified for joint election tax benefit under Section 338 (h)(10) of the Internal Revenue Code, which allows goodwill and intangibles to be fully deductible for tax purposes.

Black Diamond

On June 12, 2015, we acquired the capital stock of Black Diamond Video, Inc. ("Black Diamond"), a California-based developer and provider of operating room integration systems. The purchase price was approximately $46.2 million, which included a working capital adjustment, deferred consideration of $5.9 million and contingent consideration of $0.8 million. The transaction consideration paid at closing was funded with cash on hand. Black Diamond has been integrated into our Healthcare Products business segment. The purchase price has been allocated to the net assets acquired based on fair values at the acquisition date.

Other 2016 Acquisitions

We also completed several other minor purchases that continued to expand our service offerings in the Healthcare Products, Healthcare Specialty Services and Life Sciences segments. The aggregate purchase price associated with these transactions was approximately $41.1 million, including potential contingent consideration of $1.8 million.

Fair Value of Assets Acquired and Liabilities Assumed

The table below summarizes the allocation of the purchase price to the net assets acquired based on fair values at the acquisition dates for our fiscal 2018, 2017 and 2016 acquisitions.

	Fiscal Year 2018	Fiscal Year 2017			Fiscal Year 2016			
(dollars in thousands)	All Acquisitions [1]	Medisafe	Compass	Phoenix Surgical and Endo-Tek	Synergy Health plc	Gepco	Black Diamond	Other Acquisitions
Cash	**$ 235**	$ 3,751	$ —	$ 769	$ 53,057	$ 1,108	$ —	$ —
Accounts receivable	**1,464**	3,634	629	1,123	103,093	4,161	2,966	3,859
Inventory	**2,289**	2,454	659	950	30,074	1,926	3,309	1,108
Property, plant and equipment	**3,420**	639	13	1,092	496,555	3,421	607	1,979
Other assets	**126**	—	31	46	19,175	946	54	—
Intangible assets	**15,318**	17,151	5,992	7,824	504,196	61,900	13,500	14,829
Goodwill	**35,766**	19,599	8,987	5,938	1,685,524	104,485	31,792	20,630
Total Assets	**58,618**	47,228	16,311	17,742	2,891,674	177,947	52,228	42,405
Current liabilities	**(2,833)**	(5,562)	(309)	(1,373)	(107,932)	(1,473)	(4,525)	(1,277)
Long-term indebtedness	**—**	—	—	—	(321,082)	—	—	—
Non-current liabilities	**(2,622)**	(3,398)	—	(1,263)	(159,112)	—	(1,548)	(49)
Total Liabilities	**(5,455)**	(8,960)	(309)	(2,636)	(588,126)	(1,473)	(6,073)	(1,326)
Net Assets	**$ 53,163**	$ 38,268	$ 16,002	$ 15,106	$ 2,303,548	$ 176,474	$ 46,155	$ 41,079

[1] Purchase price allocation is still preliminary as of March 31, 2018, as valuations have not been finalized.

Acquisition related transaction and integration costs totaled $16.2 million, $30.1 million, and $82.9 million for the fiscal years ended March 31, 2018, 2017, and 2016, respectively. These costs are included in Selling, general, and administrative expenses in the Consolidated Statements of Income.

Divestitures

Synergy Health Healthcare Consumable Solutions

On November 20, 2017, we sold our Synergy Health Healthcare Consumable Solutions ("HCS") business to Vernacare. Annual revenues for the HCS business were approximately $40.0 million and were included in the Healthcare Products segment. We recorded proceeds of $8.2 million, net of cash divested, and subject to a working capital adjustment. We also recognized a pre-tax loss on the sale, subject to final working capital adjustments, of $13.5 million in Selling, general, and administrative expense in the Consolidated Statement of Income.

Netherlands Linen Management Services

On February 9, 2017, we sold our Synergy Health Netherlands Linen Management Services business to EMEA B.V. Annual revenues for Synergy Health Netherlands Linen Management Services were approximately $75 million and were included in the Healthcare Specialty Services segment. We recorded a $43.0 million pre-tax loss on the sale in Selling, general, and administrative expense in the Consolidated Statements of Income as a result of the divestiture. In connection with the divestiture, we entered into a loan agreement to provide financing of up to €15 million for a term of up to 15 years. The loan carries an interest rate of 4 percent for the first four years and 12 percent thereafter. Outstanding borrowings under the agreement totaled $3.1 million at March 31, 2018.

U.S. Linen Management Services

On November 3, 2016, we sold our Synergy Health U.S. Linen Management Services business to SRI Healthcare LLC. Annual revenues for U.S. Linen Management Services were approximately $50 million and were included in the Healthcare Specialty Services segment. We recorded proceeds of $4.5 million and recognized a pre-tax loss on the sale, subject to final adjustments, of $31.2 million in Selling, general, and administrative expense in the Consolidated Statements of Income.

Synergy Health Labs

On September 2, 2016, we sold Synergy Health Laboratory Services to SYNLAB International. Annual revenues for the Synergy Health Labs were approximately $15.0 million and were included in the Applied Sterilization Technologies segment. We recorded proceeds of $26.3 million, net of cash divested, and recognized a pre-tax gain on the sale of $18.7 million in Selling, general, and administrative expense in the Consolidated Statements of Income.

Applied Infection Control

On August 31, 2016, we completed the sale of our Applied Infection Control ("AIC") product line to DEB USA, Inc., a wholly-owned subsidiary of S.C. Johnson & Son, Inc. Annual revenues for the AIC product line were typically less than $50.0 million and were included in the Healthcare Products segment. We recorded proceeds of $41.8 million and recognized a pre-tax gain on the sale of $36.2 million in Selling, general, and administrative expense in the Consolidated Statements of Income.

UK Linen Management Services

On July 1, 2016, we sold our Synergy Health UK Linen Management Services business to STAR Mayan Limited. Annual revenues for UK Linen Management Services were approximately $50.0 million and were included in the Healthcare Specialty Services segment. We recorded proceeds of $65.4 million, net of cash divested, and recognized a pre-tax loss on the sale of $66.4 million in Selling, general, and administrative expense in the Consolidated Statements of Income.

(amounts in thousands, except per share amounts and as noted)

11. TANGIBLE FIXED ASSETS

Information related to the major categories of our depreciable assets is as follows:

March 31,	2018	2017
Land and land improvements [(1)]	**$ 55,417**	$ 46,848
Buildings and leasehold improvements	**449,316**	393,692
Machinery and equipment	**575,607**	508,247
Information systems	**145,726**	119,920
Radioisotope	**476,578**	436,787
Construction in progress [(1)]	**87,745**	77,421
Total property, plant, and equipment	**1,790,389**	1,582,915
Less: accumulated depreciation and depletion	**(779,865)**	(667,007)
Property, plant, and equipment, net	**$ 1,010,524**	$ 915,908

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

	Land and Land Improvements	Building and Leasehold Improvements	Machinery and Equipment	Information Systems	Radioisotope	Construction in Progress	Total
COST:							
Balance at April 1, 2017	$ 46,848	$ 393,692	$ 508,247	$ 119,920	$ 436,787	$ 77,421	$ 1,582,915
Additions and Other Acquisitions	7,516	34,590	66,255	25,969	28,190	6,357	168,877
Disposals	(523)	(9,982)	(22,402)	(1,346)	(2,206)	—	(36,459)
Foreign currency translation	1,576	31,016	23,507	1,183	13,807	3,967	75,056
Balance at March 31, 2018	$ 55,417	$ 449,316	$ 575,607	$ 145,726	$ 476,578	$ 87,745	$ 1,790,389
DEPRECIATION:							
Balance at April 1, 2017	$ 6,168	$ 112,717	$ 225,580	$ 94,898	$ 227,644	$ —	$ 667,007
Charge for the year	718	20,148	49,563	10,851	26,857	—	108,137
Disposals	(85)	(1,329)	(15,027)	(1,335)	(2,206)	—	(19,982)
Foreign currency translation	71	4,691	14,783	2,442	2,716	—	24,703
Balance at March 31, 2018	$ 6,872	$ 136,227	$ 274,899	$ 106,856	$ 255,011	$ —	$ 779,865
NET BOOK VALUE:							
As of March 31, 2018	$ 48,545	$ 313,089	$ 300,708	$ 38,870	$ 221,567	$ 87,745	$ 1,010,524
As of March 31, 2017	$ 40,680	$ 280,975	$ 282,667	$ 25,022	$ 209,143	$ 77,421	$ 915,908

Amounts contracted for capital but not provided in the financial statements amounted to $1,713 as of March 31, 2018.

(amounts in thousands, except per share amounts and as noted)

Depreciation and depletion expense were $108,137, $119,536 and $93,958, for the years ended March 31, 2018, 2017, and 2016, respectively.

Rental expense for operating leases was $30,474, $32,740, and $23,238 for the years ended March 31, 2018, 2017, and 2016, respectively. Operating leases relate to manufacturing, warehouse and office space, service facilities, vehicles, equipment, and communication systems. Certain lease agreements grant us varying renewal and purchase options.

Future minimum annual rentals payable under noncancelable operating lease agreements at March 31, 2018 were as follows:

	Operating Leases
2019	$ 24,116
2020	19,933
2021	14,666
2022	11,051
2023 and thereafter	39,464
Total minimum lease payments	$ 109,230

In the preceding table, the future minimum annual rentals payable under noncancelable leases denominated in foreign currencies have been calculated using March 31, 2018 foreign currency exchange rates.

Asset Retirement Obligations

We provide contract sterilization services including Gamma irradiation which utilizes cobalt-60 in the form of cobalt pencils. We have incurred asset retirement obligations (ARO) associated with the future disposal of these assets once depleted. Recognition of ARO includes: the present value of a liability and offsetting asset, the subsequent accretion of that liability and depletion of the asset, and the periodic review of the ARO liability estimates and discount rates used in the analysis.

The following table summarizes the activity in the liability for asset retirement obligations.

	Asset Retirement Obligations
Balance at March 31, 2017	$ 9,953
Liabilities incurred during the period	89
Accretion expense and change in estimate	1,198
Foreign currency movement	751
Balance at March 31, 2018	$ 11,639

12. INVENTORIES, NET

Inventories, net consisted of the following:

March 31,	2018	2017
Raw materials	**$ 83,741**	$ 65,300
Work in process	**34,904**	26,538
Finished goods	**124,005**	140,559
LIFO reserve	**(17,280)**	(16,706)
Reserve for excess and obsolete inventory	**(19,639)**	(17,854)
Inventories, net	**$ 205,731**	$ 197,837

Replacement cost is approximately equal to the total value of inventory, net excluding the LIFO reserve.

(amounts in thousands, except per share amounts and as noted)

13. FORWARD AND SWAP CONTRACTS

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from transactions denominated in foreign currencies, including inter-company transactions. We may also enter into commodity swap contracts to hedge price changes in nickel that impact raw materials included in our cost of revenues. We do not use derivative financial instruments for speculative purposes. These contracts are not designated as hedging instruments and do not receive hedge accounting treatment; therefore, changes in their fair value are not deferred but are recognized immediately in the Consolidated Statements of Income. At March 31, 2018, we held foreign currency forward contracts to buy 13.0 million Canadian dollars. At March 31, 2018, we held commodity swap contracts to buy 592.5 thousand pounds of nickel.

	Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value at March 31, 2018	Fair Value at March 31, 2017	Fair Value at March 31, 2018	Fair Value at March 31, 2017
Prepaid & Other	**$ 187**	$ 160	**$ —**	$ —
Accrued expenses and other	**$ —**	$ —	**$ —**	$ 35

The following table presents the impact of derivative instruments and their location within the Consolidated Statements of Income:

	Location of (loss) gain recognized in income	Amount of (loss) gain recognized in income — Years Ended March 31, 2018	2017	2016
Foreign currency forward contracts	Selling, general and administrative	**$ (1,357)**	$ (1,886)	$ (683)
Commodity swap contracts	Cost of revenues	**$ 373**	$ 376	$ (461)

Additionally, we hold our debt in multiple currencies to fund our operations and investments in certain subsidiaries. We designate portions of non-functional currency denominated intercompany loans as hedges of portions of net investments in foreign operations. Net debt designated as non-derivative net investment hedging instruments totaled $57,161 at March 31, 2018. These hedges are designed to be fully effective and any associated gain or loss is recognized in Accumulated Other Comprehensive Income and will be reclassified to income in the same period when a gain or loss related to the net investment in the foreign operation is included in income.

(amounts in thousands, except per share amounts and as noted)

14. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of financial assets and liabilities using available market information and generally accepted valuation methodologies. The inputs used to measure fair value are classified into three tiers. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the entity to develop its own assumptions. The following table shows the fair value of our financial assets and liabilities at March 31, 2018 and March 31, 2017:

			Fair Value Measurements					
	Carrying Value		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
			Level 1		Level 2		Level 3	
At March 31,	2018	2017	2018	2017	2018	2017	2018	2017
Assets:								
Cash and cash equivalents [1]	**$ 201,534**	$ 282,918	**$ 201,534**	$ 282,918	**$ —**	$ —	**$ —**	$ —
Forward and swap contracts [2]	**187**	160	**—**	—	**187**	160	**—**	—
Investments [3]	**16,382**	12,552	**16,382**	12,552	**—**	—	**—**	—
Liabilities:								
Forward and swap contracts [2]	**$ —**	$ 35	**$ —**	$ —	**$ —**	$ 35	**$ —**	$ —
Deferred compensation plans [3]	**1,694**	1,677	**1,694**	1,677	**—**	—	**—**	—
Long term debt [4]	**1,316,001**	1,478,361	**—**	—	**1,305,181**	1,496,966	**—**	—
Contingent consideration obligations [5]	**8,068**	4,451	**—**	—	**—**	—	**8,068**	4,451

(1) Money market fund holdings are valued at fair value using the net asset value per share practical expedient and are not included within the fair value hierarchy. These money market funds are being presented in the table above to permit a reconciliation of the fair value hierarchy to total cash and cash equivalents.

(2) The fair values of forward and swap contracts are based on period-end forward rates and reflect the value of the amount that we would pay or receive for the contracts involving the same notional amounts and maturity dates.

(3) We maintain a frozen domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of payment of previously earned compensation for an employee-specified term or until retirement or termination. Amounts deferred can be allocated to various hypothetical investment options (compensation deferrals have been frozen under the plan). We hold investments to satisfy the future obligations of the plan. Changes in the value of the investment accounts are recognized each period based on the fair value of the underlying investments. Employees who made deferrals are entitled to receive distributions of their hypothetical account balances (amounts deferred, together with earnings (losses)). We also hold an investment in the common stock of Servizi Italia, S.p.A, a leading provider of integrated linen washing and outsourced sterile processing services to hospital Customers. Changes in the value of the investment are recognized each period based on the fair value of the investment.

(4) We estimate the fair value of our long-term debt using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements.

(5) Contingent consideration obligations arise from prior business acquisitions. The fair values are based on discounted cash flow analyses reflecting the possible achievement of specified performance measures or events and captures the contractual nature of the contingencies, commercial risk, and the time value of money. Contingent consideration obligations are classified in the consolidated balance sheets as accrued expense (short-term) and other liabilities (long-term), as appropriate based on the contractual payment dates.

(amounts in thousands, except per share amounts and as noted)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at March 31, 2018 are summarized as follows:

	Contingent Consideration
Balance at March 31, 2016	$ 5,886
Additions	3,592
Payments	(5,416)
Foreign currency translation adjustments	389
Balance at March 31, 2017	$ 4,451
Additions	**5,774**
Payments	**(1,735)**
Reductions	**(593)**
Foreign currency translation adjustments	**171**
Balance at March 31, 2018	**$ 8,068**

Additions and payments of contingent consideration obligations during fiscal year 2018 were primarily related to our fiscal year 2018 and 2017 acquisitions. Additions and payments for contingent consideration obligations during fiscal year 2017 were primarily related to Black Diamond Video, Inc. and Sercon. Refer to Note 10, Business Acquisitions and Divestitures for more information.

Information regarding our investments is as follows:

	Investments							
	Cost		Unrealized Gains [1]		Unrealized Losses [1]		Fair Value	
At March 31,	2018	2017	2018	2017	2018	2017	2018	2017
Available-for-sale securities:								
Marketable equity securities and other[1]	**$ 11,037**	$ 11,037	**$ 3,762**	$ —	**$ —**	$ (72)	**$ 14,799**	$ 10,965
Mutual funds	**1,000**	1,091	**583**	496	**—**	—	**1,583**	1,587
Total available-for-sale securities	**$ 12,037**	$ 12,128	**$ 4,345**	$ 496	**$ —**	$ (72)	**$ 16,382**	$ 12,552

[1] Amounts reported include the impact of foreign currency movements relative to the U.S. dollar.

15. SHARES AND PREFERRED SHARES

Common and Ordinary Shares

In connection with the Combination, each Old STERIS common shareholder received one ordinary share, par value 10 pence, of the Company for each Old STERIS common share held, and each Synergy ordinary shareholder received 0.4308 ordinary shares, par value 10 pence, of the Company and 439 pence in cash, for each Synergy ordinary share held.

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

Years ended March 31,	2018	2017	2016
Denominator (*shares in thousands*):			
Weighted average shares outstanding—basic	**85,028**	85,473	70,698
Dilutive effect of share equivalents	**685**	621	486
Weighted average shares outstanding and share equivalents—diluted	**85,713**	86,094	71,184

Options to purchase the following number of shares were outstanding but excluded from the computation of diluted earnings per share because the combined exercise prices, unamortized fair values, and assumed tax benefits upon exercise were greater than the average market price for the shares during the periods, so including these options would be anti-dilutive:

Years ended March 31,	2018	2017	2016
Number of common share options (*shares in thousands*)	**393**	576	263

Refer to Note 9 to the Parent Company Financial Statements for further discussion regarding common and ordinary shares.

Preferred Shares

Pursuant to an engagement letter dated October 23, 2015, we issued 100,000 preferred shares, par value of £0.10 each, for an aggregate consideration of approximately $15, in satisfaction of debt owed to a service provider. The holders of the preferred shares are entitled to a fixed cumulative preferential annual dividend of 5 percent on the amount paid periodically on the preferred shares respectively held by them. On a return of capital of the Company whether on liquidation or otherwise, the holders of the preferred shares shall be entitled to receive out of the assets of the Company available for distribution to its shareholders the sum of £0.10 per preferred share plus any accrued but unpaid dividend, but will not be entitled to any further participation in the assets of the Company. The holders of the preferred shares will have no right to attend, speak or vote, whether in person or by proxy, at any general meeting of the Company or any meeting of a class of members of the Company in respect of the preferred shares and will not be entitled to receive any notice of meetings.

16. REPURCHASES OF SHARES

On August 9, 2016, the Company announced that its Board of Directors had authorized the purchase of up to $300 million of our ordinary shares. We may enter into share repurchase contracts until August 2, 2021 to effect these purchases. Shares may be repurchased from time to time through open market transactions, including 10b5-1 plans. The repurchase program may be suspended or discontinued at any time. We repurchased 664,963 of our ordinary shares during fiscal 2018 for the aggregate amount of $59,234. We repurchased 1,286,183 of our ordinary shares during fiscal 2017 for the aggregate amount of $90,475.

Prior to the Combination, the Company's Board of Directors provided authorization to repurchase up to $300 million of STERIS common shares. Under this authorization, we were able to purchase shares from time to time through open market purchases, including transactions pursuant to Rule 10b5-1 plans, or privately negotiated transactions. The authorization was no longer applicable after the Combination with Synergy. We did not make any purchases during fiscal year 2016 under the prior stock repurchase authorization.

We obtained 127,903 of our shares during fiscal 2018 in the aggregate amount of $7,014 in connection with stock based compensation award programs. We obtained 168,906 of our shares during fiscal 2017 in the aggregate amount of $7,034 in connection with these programs. We obtained 267,696 of our shares during fiscal 2016 in the aggregate amount of $14,369 in connection with these programs.

(amounts in thousands, except per share amounts and as noted)

17. SHARE-BASED COMPENSATION

We maintain a long-term incentive plan which we assumed from Old STERIS, that makes available shares for grants, at the discretion of the Compensation Committee of the Board of Directors, to officers, directors, and key employees in the form of stock options, restricted shares, restricted share units, stock appreciation rights and share grants. Prior to the Combination, awards were made in respect of common shares of Old STERIS. In conjunction with the Combination all outstanding common share denominated awards were converted into an equivalent number of Company ordinary share denominated awards, with the same terms and conditions as applied to the replaced awards. We satisfy share award incentives through the issuance of new ordinary shares.

Stock options provide the right to purchase our ordinary shares at the market price on the date of grant, subject to the terms of the option plans and agreements. Generally, one-fourth of the stock options granted become exercisable for each year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or earlier if the option holder is no longer employed by us (subject to an extended exercise period in some cases for optionees who are age 55 and have at least five years of service). Restricted shares and restricted share units generally cliff vest after a four year period or vest in tranches of one-fourth of the number granted for each year of employment after the grant date. As of March 31, 2018, 4,985,756 shares remained available for grant under the long-term incentive plan.

The fair value of share-based stock option compensation awards was estimated at their grant date using the Black-Scholes-Merton 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 our 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. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general and administrative expenses in a manner consistent with the employee's compensation and benefits.

The following weighted-average assumptions were used for options granted during fiscal 2018, fiscal 2017 and fiscal 2016:

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Risk-free interest rate	**2.01%**	1.29%	1.51%
Expected life of options	**5.7 years**	5.7 years	5.7 years
Expected dividend yield of stock	**1.58%**	1.54%	1.40%
Expected volatility of stock	**22.08%**	22.92%	25.06%

The risk-free interest rate is based upon the U.S. Treasury yield curve. The expected life of options is reflective of historical experience, vesting schedules and contractual terms. The expected dividend yield of stock represents our best estimate of the expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a time frame similar to that of the expected life of the grant. An estimated forfeiture rate of 2.25%, 1.85% and 1.55% was applied in fiscal 2018, 2017 and 2016, respectively. This rate is calculated based upon historical activity and represents an estimate of the granted options not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.

A summary of share option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2017	1,945,274	$ 50.28		
Granted	429,360	77.75		
Exercised	(329,733)	34.01		
Forfeited	(23,239)	68.29		
Outstanding at March 31, 2018	**2,021,662**	**$ 58.56**	**6.6 years**	**$ 70,350**
Exercisable at March 31, 2018	**1,139,722**	**$ 48.81**	**5.3 years**	**$ 50,772**

We estimate that 867,996 of the non-vested stock options outstanding at March 31, 2018 will ultimately vest.

The aggregate intrinsic value in the table above represents the total pre-tax difference between the $93.36 closing price of our ordinary shares on March 29, 2018 over the exercise prices of the stock options, multiplied by the number of options outstanding or outstanding and exercisable, as applicable. The aggregate intrinsic value is not recorded for financial accounting purposes and the value changes daily based on the daily changes in the fair market value of our ordinary shares.

(amounts in thousands, except per share amounts and as noted)

The total intrinsic value of stock options exercised during the years ended March 31, 2018, 2017 and 2016 was $16,096, $6,454 and $13,000, respectively. Net cash proceeds from the exercise of stock options were $11,093, $4,955 and $11,240 for the years ended March 31, 2018, 2017 and 2016, respectively. The excess tax benefit from stock option exercises was $6,581, $5,058 and $6,281 for the years ended March 31, 2018, 2017 and 2016, respectively.

The weighted average grant date fair value of stock option grants was $15.51, $13.42 and $14.66 for the years ended March 31, 2018, 2017 and 2016, respectively.

Stock appreciation rights ("SARS") carry generally the same terms and vesting requirements as stock options except that they are settled in cash upon exercise and therefore, are classified as liabilities. The fair value of the outstanding SARS as of March 31, 2018, 2017 and 2016 was $1,437, $1,622, and $2,165, respectively. The fair value of outstanding SARS is revalued at each reporting date and the related liability and expense are adjusted appropriately.

A summary of the non-vested restricted share activity is presented below:

	Number of Restricted Shares	Number of Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2017	780,526	34,013	$ 60.87
Granted	251,300	23,259	78.60
Vested	(231,107)	(21,181)	54.41
Forfeited	(37,518)	(660)	68.57
Non-vested at March 31, 2018	**763,201**	**35,431**	**$ 68.65**

Restricted shares granted are valued based on the closing stock price at the grant date. The value of restricted shares and units that vested during fiscal 2018 was $13,727.

As of March 31, 2018, there was a total of $36,514 in unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plans. We expect to recognize the cost over a weighted average period of 2.14 years.

18. BENEFIT PLANS

In the United States, we sponsor an unfunded post-retirement benefits plan for two groups of United States retirees. Benefits under this plan include retiree life insurance and retiree medical insurance, including prescription drug coverage.

During the second quarter of fiscal 2009, we amended our United States post-retirement welfare benefits plan, reducing the benefits to be provided to retirees under the plan and increasing their share of the costs. The amendments resulted in a decrease of $46,001 in the accumulated post-retirement benefit obligation. The impact of this change was recognized in our Consolidated Balance Sheets in fiscal 2009 and is being amortized as a component of the annual net periodic benefit cost over a period of approximately thirteen years.

In July 2014, the Board of Directors of American Sterilizer Company ("AMSCO") approved the termination of the American Sterilizer Company Retirement Income Plan ("Plan") effective October 1, 2014. An Application for Determination was filed with the Internal Revenue Service (IRS) on August 22, 2014, with respect to the Plan termination. A Form 500 Standard Termination Notice was filed with the Pension Benefit Guaranty Corporation ("PBGC") on November 17, 2014. The 60-day PBGC waiting period lapsed without objection by the PBGC. AMSCO received a favorable determination from the IRS regarding the termination. On August 19, 2015, an annuity contract was purchased from Massachusetts Mutual Life Insurance Company to provide Plan benefits. Plan assets were converted to cash to fund the purchase. The purchase price of the annuity contract was $51,805. An additional employer contribution of $4,641 was made to the Plan to fund the annuity purchase obligation on August 26, 2015. As a result of the purchase of the annuity, we recognized a pension settlement of $26,470. In addition, plan benefits and benefit administration became the responsibility of the annuity provider. The assumptions used to measure the benefit obligation as of March 31, 2015 reflected this effort.

(amounts in thousands, except per share amounts and as noted)

As a result of the combination with Synergy, we now participate in five defined benefit pension schemes outside the United States: one in the UK, one in the Netherlands, two in Germany, and one in Switzerland. Unfunded obligations of $23,507 were recorded as of the November 2, 2015 closing date. The Synergy Health plc Retirement Benefit Scheme is a defined benefit (final salary) funded pension scheme. In previous years, Synergy sponsored a funded defined benefit arrangement in the Netherlands. This was a separate fund holding the pension scheme assets to meet long-term pension liabilities for past and present employees. Accrual of benefits ceased under the scheme effective January 1, 2013. The Synergy Radeberg and Synergy Allershausen Schemes are unfunded defined pension schemes and are closed to new entrants. The Synergy Daniken Scheme is a defined benefit funded pension scheme.

As a result of our fiscal 2018 acquisition of Harwell Dosimeters Ltd, we now participate in the Harwell Dosimeters Ltd Retirement Benefits Scheme which is a defined benefit funded pension scheme.

We recognize the funded status of our defined benefit pension and post-retirement benefit plans in our Consolidated Balance Sheets, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The funded status is measured as of March 31 each year and is calculated as the difference between the fair value of plan assets and the benefit obligation (which is the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for post-retirement benefit plans). Accumulated comprehensive income (loss) represents the net unrecognized actuarial losses and unrecognized prior service cost. These amounts will be recognized in net periodic benefit cost as they are amortized. We will recognize future changes to the funded status of these plans in the year the change occurs, through other comprehensive income.

Obligations and Funded Status. The following table reconciles the funded status of the defined benefit pension plans and the other post-retirement benefits plan to the amounts recorded on our Consolidated Balance Sheets at March 31, 2018 and 2017, respectively. Benefit obligation balances presented in the following table reflect the projected benefit obligations for our defined benefit pension plans and the accumulated other post-retirement benefit obligation for our post-retirement benefits plan. The measurement date of our defined benefit pension plans and other post-retirement benefits plan is March 31, for both periods presented.

	Other Defined Benefit Pension Plans		Other Post-Retirement Benefits Plan	
	2018	2017	2018	2017
Change in Benefit Obligations:				
Benefit Obligations at Beginning of Year	**$ 128,897**	$ 128,942	**$ 16,008**	$ 18,380
Obligation assumed in business acquisition	**3,843**	—	**—**	—
Service cost	**2,402**	1,650	**—**	—
Interest cost	**3,262**	3,434	**519**	554
Actuarial loss (gain)	**(697)**	16,633	**(501)**	(531)
Benefits and expenses	**(6,075)**	(7,190)	**(1,926)**	(2,395)
Employee contributions	**765**	629	**—**	—
Impact of foreign currency exchange rate changes	**16,451**	(15,201)	**—**	—
Benefit Obligations at End of Year	**148,848**	128,897	**14,100**	16,008
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Year	**101,663**	104,353	**—**	—
Assets assumed in business acquisition	**4,462**	—	**—**	—
Actual return on plan assets	**1,052**	11,910	**—**	—
Employer contributions	**5,150**	4,838	**1,926**	2,395
Employee contributions	**765**	629	**—**	—
Benefits and expenses paid	**(6,078)**	(7,190)	**(1,926)**	(2,395)
Impact of foreign currency exchange rate changes	**12,427**	(12,877)	**—**	—
Fair Value of Plan Assets at End of Year	**119,441**	101,663	**—**	—
Funded Status of the Plans	**$ (29,407)**	$ (27,234)	**$ (14,100)**	$ (16,008)

(amounts in thousands, except per share amounts and as noted)

Amounts recognized in the consolidated balance sheets consist of the following:

	Other Defined Benefit Pension Plans		Other Post-Retirement Benefits Plan	
	2018	2017	2018	2017
Current liabilities	**$ —**	$ —	**$ (1,906)**	$ (2,187)
Noncurrent liabilities	**(29,407)**	(27,234)	**(12,194)**	(13,821)
	$ (29,407)	$ (27,234)	**$ (14,100)**	$ (16,008)

The pre-tax amount of unrecognized actuarial net loss and unamortized prior service cost included in accumulated other comprehensive (loss) income at March 31, 2018, was approximately $23,568 and $13,825, respectively. During fiscal 2019, we will amortize the following pre-tax amounts from accumulated other comprehensive income:

	Defined Benefit Pension Plans	Other Post-Retirement Benefits Plan
Actuarial loss	**$ 507**	**$ 648**
Prior Service Cost	**—**	**(3,263)**

Defined benefit plans with an accumulated benefit obligation and projected benefit obligation exceeding the fair value of plan assets had the following plan assets and obligations at March 31, 2018 and 2017:

	Other Defined Benefit Pension Plans	
	2018	2017
Aggregate fair value of plan assets	**$ 119,441**	$ 101,663
Aggregate accumulated benefit obligations	**148,848**	128,897
Aggregate projected benefit obligations	**148,848**	128,897

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income. Components of the annual net periodic benefit cost of our defined benefit pension plans and our other post-retirement benefits plan were as follows:

(amounts in thousands, except per share amounts and as noted)

	Other Defined Benefit Pension Plans			Other Post-Retirement Benefits Plan			AMSCO Plan		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Service cost	**$ 2,402**	$ 1,650	$ 961	**$ —**	$ —	$ —	$ —	$ —	$ 27
Interest cost	**3,262**	3,434	1,659	**519**	554	593	—	—	560
Expected return on plan assets	**(4,835)**	(2,853)	(1,324)	**—**	—	—	—	—	(1,008)
Prior service cost recognition	**—**	—	(142)	**(3,263)**	(3,263)	(3,263)	—	—	—
Net amortization and deferral	**126**	—	—	**648**	739	828	—	—	602
Curtailments/settlements	**—**	—	(326)	**—**	—	—	—	—	26,470
Net periodic benefit cost	**$ 955**	$ 2,231	$ 828	**$ (2,096)**	$ (1,970)	$ (1,842)	$ —	$ —	$ 26,651
Recognized in other comprehensive loss (income) before tax:									
Net loss (gain) occurring during year	**$ (697)**	$ (7,553)	$ (3,733)	**$ 501**	$ 531	$ 673	$ —	$ —	$ —
Amortization of prior service credit	**—**	—	—	**3,263**	3,263	3,263	—	—	—
Amortization of net loss	**(126)**	—	—	**(648)**	(739)	(721)	—	—	(602)
Total recognized in other comprehensive loss (income)	**(823)**	(7,553)	(3,733)	**3,116**	3,055	3,215	—	—	(602)
Total recognized in total benefits cost and other comprehensive loss (income)	**$ 132**	$ (5,322)	$ (2,905)	**$ 1,020**	$ 1,085	$ 1,373	$ —	$ —	$ 26,049

(amounts in thousands, except per share amounts and as noted)

Assumptions Used in Calculating Benefit Obligations and Net Periodic Benefit Cost. The following table presents significant assumptions used to determine the projected benefit obligations at March 31:

	2018	2017
Discount Rate:		
Synergy Health plc Retirement Benefits Scheme	**2.50%**	2.60%
Isotron BV Pension Plan	**1.60%**	1.60%
Synergy Health Daniken AG	**0.95%**	0.65%
Synergy Health Radeberg	**1.60%**	1.50%
Synergy Health Allershausen	**1.60%**	1.50%
Harwell Dosimeters Ltd Retirement Benefits Scheme	**2.55%**	n/a
Other post-retirement plan	**3.50%**	3.50%

The following table presents significant assumptions used to determine the net periodic benefit costs for the years ended March 31:

	2018	2017	2016
Discount Rate:			
Defined benefit pension plans			
Synergy Health plc Retirement Benefits Scheme	**2.60%**	3.50%	3.20%
Isotron BV Pension Plan	**1.60%**	1.60%	2.10%
Synergy Health Daniken AG	**0.65%**	0.65%	0.40%
Synergy Health Radeberg	**1.50%**	1.50%	1.60%
Synergy Health Allershausen	**1.50%**	1.50%	1.60%
Harwell Dosimeters Ltd Retirement Benefits Scheme	**2.55%**	n/a	n/a
Other post-retirement plan	**3.50%**	3.50%	3.25%
Expected Return on Plan Assets:			
Synergy Health plc Retirement Benefits Scheme	**4.97%**	4.87%	5.19%
Isotron BV Pension Plan	**1.60%**	1.60%	2.10%
Synergy Health Daniken AG	**1.40%**	1.40%	1.40%

The net periodic benefit cost and the actuarial present value of projected benefit obligations are based upon assumptions that we review on an annual basis. These assumptions may be revised annually based upon an evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing benefits.

We develop our expected long-term rate of return on plan assets assumptions by evaluating input from third-party professional advisers, taking into consideration the asset allocation of the portfolios and the long-term asset class return expectations.

We develop our discount rate assumptions by evaluating input from third-party professional advisers, taking into consideration the current yield on country specific investment grade long-term bonds which provide for similar cash flow streams as our projected obligations.

We have made assumptions regarding healthcare costs in computing our other post-retirement benefit obligation. The assumed rates of increase generally decline ratably over a five-year period from the assumed current year healthcare cost trend rate to the assumed long-term healthcare cost trend rate noted below.

	2018	2017	2016
Healthcare cost trend rate – medical	**7.0%**	7.0%	7.0%
Healthcare cost trend rate – prescription drug	**7.0%**	7.0%	7.0%
Long-term healthcare cost trend rate	**4.5%**	4.5%	4.5%

To determine the healthcare cost trend rates, we evaluate a combination of information, including ongoing claims cost monitoring, annual statistical analyses of claims data, reconciliation of forecasted claims against actual claims, review of trend assumptions of other plan sponsors and national health trends, and adjustments for plan design changes, workforce changes, and changes in plan participant behavior.

A one-percentage-point change in assumed healthcare cost trend rates (including medical, prescription drug, and long-term rates) would have had the following effect on our other post-retirement benefit obligation at March 31, 2018:

	One-Percentage Point	
	Increase	Decrease
Effect on total service and interest cost components	**$ 1**	**$ (1)**
Effect on other post-retirement benefit obligation	**21**	**(20)**

Plan Assets. The investment policies for our plans are generally established by the local pension plan trustees and seek to maintain the plans' ability to meet liabilities and to comply with local minimum funding requirements. Plan assets are invested in diversified portfolios that provide adequate levels of return at an acceptable level of risk. The investment policies are reviewed at least annually and revised, as deemed appropriate to ensure that the objectives are being met. At March 31, 2018, the targeted allocation for the plans were approximately 75% equity investments and 25% fixed income investments.

Financial instruments included in pension plan assets are categorized into three tiers. These tiers include a fair value hierarchy of three levels, based on the degree of subjectivity inherent in the valuation methodology as follows:

Level 1 - Quoted prices for identical assets in active markets.

Level 2 - Quoted prices for similar assets in active markets with inputs that are observable, either directly or indirectly.

Level 3 - Unobservable prices or inputs in which little or no market data exists.

The fair value of our pension benefits plan assets at March 31, 2018 and 2017 by asset category is as follows:

	Fair Value Measurements at March 31, 2018			
(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Cash	**$ 67**	**$ 67**	**$ —**	**$ —**
Insured annuities	**15,228**	**—**	**15,228**	**—**
Insurance contracts	**5,484**	**—**	**—**	**5,484**
Common and collective trusts valued at net asset value:				
Equity security trusts	**74,081**			
Debt security trusts	**24,581**			
Total Plan Assets	**$ 119,441**	**$ 67**	**$ 15,228**	**$ 5,484**

	Fair Value Measurements at March 31, 2017			
(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Cash	$ 182	$ 182	$ —	$ —
Insured annuities	10,813	—	10,813	—
Insurance contracts	3,959	—	—	3,959
Common and collective trusts valued at net asset value:				
Equity security trusts	64,922			
Debt security trusts	21,787			
Total Plan Assets	$ 101,663	$ 182	$ 10,813	$ 3,959

(amounts in thousands, except per share amounts and as noted)

Collective investment trusts are measured at fair value using the net asset value per share practical expedient. These trusts have not been categorized in the fair value hierarchy and are being presented in the tables above to permit a reconciliation of the fair value hierarchy to the total plan assets.

The fair value measurement of plan assets using significant unobservable inputs (Level 3) changed during fiscal year 2018 due to the following:

	Insurance contracts
Balance at March 31, 2016	$ 4,192
Gains (losses) related to assets still held at year-end	116
Purchases, sales, settlements - net	(208)
Foreign currency	(141)
Balance at March 31, 2017	$ 3,959
Gains (losses) related to assets still held at year-end	**(43)**
Additions from business acquisition	**2,231**
Transfers out of Level 3	**(852)**
Foreign currency	**189**
Balance at March 31, 2018	**$ 5,484**

Cash Flows. We contribute amounts to our defined benefit pension plans at least equal to the minimum amounts required by applicable employee benefit laws and local tax laws. We expect to make contributions of approximately $5,630, during fiscal year 2019. In addition, we have agreed with the trustees of the defined benefit plans to aim to eliminate the deficit in future periods. We expect to make payments of approximately $18,656 in fiscal years 2020 through 2022.

Based upon the actuarial assumptions utilized to develop our benefit obligations at March 31, 2018, the following benefit payments are expected to be made to plan participants:

	Other Defined Benefit Pension Plans	Other Post-Retirement Benefits Plan
2019	$ 3,899	$ 1,907
2020	3,903	1,694
2021	4,143	1,548
2022	4,608	1,436
2023	5,611	1,293
2024-2029	27,108	4,741

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") provides a prescription drug benefit for Medicare beneficiaries, a benefit we provide to Medicare eligible retirees covered by our post-retirement benefits plan. We have concluded that the prescription drug benefit provided in our post-retirement benefit plan is considered to be actuarially equivalent to the benefit provided under the Act and thus qualifies for the subsidy under the Act. Benefits are subject to a per capita per month cost cap and any costs above the cap become the responsibility of the retiree. The subsidy is applied to reduce the retiree responsibility. As a result, the expected future subsidy no longer reduces our accumulated post-retirement benefit obligation and net periodic benefit cost. We collected subsidies totaling approximately $383 and $326, during fiscal 2018 and fiscal 2017, respectively, which reduced the retiree responsibility for costs in excess of the caps established in the post-retirement benefit plan.

Defined Contribution Plans. We maintain a 401(k) defined contribution plan for eligible U.S. employees, a 401(k) defined contribution plan for eligible Puerto Rico employees and similar savings plans for certain employees in Canada, United Kingdom, Ireland, and Finland. We provide a match on a specified portion of an employee's contribution. The U.S. plan assets are held in trust and invested as directed by the plan participants. The Canadian plan assets are held by insurance companies. The aggregate fair value of the U.S. plan assets was $655,031 at March 31, 2018. At March 31, 2018, the U.S. plan held 645,854 STERIS ordinary shares with a fair value of $60,297. We paid dividends of $781, $734, and $669 to the plan and participants on STERIS shares held by the plan for the years ended March 31, 2018, 2017, and 2016, respectively. We contributed approximately $24,037, $22,676, and $21,897, to the defined contribution plans for the years ended March 31, 2018, 2017, and 2016, respectively.

We also maintain a domestic non-qualified deferred compensation plan covering certain employees, which formerly allowed for the deferral of compensation for an employee-specified term or until retirement or termination. There have been no employee contributions made to this plan since fiscal 2012. The Plan was amended in fiscal 2012 to disallow deferrals of salary payable in 2012 and subsequent calendar years and of commissions and other incentive compensation payable in respect of the 2013 and subsequent fiscal years. We hold investments in mutual funds to satisfy future obligations of the plan. We account for these assets as available-for-sale securities and they are included in "Other assets" on our accompanying Consolidated Balance Sheets, with a corresponding liability for the plan's obligation recorded in "Accrued expenses and other." The aggregate value of the assets was $1,583 and $1,604 at March 31, 2018 and March 31, 2017, respectively. Realized gains and losses on these investments are recorded in "Interest and miscellaneous income" within "Non-operating expenses" on our accompanying Consolidated Statements of Income. Changes in the fair value of the assets are recorded in other comprehensive income on our accompanying balance sheets.

19. ROLLFORWARD OF CERTAIN PROVISIONS FOR LIABILITIES

Description	Balance at Beginning of Period	Charges to Costs and Expenses	Other Comprehensive Income	Acquisitions and Divestitures	Charges to Other Accounts [1]	Deductions	Balance at End of Period
(in thousands)							
Year ended March 31, 2018							
Recorded within liabilities:							
Deferred tax liabilities, net	**$ 163,045**	**(21,682)**	**(1,860)**	**3,572**	**10,623**	**—**	**$ 153,698**
Casualty loss reserves	**$ 22,217**	**5,713**	**—**	**—**	**(653)**	**(4,920)**	**$ 22,357**

[1] Change in foreign currency exchange rates.

20. FINANCIAL AND OTHER GUARANTEES

We generally offer a limited parts and labor warranty on capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the countries where we conduct business. We record a liability for the estimated cost of product warranties at the time product revenues are recognized. The amounts we expect to incur on behalf of our Customers for the future estimated cost of these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets. Factors that affect the amount of our warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Changes in our warranty liability during the periods presented are as follows:

Years Ended March 31,	2018	2017	2016
Balance, Beginning of Year	**$ 6,861**	$ 5,909	$ 5,579
Warranties issued during the period	**12,305**	11,823	11,194
Settlements made during the period	**(12,294)**	(10,871)	(10,864)
Balance, End of Year	**$ 6,872**	$ 6,861	$ 5,909

(amounts in thousands, except per share amounts and as noted)

We also sell product maintenance contracts to our Customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from Customers under these contracts as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The liability recorded for such deferred service revenue was $35,204, $34,264 and $33,416 as of March 31, 2018, 2017 and 2016, respectively. Such deferred revenue is then amortized on a straight-line basis over the contract term and recognized as service revenue on our accompanying Consolidated Statements of Income. The activity related to the liability for deferred service contract revenues is excluded from the table presented above.

21. DEBT

Indebtedness as of March 31, 2018 and 2017 was as follows:

	2018	2017
Credit Agreement and Swing Line Facility	**$ 331,206**	$ 521,604
Private Placement	**988,190**	960,684
Deferred financing fees	**(3,395)**	(3,927)
Total long term debt	**$ 1,316,001**	$ 1,478,361

On March 23, 2018, we entered into a Credit Agreement (the "Credit Agreement") with various financial institutions as lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent. The Credit Agreement replaced a bank credit facility dated March 31, 2015. The Credit Agreement provides up to $1,000,000 of credit, in the form of a revolver facility, which may be utilized for revolving credit borrowings, swing line borrowings and letters of credit, with sublimits for swing line borrowings and letters of credit. The revolver facility may be increased in specified circumstances by up to $500,000. The Credit Agreement will mature on March 23, 2023, and all unpaid borrowings, together with accrued and unpaid interest thereon, are repayable on that date. The Credit Agreement contains leverage and interest coverage covenants. Borrowings may be taken in U.S. dollars, euros, and pounds sterling and certain other specified currencies and bear interest at our option based upon either the Base Rate or the Eurocurrency Rate, plus the Applicable Margin in effect from time to time under the Credit Agreement. The Applicable Margin is determined based on the ratio of Consolidated Total Debt to Consolidated EBITDA (as such terms are defined in the Credit Agreement). Interest on Base Rate Advances is payable quarterly in arrears and interest on Eurocurrency Rate Advances is payable at the end of the relevant interest period therefor, but in no event less frequently than every three months. Borrowings at closing were used to repay outstanding balances of debt outstanding under the former bank credit facility dated March 31, 2015 that was scheduled to mature on March 31, 2020 and for other general corporate purposes.

As of March 31, 2018 a total of $331,206 of Credit Agreement and Swing Line Facility borrowings were outstanding under the Credit Agreement, based on currency exchange rates as of March 31, 2018.

(amounts in thousands, except per share amounts and as noted)

Our outstanding Senior Notes at March 31, 2018 were as follows:

	Applicable Note Purchase Agreement	Maturity Date	U.S. Dollar Value at March 31, 2018	U.S. Dollar Value at March 31, 2017
$85,000 Senior notes at 6.33%	2008 Private Placement	August 2018	**$ 85,000**	$ 85,000
$35,000 Senior notes at 6.43%	2008 Private Placement	August 2020	**35,000**	35,000
$91,000 Senior notes at 3.20%	2012 Private Placement	December 2022	**91,000**	91,000
$80,000 Senior notes at 3.35%	2012 Private Placement	December 2024	**80,000**	80,000
$25,000 Senior notes at 3.55%	2012 Private Placement	December 2027	**25,000**	25,000
$125,000 Senior notes at 3.45%	2015 Private Placement	May 2025	**125,000**	125,000
$125,000 Senior notes at 3.55%	2015 Private Placement	May 2027	**125,000**	125,000
$100,000 Senior notes at 3.70%	2015 Private Placement	May 2030	**100,000**	100,000
$50,000 Senior notes at 3.93%	2017 Private Placement	February 2027	**50,000**	50,000
€60,000 Senior notes at 1.86%	2017 Private Placement	February 2027	**73,912**	64,414
$45,000 Senior notes at 4.03%	2017 Private Placement	February 2029	**45,000**	45,000
€20,000 Senior notes at 2.04%	2017 Private Placement	February 2029	**24,637**	21,472
£45,000 Senior notes at 3.04%	2017 Private Placement	February 2029	**63,141**	56,040
€19,000 Senior notes at 2.30%	2017 Private Placement	February 2032	**23,406**	20,398
£30,000 Senior notes at 3.17%	2017 Private Placement	February 2032	**42,094**	37,360
Total Senior Notes			**$ 988,190**	$ 960,684

On February 27, 2017, we issued and sold an aggregate principal amount of $95,000, €99,000, and £75,000, of senior notes in a private placement to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. These notes have maturities of between 10 and 15 years from the issue date. The agreement governing these notes contains leverage and interest coverage covenants.

On May 15, 2015, Old STERIS issued and sold $350,000 of senior notes, in a private placement to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. These notes have maturities of 10 to 15 years from the issue date. The agreement governing these notes contains leverage and interest coverage covenants.

The agreements governing certain senior notes issued and sold in February 2013, December 2012, and August 2008, were amended and restated in their entirety on March 31, 2015. All of these notes were issued and sold in private placements to certain institutional investors in offerings that were exempt from the registration requirements of the Securities Act of 1933. The amended and restated agreements, which have been consolidated into a single agreement for the 2013 and 2012 notes, and a separate single agreement for the 2008 notes, contain leverage and interest coverage covenants.

At March 31, 2018, we were in compliance with all financial covenants associated with our indebtedness.

The combined annual aggregate amount of maturities of our outstanding debt by fiscal year is as follows:

2019	$ 85,000
2020	—
2021	35,000
2022	—
2023 and thereafter	1,199,396
Total	$ 1,319,396

(amounts in thousands, except per share amounts and as noted)

Interest expense for fiscal 2018 and fiscal 2017 consisted of the following:

March 31,	2018	2017
Bank debt	**$ 13,387**	$ 15,725
Non-bank debt	**37,242**	28,795
	$ 50,629	$ 44,520

22. ADDITIONAL CONSOLIDATED BALANCE SHEET INFORMATION

Additional information related to our Consolidated Balance Sheet is as follows:

March 31,	2018	2017
Pensions and similar obligations:		
Other post-retirement benefit obligations	**$ 14,100**	$ 16,008
Other employee benefit plan obligations	**5,150**	4,705
Defined benefit plan obligations	**29,407**	27,234
Total pensions and similar obligations	**$ 48,657**	$ 47,947
Other provisions for liabilities:		
Casualty loss reserves	**$ 22,357**	$ 22,217
Accrued warranty	**6,872**	6,861
Asset retirement obligation	**9,841**	9,953
Total other provisions for liabilities	**$ 39,070**	$ 39,031
Accrued expenses and other:		
Deferred revenues	**$ 74,698**	$ 71,020
Accrued dealer commissions	**16,121**	16,122
Other	**63,177**	54,253
Total accrued expenses and other	**$ 153,996**	$ 141,395
Accrued payroll and other:		
Compensation and related items	**$ 30,270**	$ 29,777
Accrued vacation/paid time off	**11,011**	8,651
Accrued bonuses	**31,716**	20,715
Accrued employee commissions	**17,168**	16,201
Total accrued payroll and other	**$ 90,165**	$ 75,344

23. COMMITMENTS AND CONTINGENCIES

We are, and will likely continue to be, involved in a number of legal proceedings, government investigations, and claims, which we believe generally arise in the course of our business, given our size, history, complexity, and the nature of our business, products, Customers, regulatory environment, and industries in which we participate. These legal proceedings, investigations and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), commercial claims (e.g., breach of contract, economic loss, warranty, misrepresentation), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

We believe we have adequately reserved for our current litigation and claims that are probable and estimable, and further believe that the ultimate outcome of these pending lawsuits and claims will not have a material adverse effect on our 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 or effect of current or future litigation, investigations, claims or other proceedings (including without limitation the matters discussed below). For certain types of claims, we presently maintain insurance coverage for personal injury and property damage and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us.

On May 31, 2012, our Albert Browne Limited subsidiary received a warning letter from the FDA regarding chemical indicators manufactured in the United Kingdom. These devices are intended for the monitoring of certain sterilization and other processes. The FDA warning letter states that the agency has concerns regarding operational business processes. We do not believe that the FDA's concerns are related to product performance, or that they result from Customer complaints. We have reviewed our processes with the agency and finalized our remediation measures, and are awaiting FDA reinspection. We do not currently believe that the impact of this event will have a material adverse effect on our financial results.

Civil, criminal, regulatory or other proceedings involving our products or services could possibly result in judgments, settlements or administrative or judicial decrees requiring us, among other actions, to pay damages or fines or effect recalls, or be subject to other governmental, Customer or other third party claims or remedies, which could materially effect our business, performance, prospects, value, financial condition, and results of operations.

For additional information regarding these matters, see the risks and uncertainties described under the title "product related regulations and claims" in the Principal Risks and Uncertainties section of this Annual Report and Accounts.

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

We are subject to taxation from United States federal, state and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual jurisdiction or the closing of statutes of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. We describe income taxes further in Note 6 to our consolidated financial statements titled, “Income Taxes” in this Annual Report and Accounts.

As of March 31, 2018 and 2017, our commercial commitments totaled $66,992 and $57,709, respectively. Commercial commitments include standby letters of credit, letters of credit required as security under our self-insured risk retention policies, and other potential cash outflows resulting from an event that requires payment by us. Approximately $7,694 of the March 31, 2018 and 2017 totals relate to letters of credit required as security under our self-insured risk retention policies.

As of March 31, 2018, we had minimum purchase commitments with suppliers for raw material purchases totaling $126,758. As of March 31, 2018, we also had commitments of $1,713 for long term construction contracts.

(amounts in thousands, except per share amounts and as noted)

24. RELATED PARTY TRANSACTION

Transactions between the Company and its wholly owned subsidiaries, which are related parties, are not disclosed in this note. Several subsidiaries have minority shareholders, and where the Company has transactions in the year, or outstanding balances receivable or payable with these parties, these are classified as related party transactions and shown in the table below.

	2018		2017	
As of or for the year ended March 31,	Revenue (costs) in the period	Receivable/ (Payable)	Revenue (costs) in the period	Receivable/ (Payable)
Minority shareholder, STERIS - Austar Pharmaceutical Systems Hong Kong Limited and subsidiaries	**$ 712**	**$ (707)**	$ 920	$ 632
Minority shareholder, Synergy Health Allershausen GmbH	**267**	**(1,143)**	483	(559)
Minority shareholder of SATYATEK SA	**4**	**(297)**	—	(285)
Minority shareholder, Synergy Health True North LLC	**—**	**4,610**	991	4,850
Minority shareholder, Sterile Supplies Salisbury NHS Trust	**3,120**	**(2,806)**	1,214	(2,491)

(amounts in thousands, except per share amounts and as noted)

25. GROUP UNDERTAKINGS

As of March 31, 2018, its direct and indirect subsidiaries were as follows:

Name	Jurisdiction of incorporation	Registered Address	% Ownership
Albert Browne Limited	England and Wales	Chancery House Ryans Way, Watermead Business Park, Syston, Leicester, LE7 1PF, United Kingdom	100%
American Sterilizer Company	Pennsylvania	CT Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, Pennsylvania 17101, United States	100%
Bioster Mottahedoon Egypt SAE	Egypt	Industrial Zone A3, lot no. 23, El Sharkeya, Egypt	65%
Bizworth Gammarad Sdn Bhd	Malaysia	Suite 18.01, 18th Floor, MWE Plaza 8, Lebuh Farquhar, 10200, Penang, Malaysia	70%
Black Diamond Video, Inc.	California	C T Corporation System Inc., 818 W. 7th Street, Suite 930, Los Angeles, California 90017, United States	100%
CLBV Limited	England and Wales	Bridgwater House, Jays Close, Viables 190, Basingsotke, Hampshire RG22 4AX, United Kingdom	100%
Controlled Environment Certification Services, Inc.	Ohio	C T Corporation System Inc., 4400 Easton Commons Way, Suite 125, Columbus, Ohio 43219	100%
Dover UK I Limited	England and Wales	Bridgwater House, Jays Close, Viables 190, Basingsotke, Hampshire RG22 4AX, United Kingdom	100%
Dover UK II Limited	England and Wales	Bridgwater House, Jays Close, Viables 190, Basingsotke, Hampshire RG22 4AX, United Kingdom	100%
Dover UK III Limited	England and Wales	Bridgwater House, Jays Close, Viables 190, Basingsotke, Hampshire RG22 4AX, United Kingdom	100%
Eschmann Holdings Limited	England and Wales	Eschmann House, Peter Road, Lancing, West Sussex, England BN15 8TJ, United Kingdom	100%
Eschmann Holdings PTE Limited	Singapore	2 Shenton Way #18-01, SGX Centre 1,Singapore, Singapore 068804, Singapore	100%
Gammaster Sweden AB (in liquidaation)	Sweden	c/o Hamilton Advokatbyra, Box 715, SE-101 33 Stockholm, Sweden	100%
Genii, Inc.	Minnesota	2145 Woodlane Drive 101-W, Woodbury, MN 55125, United States	100%
Harwell Dosimeters Limited	England and Wales	Ground Floor Stella Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6NX	100%
Hausted, Inc.	Delaware	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Herotron E-Beam Service GmbH	Germany	Guardianstrasse 6-10, D-06766 Bitterfeld-Wolfen, OT Thalheim, Germany	100%
HSTD LLC	Delaware	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
HTD Holding Corp.	Delaware	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Isomedix Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Isomedix Operations Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Isotron Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Massaro Limited Partnership (Victory Road) **	Pennsylvania	120 Delta Drive, Pittsburgh, Pennsylvania 15238	65%
Medisafe America LLC	Florida	1200 South Pine Island Road, Plantation, Florida 33324, USA	100%
Medisafe Holdings Limited	England and Wales	Twyford Road, Bishop's Stortfoed, Hertfordshire, England, CM23 3LJ	100%
Medisafe UK Limited	England and Wales	Twyford Road, Bishop's Stortfoed, Hertfordshire, England, CM23 3LJ	100%
PeriOptimum, Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Phoenix Surgical Holdings Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Phoenix Surgical Instruments Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%

(amounts in thousands, except per share amounts and as noted)

Phoenix Optics Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
ReNOVA Surgical Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
SATYAtek SA	Switzerland	Rue des Bosquets 18, 1800 Vevey, Vaud, Switzerland	51%
Sercon Industria E Comercio De Aparelhos Medicos E Hospitalares Ltda.	Brazil	Rua Tenente Onofre Rodrigues de Aguiar, 1201 S. 12 Q. 077, Un. 011 Villa Industrial, Mogi das Cruzes, State of Sao Paulo 08770-040, Brazil	100%
Shiloh Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Shiloh Properties Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Solar New US Holding Co, LLC	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Solar New US Parent Co, LLC	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Solar US Acquisition Co, LLC	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STE UK HoldCo Limited	England and Wales	Bridgwater House, Jays Close, Viables 190, Basingsotke, Hampshire RG22 4AX, United Kingdom	100%
STE UK Sub HoldCo Limited	England and Wales	Bridgwater House, Jays Close, Viables 190, Basingsotke, Hampshire RG22 4AX, United Kingdom	100%
Sterile Supplies Limited	England and Wales	Finance Department, Salisbury District Hospital, Odstock Road, Salisbury, Wiltshire, England, SP2 8BJ	50%
SterilTek Holdings, Inc.	Delaware	CT Corporation System, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
SterilTek, Inc. ***	Nevada	The Corporation Trust Co of Nevada, 701 South Carson Street Suite 200,Carson City, Nevada 89701, United States	100%
STERIS AB	Sweden	c/o John Goldie Advokatbyra AB, Box 5265, Stockholm, Sweden 102 46, Sweden	100%
STERIS Applied Sterilization Technologies ULC	Canada	400-725 Granville Street, P.O. Box 10325, Vancouver, BC V7Y 1G5, Canada	100%
STERIS Asia Pacific, Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS AST CZ s.r.o.	Czech Republic	Kosikov 80, 595 01 Velka Bites, Czech Republic	100%
STERIS AST d.o.o.	Slovenia	Mala ulica 6, 1000 Ljubljana, Slovenia	100%
STERIS AST SK s.r.o.	Slovakia	Priemyselný park 6020/5 , Michalovce 071 01, Slovakia	100%
STERIS Barrier Products Solutions, Inc.	Pennsylvania	CT Corporation System, 600 North 2nd Street, Suite 401, Harrisburg, Pennsylvania 17101, United States	100%
STERIS Brazil Holdings, LLC	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS (BVI) I Limited	British Virgin Islands	Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands	100%
STERIS Canada ULC	Canada	400-725 Granville Street, P.O. Box 10325, Vancouver, BC V7Y 1G5, Canada	100%
STERIS Canada Sales ULC.	Canada	400-725 Granville Street, P.O. Box 10325, Vancouver, BC V7Y 1G5, Canada	100%
STERIS CH Limited	England and Wales	Bridgwater House, Jays Close, Viables,Basingstoke, Hampshire RG22 4AX, United Kingdom	100%
STERIS China Holdings Limited	Hong Kong	31st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong, None, China	100%
STERIS Corporation	Ohio	5960 Heisley Road, Mentor, Ohio 44060, United States	100%
STERIS Corporation de Costa Rica, S.A.	San Jose	Avenida 11, calles 5 y 7, numero 517, San Jose, San Jose, Costa Rica	100%
STERIS Deutschland GmbH	Germany	Eupener Str. 70,Koln, Germany 50933, Germany	100%
STERIS Dover Limited *	England and Wales	Rutherford House, Stephensons Way, Chaddesden, Derby, United Kingdom, DE21 6LY	100%
STERIS Enterprises LLC	Russia	4, 4th Lesnoy pereulok,Moscow, Russia 125047, Russian Federation	100%
STERIS Europe, Inc.	Delaware	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS FinCo S.à r.l. *	Luxembourg	25A, Boulevard Royal, Luxembourg L-2449, Luxembourg	100%
STERIS FinCo II S.à r.l.	Luxembourg	25A Boulevard Royal, Luxembourg, Luxembourg L-2449, Luxembourg	100%

(amounts in thousands, except per share amounts and as noted)

STERIS GmbH	Switzerland	Längfeldweg 116A,2504 Biel/Bienne, Switzerland 2504, Switzerland	100%
STERIS Holdings B.V.	Netherlands	Naritaweg 165, Telestone 8, Amsterdam, The Netherlands 1043 BW, Netherlands	100%
STERIS Iberia, S.A.	Spain	Jones Day, Paseo de Recolectos 37-41, Planta 5, 28004 Madrid, Spain, Spain	100%
STERIS IMS Canada Inc.	Canada	40 King Street West, Suite 5800,Toronto, Ontario M5H 3S1, Canada	100%
STERIS IMS Limited	England and Wales	Ground Floor Stella, Windmill House Business Park, Whitehill Way, Swindon, Wiltshire, England, SN5 6NX	100%
STERIS Ireland Limited	Ireland	70 Sir John Rogerson's Quay, Dublin, Ireland 2	100%
STERIS Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS (India) Private Limited	India	302, Ace Business Center, L.B.S. Marg, Near Navneet Motor Showroom, Gokul Nagar, Thane (W), Maharashtra 400 602, India	100%
STERIS Instrument Management Services, Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS Irish FinCo Unlimited Company *	Ireland	70 Sir John Rogerson's Quay,Dublin, Ireland 2, Ireland	100%
STERIS Irish FinCo II Unlimited Company	Ireland	70 Sir John Rogerson's Quay,Dublin, Ireland 2, Ireland	100%
STERIS Isomedix Puerto Rico LLC	Puerto Rico	CT Corporation Systems, 361 San Francisco St.,Old San Juan, Puerto Rico 00901, United States	100%
STERIS Japan Inc.	Japan	NK Shinwa Building, 5-1 Kojimachi, Chiyoda-ku, Tokyo, Japan	100%
STERIS Laboratories, Inc.	Minnesota	C T Corporation System Inc., 100 South 5th Street, Suite 1075, Minneapolis, Minnesota 55402, United States	100%
STERIS Latin America, Inc.	Delaware	CT Corporation, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS Luxembourg Finance S.à r.l.	Luxembourg	25A, boulevard Royal, Luxembourg L-2449, Luxembourg	100%
STERIS Luxembourg Holding S.à r.l.	Luxembourg	25A, boulevard Royal,Luxembourg, Luxembourg L-2449, Luxembourg	100%
STERIS Mauritius Limited	Mauritius	5th Floor Barkly Wharf, Le Caudan Waterfront, Port Louis, Port Louis, Mauritius	100%
STERIS Mexico, S. de R.L. de C.V.	Mexico	Av. Avante #790 Parque Industrial Guadalupe,Cd. Guadalupe, N.L. 67190, Mexico, Mexico	100%
STERIS NV	Belgium	De Keyserlei 58-60, Box 19,Antwerp, Belgium 2018, Belgium	100%
STERIS Personnel Services Mexico, S. de R.L. de C.V.	Mexico	Av. Avante #790, Parque Industrial,Guadalupe Nuevo Leon, 67190, Mexico 67190, Mexico	100%
STERIS Personnel Services, Inc.	Delaware	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
STERIS S.r.l.	Italy	Strada Cassanese, 224, Centro Direzionale Milano Oltre, Palazzo Caravaggio, Segrate, Italy 20090, Italy	100%
STERIS SAS	France	116 avenue Magudas, 33185 Le Haillan,Bordeaux, France, France	100%
STERIS SEA SDN. BHD.	Malaysia	140, Ground Floor, Jalan Kelab Cinta Sayang, Taman Ria Jaya, Sungai Petani, Kedah, Malaysia 08000, Malaysia	100%
STERIS (Shanghai) Trading Co., Ltd.	China	Suite 1504 Hong Kong New World Tower, Huai Hai Zhong Lu #300,Shanghai PRC, China, China	100%
STERIS Singapore Pte Ltd	Singapore	2 Shenton Way #18-01, SGX Centre 1,Singapore, Singapore 068804, Singapore	100%
STERIS Solutions Limited	England and Wales	Chancery House Ryans Way, Watermead Business Park, Syston, Leicester, LE7 1PF, United Kingdom	100%
STERIS S.p.A.	Italy	Via E. Alessandrini n. 16, Trezzo Sull'Adda, Italy	100%
STERIS UK Holding Limited	England and Wales	Bridgwater House, Jays Close, Viables, Basingstoke, Hampshire RG22 4AX, United Kingdom	100%
STERIS-Austar Pharmaceutical Systems Hong Kong Limited	China	Unit 6.1/F Block B, New Trade Plaza, 6 on Ping Street, Shatin, Hong Kong, Hong Kong	51%
STERIS-AUSTAR Pharmaceutical Systems (Shanghai) Limited	China	No. 366 Yonghang Road, Songjiang District, Shanghai, China	51%
Strategic Technology Enterprises, Inc.	Delaware	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States	100%
Synergy Health Allershausen GmbH	Germany	Kesselbodenstrasse 7, Allershausen 85391, Germany	62.5%

(amounts in thousands, except per share amounts and as noted)

Synergy Health Amsterdam B.V.	The Netherlands	Fokkerstraat 574, 3125BE Schiedam, The Netherlands	100%
Synergy Health AST, LLC	Delaware	251 Little Falls Drive, Wilmington, Delaware 19808, USA	100%
Synergy Health AST S.r.l.	Costa Rica	Zona Franca Coyol B16, Alajuela, Costa Rica	100%
Synergy Health Däniken AG	Switzerland	Hogenweidstrasse 6, 4658 Däniken, SOLOTHURN, Switzerland	100%
Synergy Health Ede BV	The Netherlands	Morsestraat 3, 6716AH Ede, The Netherlands	100%
Synergy Health France SAS	France	Rue Jean Queillau, Min des Arnavaux, 13014 Marseille, France	100%
Synergy Health Holding B.V.	The Netherlands	Fokkerstraat 574, 3125BE Schiedam, The Netherlands	100%
Synergy Health Holdings Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health Investments Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health Ireland Limited	Republic of Ireland	1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland	100%
Synergy Health Limited*	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health Logistics B.V.	The Netherlands	Morsestraat 3, 6716AH Ede, The Netherlands	100%
Synergy Health Marseille SAS	France	Rue Jean Queillau, Min des Arnavaux, 13014 Marseille, France	100%
Synergy Health Nederland B.V.	The Netherlands	Fokkerstraat 574, 3125BE Schiedam, The Netherlands	100%
Synergy Health New York, LLC	Delaware	251 Little Falls Drive, Wilmington, Delaware 19808, USA	100%
Synergy Health Outsourcing Solutions, Inc.	Florida	Corporate Service Company, 1201 Hays St., Tallahyassee, FL 32301	100%
Synergy Health Radeberg GmbH	Germany	Juri-Gagarin-Strasse 15, 01454 Radeberg, Germany	100%
Synergy Health Sterilisation UK Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health (Suzhou) Limited	China	No. 26 Xingchang Road, SIP Suzhou Jiangsu Province, China, 215125	100%
Synergy Health (Suzhou) Sterilization Technologies Limited	China	No. 26 Xingchang Road, SIP Suzhou Jiangsu Province, China, 215125	100%
Synergy Health Systems Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health (Thailand) Limited	Thailand	700/465 Amata Nakorn Industrial, Moo 7, Tambon Donhuaroh, Amphur Muang Chonburi, CHONBURI 20000, Thailand	100%
Synergy Health True North, LLC	New York	2000 Marcus Avenue, New Hyde Park, New York, 11042, USA	51%
Synergy Health (UK) Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health US Holdings, Inc.	Delaware	251 Little Falls Drive, Wilmington, Delaware 19808, USA	100%
Synergy Health US Holdings Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Synergy Health Utrecht B.V.	The Netherlands	Reactorweg 47A, 3542AD, Utrecht, The Netherlands	100%
Synergy Health Westport Limited	Ireland	Lodge Road, Westport, County Mayo, Ireland	100%
Synergy Sterilisation KL (M) Sdn Bhd	Malaysia	Suite 18.01, 18th Floor, MWE Plaza 8, Lebuh Farquhar, 10200, Penang, Malaysia	100%
Synergy Sterilisation Kulim (M) Sdn Bhd	Malaysia	Suite 18.01, 18th Floor, MWE Plaza 8, Lebuh Farquhar, 10200, Penang, Malaysia	100%
Synergy Sterilisation (M) Sdn Bhd	Malaysia	Suite 18.01, 18th Floor, MWE Plaza 8, Lebuh Farquhar, 10200, Penang, Malaysia	100%
Synergy Sterilisation Rawang (M) Sdn Bhd	Malaysia	Suite 18.01, 18th Floor, MWE Plaza 8, Lebuh Farquhar, 10200, Penang, Malaysia	100%
Synergy Sterilisation South Africa (Propietary) Limited	South Africa	5 Waterpas Street, Isando Ext 3, Kempton Park, 1620, South Africa	100%
United States Endoscopy Group, Inc.	Ohio	C T Corporation System Inc., 4400 Easton Commons Way, Suite 125, Columbus, Ohio 43219	100%
Vernon and Co. Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%
Vernon Carus (Malta) Limited	Malta	Lancashire House, Birkirkara Road, Kappara, Malta	100%
Vernon-Carus Limited	England and Wales	Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, England, SN5 6NX	100%

* Direct subsidiary of STERIS plc

** Not consolidated

*** Included common and preferred shares

PARENT COMPANY BALANCE SHEET
(in thousands)

March 31,	Note	2018	2017
Fixed assets			
Investments in subsidiaries	5	**$ 1,752,419**	$ 1,733,263
Current assets:			
Debtors	6	**336,762**	312,350
Cash at bank		**597**	1,565
		337,359	313,915
Creditors: Amounts falling due within one year	7	**87,191**	2,118
Net current assets		**250,168**	311,797
Total assets less current liabilities		**2,002,587**	2,045,060
Creditors: Amounts falling due after more than one year	7	**620,503**	815,297
Net assets		**$ 1,382,084**	$ 1,229,763
Capital and reserves			
Called up share capital	9	**$ 13,110**	$ 13,123
Share premium account	10	**81,217**	70,202
Capital redemption reserve	10	**274**	179
Share option reserves	10	**82,520**	60,486
Profit and loss account	10	**1,204,963**	1,085,773
Total capital and reserves		**$ 1,382,084**	$ 1,229,763

The parent company has not presented a profit and loss account as permitted by section 408 of the Companies Act 2006 as the results are included in the group accounts.

The Company's profit for fiscal years 2018 and 2017 was $287,605 and $188,709, respectively.

The financial statements of STERIS plc (registered number 09257343) were approved by the Board of Directors on June 5, 2018.

Signed on behalf of the Board

Walter M Rosebrough, Jr., Director

The notes on pages 110 to 115 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
(in thousands, except per share amounts)

	Note	Share capital	Share premium account	Capital Redemption Reserve	Share option reserve	Profit and loss account	Total
Balance, March 31, 2016		$ 13,238	$ 65,309	$ —	$ 41,687	$ 1,087,767	$ 1,208,001
Profit for year		—	—	—	—	188,709	188,709
Shares issued - Share based compensation programs (416 shares)		53	4,893	—	18,799	—	23,745
Repurchases of shares (1,455 shares)	9	(179)	—	179	—	(97,509)	(97,509)
Ordinary cash interim dividends - $1.09 per share	10	—	—	—	—	(93,193)	(93,193)
Preferred dividends - 5% of per share par value of 10 pence	10	—	—	—	—	(1)	(1)
Purchase of subsidiary shares from noncontrolling interest (67 shares)		11	—	—	—	—	11
Balance, March 31, 2017		$ 13,123	$ 70,202	$ 179	$ 60,486	$ 1,085,773	$ 1,229,763
Profit for year		—	—	—	—	**287,605**	**287,605**
Shares issued - Share based compensation programs (592 shares)		**82**	**11,015**	—	**22,034**	—	**33,131**
Repurchases of shares (793 shares)	9	**(95)**	—	**95**	—	**(65,485)**	**(65,485)**
Ordinary dividends - $1.21 per share	10	—	—	—	—	**(102,929)**	**(102,929)**
Preferred dividends - 5% of per share par value of 10 pence	10	—	—	—	—	**(1)**	**(1)**
Balance, March 31, 2018		**$ 13,110**	**$ 81,217**	**$ 274**	**$ 82,520**	**$ 1,204,963**	**$ 1,382,084**

The notes on pages 110 to 115 form an integral part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(amounts in thousands, except per share amounts and as noted)

1. BASIS OF PRESENTATION

STERIS plc ("STERIS" or "Company") is a public limited company organized under the laws of England and Wales. The registered office of the Company is Rutherford House Stephensons Way Chaddesden, Derby, England. The Company financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006 (the "Act")). The company has taken advantage of the following disclosure exemptions under FRS 102, as equivalent disclosure is included in the STERIS plc consolidated financial statements:

a. The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).
b. The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
c. The requirements of Section 11 Basic Financial Instruments, paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c), and Section 12 Other Financial Instruments Issues, paragraphs 12.26, 12.27, 12.29(a), 12.29(b), 12.29A.
d. The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23, and
e. The requirement of Section 33 Related Party Disclosures paragraph 33.7.

The financial statements and related notes have been prepared and presented in U.S. dollars, being the Company's functional and presentational currency. Unless otherwise noted, amounts are presented in U.S. dollars in thousands.

The financial statements have been prepared on a going concern basis. The Directors have considered the appropriateness of the going concern basis in the "Report of Directors" included in this Annual Report.

Under section 408 of the Act, the Company is exempt from the requirements to present its own profit and loss account. The Company's profit for the financial year is presented underneath the Company Balance Sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Investments

Investments in subsidiaries are stated at cost less accumulated impairment losses. Cost is stated subject to any relief taken under the Act. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For the acquisition of Synergy on November 2, 2015, as required by the Act, section 612, merger relief was applied. The cost of investment has been recognized at the value of cash consideration and nominal value of equity issued.

As permitted by the Act, Section 611, the Company applies group reconstruction relief accounting when applicable. Group reconstruction relief was applied in the acquisition of STERIS FinCo S.á r.l. on November 2, 2015 and the investment is recorded at cost.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more, tax. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax returns in periods different from those in which they are recognized in the financial statements. Deferred tax assets are recognized when it is more likely than not that they will be recovered. Deferred tax is not discounted.

Dividends

Dividend income is recorded when the Company's right to receive payment is established.

Financial instruments

The Company is applying sections 11 and 12 of FRS 102 in accounting for financial instruments.

Financial assets and liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Loans to subsidiaries are recorded at fair value. Finance charges are accounted for on an accrual basis to the profit and loss account using the effective interest method.

Debt is initially recorded in the balance sheet at the net proceeds, defined as the consideration received after deduction of issue costs. The difference between the amount recognized and the total payments required to be made under the debt represents the total finance cost, which is amortized into the profit and loss account over the term of the debt.

Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements. Therefore, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Share based payments

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value of shares and options granted is recognized as an employee expense with a corresponding increase in equity. These costs are recognized in the profit and loss account over the period during which an employee is required to provide service in exchange for the award.

Where the Company grants its shares or options over its own shares to the employees of its subsidiaries, it recognizes, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the share based payment expense recognized in its consolidated financial statements, with the corresponding credit being recognized directly in equity.

Redeemable shares

Redeemable non-voting shares are deemed to be an equity instrument (being a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities) if: (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavorable; and (ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Related party transactions

Transactions between the Company and its wholly owned subsidiaries are not disclosed in line with FRS 102.33.1A. There were no other related party transactions during either period.

3. AUDITORS' REMUNERATION

Auditor's remuneration has not been disclosed in line with the Act as it is included in the group accounts on a consolidated basis. Also note that non-audit fees are disclosed on a consolidated basis.

4. EMPLOYEES' REMUNERATION

Three employees of the Company are co-employed by a wholly owned subsidiary. A portion of the costs, including share based payment expense, related to these employees and several other employees are allocated to the Company in an amount commensurate with their services to the Company. These costs were $5,374 and $9,394 in fiscal 2018 and 2017, respectively.

(amounts in thousands, except per share amounts and as noted)

5. INVESTMENTS

Investments in subsidiaries held by STERIS plc are as follows:

		2018
Cost:		
Balance at April 1	$	**1,733,263**
Additions due to share based compensation plan		**19,156**
Balance at March 31	$	**1,752,419**

Additions due to share based compensation plan relate to the cost of share based payments issued to employees of subsidiaries. For more information about the share based compensation plan, see Note 17 to the Consolidated Financial Statements included in this Annual Report and Accounts.

The Company holds directly the issued share capital of the following subsidiaries:

Name	Ownership Percentage	Country of Incorporation	Principal Activity
STERIS Irish FinCo Unlimited Company	100%	Ireland	Holding Company
STERIS FinCo S.á r.l.	100%	Luxembourg	Holding Company
Synergy Health Limited	100%	England and Wales	Holding Company
STERIS DOVER Limited	100%	England and Wales	Holding Company

As part of a re-organization of subsidiary undertakings during the year, STERIS acquired 100 percent of the interest in STERIS Irish FinCo Unlimited Company from STERIS FinCo S.á r.l., a direct subsidiary of STERIS. STERIS also exchanged 100 percent of its interest in Solar New US Holding Co, LLC (Solar) for 100 percent of Solar's interest in STERIS DOVER Limited. This transaction resulted in STERIS owning 100 percent of the interest in Solar indirectly, through its investment in STERIS DOVER Limited, rather than directly. STERIS has adopted an accounting treatment consistent with the requirements of Section 611 of the Act, which requires transactions to be accounted for and presented in accordance with their substance as opposed to their legal form. The carrying value of the investments have been reclassified within the investment of STERIS and no movement has been recognized in the total value of investments as STERIS has the same interests in subsidiaries before and after the transactions.

A complete listing of direct and indirect subsidiaries is included in Note 25 to the Consolidated Financial Statements included in this Annual Report and Accounts.

6. DEBTORS

		2018		2017
Amounts due within one year				
Corporation tax	$	**8,370**	$	4,698
Amounts due from group undertakings		**327,016**		306,576
Amounts due after one year				
Deferred tax		**1,376**		1,076
	$	**336,762**	$	312,350

Amounts owed by group undertakings consisted of loans to Synergy Health Limited ("Synergy") and receivables due from certain subsidiaries. As of March 31, 2018, Synergy owed an aggregate principal amount of $317,815 and accrued interest of $29 to be repaid April 30, 2018. The loans were subject to monthly review and extension. The individual loans consisted of principal amounts of £82,500, €121,000 and $53,000, and current annual interest rates of 2.26% , 1.75% and 3.63% , respectively. Receivables due from subsidiaries at March 31, 2018 was $9,172.

(amounts in thousands, except per share amounts and as noted)

As of March 31, 2017, Synergy owed an aggregate principal amount of $304,556 and accrued interest of $8 to be repaid April 28, 2017. The loans were subject to monthly review and extension. The individual loans consisted of principal amounts of £93,000, €112,000 and $68,500, and current annual interest rates of 2.26%, 2.00% and 2.98%, respectively. Receivables due from subsidiaries at March 31, 2017 was $2,012 .

7. CREDITORS

Amounts falling due within one year are presented in the following table:

		2018		2017
Amounts payable to group undertakings	**$**	**86,246**	$	1,118
Accruals and deferred income		**945**		1,000
	$	**87,191**	$	2,118

At March 31, 2018 amounts payable to group undertakings consisted of loans to Synergy and Solar New US Holding Co, LLC ("Solar") and accrued interest on those loans. As of March 31, 2018, STERIS owed an aggregate principal amount of $86,144 and accrued interest of $102. The individual loans consisted of principal amounts of $83,000, and 3,000 CHF bearing current annual interest rates of 4.43% and 1.75% , respectively, and maturity dates of March 21, 2019 and June 28, 2018, respectively.

At March 31, 2017 amounts payable to group undertakings consisted of payables due to certain subsidiaries.

Amounts falling due after more than one year are presented in the following table:

		2018		2017
2017 Senior Notes:				
$50,000 Senior notes at 3.93% due 2027	**$**	**50,000**	$	50,000
€60,000 Senior notes at 1.86% due 2027		**73,912**		64,414
$45,000 Senior notes at 4.03% due 2029		**45,000**		45,000
€20,000 Senior notes at 2.04% due 2029		**24,637**		21,471
£45,000 Senior notes at 3.04% due 2029		**63,141**		56,040
€19,000 Senior notes at 2.30% due 2032		**23,406**		20,398
£30,000 Senior notes at 3.17% due 2032		**42,094**		37,360
Total 2017 Senior Notes		**322,190**		294,683
Deferred financing fees		**(943)**		(990)
Credit Agreement and Swing Line Facility		**299,256**		521,604
	$	**620,503**	$	815,297

On March 23, 2018, STERIS plc, as a borrower and guarantor and Old STERIS, as a borrower and guarantor entered into a Credit Agreement (the “Credit Agreement”) with various financial institutions as lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent. The Credit Agreement replaced a bank credit facility dated March 31, 2015. The Credit Agreement provides up to $1,000,000 of credit, in the form of a revolver facility, which may be utilized for revolving credit borrowings, swing line borrowings and letters of credit, with sublimits for swing line borrowings and letters of credit. The revolver facility may be increased in specified circumstances by up to $500,000. The Credit Agreement will mature on March 23, 2023, and all unpaid borrowings, together with accrued and unpaid interest thereon, are repayable on that date. The Credit Agreement contains leverage and interest coverage covenants. Borrowings may be taken in U.S. dollars, euros, and pounds sterling and certain other specified currencies and bear interest at the option based upon either the Base Rate or the Eurocurrency Rate, plus the Applicable Margin in effect time to time under the Credit Agreement. Borrowings taken at closing were used to repay outstanding balances of debt outstanding under the former bank credit facility dated March 31, 2015 and for other general corporate purposes. Refer to Note 21 to the Consolidated Financial Statements included in this Annual Report and Accounts for further discussion of the Credit Agreement.

At March 31, 2018, outstanding borrowings under the Credit Agreement entered into on March 23, 2018 were comprised of $275,850 and €19,000. At March 31, 2018 available credit under the Credit Agreement was $655,388.

At March 31, 2017, outstanding borrowings under the Credit Agreement entered into on March 31, 2015 were comprised of (i) $275,400, £13,000, and €7,000 under the revolving credit facility and (ii) $222,500 under the term loan facility. At March 31, 2017, there was $550,896 of unused credit available under the revolver facility.

On February 27, 2017, STERIS issued fixed-rate Series A Senior Notes, collectively known as the "2017 Senior Notes", in a private placement to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. The 2017 Senior Notes were issued in the aggregate principal amount of $95,000, €99,000 and £75,000, or a total of approximately $293,730 based upon February 27, 2017 exchange rates. The Company's obligations under the 2017 Senior Notes are unsecured but guaranteed by certain of the Company's subsidiaries pursuant to an Affiliate Guaranty, which was executed on January 23, 2017. All or substantially all of the net proceeds of the sales were used to repay floating-rate bank debt under the Company's bank credit facility, thereby increasing the Company's proportion of fixed-rate debt. For further discussion regarding the 2017 Senior Notes, refer to Note 21 to the Consolidated Financial Statements included in this Annual Report and Accounts.

These obligations are guaranteed by STERIS Corporation and various other subsidiaries of STERIS.

8. CONTINGENT LIABILITIES

Effective November 2, 2015, the Company and several of its subsidiaries entered into a series of agreements to guarantee the following debt of STERIS Corporation (which debt also is guaranteed by various other subsidiaries of the Company);

- $350,000 of senior notes issued May 15, 2015 by STERIS Corporation, of which $125,000 have a maturity of 10 years from the issue date at an annual interest rate of 3.45%, $125,000 have a maturity of 12 years from the issue date at an annual interest rate of 3.55% and $100,000 have a maturity of 15 years from the issue date at an annual interest rate of 3.70%.
- $98,000 of senior notes issued in February 2013 by STERIS Corporation, of which $45,500 have a maturity of nine years and 10 months from issuance and have a current annual interest rate of 3.20%, $40,000 have a maturity of 11 years and 10 months from issuance and have a current annual interest rate of 3.35%, and the remaining $12,500 have a maturity of 14 years and 10 months from issuance and have a current annual interest rate of 3.55%.
- $98,000 of senior notes issued by STERIS Corporation in December 2012, of which $45,500 have a maturity of 10 years from issuance and have a current annual interest rate of 3.20%, an additional $40,000 have a maturity of 12 years from issuance and have a current annual interest rate of 3.35%, and the remaining $12,500 have a maturity of 15 years from issuance and have a current annual interest rate of 3.55%.
- $120,000 of senior notes issued by STERIS Corporation on August 15, 2008, of which $85,000 have a maturity of 10 years from issuance and have a current annual interest rate of 6.33%, and the remaining $35,000 have a maturity of 12 years from issuance and have a current annual interest rate of 6.43%.

In addition to the Credit Agreement, the Company guarantees letters of credit and purchasing card obligations of its subsidiaries under other agreements with banks up to a maximum amount of approximately $33.3 million, as of March 31, 2018.

9. CALLED UP SHARE CAPITAL

Allotted, called-up and fully paid is comprised of the following:

	March 31,	
(Shares in thousands)	**2018**	**2017**
Ordinary shares, par value £0.10, 84,747 and 84,948 in 2018 and 2017, respectively	**$ 13,095**	$ 13,108
Preferred shares, par value £0.10, 100 in 2018 and 2017	**15**	15
	$ 13,110	$ 13,123

During fiscal 2018, the Company issued 591,523 ordinary shares having a nominal value of £0.10 each in capital of the Company for a total consideration of $11,097 related to employee share based compensation plans. During fiscal 2018, the Company obtained and canceled 127,903 ordinary shares having a nominal value of £0.10 each in capital of the Company for a total cost of $7,014 related to satisfaction of tax withholding requirements in connection with activity under employee share based compensation plans. Additionally, the Company repurchased 664,963 shares on the open market for an aggregate amount of $58,471, including taxes and commissions. Refer to Note 16 to the Consolidated Financial Statements included in this Annual Report and Accounts for further discussion of share repurchases.

10. RESERVES

Share premium account. This reserve records the amount above the nominal value received for shares sold, less transaction costs. The share premium account in the parent company balance sheet does not agree to the share premium account in the consolidated balance sheet due to differing treatments of the capital reduction of $1,077,418 which took place in November 2015 as the consolidated balance sheet is prepared in accordance with U.S. GAAP. Further, the prior period amounts for the share premium account in the Consolidated Balance Sheet are included within the share option and other reserves balance. Prior periods have not been split out separately as the balances have not been analyzed in this manner historically as there is no comparable concept as the share premium account under U.S. GAAP.

Capital redemption reserve. This reserve represents the nominal value of shares canceled.

Share option reserve. This reserve includes the amount recognized as a result of the assumption of the share based compensation plan at November 2, 2015 and the amounts recognized as expense during the subsequent period related to share based compensation programs. Refer to Note 4 of the Parent Company Financial Statements for discussion of the allocation of share based compensation expense between the Company and its subsidiaries and to Note 17 to the Consolidated Financial Statements included in this Annual Report and Accounts for further discussion of share based compensation programs.

Profit and loss account. The profit and loss account is comprised of the accumulated profits and is reduced by the distribution of dividends and the purchases of the Company's own shares out of the Company's profits.

Distributable reserves may be created through the earnings of the Company and through a reduction in share capital which may be achieved under certain methods. On November 2, 2015, upon the Combination becoming effective, a capital reduction previously approved by the Directors using the solvency statement procedure provided for under the Act which took effect November 2, 2015 whereby £700,000 ($1,077,418) of the amount standing to the credit of the Company’s share premium account immediately after completion of the Combination was canceled in order to create distributable reserves. Distributable reserves of £700,000 ($1,077,418) were recognized. The Company had distributable reserves of $1,204,963 as of March 31, 2018.

During fiscal 2018 and 2017, dividends per ordinary share of $1.21 and $1.09, respectively, were declared and paid for a total of $102,929 and $93,193, respectively. During 2018 and 2017, $1 was accrued for preferential annual dividends of five percent of the per share par value of £0.10.

In May 2018, the Board of Directors approved the declaration of a dividend to shareholders of $0.31 per ordinary share to be paid in June 2018 to shareholders of record as of the close of business on June 8, 2018.

Future dividends on STERIS plc ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of STERIS plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of STERIS plc may deem relevant, as well as our ability to pay dividends in compliance with the Act.