

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

or

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

For the transition period from _____ to _____

Commission File Number 1-37614

STERIS plc

(Exact name of registrant as specified in its charter)

United Kingdom
(State or other jurisdiction of
incorporation or organization)

98-1203539
(IRS Employer
Identification No.)

Chancery House, 190 Waterside Road, Hamilton Industrial Park Leicester
(Address of principal executive offices)

LE51QZ
(Zip code)

44-116-276-8636
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of ordinary shares outstanding as of November 2, 2016: 85,199,072

STERIS plc and Subsidiaries
Form 10-Q
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PART 1—FINANCIAL INFORMATION

As used in this Quarterly Report on Form 10-Q, STERIS plc and its subsidiaries together are called “STERIS,” the “Company,” “we,” “us,” or “our,” unless otherwise noted.

ITEM 1. FINANCIAL STATEMENTS

STERIS PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2016	March 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 254,351	\$ 248,841
Accounts receivable (net of allowances of \$8,979 and \$11,185, respectively)	441,294	471,523
Inventories, net	209,935	192,792
Prepaid expenses and other current assets	50,616	59,369
Total current assets	956,196	972,525
Property, plant, and equipment, net	1,039,783	1,064,319
Goodwill and intangibles, net	3,181,463	3,279,942
Other assets	33,183	29,630
Total assets	\$ 5,210,625	\$ 5,346,416
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 116,350	\$ 139,572
Accrued income taxes	16,278	13,683
Accrued payroll and other related liabilities	74,024	93,976
Accrued expenses and other	163,694	153,375
Total current liabilities	370,346	400,606
Long-term indebtedness	1,504,192	1,567,796
Deferred income taxes, net	247,713	254,824
Other liabilities	78,811	84,298
Total liabilities	\$ 2,201,062	\$ 2,307,524
Commitments and contingencies (see note 9)		
Preferred shares, with £0.10 par value; 100 shares authorized; 100 issued and outstanding	15	15
Ordinary shares, with £0.10 par value; £17,006 shares aggregate par amount authorized; 85,380 and 85,920 ordinary shares issued and outstanding, respectively	2,112,834	2,151,719
Retained earnings	979,711	939,459
Accumulated other comprehensive (loss) income	(94,028)	(68,159)
Total shareholders' equity	2,998,532	3,023,034
Noncontrolling interests	11,031	15,858
Total equity	3,009,563	3,038,892
Total liabilities and equity	\$ 5,210,625	\$ 5,346,416

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Product	\$ 292,216	\$ 274,145	\$ 563,966	\$ 506,452
Service	354,199	215,752	720,827	423,347
Total revenues	646,415	489,897	1,284,793	929,799
Cost of revenues:				
Product	155,110	148,088	297,809	277,944
Service	243,397	132,488	499,086	258,444
Total cost of revenues	398,507	280,576	796,895	536,388
Gross profit	247,908	209,321	487,898	393,411
Operating expenses:				
Selling, general, and administrative	163,680	172,459	315,566	299,294
Research and development	14,617	14,255	29,045	28,020
Restructuring expenses	48	(56)	202	(782)
Total operating expenses	178,345	186,658	344,813	326,532
Income from operations	69,563	22,663	143,085	66,879
Non-operating expenses, net:				
Interest expense	10,924	7,485	21,995	13,605
Interest income and miscellaneous expense	(284)	(227)	(778)	(709)
Total non-operating expenses, net	10,640	7,258	21,217	12,896
Income before income tax expense	58,923	15,405	121,868	53,983
Income tax expense	18,721	7,154	32,955	21,421
Net income	40,202	8,251	88,913	32,562
Less: Net income attributable to noncontrolling interests	(214)	(436)	95	(416)
Net income attributable to shareholders	\$ 40,416	\$ 8,687	\$ 88,818	\$ 32,978
Net income per share				
Basic	\$ 0.47	\$ 0.15	\$ 1.03	\$ 0.55
Diluted	\$ 0.47	\$ 0.14	\$ 1.03	\$ 0.55
Cash dividends declared per share outstanding	\$ 0.28	\$ 0.25	\$ 0.53	\$ 0.48

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 40,202	\$ 8,251	\$ 88,913	\$ 32,562
Less: Net income (loss) attributable to noncontrolling interests	(214)	(436)	95	(416)
Net income attributable to shareholders	40,416	8,687	88,818	32,978
Other comprehensive income (loss)				
Unrealized loss on available for sale securities, (net of taxes of \$80, (\$46), \$114, and (\$263), respectively)	26	(552)	(94)	(1,400)
Amortization of pension and postretirement benefit plans costs, (net of taxes of \$242, \$95, \$482, and \$189, respectively)	(390)	(227)	(780)	(380)
Pension settlement, (net of taxes of \$0, \$10,563, \$0, and \$10,563, respectively)	—	17,029	—	17,029
Change in cumulative foreign currency translation adjustment	(7,946)	(21,841)	(24,995)	(8,043)
Total other comprehensive (loss) income	(8,310)	(5,591)	(25,869)	7,206
Comprehensive income	<u>\$ 31,583</u>	<u>\$ 3,096</u>	<u>\$ 62,949</u>	<u>\$ 40,184</u>

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended September 30,	
	2016	2015
Operating activities:		
Net income	\$ 88,913	\$ 32,562
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	103,861	46,098
Deferred income taxes	(4,606)	(8,903)
Share-based compensation expense	10,564	7,865
Pension settlement expense	—	26,515
Pension contributions made in settlement	—	(4,687)
Loss on the disposal of property, plant, equipment, and intangibles, net	281	103
Excess tax benefit from share-based compensation	—	(4,676)
Loss on sale of businesses, net	13,802	—
Other items	5,696	2,692
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	11,671	31,621
Inventories, net	(21,723)	(19,986)
Other current assets	6,216	(675)
Accounts payable	(16,954)	(17,325)
Accruals and other, net	(9,221)	(11,732)
Net cash provided by operating activities	188,501	79,472
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(73,866)	(39,928)
Proceeds from the sale of property, plant, equipment, and intangibles	4,763	38
Proceeds from the sale of businesses	131,586	—
Purchase of investments	(6,356)	—
Acquisition of businesses, net of cash acquired	(64,872)	(220,840)
Net cash used in investing activities	(8,745)	(260,730)
Financing activities:		
Proceeds from issuance of long-term obligations	—	350,000
Payments on long-term obligations	(10,000)	—
Payments under credit facilities, net	(47,646)	(139,750)
Deferred financing fees and debt issuance costs	—	(2,426)
Acquisition related deferred or contingent consideration	(6,000)	—
Repurchases of ordinary shares	(59,895)	(12,974)
Cash dividends paid to ordinary shareholders	(45,585)	(28,740)
Proceeds from issuance of equity to minority shareholders	5,022	—
Stock option and other equity transactions, net	2,494	8,111
Excess tax benefit from share-based compensation	—	4,676
Net cash (used in) provided by financing activities	(161,610)	178,897
Effect of exchange rate changes on cash and cash equivalents	(12,636)	(3,141)
Increase (decrease) in cash and cash equivalents	5,510	(5,502)
Cash and cash equivalents at beginning of period	248,841	167,689
Cash and cash equivalents at end of period	<u>\$ 254,351</u>	<u>\$ 162,187</u>

See notes to consolidated financial statements.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands, unless noted and except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS plc, a public limited company organized under the laws of England and Wales, was incorporated on October 9, 2014 as a private limited company and was re-registered effective November 2, 2015 as a public limited company under the name STERIS plc. New STERIS Limited was established to effect 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”). The Combination closed on November 2, 2015 and as a result STERIS plc became the ultimate parent company of Old STERIS and Synergy. Synergy has been re-registered under the name 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 Combination, the results of Synergy are only reflected in the results of operations of the Company from November 2, 2015 forward which affects comparability to the prior period historical operations of the Company throughout this Quarterly Report on Form 10-Q.

STERIS offers Customers capital equipment products, such as sterilizers and surgical tables; connectivity solutions such as operating room integration; consumable products, such as detergents, gastrointestinal 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, among other services.

Our fiscal year ends on March 31. References in this Quarterly Report to a particular “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:

Interim Financial Statements

We prepared the accompanying unaudited consolidated financial statements of the Company according to accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. This means that they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Our unaudited interim consolidated financial statements contain all material adjustments (including normal recurring accruals and adjustments) management believes are necessary to fairly state our financial condition, results of operations, and cash flows for the periods presented.

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2016 dated May 31, 2016. The Consolidated Balance Sheet at March 31, 2016 was derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

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 policies, are accounted for primarily using the equity method. These investments are immaterial to the Company's Consolidated Financial Statements.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

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. This means that operating results for the three and six month periods ended September 30, 2016 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2017.

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 2015-05, "Goodwill and other-Internal-Use Software" (Subtopic 350-40)	April 2015	The standard provides guidance on a customer's accounting for fees paid in cloud computing arrangements. Previously, there was no U.S. GAAP guidance on accounting for such fees from the customer's perspective. Under the standard, customers will apply the same criteria as vendors to determine whether the arrangement contains a software license or is solely a service contract. The determination could impact the classification of advance payments in the statements of financial position and cash flows as well as the classification of the expenses in the results of operations. The standard is effective for annual periods beginning after December 15, 2015 and interim periods within that period. Early adoption is permitted.	First Quarter Fiscal 2017	The adoption of this standard did not have a material impact on our statements of consolidated financial position, results of operations and cash flows.
ASU 2016-09, "Stock Compensation: Improvements to Employee Share-Based Payment Accounting" (Topic 718)	March 2016	The update 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 \$3.5 million of excess tax benefits associated with share based compensation in the statement of income for the six months ended September 30, 2016 and have included the associated cash flows as cash provided by operating activities. Prior periods have not been restated.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

Standards that have yet to be adopted				
ASU 2014-09, "Revenue from Contracts with Customers"	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 are currently in the process of evaluating the impact that the standard will have on our consolidated financial position, results of operations and cash flows.
ASU 2016-02, "Leases" (Topic 842)	February 2016	The update 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 in the process of evaluating the impact that the standard will have on our statements of consolidated financial position, results of operations and cash flows.
ASU 2016-07, "Investments - Equity Method and Joint Ventures, Simplifying the Transition to the Equity Method of Accounting" (Topic 323)	March 2016	The update 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.	N/A	We do not expect the adoption of this standard to have a material impact on our statements of consolidated financial position, results of operations and cash flows.
ASU 2016-15, "Statement of Cash Flows" (Topic 230)	August 2016	This update provides guidance on the following several 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, including bank-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	We are in the process of evaluating the impact that the standard will have on our statement of cash flows.

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2016 dated May 31, 2016. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2016.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

2. Business Acquisitions and Divestitures

Fiscal 2017 Acquisitions

Compass Medical Inc

On September 16, 2016, we purchased the assets of Compass Medical, Inc., for approximately \$16.0 million. The purchase price was financed with credit facility borrowings. Compass Medical, Inc. specializes in the sale and repair of flexible endoscopes. On an annual basis, Compass Medical, Inc. has generated revenues of approximately \$6.0 million and will be 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 for approximately \$14.3 million combined. 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 will be integrated into our Healthcare Specialty Services segment.

Medisafe

On July 22, 2016, we purchased 100% of the shares of Medisafe Holdings, Ltd., a U.K. manufacturer of washer/disinfector equipment and related consumables and services for approximately \$34.3 million. The purchase price was financed with cash on hand. On an annual basis, the Medisafe product line has generated approximately \$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 will be 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 low 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, employ approximately 14,000 employees, and are geographically complementary. The Combination is expected to result in cost savings from optimizing global back-office infrastructure, leveraging best-demonstrated practices across plants, in-sourcing consumables, and eliminating redundant public company costs. Total costs of approximately \$63,789 before tax, were incurred during fiscal year 2016 related to the Combination and are reported in selling, general and administrative expense.

The acquisition of Synergy has been accounted for using the acquisition method of accounting which requires, among other things, the assets acquired, liabilities assumed and noncontrolling interests be recognized at their respective fair values as of the acquisition date. Acquisition accounting is dependent upon certain valuations and other studies that are in progress and are not yet to a stage where there is sufficient information for a definitive measurement. The process for estimating the fair values of identifiable intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates.

The purchase price allocation for Synergy is preliminary. We will finalize the fair values of assets acquired, liabilities assumed, and noncontrolling interests in the third quarter of fiscal 2017, and additional purchase price adjustments will be recorded. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. The finalization of the purchase accounting assessment will result in changes in the valuation of assets acquired and liabilities assumed and may have a material impact on the our results of operations and financial position. Goodwill will be allocated to the Healthcare Products, Healthcare Specialty Services, and Applied Sterilization Technologies segments. Goodwill is the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined company and assembled workforce, which are further described above. Goodwill recognized as a result of the acquisition is not deductible for tax purposes.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

The Consolidated Financial Statements include the operating results of acquisitions from the acquisition dates. The table below summarizes the preliminary allocation of the purchase price to the net assets acquired based on fair values at the acquisition date.

	Fiscal Year 2017 (1)			Fiscal Year 2016 (1)
	Medisafe	Compass	Phoenix and Endo-Tek	Synergy
Cash	\$ 3,767	\$ —	\$ 769	\$ 53,057
Accounts receivable	3,703	262	1,123	107,341
Inventory	2,500	834	950	30,074
Property, plant and equipment	642	283	1,092	534,879
Other assets	—	445	46	19,708
Intangible assets	12,239	5,826	—	806,526
Goodwill	20,706	8,739	12,794	1,411,781
Total Assets	43,557	16,389	16,774	2,963,366
Current liabilities	(5,281)	(387)	(1,373)	(108,192)
Long-term indebtedness	—	—	—	(321,082)
Non-current liabilities	(227)	—	(295)	(230,544)
Total Liabilities	(5,508)	(387)	(1,668)	(659,818)
Net Assets	\$ 38,049	\$ 16,002	\$ 15,106	\$ 2,303,548

(1) Purchase price allocation are still preliminary as of September 30, 2016, as valuations have not been finalized.

Divestitures

Applied Infection Control

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 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 \$35.0 million during the second quarter of 2017 in Selling, General, and Administrative Expense in the Consolidated Statement of Income.

UK Linen Management Services

We sold our UK Linen Management Services business to STAR Mayan Limited. Annual revenues for the UK Linen Management Services were approximately \$50 million and were included in the Healthcare Specialty Services segment. We recorded proceeds of \$65.0 million and recognized a pre-tax loss on the sale of \$65.4 million after allocation of a portion of the identified intangibles and goodwill associated with the Combination with Synergy during the second quarter of 2017 in Selling, General, and Administrative Expense in the Consolidated Statement of Income.

Synergy Health Labs

We sold Synergy Health Laboratory Services to SYNLAB International. Annual revenues for the Synergy Health Labs were approximately \$15 million and were included in the Applied Sterilization Technologies segment. We recorded proceeds of \$24.9 million and recognized a pre-tax gain on the sale of \$16.5 million during the second quarter of 2017 in Selling, General, and Administrative Expense in the Consolidated Statement of Income.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

3. Property, Plant and Equipment

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

	September 30, 2016	March 31, 2016
Land and land improvements (1)	\$ 38,995	\$ 39,051
Buildings and leasehold improvements	445,124	446,277
Machinery and equipment	550,003	580,962
Linens	30,234	42,354
Information systems	132,140	126,180
Radioisotope	441,582	434,152
Construction in progress (1)	100,158	79,291
Total property, plant, and equipment	1,738,236	1,748,267
Less: accumulated depreciation and depletion	(698,453)	(683,948)
Property, plant, and equipment, net	\$ 1,039,783	\$ 1,064,319

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

4. Inventories, Net

Inventories, net are stated at the lower of cost or market. We use the last-in, first-out (“LIFO”) and first-in, first-out cost methods. An actual valuation of inventory under the LIFO method is made only at the end of the fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels and are subject to the final fiscal year-end LIFO inventory valuation. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	September 30, 2016	March 31, 2016
Raw materials	\$ 68,476	\$ 62,673
Work in process	23,481	19,614
Finished goods	153,902	146,820
LIFO reserve	(17,299)	(17,608)
Reserve for excess and obsolete inventory	(18,625)	(18,707)
Inventories, net	\$ 209,935	\$ 192,792

5. Debt

Indebtedness was as follows:

	September 30, 2016	March 31, 2016
Private Placement	\$ 666,000	\$ 666,000
Deferred financing costs	(3,178)	(3,420)
Credit Agreement	841,370	905,216
Total long term debt	\$ 1,504,192	\$ 1,567,796

Additional information regarding our indebtedness is included in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2016 dated May 31, 2016.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

6. Additional Consolidated Balance Sheet Information

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

	September 30, 2016	March 31, 2016
Accrued payroll and other related liabilities:		
Compensation and related items	\$ 34,801	\$ 30,175
Accrued vacation/paid time off	11,193	14,368
Accrued bonuses	12,892	31,502
Accrued employee commissions	11,826	13,809
Other postretirement benefit obligations-current portion	2,463	2,463
Other employee benefit plans obligations-current portion	849	1,659
Total accrued payroll and other related liabilities	\$ 74,024	\$ 93,976
Accrued expenses and other:		
Deferred revenues	\$ 66,792	\$ 56,238
Self-insured risk reserves-current portion	9,120	8,266
Accrued dealer commissions	14,070	12,717
Accrued warranty	6,466	5,909
Other	67,246	70,245
Total accrued expenses and other	\$ 163,694	\$ 153,375
Other liabilities:		
Self-insured risk reserves-long-term portion	\$ 13,257	\$ 13,257
Other postretirement benefit obligations-long-term portion	15,103	15,932
Defined benefit pension plans obligations-long-term portion	21,927	25,301
Other employee benefit plans obligations-long-term portion	4,063	4,366
Accrued long-term income taxes	3,779	—
Asset retirement obligation-long-term portion	10,033	10,342
Other	10,649	15,100
Total other liabilities	\$ 78,811	\$ 84,298

7. Income Tax Expense

The effective income tax rate for continuing operations for the three month period ended September 30, 2016 was 31.8% compared with 46.4% for the same prior year period. The effective income tax rates for the six month periods ended September 30, 2016 and 2015 were 27.0% and 39.7%, respectively. The fiscal 2017 rates were favorably impacted by benefits achieved in conjunction with the Combination with Synergy, the adoption of ASU 2016-09: "Stock Compensation: Improvements to Employee Share-Based Payment Accounting" (Topic 718), and discrete item adjustments related to future tax rate changes in the United Kingdom.

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate, we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carry forwards, and available tax planning alternatives.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state and local authorities, as well as foreign jurisdictions. We are no longer subject to United States federal examinations for years before fiscal 2013 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 2012. 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 affect on our consolidated financial statements.

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8. Benefit Plans

In the United States we sponsor an unfunded postretirement welfare benefits plan for two groups of former employees. Benefits under this plan include retiree life insurance and retiree medical coverage, 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. The Pension Benefit Guaranty Corporation (“PBGC”) did not object to this termination and 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 the purchase of the annuity, we recognized a pension settlement of \$26,470 in fiscal 2016. In addition, plan benefits and benefit administration became the responsibility of the annuity provider. Additional information regarding this defined benefit pension plan and other postretirement benefits plan is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

In the United Kingdom, we sponsor a defined benefit arrangement administered by a single group of trustees. The arrangement is comprised of three merged schemes. The trustees hold the pension assets to meet long-term pension liabilities for past and present employees. The level of retirement benefit is principally based on the terms of the scheme and the final pensionable salary prior to leaving active service, and is linked to changes in inflation up to retirement.

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 German defined benefit funded pension schemes which are closed to new entrants.

The Synergy Daniken Scheme is a Swiss defined benefit funded pension scheme.

Components of the net periodic benefit cost for our defined benefit pension plans and other postretirement medical benefits plan were as follows:

	AMSCO Plan		Other Defined Benefit Pension Plan		Other Postretirement Benefits Plan	
	2016	2015	2016	2015	2016	2015
Three Months Ended September 30,						
Service cost	\$ —	\$ 11	\$ 472	\$ —	\$ —	\$ —
Interest cost	—	224	189	—	139	148
Expected return on plan assets	—	(403)	—	—	—	—
Amortization of loss	—	241	—	—	184	207
Settlement	—	26,470	—	—	—	—
Amortization of prior service cost	—	—	—	—	(816)	(815)
Net periodic benefit cost	\$ —	\$ 26,543	\$ 661	\$ —	\$ (493)	\$ (460)

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	AMSCO Plan		Other Defined Benefit Pension Plan		Other Postretirement Benefits Plan	
	2016	2015	2016	2015	2016	2015
Six Months Ended September 30,						
Service cost	\$ —	\$ 27	\$ 944	\$ —	\$ —	\$ —
Interest cost	—	560	378	—	277	296
Expected return on plan assets	—	(1,008)	—	—	—	—
Amortization of loss	—	602	—	—	369	414
Settlement	—	26,470	—	—	—	—
Amortization of prior service cost	—	—	—	—	(1,631)	(1,631)
Net periodic benefit cost	\$ —	\$ 26,651	\$ 1,322	\$ —	\$ (985)	\$ (921)

We contribute amounts to the defined benefit pension plans at least sufficient to meet the minimum requirements as stated in applicable employee benefit laws and local tax laws. We record liabilities for the difference between the fair value of the plan assets and the benefit obligation (the projected benefit obligation for pension plan and the accumulated postretirement benefit obligation for other postretirement benefits plan) on our accompanying Consolidated Balance Sheets.

Finally, the Dutch linen business acquired in the Synergy combination participates in a multi-employer industry-wide defined benefit scheme. Participation in this pension plan is mandatory. The pension scheme is an average pay scheme with a conditional fee (indexation). Indexation of assets and liabilities granted under the pension scheme takes place only if and insofar as the resources of the fund allow for it and this decision is taken by the pension fund. The pension entitlements under the pension plan are fully reinsured. It is not possible to identify the share of the underlying assets, liabilities, and overall surplus/deficit of the scheme attributable to the business, because the scheme is industry-wide. Under the guidance provided in ASC 715, "Compensation-Retirement Benefits", the scheme is treated as a defined contribution scheme within our financial statements. The total cost charged to the income statement in respect to this scheme was \$1,322 for the six months ended September 30, 2016.

9. 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.

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On December 19, 2014, a purported shareholder of Old STERIS filed a Verified Stockholder Derivative Complaint in the Court of Common Pleas, Cuyahoga County, Ohio (the "Court"), against the members of Old STERIS's board of directors and certain officers of Old STERIS, challenging the excise tax make-whole payments approved by Old STERIS's board in connection with the Combination. Old STERIS was named as a nominal defendant in the action. The case is captioned *St. Lucie County Fire District Firefighters' Pension Trust Fund v. Rosebrough, Jr., et al.*, Case No. CV 14 837749 (the "Action"). On September 28, 2015, the defendants reached an agreement in principle with plaintiff, regarding a settlement of the Action, and that agreement is reflected in a memorandum of understanding. In connection with the contemplated settlement, Old STERIS agreed to make certain additional disclosures related to the make-whole payments, which disclosures were reported on Old STERIS's Form 8-K dated September 28, 2015, and also agreed not to grant any new stock compensation subject to Section 4985 of the Internal Revenue Code to any of the individual defendants in the Action until six months following the closing date of the Combination. The parties have subsequently entered into and executed a stipulation of settlement, on a combined class and derivative basis, including agreement on a maximum fee/expense award to plaintiff's counsel. The stipulation of settlement, which is subject to customary conditions including approval of the Court following notice and hearing, has been filed with the Court along with a request for preliminary approval and the setting of a hearing date. A hearing on this matter has been scheduled by the Court for November 10, 2016. There can be no assurance that the Court will approve the proposed settlement and the settlement agreement may be terminated if Court approval is not obtained.

Other 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 following portions of our Annual Report on Form 10-K for the year ended March 31, 2016 dated May 31, 2016: "Business - Information with respect to our Business in General - Government Regulation", and the "Risk Factor" titled "We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters."

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 7 to our consolidated financial statements titled, "Income Tax Expense" in this Quarterly Report on Form 10-Q.

Additional information regarding our contingencies is included in Item 2 titled, "Management's Discussion and Analysis of Financial Conditions and Results of Operations under "Contingencies".

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10. Business Segment Information

We operate and report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Corporate and other, which is presented separately, contains the Defense and Industrial business unit plus 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 capital equipment and related maintenance and installation services, as well as consumables.

Our Healthcare Specialty Services segment provides a range of specialty services for healthcare providers including hospital sterilization services, instrument and scope repairs, and linen management.

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

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

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 and other includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated 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 and integration related costs, amortization of acquired intangibles, gains or losses on divestiture of businesses, 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.

For the three and six month periods ended September 30, 2016, revenues from a single Customer did not represent ten percent or more of any reportable segment's revenues. Additional information regarding our segments is included in our consolidated financial statements included in its Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

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Financial information for each of our segments is presented in the following tables:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Healthcare Products	\$ 304,797	\$ 291,724	\$ 586,095	\$ 552,809
Healthcare Specialty Services	142,775	70,565	300,663	138,807
Life Sciences	81,485	71,040	162,674	127,812
Applied Sterilization Technologies	115,601	55,839	232,174	109,528
Corporate and other	1,757	729	3,187	843
Total revenues	\$ 646,415	\$ 489,897	\$ 1,284,793	\$ 929,799
Segment operating income:				
Healthcare Products	\$ 50,098	\$ 40,414	\$ 84,737	\$ 69,764
Healthcare Specialty Services	2,175	5,092	5,493	8,992
Life Sciences	22,772	20,883	47,234	34,333
Applied Sterilization Technologies	40,761	17,493	80,364	34,036
Corporate and other	(4,741)	(4,034)	(5,237)	(5,932)
Total segment operating income	\$ 111,065	\$ 79,848	\$ 212,591	\$ 141,193
Less: Adjustments				
Restructuring charges (1)	\$ 48	\$ (15)	\$ 202	\$ (464)
Amortization of acquired intangible assets (2)	17,779	6,682	37,308	12,703
Acquisition and integration related charges (3)	6,638	23,982	11,873	35,528
Loss on fair value adjustment of acquisition related contingent consideration	1,850	—	1,850	—
Net loss on divestiture of businesses (2)	13,802	—	13,802	—
Amortization of inventory and property "step up" to fair value (2)	1,385	21	4,471	32
Settlement of pension obligation (4)	—	26,515	—	26,515
Total operating income	\$ 69,563	\$ 22,663	\$ 143,085	\$ 66,879

(1) For more information related to restructuring, see our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

(2) For more information regarding our recent acquisitions and divestitures see Note 2 titled, "Business Acquisitions and Divestitures", as well as our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

(3) Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.

(4) For more information regarding the settlement of our pension obligation see Note 8 titled "Benefit Plans", as well as our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

11. Shares and Preferred Shares

Common and Ordinary

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.

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The following is a summary of shares and share equivalents outstanding used in the calculations of basic and diluted earnings per share:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Denominator (shares in thousands):				
Weighted average shares outstanding—basic	85,851	59,897	85,944	59,832
Dilutive effect of share equivalents	482	473	482	496
Weighted average shares outstanding and share equivalents—diluted	86,333	60,370	86,426	60,328

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:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
(shares in thousands)				
Number of share options	627	419	496	235

Preferred Shares

Pursuant to an engagement letter dated October 23, 2015, we issued 100,000 preferred shares, par value of £0.10 (\$0.15) 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 (\$0.15) 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.

12. 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. During the first half of fiscal 2017, we repurchased 819,105 of our ordinary shares pursuant to this authorization, all of which were repurchased in the second quarter. During the first half of fiscal 2017, we obtained 127,520 of our ordinary shares in connection with share based compensation award programs.

13. Share-Based Compensation

We maintain a long-term incentive plan 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.

Stock options provide the right to purchase our 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 full year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or in some cases

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earlier if the option holder is no longer employed by us. Restricted shares and restricted share units generally may cliff vest after a four year period or vest in tranches of one-fourth of the number granted for each full year of employment after the grant date. As of September 30, 2016, 5,588,018 shares remained available for grant under the long-term incentive plan. On November 8, 2016, we filed a Form S-8 to register an additional 4,031,196 shares to be made available for equity awards under the long-term incentive plan.

The fair value of share-based 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 the first half of fiscal 2017 and 2016:

	Fiscal 2017	Fiscal 2016
Risk-free interest rate	1.29%	1.51%
Expected life of options	5.66 years	5.69 years
Expected dividend yield of stock	1.54%	1.40%
Expected volatility of stock	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 1.85% and 1.55% was applied in fiscal 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, 2016	1,729,517	\$ 44.01		
Granted	402,141	69.85		
Exercised	(81,539)	29.44		
Forfeited	(9,226)	64.43		
Canceled	(470)	25.98		
Outstanding at September 30, 2016	2,040,423	\$ 49.59	6.7 years	\$ 47,968
Exercisable at September 30, 2016	1,206,956	\$ 39.70	5.2 years	\$ 40,310

We estimate that 815,069 of the non-vested stock options outstanding at September 30, 2016 will ultimately vest.

The aggregate intrinsic value in the table above represents the total pre-tax difference between the \$73.10 closing price of our ordinary shares on September 30, 2016 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 ordinary shares.

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The total intrinsic value of stock options exercised during the first half of fiscal 2017 and fiscal 2016 was \$3,386 and \$8,295, respectively. Net cash proceeds from the exercise of stock options were \$2,494 and \$8,111 for the first half of fiscal 2017 and fiscal 2016, respectively.

The weighted average grant date fair value of stock option grants was \$13.42 and \$14.66 for the first half of fiscal 2017 and fiscal 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 September 30, 2016 and 2015 was \$2,001 and \$1,954, respectively.

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, 2016	872,972	41,641	\$ 51.98
Granted	226,027	19,634	69.86
Vested	(207,629)	(20,424)	40.49
Canceled	(26,603)	(2,275)	61.71
Non-vested at September 30, 2016	864,767	38,576	\$ 59.43

Restricted shares granted are valued based on the closing stock price at the grant date. The value of restricted shares that vested during the first half of fiscal 2017 was \$7,971.

Restricted share units carry generally the same terms and vesting requirements as restricted stock except that they may be settled in stock or cash upon vesting. Those that are settled in cash are classified as liabilities. All outstanding cash-settled restricted share units vested during fiscal year 2016. The fair value of cash-settled restricted share units are revalued at each reporting date and the related liability and expense are adjusted accordingly.

The tax benefit from share-based compensation was \$3,454 and \$4,676 for the first half of fiscal 2017 and fiscal 2016, respectively.

As of September 30, 2016, there was a total of \$42,715 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 2.30 years.

14. 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.

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Changes in our warranty liability during the first half of fiscal 2017 were as follows:

Balance, March 31, 2016	\$	5,909
Warranties issued during the period		5,897
Settlements made during the period		(5,340)
Balance, September 30, 2016	\$	6,466

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 \$37,213 and \$33,416 as of September 30, 2016 and March 31, 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 revenue is excluded from the table presented above.

15. Derivatives and Hedging

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 September 30, 2016, we held foreign currency forward contracts to buy 65.0 million Mexican pesos, 7.0 million British pounds sterling, 3.0 million euros, and 10.0 million Canadian dollars. At September 30, 2016 we held commodity swap contracts to buy 349.3 thousand pounds of nickel.

Balance Sheet Location	Asset Derivatives		Liability Derivatives	
	Fair Value at September 30, 2016	Fair Value at March 31, 2016	Fair Value at September 30, 2016	Fair Value at March 31, 2016
Prepaid & Other	\$ 405	\$ 145	\$ —	\$ —
Accrued expenses and other	\$ —	\$ —	\$ 24	\$ 122

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

Location of gain (loss) recognized in income	Amount of gain (loss) recognized in income			
	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Foreign currency forward contracts	\$ (531)	\$ (693)	\$ (1,550)	\$ (261)
Commodity swap contracts	\$ 205	\$ (288)	\$ 416	\$ (333)

Additionally, we hold our debt in multiple currencies to fund our operations and investments in certain subsidiaries. We designate portions of foreign 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 \$122,200 at September 30, 2016. 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.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

16. 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 September 30, 2016 and March 31, 2016:

	Fair Value Measurements at September 30, 2016 and March 31, 2016 Using							
	Carrying Value		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
			Level 1		Level 2		Level 3	
	September 30	March 31	September 30	March 31	September 30	March 31	September 30	March 31
Assets:								
Cash and cash equivalents (1)	\$ 254,351	\$ 248,841	\$ 254,351	\$ 225,090	\$ —	\$ 23,751	\$ —	\$ —
Forward and swap contracts (2)	405	145	—	—	405	145	—	—
Investments (3)	11,768	6,192	11,768	6,192	—	—	—	—
Liabilities:								
Forward and swap contracts (2)	\$ 24	\$ 122	\$ —	\$ —	\$ 24	\$ 122	\$ —	\$ —
Deferred compensation plans (3)	1,735	1,765	1,735	1,765	—	—	—	—
Long term debt (4)	1,504,192	1,567,796	—	—	1,548,656	1,592,184	—	—
Contingent consideration obligations (5)	7,420	5,886	—	—	—	—	7,420	5,886

(1) Money market fund holdings are classified as level two as active market quoted prices are not available.

(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 including an incremental investment of \$4,564 made in April 2016.

(4) We estimate the fair value of our principal amount of 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.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at September 30, 2016 are summarized as follows:

		Contingent Consideration
Balance at March 31, 2016	\$	5,886
Additions		2,348
Payments		(182)
Foreign currency translation adjustments (1)		(632)
Balance at September 30, 2016	\$	7,420

(1) Reported in other comprehensive income (loss).

Information regarding our investments is as follows:

	Investments at September 30, 2016 and March 31, 2016							
	Cost		Unrealized Gains		Unrealized Losses (2)		Fair Value	
	September 30	March 31	September 30	March 31	September 30	March 31	September 30	March 31
Available-for-sale securities:								
Marketable equity securities (1)	\$ 11,037	\$ 4,681	\$ —	\$ —	\$ (918)	\$ (185)	\$ 10,119	\$ 4,496
Mutual funds	1,187	1,289	462	407	—	—	1,649	1,696
Total available-for-sale securities	<u>\$ 12,224</u>	<u>\$ 5,970</u>	<u>\$ 462</u>	<u>\$ 407</u>	<u>\$ (918)</u>	<u>\$ (185)</u>	<u>\$ 11,768</u>	<u>\$ 6,192</u>

(1) Our marketable equity securities have been in a unrealized loss position for less than 12 months.

(2) Amounts reported include the impact of foreign currency movements relative to the U.S. dollar.

STERIS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended September 30, 2016 and 2015
(dollars in thousands)

17. 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 three and six months ended September 30, 2016 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)	
	Three Months	Six Months	Three Months	Six Months	Three Months	Six Months	Three Months	Six Months
Beginning Balance	\$ (793)	\$ (673)	\$ 4,718	\$ 5,108	\$ (89,643)	\$ (72,594)	\$ (85,718)	\$ (68,159)
Other Comprehensive Income (Loss) before reclassifications	17	(131)	103	206	(7,946)	(24,995)	(7,826)	(24,920)
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	9	37	(493)	(986)	—	—	(484)	(949)
Net current-period Other Comprehensive Income (Loss)	26	(94)	(390)	(780)	(7,946)	(24,995)	(8,310)	(25,869)
Balance at September 30, 2016	\$ (767)	\$ (767)	\$ 4,328	\$ 4,328	\$ (97,589)	\$ (97,589)	\$ (94,028)	\$ (94,028)

Details of amounts reclassified from Accumulated Other Comprehensive Income (Loss) are as follows:

- (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.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of STERIS plc

We have reviewed the consolidated balance sheet of STERIS plc and subsidiaries (“the Company”) as of September 30, 2016, and the related consolidated statements of income and comprehensive income for the three- and six-month periods ended September 30, 2016 and 2015, and the consolidated statements of cash flows for the six-month periods ended September 30, 2016 and 2015. These financial statements are the responsibility of the Company’s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of STERIS plc and subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated May 31, 2016. In our opinion, the accompanying consolidated balance sheet of STERIS plc and subsidiaries as of March 31, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Cleveland, Ohio
November 8, 2016

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

Introduction

In Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A"), we explain the general financial condition and the results of operations for STERIS including:

- what factors affect our business;
- what our earnings and costs were in each period presented;
- why those earnings and costs were different from prior periods;
- 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, repurchases of shares, pay cash dividends and fund future working capital needs.

As you read the MD&A, it may be helpful to refer to information in our consolidated financial statements, which present the results of our operations for the second quarter and first half of fiscal 2017 and fiscal 2016. It may also be helpful to read the MD&A in our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

Financial Measures

In the following sections of the MD&A, we may, at times, refer to financial measures that are not required to be presented in the consolidated financial statements under U.S. GAAP. We sometimes use the following financial measures in the context of this report: backlog; debt-to-total capital; net debt-to-total capital; and days sales outstanding. 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.
- **Net debt-to-total capital** – We define net debt-to-total capital as total debt less cash ("net debt") divided by the sum of net debt and shareholders' equity. We also 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.

We, at times, may also refer to other financial measures which are considered to be "non-GAAP financial measures" under SEC rules. We have presented these financial measures because we believe that meaningful analysis of our financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered an alternative to measures required by accounting principles generally accepted in the United States. Our calculations of these measures may differ from calculations of similar measures used by other companies and you should be careful when comparing these financial measures to those of other companies. Additional information regarding these financial measures, including reconciliations of each non-GAAP financial measure, is available in the subsection of MD&A titled, "Non-GAAP Financial Measures."

Revenues – Defined

As required by Regulation S-X, we separately present revenues generated as either product revenues or service revenues on our Consolidated Statements of Income for each period presented. When we discuss revenues, we may, at times, refer to revenues summarized differently than the Regulation S-X requirements. 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:

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- 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.
- Capital Revenues – We define capital 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, surgical instruments, and barrier products.
- Recurring Revenues – We define recurring revenues as revenues generated from sales of consumable products and service revenues.

General Company Overview and Executive Summary

STERIS plc, a public limited company organized under the laws of England and Wales, was incorporated on October 9, 2014 as a private limited company and was re-registered effective November 2, 2015 as a public limited company under the name STERIS plc. New STERIS Limited was established to effect the combination (“Combination”) of STERIS Corporation, an Ohio corporation (“Old STERIS”), and Synergy Health plc, a public limited company organized under the laws of the England and Wales (“Synergy”). This Combination closed on November 2, 2015 and as a result STERIS plc became the ultimate parent company of Old STERIS and Synergy. Synergy has been re-registered under the name Synergy Health Limited. The Combination 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 to the prior period historical operations of the Company throughout this quarterly report on Form 10-Q.

As a result of the Combination, we have reorganized our operations into four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. We describe our business segments in note 10 to our consolidated financial statements titled, “Business Segment Information.”

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, medical devices 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. In addition, each of our core industries is experiencing specific trends that could increase demand. Within healthcare, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased FDA scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. The aging population increases the demand for medical procedures, which increases the consumption of single use medical devices and surgical kits processed by our Applied Sterilization Technologies segment.

We are actively pursuing new opportunities to adapt our proven technologies to meet the changing needs of the global marketplace. We are also executing on our strategic initiatives by expanding into adjacent markets with acquisitions, divesting non-core assets and integrating Synergy. During the quarter, we divested our Applied Infection Control (“AIC”) product line (annual revenues of approximately \$50 million) and two businesses acquired in the Combination with Synergy: UK Linen Management Services business (annual revenues of approximately \$50 million) and Synergy Health Laboratory Services (annual revenues of approximately \$15 million). Subsequent to the end of the fiscal 2017 second quarter, we also sold the assets associated with linen management services in the United States (annual revenues of approximately \$50 million) that was also acquired in the Combination with Synergy.

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Fiscal 2017 second quarter revenues were \$646.4 million, representing an increase of 31.9% over the fiscal 2016 second quarter revenues of \$489.9 million, reflecting growth within all reportable business segments including growth resulting from the Combination. Fiscal 2017 first half revenues were \$1,284.8 million representing an increase of 38.2% over the first half of fiscal 2016 revenues of \$929.8 million, also reflecting growth within all four business segments including growth resulting from the Combination.

Fiscal 2017 second quarter gross margin percentage was 38.4% compared with 42.7% for the fiscal 2016 second quarter. As anticipated, the addition of Synergy's hospital sterilization services and linen management businesses is a key factor in the declines in gross margin percentages. During the first half of fiscal 2017, gross margin percentage was 38.0% compared with 42.3% for the first half of fiscal 2016 primarily due to the Combination. We have applied our "four walls" approach to the operation of Synergy, which reports all direct and indirect costs related to the delivery of services as costs of goods sold. This approach caused additional costs to be included in costs of goods sold rather than in selling, general and administrative costs as Synergy would have previously reported.

Fiscal 2017 second quarter operating income was \$69.6 million, compared to fiscal 2016 second quarter operating income of \$22.7 million. During the first half of fiscal 2017, operating income was \$143.1 million, compared to \$66.9 million for the first half of fiscal 2016. The year over year increase is attributable to recent acquisitions, including the Combination and lower acquisition related expenses, partially offset by the net loss recognized on the divestiture of certain non-core assets.

Cash flows from operations were \$188.5 million and free cash flow was \$119.4 million in the first six months of fiscal 2017 compared to cash flows from operations of \$79.5 million and free cash flow \$39.6 million in the first six months of fiscal 2016, respectively (see the subsection below titled "Non-GAAP Financial Measures" for additional information and related reconciliation of cash flows from operations to free cash flow). The higher cash flow from operations and free cash flow as compared to the prior year period are primarily due to a reduction in acquisition related expenses and higher net income. Our debt-to-total capital ratio was 33.4% at September 30, 2016 and 34.2% at March 31, 2016. During the first six months of fiscal 2017, we declared and paid quarterly cash dividends of \$0.53 per ordinary share.

Additional information regarding our financial performance during the fiscal second quarter and first six months of 2017 is included in the subsection below titled "Results of Operations."

Matters Affecting Comparability

International Operations. Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the second quarter of fiscal 2017, our revenues were unfavorably impacted by \$3.2 million, or 0.6%, and income before taxes was favorably impacted by \$1.6 million, or 1.7%, as a result of foreign currency movements relative to the U.S. dollar. During the first half of fiscal 2017, our revenues were unfavorably impacted by \$4.9 million, or 0.5%, and income before taxes was favorably impacted by \$4.4 million, or 3.0%, as a result of foreign currency movements relative to the U.S. dollar.

NON-GAAP FINANCIAL MEASURES

We, at times, refer to financial measures which are considered to be "non-GAAP financial measures" under SEC rules. 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.

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,

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and intangibles, which are also presented in the Consolidated Statements of Cash Flows. We use this as a measure to gauge our ability to fund future debt principal repayments, growth outside of core operations, repurchase shares, and pay cash dividends.

The following table summarizes the calculation of our free cash flow for the six month periods ended September 30, 2016 and 2015:

<i>(dollars in thousands)</i>	Six Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	\$ 188,501	\$ 79,472
Purchases of property, plant, equipment and intangibles, net	(73,866)	(39,928)
Proceeds from the sale of property, plant, equipment and intangibles	4,763	38
Free cash flow	\$ 119,398	\$ 39,582

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the second quarter and first half of fiscal 2017 compared with the same fiscal 2016 period. We begin with a general overview of our operating results and then separately discuss earnings for our operating segments.

Revenues. The following tables compare our revenues for the three and six months ended September 30, 2016 to the revenues for the three and six months ended September 30, 2015:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2016	2015		
Total revenues	\$ 646,415	\$ 489,897	\$ 156,518	31.9%
Revenues by type:				
Capital equipment revenues	152,640	152,038	602	0.4%
Consumable revenues	139,576	122,107	17,469	14.3%
Service revenues	354,199	215,752	138,447	64.2%
Revenues by geography:				
United Kingdom revenues	53,369	11,746	41,623	354.4%
United States revenues	450,513	395,220	55,293	14.0%
Other foreign revenues	142,533	82,931	59,602	71.9%

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<i>(dollars in thousands)</i>	Six Months Ended September 30,		Change	Percent Change
	2016	2015		
Total revenues	\$ 1,284,793	\$ 929,799	\$ 354,994	38.2%
Revenues by type:				
Capital equipment revenues	278,725	270,258	8,467	3.1%
Consumable revenues	285,241	236,194	49,047	20.8%
Service revenues	720,827	423,347	297,480	70.3%
Revenues by geography:				
United Kingdom revenues	123,808	21,915	101,893	464.9%
United States revenues	878,618	755,689	122,929	16.3%
Other foreign revenues	282,367	152,196	130,171	85.5%

Quarter over Quarter Comparison

Revenues increased \$156.5 million, or 31.9%, to \$646.4 million for the quarter ended September 30, 2016, as compared to \$489.9 million for the same quarter in the prior year. This increase is attributable to recent acquisitions including the Combination with Synergy along with organic growth in all reportable business segments.

Capital equipment revenues increased 0.4% in the second quarter of fiscal 2017, as compared to the second quarter of fiscal 2016 with strength in the Life Science segment partially offset by softness in the Healthcare Products segment. Consumable revenues increased 14.3% for the quarter ended September 30, 2016, as compared to the prior year quarter, primarily due to recent acquisitions, along with organic growth in both the Healthcare Products and Life Sciences segments. Service revenues increased 64.2% in the second quarter of fiscal 2017 driven by the Combination with Synergy and organic growth in all reportable business segments.

United Kingdom revenues increased \$41.6 million, or 354.4%, to \$53.4 million for the quarter ended September 30, 2016, as compared to \$11.7 million for the same prior year quarter. This increase reflects growth in capital, consumable and service revenues and is primarily attributable to the Combination with Synergy.

United States revenues increased \$55.3 million, or 14.0%, to \$450.5 million for the quarter ended September 30, 2016, as compared to \$395.2 million for the same prior year quarter. This increase reflects year over year growth of 6.1%, 5.5% and 22.5% in capital equipment, consumable, and service revenues, respectively. The increases are attributable to acquisitions, including the Combination with Synergy, as well as organic growth.

Revenue from other foreign locations increased \$59.6 million, or 71.9%, to \$142.5 million for the quarter ended September 30, 2016, as compared to \$82.9 million for the same prior year quarter. This increase reflects growth in the EMEA outside of the United Kingdom, as well as in the Asia Pacific and Latin American regions. The Combination with Synergy was a significant driver of the growth in the EMEA outside of the United Kingdom.

First Half over First Half Comparison

Revenues increased \$355.0 million, or 38.2%, to \$1,284.8 million for the six months ended September 30, 2016, as compared to \$929.8 million for the same period in the prior year. This increase is primarily attributable to recent acquisitions including the Combination with Synergy but also reflects organic growth in all reportable business segments.

Capital equipment revenues increased 3.1% in the first six months of fiscal 2017, as compared to the same period in fiscal 2016. Most of the capital equipment revenues increase was in the United States although revenues also increased in the EMEA. Consumable revenues increased 20.8% for the six months ended September 30, 2016, as compared to the same period in the prior year, due, in part, to recent acquisitions, but also strong growth in both the Healthcare Products and Life Sciences segments. Service revenues increased 70.3% in the first half of fiscal 2017 driven by the Combination with Synergy and organic growth in all reportable business segments.

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United Kingdom revenues increased \$101.9 million, or 464.9%, to \$123.8 million for the six months ended September 30, 2016, as compared to \$21.9 million for the same period in the prior year. This increase reflects growth in capital, consumable and service revenues and is primarily attributable to the Combination with Synergy.

United States revenues increased \$122.9 million, or 16.3%, to \$878.6 million for the six months ended September 30, 2016, as compared to \$755.7 million for the same period in the prior year. This increase reflects year over year growth of 6.2%, 12.1% and 23.3% in capital equipment, consumable and service revenues, respectively. The increases are attributable to acquisitions, including the Combination with Synergy, as well as organic growth.

Revenue from other foreign locations increased \$130.2 million, or 85.5%, to \$282.4 million for the six months ended September 30, 2016, as compared to \$152.2 million for the same period in the prior year. This increase reflects growth in the EMEA outside of the United Kingdom, as well as in the Asia Pacific and Latin American regions. The Combination with Synergy was a significant driver of the growth in the EMEA outside of the United Kingdom.

Gross Profit. The following table compares our gross profit for the three months and six months ended September 30, 2016 to the three months and six months ended September 30, 2015:

<i>(dollars in thousands)</i>	Three Months Ended September 30,			Percent Change
	2016	2015	Change	
Gross profit:				
Product	\$ 137,106	\$ 126,057	\$ 11,049	8.8%
Service	110,802	83,264	27,538	33.1%
Total gross profit	\$ 247,908	\$ 209,321	\$ 38,587	18.4%
Gross profit percentage:				
Product	46.9%	46.0%		
Service	31.3%	38.6%		
Total gross profit percentage	38.4%	42.7%		

<i>(dollars in thousands)</i>	Six Months Ended September 30,			Percent Change
	2016	2015	Change	
Gross profit:				
Product	\$ 266,157	\$ 228,508	\$ 37,649	16.5%
Service	221,741	164,903	56,838	34.5%
Total gross profit	\$ 487,898	\$ 393,411	\$ 94,487	24.0%
Gross profit percentage:				
Product	47.2%	45.1%		
Service	30.8%	39.0%		
Total gross profit percentage	38.0%	42.3%		

Our gross profit percentage 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. Gross profit increased \$38.6 million and declined 430 basis points as a percentage of revenues in the fiscal 2017 second quarter as compared to the fiscal 2016 second quarter. Our gross profit percentage was negatively impacted by the addition of Synergy's hospital sterilization services and linen management business (440 basis points), partially offset by the favorable impacts of the suspension of the Medical Device Excise Tax (40 basis points), foreign currency rate movements (30 basis points), and pricing and divestitures (20 basis points). We have applied our "four walls" approach to the operation of Synergy, which reports all direct and indirect costs related to the delivery of services as costs of goods sold. This approach caused additional costs to be included in costs of goods sold rather than in selling, general and administrative costs as Synergy would have previously reported.

Gross profit percentage for the first half of fiscal 2017 was 38.0% compared to the gross profit percentage in the first half of fiscal 2016 of 42.3%. The gross profit percentage decreased 430 basis points in the first half of fiscal 2017 over fiscal 2016. Our gross profit percentage was negatively impacted by the addition of Synergy's hospital sterilization services and linen management business (500 basis points), partially offset by the positive impact of foreign currency (40 basis points) and the suspension of the Medical Device Excise Tax (40 basis points).

Operating Expenses. The following table compares our operating expenses for the three months and six months ended September 30, 2016 to the three months and six months ended September 30, 2015:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2016	2015		
Operating expenses:				
Selling, general, and administrative	\$ 163,680	\$ 172,459	\$ (8,779)	(5.1)%
Research and development	14,617	14,255	362	2.5 %
Restructuring expenses	48	(56)	104	NM
Total operating expenses	\$ 178,345	\$ 186,658	\$ (8,313)	(4.5)%
<i>(dollars in thousands)</i>	Six Months Ended September 30,		Change	Percent Change
	2016	2015		
Operating expenses:				
Selling, general, and administrative	\$ 315,566	\$ 299,294	\$ 16,272	5.4%
Research and development	29,045	28,020	1,025	3.7%
Restructuring expenses	202	(782)	984	NM
Total operating expenses	\$ 344,813	\$ 326,532	\$ 18,281	5.6%

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 decreased 5.1% in the second quarter of fiscal 2017 over the second quarter of fiscal 2016. The decrease is primarily attributable to the \$26.5 million expense associated with the settlement of a pension obligation and higher acquisition costs in fiscal 2016 due to the Combination with Synergy. SG&A increased 5.4% in the first half of fiscal 2017 over the first half of fiscal 2016, primarily due to a net loss of \$13.8 million on divestitures in fiscal 2017 and higher amortization of acquired intangible assets.

Research and Development. For the three month period ended September 30, 2016, research and development expenses increased 2.5% over the same prior year period. For the first half of fiscal 2017, research and development expenses were \$29.0 million, representing an increase of 3.7% over the first half of fiscal 2016. Contributing to these increases was the additional spending in connection with the development of Healthcare and Life Sciences products and accessories. 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 2017, 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 expenses, net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income. The following table compares our net non-operating expenses for the three months and six month periods ended September 30, 2016 and 2015:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Change
	2016	2015	
Non-operating expenses, net:			
Interest expense	\$ 10,924	\$ 7,485	\$ 3,439
Interest income and miscellaneous expense	(284)	(227)	(57)
Non-operating expenses, net	\$ 10,640	\$ 7,258	\$ 3,382

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<i>(dollars in thousands)</i>	Six Months Ended September 30,		
	2016	2015	Change
Non-operating expenses, net:			
Interest expense	\$ 21,995	\$ 13,605	\$ 8,390
Interest income and miscellaneous expense	(778)	(709)	(69)
Non-operating expenses, net	\$ 21,217	\$ 12,896	\$ 8,321

Interest expense during fiscal 2017 increased due to higher interest costs resulting from additional borrowings under our credit facilities to fund acquisitions, including the Combination and the operations of acquired companies, and payments associated with paying off Synergy's debt. Year over year our weighted average cost of borrowing has decreased due to an increase in the proportion of lower-cost, variable-rate bank debt. Interest income and miscellaneous expense is immaterial.

Income Tax Expense. The following table compares our income tax expense and effective income tax rates for the three months ended September 30, 2016 to the three months ended September 30, 2015:

<i>(dollars in thousands)</i>	Three Months Ended September 30,			Percent Change
	2016	2015	Change	
Income tax expense	\$ 18,721	\$ 7,154	\$ 11,567	161.7%
Effective income tax rate	31.8%	46.4%		

<i>(dollars in thousands)</i>	Six Months Ended September 30,			Percent Change
	2016	2015	Change	
Income tax expense	\$ 32,955	\$ 21,421	\$ 11,534	53.8%
Effective income tax rate	27.0%	39.7%		

The effective income tax rate for continuing operations for the three month period ended September 30, 2016 was 31.8% compared with 46.4% for the same prior year period. The effective income tax rates for the six month periods ended September 30, 2016 and 2015 were 27.0% and 39.7%, respectively. The fiscal 2017 rates were favorably impacted by benefits achieved in conjunction with the Combination with Synergy, the adoption of ASU 2016-09: "Stock Compensation: Improvements to Employee Share-Based Payment Accounting" (Topic 718), and discrete item adjustments related to future tax rate changes in the United Kingdom.

We record income tax expense during interim periods based on our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. We analyze various factors to determine the estimated annual effective income tax rate, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

Business Segment Results of Operations. As a result of the Combination with Synergy, we have reassessed the organization of our business. We have concluded that we operate and should report in four reportable business segments: Healthcare Products, Healthcare Specialty Services, Life Sciences, and Applied Sterilization Technologies. Corporate and other, which is presented separately, contains the Defense and Industrial business unit plus 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 capital equipment and related maintenance and installation services, as well as consumables.

Our Healthcare Specialty Services segment provides a range of specialty services for healthcare providers including hospital sterilization services, instrument and scope repairs, and linen management.

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

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

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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 and other includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated 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 and integration related costs, amortization of acquired intangibles, gains or losses on divestiture of businesses, 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.

For the three and six month period ended September 30, 2016, revenues from a single Customer did not represent ten percent or more of any reportable segment's revenues. Additional information regarding our segments is included in our consolidated financial statements included in its Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

The following tables compares business segment revenues, segment operating income and total operating income for the three and six months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Healthcare Products	\$ 304,797	\$ 291,724	\$ 586,095	\$ 552,809
Healthcare Specialty Services	142,775	70,565	300,663	138,807
Life Sciences	81,485	71,040	162,674	127,812
Applied Sterilization Technologies	115,601	55,839	232,174	109,528
Corporate and other	1,757	729	3,187	843
Total revenues	\$ 646,415	\$ 489,897	\$ 1,284,793	\$ 929,799
Segment operating income:				
Healthcare Products	\$ 50,098	\$ 40,414	\$ 84,737	\$ 69,764
Healthcare Specialty Services	2,175	5,092	5,493	8,992
Life Sciences	22,772	20,883	47,234	34,333
Applied Sterilization Technologies	40,761	17,493	80,364	34,036
Corporate and other	(4,741)	(4,034)	(5,237)	(5,932)
Total segment operating income	\$ 111,065	\$ 79,848	\$ 212,591	\$ 141,193
Less: Adjustments				
Restructuring charges (1)	\$ 48	\$ (15)	\$ 202	\$ (464)
Amortization of acquired intangible assets (2)	17,779	6,682	37,308	12,703
Acquisition and integration related charges (3)	6,638	23,982	11,873	35,528
Loss on fair value adjustment of acquisition related contingent consideration	1,850	—	1,850	—
Net loss on divestiture of businesses (2)	13,802	—	13,802	—
Amortization of inventory and property "step up" to fair value (2)	1,385	21	4,471	32
Settlement of pension obligation (4)	—	26,515	—	26,515
Total operating income	\$ 69,563	\$ 22,663	\$ 143,085	\$ 66,879

(1) For more information related to restructuring, see our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

(2) For more information regarding our recent acquisitions and divestitures see Note 2 titled, "Business Acquisitions and Divestitures", as well as our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

(3) Acquisition and integration related charges include transaction costs and integration expenses associated with acquisitions.

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(4) For more information regarding the settlement of our pension obligation see Note 8 titled "Benefit Plans", as well as our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

Healthcare Product revenues increased 4.5% to \$304.8 million for the quarter ended September 30, 2016, as compared to \$291.7 million in the same prior year quarter. Fiscal 2017 second quarter revenues reflect an increase in consumable and service revenues of 14.6% and 2.5%, respectively. The increase in consumable revenues is attributable to acquisitions and organic growth. Capital equipment revenues were down 1.3% reflecting growth in the United States more than offset by softness in Canada, EMEA and the Latin American region. During the first half of fiscal 2017, Healthcare Product revenues increased 6.0% to \$586.1 million for the six months ended September 30, 2016, as compared to \$552.8 million in the same prior year period. The first six months of 2017 revenues reflect an increase in consumable and service revenues of 17.5% and 3.0%, respectively. The increase in consumable revenue is attributable to acquisitions and organic growth. Capital equipment revenues were down 0.7% as growth in the United States was offset by declines in all international geographic regions. At September 30, 2016, the Healthcare Products segment's backlog amounted to \$152.1 million, increasing \$16.1 million, or 11.8%, compared to the backlog of \$136.0 million at September 30, 2015.

Healthcare Specialty Services revenues increased 102.3% to \$142.8 million for the quarter ended September 30, 2016, as compared to \$70.6 million for the same prior year quarter. During the first half of 2017, Healthcare Specialty Services revenues increased 116.6% to \$300.7 million for the six months ended September 30, 2016, as compared to \$138.8 million for the same prior year period. The increases are primarily attributable to our Combination with Synergy but also reflect organic revenue growth.

Life Sciences revenues increased 14.7% to \$81.5 million for the quarter ended September 30, 2016, as compared to \$71.0 million for the same prior year quarter. This growth reflects increases of 5.7%, 16.2% and 21.4% in capital equipment, consumable and service revenues, respectively. These increases in consumable and service revenues are attributable to our recent acquisitions, organic growth and new service offerings. During the first half of fiscal 2017, Life Sciences revenues increased 27.3% to \$162.7 million for the six months ended September 30, 2016, as compared to \$127.8 million for the same prior year period. This growth reflects increases of 21.1%, 36.3% and 20.7% in capital equipment, consumable and service revenues, respectively. These increases in consumable and service revenues are primarily attributable to our recent acquisitions, organic growth and new service offerings. At September 30, 2016, the Life Sciences segment's backlog amounted to \$41.0 million, decreasing 13.4% or \$6.3 million, compared to the backlog of \$47.3 million at September 30, 2015.

Applied Sterilization Technologies segment revenues increased 107.0% to \$115.6 million for the quarter ended September 30, 2016, as compared to \$55.8 million for the same prior year quarter. During the first half of fiscal 2017, Applied Sterilization Technologies segment revenues increased 112.0% to \$232.2 million for the six months ended September 30, 2016, as compared to \$109.5 million for the same prior year period. Revenues in both periods were favorably impacted by our Combination with Synergy and increased volume from our core medical device Customers.

The Healthcare Products segment's operating income increased \$9.7 million to \$50.1 million for the second quarter of fiscal 2017 as compared to \$40.4 million in the same prior year period. The segment's operating margin was 16.4% for the first quarter of fiscal 2017 compared to 13.9% for the second quarter of fiscal 2016. During the first half of fiscal 2017, Healthcare Products segment's operating income increased \$15.0 million to \$84.7 million as compared to \$69.8 million in the same prior year period. The segment's operating margin was 14.5% for the first half of fiscal 2017 compared to 12.6% for the first half of fiscal 2016. The increases in the fiscal 2017 periods reflect the positive impact of operational efficiencies, favorable foreign currency rate movements, and the suspension of the medical device excise tax.

The Healthcare Specialty Services segment's operating income decreased by \$2.9 million to \$2.2 million for the second quarter of fiscal 2017 primarily due to lower than anticipated revenue and continued investments in Instrument Management Services (IMS). The segment's operating margins were 1.5% and 7.2% for the second quarter of fiscal 2017 and fiscal 2016, respectively. During the first half of fiscal 2017, Healthcare Specialty Services segment's operating income decreased by \$3.5 million to 5.5 million. The segment's operating margins were 1.8% and 6.5% for the first half of fiscal 2017 and fiscal 2016, respectively. Lower than anticipated performance in IMS and the addition of Synergy's hospital sterilization services and linen management services are key factors in the operating margin decline.

The Life Sciences segment's operating income increased to \$22.8 million for the second quarter of fiscal 2017, as compared to \$20.9 million in the same prior year period. The segment's operating margins were 27.9% and 29.4% for the second quarter of fiscal 2017 and fiscal 2016, respectively. The increase in operating income was attributable to higher volume associated with both our recent business acquisitions and organic growth. The decrease in operating margin was attributable to unfavorable product mix within capital equipment and lower service parts volume. During the first half of fiscal 2017, Life Sciences segment's operating income increased to \$47.2 million for the first six months of fiscal 2017, as compared to \$34.3 million in

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the same prior year period. The segment's operating margins were 29.0% and 26.9% for the first half of fiscal 2017 and fiscal 2016, respectively. The increase in operating margin was attributable to higher volume, partially offset by lower product mix.

The Applied Sterilization Technologies segment's operating income increased to \$40.8 million for the second quarter of fiscal 2017, as compared to \$17.5 million the same prior year period. The segment's operating margins were 35.3% and 31.3% for the second quarter of fiscal 2017 and fiscal 2016, respectively. During the first half of fiscal year 2017, Applied Sterilization Technologies segment's operating income increased to \$80.4 million for the first six months of fiscal 2017, as compared to \$34.0 million the same prior year period. The segment's operating margins were 34.6% and 31.1% for the first half of fiscal 2017 and fiscal 2016, respectively. The increases were primarily the result of our Combination with Synergy and increased demand from our core medical device Customers.

Liquidity and Capital Resources

The following table summarizes significant components of our cash flows for the six months ended September 30, 2016 and 2015:

<i>(dollars in thousands)</i>	Six Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	\$ 188,501	\$ 79,472
Net cash used in investing activities	\$ (8,745)	\$ (260,730)
Net cash (used) provided by financing activities	\$ (161,610)	\$ 178,897
Debt-to-total capital ratio	33.4%	43.2%
Free cash flow	\$ 119,398	\$ 39,582

Net Cash Provided by Operating Activities – The net cash provided by our operating activities was \$188.5 million for the first six months of fiscal 2017 as compared with \$79.5 million for the first six months of fiscal 2016. The increase in cash flow from operations is primarily due to a reduction in acquisition and integration related expenses and higher net income.

Net Cash Used In Investing Activities – The net cash used in investing activities totaled \$8.7 million for the first six months of fiscal 2017 compared with \$260.7 million for the first six months of fiscal 2016. The following discussion summarizes the significant changes in our investing cash flows for the first six months of fiscal 2017 and fiscal 2016:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures were \$73.9 million for the first six months of fiscal 2017 as compared to \$39.9 million during the same prior year period. The increase in capital expenditure in the fiscal 2017 period over the fiscal 2016 period is the result of the inclusion of capital expenditures related to the operations of Synergy and investments to expand capacity in certain of our Applied Sterilization Technologies facilities.
- Proceeds from the sale of business – During the first six months of fiscal 2017, we received \$131.6 million for the proceeds from the sale of certain non-core businesses. For more information, refer to our note 2 to our consolidated financial statements, "Business Acquisitions and Divestitures".
- Investments in businesses, net of cash acquired – During the first six months of fiscal 2017, we used \$64.9 million for acquisitions as compared to \$220.8 million for the same prior year period. For more information on our acquisitions, refer to our note 2 to our consolidated financial statements, "Business Acquisitions and Divestitures".
- Purchase of investments – During the first six months of fiscal 2017, we invested an additional \$6.4 million primarily 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.

Net Cash (Used In) Provided By Financing Activities – The net cash used by financing activities amounted to \$161.6 million for the first six months of fiscal 2017 compared with net cash provided by financing activities of \$178.9 million for the first six months of fiscal 2016. The following discussion summarizes the significant changes in our financing cash flows for the first six months of fiscal 2017 and fiscal 2016:

- Proceeds from issuance of long-term obligations – On May 15, 2015, we issued \$350.0 million aggregate principal amount of senior notes in a private placement, which are long-term obligations. Additional information regarding this indebtedness is included in the notes to our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.
- Deferred financing fees and debt issuance costs – During the first six months of fiscal 2017, no deferred financing fees or debt issuance costs were incurred. During the first six months of fiscal 2016, we paid \$2.4 million in financing fees and debt issuance costs related to our Credit Agreement and private placement debt. Additional information regarding our indebtedness is included in the notes to our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.
- Payments on long-term obligations and credit facility, net – At September 30, 2016, we had \$841.4 million of debt outstanding under our bank credit facilities, reflecting net payments of \$57.6 million. At September 30, 2015, we had \$143.5 million of debt outstanding under our revolving credit facility, reflecting net payments of \$139.8 million.

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- Repurchases of shares – During the first half of fiscal 2017, we paid for 763,171 of our ordinary shares in the aggregate amount of \$54.3 million. During the first half of fiscal 2017, we obtained 127,520 of our ordinary shares in connection with share based compensation award programs in the aggregate amount of \$5.6 million. During the same period in fiscal 2016, we obtained 191,959 of our shares in connection with stock-based compensation award programs in the aggregate amount of \$13.0 million.
- Cash dividends paid to shareholders – During the first six months of fiscal 2017, we paid total cash dividends of \$45.6 million, or \$0.00 per outstanding share. During the first six months of fiscal 2016, we paid total cash dividends of \$28.7 million, or \$0.48 per outstanding share.
- Stock option and other equity transactions, net – We generally receive cash for issuing shares under our stock option programs. During the first six months of fiscal 2017 and fiscal 2016, we received cash proceeds totaling \$2.5 million and \$8.1 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was \$119.4 million in the first three months of fiscal 2017 compared to \$39.6 million in the prior year first three months (see the subsection above titled "Non-GAAP Financial Measures" for additional information and related reconciliation of cash flows from operations to free cash flow). The increase in free cash flow is primarily due to a reduction in acquisition and integration related expenses and higher net income. Our debt-to-total capital ratio was 33.4% at September 30, 2016 and 43.2% at September 30, 2015.

Sources of Credit and Contractual and Commercial Commitments. Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016. Our commercial commitments were approximately \$54.8 million at September 30, 2016 reflecting a net decrease of \$1.8 million in surety bonds and other commercial commitments from March 31, 2016. We had \$841.4 million of outstanding borrowings under the Credit Agreement as of September 30, 2016. There were no letters of credit outstanding under the Credit Agreement at September 30, 2016, but there were letters of credit outstanding under other arrangements at September 30, 2016.

Cash Requirements. We intend to use our existing cash and cash equivalent balances and cash generated from operations for short-term and long-term capital expenditures and our other liquidity needs. Our capital requirements depend on many uncertain factors, including our rate of sales growth, our Customers' acceptance of our products and services, the costs of obtaining adequate manufacturing capacities, the timing and extent of our research and development projects, changes in our operating expenses and other factors. To the extent that existing and anticipated sources of cash are not sufficient to fund our future activities, we may need to raise additional funds through additional borrowings or the sale of equity securities. There can be no assurance that our existing financing arrangements will provide us with sufficient funds or that we will be able to obtain any additional funds on terms favorable to us or at all.

Critical Accounting Policies, Estimates, and Assumptions

Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2016.

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 record a liability for such contingencies to the extent we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse affect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of proceedings, government investigations, and claims is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery. Refer to note 9 of our consolidated financial statements titled, "Commitments and Contingencies" for additional information.

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 tax jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. The IRS routinely conducts audits of our federal income tax returns.

International Operations

Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the second quarter of fiscal 2017, our revenues were unfavorably impacted by \$3.2 million, or 0.6%, and income before taxes was favorably impacted by \$1.6 million, or 1.7%, as a result of foreign currency movements relative to the U.S. dollar. During the first half of fiscal 2017, our revenues were unfavorably impacted by \$4.9 million, or 0.5%, and income before taxes was favorably impacted by \$4.4 million, or 3.0%, as a result of foreign currency movements relative to the U.S. dollar.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, that have or are reasonably likely to have, a material current or future impact on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital.

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 Quarterly 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 STERIS’s Annual Report on Form 10-K for the year ended March 31, 2016. 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 Quarterly 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 transaction, (e) the retention of certain key employees of Synergy being difficult, (f) 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, (g) the potential for increased pressure on pricing or costs that leads to erosion of profit margins, (h) 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, (i) 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, (j) 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, (k) the possibility of reduced demand, or reductions in the rate of growth in demand, for STERIS’s products and services, (l) 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 STERIS’s 10-K for the year ended March 31, 2016 and other securities filings, may adversely impact STERIS’s performance, results, prospects or value, (m) the impact on STERIS and its operations of the “Brexit,” (n) 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 (o) 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.

Availability of Securities and Exchange Commission Filings

We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after we file such material with, or furnish such material to, the Securities Exchange Commission ("SEC.") You may access these documents on the Investor Relations page of our website at <http://www.steris-ir.com>. The information on our website is not incorporated by reference into this report. You may also obtain copies of these documents by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, or by accessing the SEC's website at <http://www.sec.gov>. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are subject to interest rate, foreign currency, and commodity risks. Information related to these risks and our management of these exposures is included in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016. Our exposures to market risks have not changed materially since March 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of our management, including the Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based on that evaluation, including the assessment and input of our management, the PEO and PFO concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

In connection with the Combination with Synergy, we began implementing standards and procedures at Synergy, including upgrading and establishing controls over accounting systems and adding consultants who are trained and experienced in the preparation of financial statements in accordance with U.S. GAAP to ensure that we have in place appropriate internal controls over financial reporting at Synergy. These changes to the Company's internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended September 30, 2016 may materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding our legal proceedings is included in this Form 10-Q in note 9 to our consolidated financial statements titled, "Commitments and Contingencies" and in Item 7 of Part II, titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations," of our Annual Report on Form 10-K for the year ended March 31, 2016, dated May 31, 2016.

ITEM 1A. RISK FACTORS

For a complete discussion of the Company's risk factors, you should carefully review the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 as well as the additional risk factors included in Item 1A. of Part II of our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016.

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

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. The repurchase program may be suspended or discontinued at any time. During the first half of fiscal 2017, we repurchased 819,105 of its ordinary shares pursuant to this authorization at an average price of \$71.09. All of these shares were repurchased in the second quarter. As of September 30, 2016, \$241.8 million in common shares remain authorized for repurchase under this authorization.

During the first half of fiscal 2017, we obtained 127,520 of our ordinary shares in connection with share based compensation award programs. The following table summarizes the ordinary shares repurchase activity during the second quarter of fiscal 2017 under our common share repurchase program:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans at Period End
July 1-31	—	\$ —	—	\$ —
August 1-31	375,000	70.58	375,000	273,533
September 1-30	444,105	71.35	44,105	241,772
Total	819,105 (1)	\$ 71.09 (1)	419,105	\$ 241,772

(1) Does not include 30 shares purchased during the quarter at an average price of \$70.54 per share by the STERIS Corporation 401(k) Plan on behalf of certain executive officers of the Company who may be deemed to be affiliated purchasers.

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Certificate of Incorporation of STERIS plc (filed as Exhibit 3.1 to STERIS plc Form 8-K filed November 6, 2015 (Commission File No. 1-37614) and incorporated herein by reference).
3.2	Amended Articles of Association of STERIS plc (Amended by Special Resolution passed on 2 August 2016).
4.1	Specimen Form Stock Certificate (filed as Exhibit 4.1 to STERIS plc Form 10-K for the fiscal year ended March 31, 2016 (Commission File No. 1-37614) and incorporated herein by reference).
10.1	STERIS plc 2006 Long-Term Equity Incentive Plan (as Amended and Restated Effective August 2, 2016) (filed as Appendix C to STERIS plc's definitive proxy statement on Schedule 14A filed June 13, 2016 (Commission File No. 001-37614) and incorporated herein by reference).
10.2	STERIS plc Senior Executive Management Incentive Compensation Plan, Effective April 1, 2016 (filed as Appendix B to STERIS plc's definitive proxy statement on Schedule 14A filed June 13, 2016 (Commission File No. 001-37614) and incorporated herein by reference).
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
EX-101	Instance Document.
EX-101	Schema Document.
EX-101	Calculation Linkbase Document.
EX-101	Definition Linkbase Document.
EX-101	Labels Linkbase Document.
EX-101	Presentation Linkbase Document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STERIS plc

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President, Chief Financial Officer and Treasurer
November 8, 2016

EXHIBIT INDEX

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STERIS PLC

AMENDED ARTICLES OF ASSOCIATION

(Amended by Special Resolution passed on 2 August 2016)

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Company number: 09257343

THE COMPANIES ACT 2006
PUBLIC COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION

of

STERIS PLC

(Amended by Special Resolution passed on 2 August 2016)

PRELIMINARY

1. DEFINITIONS

1.1 In these Articles (unless the context requires otherwise) the following words have the following meanings:

"**2006 Act**" means the Companies Act 2006 (including any statutory modification or re-enactment of it for the time being in force);

"**acting in concert**" has the meaning given to it in the Takeover Code;

"**Articles**" means these articles of association as altered from time to time by special resolution;

"**Auditors**" means the auditors of the Company;

"**beneficial ownership**" of any person or group of affiliated or associated persons shall have the meaning given to such term under the United States federal securities laws, including the Exchange Act;

"Board" means the Directors or any of them duly acting as the board of the Company;

"certificated" means in relation to a share in the Company, a share which is recorded in the Register of Members as being held in certificated form;

"clear days" means in relation to the sending of a notice, that period excluding the day when the notice is given or deemed given and the day for which it is given or on which it is to take effect;

"Company" means STERIS plc, registered in England with number 09257343;

"Depository" means any depository, clearing agency, custodian, nominee or similar entity appointed under arrangements entered into by the Company or otherwise approved by the Board that holds, or is interested directly or indirectly, including through a nominee, in, shares, or rights or interests in respect thereof, and which issues certificates, instruments, securities or other documents of title, or maintains accounts, evidencing or recording the entitlement of the holders thereof, or account holders, to or to receive such shares, rights or interests (and shall include, where so approved by the Board, the trustees (acting in their capacity as such) of any employees' share scheme established by the Company);

"Depository Interest" means any certificate, instrument, security or other document of title issued, or account maintained, by a Depository to evidence or record the entitlement of the holder, or account holder, to or to receive shares, or rights or interests in respect thereof;

"Director" means a director of the Company;

"document" includes, unless otherwise specified, any document sent or supplied in electronic form;

"electronic form" has the meaning given in section 1168 of the 2006 Act;

"electronic means" has the meaning given to it in section 1168 of the 2006 Act;

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time;

"execution" means any mode of execution (and **"executed"** shall be construed accordingly);

"Group" means the group comprising the Company and its subsidiaries within the meaning of section 1159 of the 2006 Act for the time being;

"Group Member" means any member of the Group, including the Company;

"hard copy form" or **"hard copy"** have the meaning given to them in section 1168 of the 2006 Act;

"interest in shares" includes, where the context permits, **"interests in securities"** as defined in the Takeover Code and, for the avoidance of doubt, includes, without duplication, beneficial ownership and Depository Interests, and **"interested in shares"** will be construed accordingly;

"holder" means in relation to a share, the member whose name is entered in the Register of Members as the holder of that share;

"member" means a member of the Company;

"Operator" means the Operator (as defined in the Uncertificated Securities Regulations) of the Uncertificated System;

"Ordinary Shares" means ordinary shares of 10 pence each in the Company;

"paid or paid up" means paid up or credited as paid up;

"Participating Security" means a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of an Uncertificated System in accordance with the Uncertificated Securities Regulations;

"Preference Shares" means the non-voting redeemable preference shares of £0.10 each in the Company;

"Register of Members" means the Company's register of members kept pursuant to the Statutes or, as the case may be, any overseas branch register kept pursuant to these Articles;

"Registered Office" means the registered office for the time being of the Company or in the case of sending or supplying documents or information by electronic means, the address specified by the Board for the purpose of receiving documents or

information by electronic means;

"**Seal**" means the common seal of the Company or any official or securities seal that the Company has or may have as permitted by the Statutes;

"**Secretary**" means the secretary of the Company or any other person appointed to perform any of the duties of the secretary of the Company including a joint, temporary, assistant or deputy secretary;

"**share**" means a share in the capital of the Company;

"**Statutes**" the 2006 Act and every other act of parliament or statutory instrument for the time being in force concerning companies and affecting the Company including any statutory re-enactment or modification of the 2006 Act or any other act or statutory instrument;

"**Takeover Code**" means the City Code on Takeover and Mergers as promulgated by the Takeover Panel, as amended and/or supplemented from time to time;

"**Takeover Panel**" means the Panel on Takeovers and Mergers or such other authority designated as the supervisory authority in the United Kingdom to carry out certain regulatory functions in relation to takeovers under the EC Directive on Takeover Bids (2004/25/EC);

"**uncertificated**" means in relation to a share, a share to which title is recorded in the Register of Members as being held in uncertificated form and title to which may be transferred by means of an Uncertificated System in accordance with the Uncertificated Securities Regulations;

"**Uncertificated Securities Regulations**" means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) including any modification thereof;

"**Uncertificated System**" means the CREST system or any other applicable system which is a "relevant system" for the purpose of the Uncertificated Securities Regulations;

"**US\$**" means the lawful currency of the United States;

"**working day**" means a day that is not a Saturday, Sunday or public holiday in the United Kingdom or the United States; and

"**writing**" includes printing, typewriting, lithography, photography and any other mode or modes of presenting or reproducing words in a visible form including communications in an electronic form for the purposes of Part 37 of the 2006 Act.

1.2 In these Articles:

- (A) words or expressions which are not defined in paragraph 1.1 of this Article or elsewhere in these Articles have the same meanings (where applicable) as in the Statutes as in force on the date of the adoption of these Articles;
- (B) a reference to any Statute or any provision of a Statute includes a reference to any statutory modification or re-enactment of it for the time being in force, as (where applicable) amended or modified or extended by any other Statute or any order, regulation, instrument or other subordinate legislation made under such Statute or statutory provision or under the Statute under which such statutory instrument was made;
- (C) words in the singular include the plural and vice versa, words importing any gender include all genders and a reference to a "**person**" includes any individual, firm, partnership, unincorporated association, company, corporation or other body corporate;
- (D) "**mental disorder**" means mental disorder as defined in section 1 of the Mental Health Act 1983;
- (E) a reference to an Uncertificated System is a reference to the Uncertificated System in respect of which the particular share or class of shares or renounceable right of allotment of a share is a Participating Security;
- (F) where an ordinary resolution is expressed to be required for any purpose, a special resolution is also effective for such purpose; and
- (G) headings do not affect the interpretation of any Article.

1.3 These Articles shall be governed by and construed in accordance with English law.

2. EXCLUSION OF MODEL ARTICLES

No regulations or model articles set out in any statute, statutory instrument or other subordinate legislation (including the regulations in the Companies (Model Articles) Regulations 2008 (SI 2008/3229)) shall be applicable as articles of the Company.

CAPITAL

3. LIABILITY OF MEMBERS

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4. SHARE CAPITAL

4.1 Subject to the provisions of the Statutes and of these Articles, any shares may be issued with such preferential, deferred, qualified or other special rights, privileges or conditions, whether in regard to dividend, voting, return of capital or otherwise, (including, but without prejudice to the generality of the foregoing, and subject to the provisions of the Statutes, shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holders) as the Company may from time to time in general meeting determine or, if the Company does not so determine, as the Board may determine.

4.2 If two or more persons are registered as joint holders of any share any one of such persons may give effective receipts for any dividends or other monies payable in respect of such share, but such power shall not apply to the legal personal representatives of a deceased member.

4.3 The Company shall not be bound to register more than four persons as joint holders of any share.

5. ORDINARY SHARES

The Ordinary Shares shall entitle the holders thereof to the rights set out below:

- (A) the directors may declare and pay dividends on the Ordinary Shares in accordance with Article 124 to Article 135;
- (B) on a return of capital of the Company on a winding-up or otherwise, any surplus assets of the Company available for distribution shall, after, in the case of a winding up, paying any holders of the Preference Shares in accordance with Article 6(B), be distributed to each holder of an Ordinary Share pro rata to its shareholding;
- (C) subject to Article 66, each holder of an Ordinary Share shall have one vote for every Ordinary Share of which it is the holder; and
- (D) Ordinary Shares are freely transferable in accordance with Article 42.

6. PREFERENCE SHARES

The Preference Shares shall entitle the holders thereof to the rights set out below:

- (A) the holders of the Preference Shares shall be entitled to receive as set forth herein a fixed cumulative preferential dividend (the "**Preference Dividend**") at 5 per cent. per annum on the amount from time to time paid up on the Preference Shares respectively held by them. The Preference Dividend shall be deemed to accrue from day to day commencing on the date of issue of the relevant Preference Shares and shall be paid as and when approved by the Board, or, to the extent unpaid, upon the winding-up of the Company in accordance with sub-paragraph 6(B) below or upon redemption in accordance with sub-paragraph 6(E) below;
- (B) on a return of capital of the Company on a winding up, the holders of the Preference 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 Preference Share plus the amount of any then accrued but unpaid Preference Dividend but shall not be entitled to any further participation in the assets of the Company;
- (C) the holders of Preference Shares shall 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 Preference Shares (save where required by law) and shall not be entitled to receive any notice of meetings;
- (D) the Preference Shares may not be transferred save with the prior written consent of the Company and in accordance with Article 42; and

- (E) subject to the provisions of the 2006 Act and these Articles, the Company may redeem at nominal value, plus the amount of any Preference Dividend then accrued but unpaid in respect of the Preference Shares being redeemed, all or some of the Preference Shares for the time being outstanding and fully paid on or any time after the 8th anniversary of the date of issue of the relevant Preference Shares.

7. SECTION 551 AUTHORITY

In addition and without prejudice to the authority granted under Article 11, the Board has general and unconditional authority to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount equal to the section 551 amount, for each prescribed period.

8. SECTION 561 DISAPPLICATION

In addition and without prejudice to the authority granted under Article 12, the Board is empowered for each prescribed period to allot equity securities for cash pursuant to the authority conferred by Article 5 as if section 561 of the 2006 Act did not apply to any such allotment, provided that its power shall be limited to the allotment of equity securities up to an aggregate nominal amount equal to the section 561 amount.

This Article applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the 2006 Act as if in this Article the words "pursuant to the authority conferred by Article 5" were omitted.

9. ALLOTMENT AFTER EXPIRY

The Company may make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after an authority given pursuant to Article 5 or a power given pursuant to Article 8 has expired. The Board may allot shares, or grant rights to subscribe for or convert any security into shares, in pursuance of that offer or agreement as if the authority or power pursuant to which that offer or agreement was made had not expired.

10. DEFINITIONS FOR ARTICLES 5, 8 AND 9

In Articles 5, 8 and 9:

prescribed period means any period for which the authority conferred by Article 5 is given by ordinary or special resolution stating the section 551 amount and/or the power conferred by Article 8 is given by special resolution stating the section 561 amount,

section 551 amount means, for any prescribed period, the amount stated as such in the relevant ordinary or special resolution, and

section 561 amount means, for any prescribed period, the amount stated as such in the relevant special resolution.

11. ALLOTMENT POWERS – SECTION 551 AUTHORITY

The directors shall be generally and unconditionally authorised pursuant to section 551 of the 2006 Act to:

- (A) without prejudice to the authority referred to in sub-paragraph 11(B) below, allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate par amount of £17,006,080, for a period expiring (unless previously renewed by the Company in general meeting) on the date which is five years from the date of the adoption of these Articles by the Company, provided that in utilising the authority contained in this sub-paragraph 11(A), the Directors do not exceed the limits provided for in section 312.03(c) (Shareholder Approval) of the NYSE Listed Company Manual;
- (B) in addition to the authority referred to in (A) above, allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company, in connection with a "Rights Plan" as referred to in Article 14, up to an aggregate par amount of £25,509,120, for a period expiring (unless previously renewed by the Company in general meeting) on the date which is five years from the date of the adoption of these Articles by the Company; and
- (C) make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of an authority described in this Article 11 and the directors may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

12. ALLOTMENT POWERS – SECTION 561 AUTHORITY

The directors shall be generally empowered pursuant to section 570 and section 573 of the 2006 Act to allot equity securities (as defined in the 2006 Act) for cash, pursuant to the authorities conferred by Article 11 as if section 561(1) of the 2006 Act did not apply to the allotment. This power:

- (A) expires (unless previously renewed by the Company in general meeting) on the date which is five years from the date of the adoption of these Articles by the Company, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired;
- (B) shall be limited to the allotment of equity securities:
 - (1) without prejudice to the authority referred to in sub-paragraph (2) below, up to an aggregate par amount of £17,006,080; and
 - (2) in connection with a "Rights Plan" as referred to in Article 14, up to an aggregate par amount of £25,509,120, in addition to the authority referred to in (1) above.

This Article applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the 2006 Act as if in the first paragraph of the words "pursuant to the authorities conferred by Article 11" were omitted.

13. RESIDUAL ALLOTMENT POWERS

Subject to the provisions of the 2006 Act relating to authority, pre-emption rights or otherwise and of any resolution of the Company in general meeting passed pursuant to those provisions, and, in the case of redeemable shares, the provisions of Article 17:

- (A) all shares for the time being in the capital of the Company shall be at the disposal of the Board; and
- (B) the Board may reclassify, allot (with or without conferring a right of renunciation), grant options over, or otherwise dispose of them to such persons on such terms and conditions and at such times as it thinks fit.

POWERS OF ALLOTMENT

14. CIRCUMSTANCES WHERE BOARD MAY ALLOT SHARES

- 14.1 Subject to the provisions of the 2006 Act, the Board may exercise any power of the Company to establish a shareholders rights plan (the "**Rights Plan**") including approving the execution of any document relating to the adoption and/or implementation of the Rights Plan. The Rights Plan may be in such form as the Board shall in its absolute discretion decide and may in particular (but without restriction or limitation) include such terms as are described in the Summary of Example Terms in the form appearing in the Appendix to these Articles.
- 14.2 Subject to the provisions of the 2006 Act, the Board may exercise any power of the Company to grant rights (including approving the execution of any documents relating to the grant of rights) (a) to subscribe for shares of the Company and/or (b) to acquire Depositary Interests issued by the Depositary (to whom the Company would issue new shares in connection therewith), in each case in accordance with the Rights Plan (the "**Rights**").
- 14.3 The purposes for which the Board shall be entitled to establish the Rights Plan and to grant Rights in accordance therewith, as provided in Articles 14.1 and 14.2 above, shall include (without limitation) the following where, in the opinion of the majority of the Board members present at a duly convened meeting of the Board, acting in good faith and on such grounds as the Board shall consider reasonable, irrespective of whether such grounds would be considered reasonable by any other party with or without the benefit of hindsight, to do so would improve the likelihood that:
 - (A) any process which may result in an acquisition or change of Control of the Company is conducted in an orderly manner;
 - (B) all members of the Company will be treated equally and fairly and in a similar manner;
 - (C) an optimum price for shares (or Depositary Interests) would be received by or on behalf of all members of the Company (or holders of Depositary Interests);
 - (D) the Board would have additional time to gather relevant information or pursue appropriate strategies;
 - (E) the success of the Company would be promoted for the benefit of its members as a whole;
 - (F) the long term interests of the Company, its members and its business would be safeguarded; and/or

(G) the Company would not suffer serious economic harm.

14.4 Subject to the provisions of the 2006 Act, the Board may determine not to redeem the Rights and accordingly exercise any power of the Company to (a) allot shares of the Company pursuant to the exercise of the Rights or (b) exchange or cause to be exchanged all or part of the Rights (in each case other than Rights held by an Acquiring Person) for Ordinary Shares and/or Depository Interests and/or another class or series of shares (an "**Exchange**") in each case in accordance with the Rights Plan. The purposes for which the Board shall be entitled not to redeem the Rights, and accordingly to exercise any power of the Company to allot shares of the Company or effect an Exchange, shall include (without limitation) the following where, in the opinion of the majority of the Board members present at a duly convened meeting of the Board, acting in good faith and on such grounds as the Board shall consider reasonable, irrespective of whether such grounds would be considered reasonable by any other party with or without the benefit of hindsight, not to redeem the Rights and accordingly to exercise any power of the Company to effect an Exchange or to allot shares in the Company, would improve the likelihood that:

- (A) the use of abusive tactics by any person in connection with any potential acquisition or change of Control of the Company would be prevented;
- (B) any potential acquisition or change of Control of the Company which would be unlikely to treat all members of the Company equally and fairly and in a similar manner would be prevented;
- (C) any potential acquisition or change of Control of the Company at a price which would undervalue the Company or its shares (or Depository Interests) would be prevented;
- (D) any potential acquisition or change of Control of the Company which would be likely to harm the prospects of the success of the Company for the benefit of its members as a whole, having had regard to the matters in section 172 of the 2006 Act, will be prevented;
- (E) the long term interests of the Company and/or, its members and its business would be safeguarded; and/or
- (F) the Company would not suffer serious economic harm.

14.5 For the purposes of this Article 14 a person (an "**Acquiring Person**") shall be deemed to have control ("**Control**") of the Company if he, either alone or with any group of affiliated or associated persons and/or with anyone with whom he is acting in concert, exercises, or is able to exercise or is entitled to acquire, the direct or indirect power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting securities, by contract or otherwise, and in particular, but without prejudice to the generality of the preceding words, if he, either alone or with any group of affiliated or associated persons, and/or with anyone with whom he is acting in concert, possesses or is entitled to acquire:

- (A) interests in shares carrying 20 per cent or more of the voting rights attributable to the capital of the Company which are exercisable at a general meeting; or
- (B) such percentage of the issued share capital of the Company as would, if the whole of the income or assets of the Company were in fact distributed among the members (without regard to any rights which he or any other person has as a loan creditor) entitle him to receive 20 per cent or more of the income or assets so distributed; or
- (C) such rights as would, in the event of the winding-up of the Company or in any other circumstances, entitle him to receive 20 per cent or more of the assets of the Company which would then be available for distribution among the members.

14.6 For the purposes of this Article 14:

- (A) "**person**" shall include any individual, firm, body corporate, unincorporated association, government, state or agency of state, association, joint venture or partnership, in each case whether or not having a separate legal personality and "**group of affiliated or associated persons**" shall have the meaning given to such terms under the United States federal securities laws, including the Securities Exchange Act of 1934, as amended from time to time;
- (B) a person shall be treated as entitled to acquire anything which he is entitled to acquire at a future date, or will at a future date be entitled to acquire, irrespective of whether such future acquisition is contingent upon satisfaction of any conditions precedent;
- (C) there shall be attributed to any person (other than a Depository) any rights or powers which another person possesses on his behalf or may be required to exercise at his discretion or on his behalf (including rights or powers of a nominee possessed or exercisable by the nominee on behalf of such person).

15. COMMISSIONS AND BROKERAGE

The Company may exercise all powers conferred by the Statutes of paying commissions or brokerage in relation to a subscription for shares or other allotment. Subject to the Statutes, such commissions or brokerage may be satisfied in cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

16. TRUSTS NOT RECOGNISED

Except as otherwise expressly provided by these Articles or as required by law or as ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any share on any trust, and the Company shall not be bound by or required to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any right whatsoever in respect of any share or any interest in any fractional part of a share other than an absolute right to the entirety thereof in the registered holder.

17. PURCHASE OF OWN SHARES

Subject to the Statutes and to any rights attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class (including any redeemable shares) in any way. Any shares to be so purchased may be selected for purchase on any basis and in any manner whatsoever.

18. VARIATION OF CLASS RIGHTS

18.1 Subject to the provisions of the 2006 Acts, the rights attached to a class of shares may only be varied:

- (A) with the consent in writing from the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares held as treasury shares); or
- (B) with the sanction of a special resolution passed at a separate general meeting of the holders of that class sanctioning the variation.

18.2 Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by:

- (A) the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued; or
- (B) the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of any of its own shares in accordance with the Statutes and these Articles.

ALTERATION OF SHARE CAPITAL

19. INCREASE, CONSOLIDATION, SUB-DIVISION AND CANCELLATION

The Company may:

- (A) increase its share capital by allotting new shares in accordance with the 2006 Act and the Articles;
- (B) subject to the provisions of the 2006 Act, by ordinary resolution consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; or
- (C) subject to the provisions of the 2006 Act, by ordinary resolution sub-divide all or any of its shares into shares of a smaller amount than its existing shares.

20. FRACTIONS

20.1 If, as the result of a consolidation and division or a sub-division of shares, fractions of shares become attributable to members, the Board may on behalf of the members deal with the fractions as it thinks fit, including (without limitation) in either of the ways prescribed in this Article below.

20.2 The Board may sell shares representing the fractions to any person (including, subject to the Statutes, the Company) for the best price reasonably obtainable and distribute the net proceeds of sale in due proportion amongst the persons to whom such fractions are attributable (except that if the amount due to a person is less than £5.00, or such other sum as the Board may decide, the Company may retain such sum for its own benefit). To give effect to such sale the Board may:

- (A) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares to the purchaser or as the purchaser may direct; and
- (B) in the case of uncertificated shares, exercise any power conferred on it by Article 24.9 (uncertificated shares) to effect a transfer of the shares.

20.3 The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph 20.2 of this Article shall be effective as if it had been executed or exercised by the holder of the shares to which it relates.

20.4 In relation to such fractions, the Board may issue, subject to the Statutes, to a member credited as fully paid by way of capitalisation the minimum number of shares required to round up his holding of shares to a number which, following a consolidation and division or a sub-division, leaves a whole number of shares (such issue being deemed to have been effected immediately before the consolidation or the sub-division, as the case may be). The amount required to pay up those shares may be capitalised as the Board thinks fit out of amounts standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, and applied in paying up in full the appropriate number of shares. A resolution of the Board capitalising part of any such reserve or fund will have the same effect as if the capitalisation had been made with the sanction of an ordinary resolution of the Company pursuant to Article 135 (capitalisation of profits and reserves). In relation to the capitalisation the Board may exercise all the powers conferred on it by Article 135 without the sanction of an ordinary resolution of the Company.

21. REDUCTION OF SHARE CAPITAL

Subject to the Statutes and to any rights attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

CERTIFICATED SHARES

22. RIGHT TO CERTIFICATES

22.1 Subject to the Statutes, the requirements of (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading, and these Articles, every person (except any person in respect of whom the Company is not required by the Statutes to complete and have ready for delivery a share certificate), upon becoming the holder of a certificated share is entitled, without charge, to receive within one month after allotment or within one month of lodgement of a transfer (unless the conditions of issue provide for a longer interval), one certificate for all the certificated shares of a class registered in his name or, in the case of certificated shares of more than one class being registered in his name, to a separate certificate for each class of shares, unless the terms of issue of the shares provide otherwise.

22.2 Where a member transfers part of his shares comprised in a certificate, the old certificate shall be cancelled and he shall be entitled, without charge, to one certificate for the balance of the certificated shares retained by him.

22.3 If and so long as all the issued shares in the capital of the Company or all the issued shares of a particular class are fully paid up and rank *pari passu* for all purposes, then none of those shares shall bear a distinguishing number. In all other cases each share shall bear a distinguishing number.

22.4 In the case of joint holders of shares held in certificated form the Company shall not be bound to issue more than one certificate to all the joint holders, and delivery of such certificate to any one of them shall be sufficient delivery to all.

22.5 A certificate shall specify the number and class and the distinguishing numbers (if any) of the shares in respect of which it is issued and the amount paid up on the shares. It shall be issued under the Seal, which may be affixed to or printed on it, or in such other manner as the Board may approve, having regard to the terms of issue and the requirements of (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading (including by way of signature or facsimile of the signature of any person to be applied to such share certificate by any mechanical or electronic means in place of that person's actual signature).

23. REPLACEMENT CERTIFICATES

If any certificate is worn-out, defaced, lost or destroyed, the Company may cancel it and issue a replacement certificate subject to such terms as the Board may decide as to evidence and indemnity (with or without security) and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity or such security but otherwise free of charge, and (if the certificate is worn-out or defaced) on delivery up of the old certificate.

UNCERTIFICATED SHARES

24. UNCERTIFICATED SHARES

- 24.1 The Board may resolve that a class of shares is to become, or is to cease to be, a Participating Security.
- 24.2 Shares of a class shall not be treated as forming a separate class from other shares of the same class as a consequence of such shares being held in certificated or uncertificated form or of any provision in these Articles or the Uncertificated Securities Regulations applying only to certificated shares or to uncertificated shares.
- 24.3 Any share of a class which is a Participating Security may be changed from an uncertificated share to a certificated share and from a certificated share to an uncertificated share in accordance with the Uncertificated Securities Regulations.
- 24.4 These Articles apply to uncertificated shares of a class which is a Participating Security only to the extent that these Articles are consistent with the holding of such shares in uncertificated form, with the transfer of title to such shares by means of the Uncertificated System and with the Uncertificated Securities Regulations.
- 24.5 The Board may lay down regulations not included in these Articles which (in addition to or in substitution for any provisions in these Articles):
- (A) apply to the issue, holding or transfer of uncertificated shares;
 - (B) set out (where appropriate) the procedures for conversion and/or redemption of uncertificated shares; and/or
 - (C) the Board considers necessary or appropriate to ensure that these Articles are consistent with the Uncertificated Securities Regulations and/or the Operator's rules and practices.
- 24.6 Such regulations will apply instead of any relevant provisions in these Articles which relate to certificates and the transfer, conversion and redemption of shares or which are not consistent with the Uncertificated Securities Regulations, in all cases to the extent (if any) stated in such regulations. If the Board makes any such regulations, paragraph 24.4 of this Article will (for the avoidance of doubt) continue to apply to these Articles, when read in conjunction with those regulations.
- 24.7 Any instruction given by means of an Uncertificated System as referred to in these Articles shall be a dematerialised instruction given in accordance with the Uncertificated Securities Regulations, the facilities and requirements of the Uncertificated System and the Operator's rules and practices.
- 24.8 For any purpose under these Articles, the Company may treat a member's holding of uncertificated shares and of certificated shares of the same class as if they were separate holdings, unless the Board otherwise decides.
- 24.9 Where the Company is entitled under the Statutes, the Operator's rules and practices, these Articles or otherwise to dispose of, forfeit, enforce a lien over or impose a restriction on or sell or otherwise procure the sale of any shares of a class which is a Participating Security which are held in uncertificated form, the Board may take such steps (subject to the Uncertificated Securities Regulations and to such rules and practices) as may be required or appropriate, by instruction by means of the Uncertificated System or otherwise, to effect such disposal, forfeiture, enforcement or sale including by (without limitation):
- (A) requesting or requiring the deletion of any computer-based entries in the Uncertificated System relating to the holding of such shares in uncertificated form;
 - (B) altering such computer-based entries so as to divest the holder of such shares of the power to transfer such shares other than to a person selected or approved by the Company for the purpose of such transfer;
 - (C) requiring any holder of such shares, by notice in writing to him, to change his holding of such uncertificated shares into certificated form within any specified period;
 - (D) requiring any holder of such shares to take such steps as may be necessary to sell or transfer such shares as directed by the Company;
 - (E) otherwise rectify or change the Register of Members in respect of any such shares in such manner as the Board considers appropriate (including, without limitation, by entering the name of a transferee into the Register of Members as the next holder of such shares); and/or
 - (F) appointing any person to take any steps in the name of any holder of such shares as may be required to change such shares from uncertificated form to certificated form and/or to effect the transfer of such shares (and such steps shall be effective as if they had been taken by such holder).

- 24.10 The Company shall enter on the Register of Members how many shares are held by each member in uncertificated form and in certificated form and shall maintain the register in each case as is required by the Uncertificated Securities Regulations and the relevant system concerned.
- 24.11 The provisions of Articles 22 and 23 shall not apply to uncertificated shares.

LIEN ON SHARES

25. COMPANY'S LIEN ON SHARES NOT FULLY PAID

- 25.1 The Company has a first and paramount lien on each issued share (not being a fully paid share) to the extent and in the circumstances permitted by section 670 of the 2006 Act. The Company's lien (if any) on a share shall extend to all amounts payable to the Company (whether actually or contingently and whether presently payable or not) in respect of such share.
- 25.2 The lien applies to all dividends on any such share and to all amounts payable by the Company in respect of such share. It also applies notwithstanding that:
- (A) the Company may have notice of any equitable or other interest of any person in any such share; or
 - (B) any such amounts payable may be the joint debts and liabilities of both the holder of the share and one or more other persons.
- 25.3 The Board may resolve that any share be exempt wholly or in part from this Article.

26. ENFORCEMENT OF LIEN BY SALE

- 26.1 For the purpose of enforcing the Company's lien on any shares, the Board may sell them in such manner as it decides if an amount in respect of which the lien exists is presently payable and is not paid within fourteen (14) clear days following the giving of a notice to the holder (or any person entitled by transmission to the share) demanding payment of the amount due within such fourteen clear day period and stating that if the notice is not complied with the shares may be sold.
- 26.2 To give effect to such sale the Board may:
- (A) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of the holder of, or the person entitled by transmission to, them to the purchaser or as the purchaser may direct; and
 - (B) in the case of uncertificated shares, exercise any power conferred on it by Article 24.9 (uncertificated shares) to effect a transfer of the shares.
- 26.3 The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph 26.2 of this Article shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

27. APPLICATION OF SALE PROCEEDS

The net proceeds of any sale of shares subject to the Company's lien under these Articles (after payment of the costs and expenses of sale) shall be applied in or towards satisfaction of the amount then due to the Company in respect of the shares. Any balance shall be paid to the original holder of, or the person entitled (but for such sale) by transmission to, the shares on (in the case of certificated shares) surrender to the Company for cancellation of the certificate for such shares and (in all cases) subject to the Company having a lien on such balance on the same basis as applied to such shares for any amount not presently payable as existed on such shares before the sale.

CALLS

28. CALLS

- 28.1 Subject to the terms on which shares are allotted, the Board may make calls on the members (and any persons entitled by transmission) in respect of any amounts unpaid on their shares (whether in respect of nominal value or premium) and not payable on a date fixed by or in accordance with the allotment terms. Each such member or other person shall pay to the Company the amount called, subject to receiving at least fourteen (14) clear days' notice specifying when and where the payment is to be made, as required by such notice.

28.2 A call may be made payable by instalments. A call shall be deemed to have been made when the resolution of the Board authorising it is passed. A call may, before the Company's receipt of any amount due under it, be revoked or postponed in whole or in part as the Board may decide. A person upon whom a call is made will remain liable for calls made on him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

29. LIABILITY OF JOINT HOLDERS

The joint holders of a share shall be jointly and severally liable to pay all calls in respect of it.

30. INTEREST

If the whole of the sum payable in respect of any call is not paid by the day it becomes due and payable, the person from whom it is due shall pay all costs, charges and expenses that the Company may have incurred by reason of such non-payment, together with interest on the unpaid amount from the day it became due and payable until it is paid at the rate fixed by the terms of the allotment of the share or in the notice of the call or, if no rate is fixed, at such rate, not exceeding twenty (20) per cent per annum (compounded on a six monthly basis), as the Board shall determine. The Board may waive payment of such costs, charges, expenses or interest in whole or in part.

31. DIFFERENTIATION

Subject to the allotment terms, the Board may make arrangements on or before the issue of shares to differentiate between the holders of shares in the amounts and times of payment of calls on their shares.

32. PAYMENT IN ADVANCE OF CALLS

32.1 The Board may, if it thinks fit, receive from any member (or any person entitled by transmission) all or any part of the amount uncalled and unpaid on the shares held by him (or to which he is entitled). The liability of each such member or other person on the shares to which such payment relates shall be reduced by such amount. The Company may pay interest on such amount from the time of receipt until the time when such amount would, but for such advance, have become due and payable at such rate not exceeding twenty (20) per cent per annum (compounded on a six monthly basis) as the Board may decide.

32.2 No sum paid up on a share in advance of a call shall entitle the holder to any portion of a dividend subsequently declared or paid in respect of any period prior to the date on which such sum would, but for such payment, become due and payable.

33. RESTRICTIONS IF CALLS UNPAID

Unless the Board decides otherwise, no member shall be entitled to receive any dividend or to be present or vote at any meeting or to exercise any right or privilege as a member until he has paid all calls due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any) to the Company.

34. SUMS DUE ON ALLOTMENT TREATED AS CALLS

Any sum payable in respect of a share on allotment or at any fixed date, whether in respect of the nominal value of the share or by way of premium or as an instalment of a call, shall be deemed to be a call. If such sum is not paid, these Articles shall apply as if it had become due and payable by virtue of a call.

FORFEITURE

35. FORFEITURE AFTER NOTICE OF UNPAID CALL

35.1 If a call or an instalment of a call remains unpaid after it has become due and payable, the Board may give to the person from whom it is due not less than fourteen (14) clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses that the Company may have incurred by reason of such non-payment. The notice shall state the place where payment is to be made and that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited. If the notice is not complied with, any shares in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. The forfeiture will include all dividends and other amounts payable in respect of the forfeited shares which have not been paid before the forfeiture.

35.2 The Board may accept the surrender of a share which is liable to be forfeited in accordance with these Articles. All provisions in these Articles which apply to the forfeiture of a share also apply to the surrender of a share.

36. NOTICE AFTER FORFEITURE

36.1 When a share has been forfeited, the Company shall give notice of the forfeiture to the person who was before forfeiture the holder of the share or the person entitled by transmission to the share. An entry that such notice has been given and of the fact and date of forfeiture shall be made in the Register of Members. No forfeiture will be invalidated by any omission to give such notice or make such entry.

36.2 The Board may accept a surrender of any share liable to be forfeited hereunder.

37. CONSEQUENCES OF FORFEITURE

37.1 Subject to the provisions of the 2006 Act, a share shall, on its forfeiture, become the property of the Company and all interest in and all claims and demands against the Company in respect of a share and all other rights and liabilities incidental to the share as between its holder and the Company shall, on its forfeiture, be extinguished and terminate except as otherwise stated in these Articles.

37.2 The holder of a share (or the person entitled to it by transmission) which is forfeited or surrendered shall:

- (A) on its forfeiture or surrender cease to be a member (or a person entitled) in respect of it;
- (B) if a certificated share, surrender to the Company for cancellation the certificate for the share;
- (C) remain liable to pay to the Company all monies payable in respect of the share at the time of forfeiture, with interest from such time of forfeiture until the time of payment, in the same manner in all respects as if the share had not been forfeited; and
- (D) remain liable to satisfy all (if any) claims and demands which the Company might have enforced in respect of the share at the time of forfeiture without any deduction or allowance for the value of the share at the time of forfeiture or for any consideration received on its disposal.

37.3 The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share as between the shareholder whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the 2006 Act given or imposed in the case of past members.

37.4 Notwithstanding any such forfeiture as aforesaid, the Board may, at any time before the forfeited shares have been otherwise disposed of, annul the forfeiture, on the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share, or on the terms of compliance with the terms of any notice served under section 793 of the 2006 Act, as appropriate, and on such further terms (if any) as it shall see fit.

38. DISPOSAL OF FORFEITED SHARE

38.1 Subject to the 2006 Act, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board may decide either to the person who was before the forfeiture the holder or to any other person. At any time before the disposal, the forfeiture may be cancelled on such terms as the Board may decide. Where for the purpose of its disposal a forfeited share is to be transferred to any transferee, the Board may:

- (A) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of their holder to the purchaser or as the purchaser may direct; and
- (B) in the case of uncertificated shares, exercise any power conferred on it by Article 24.9 (uncertificated shares) to effect a transfer of the shares.

38.2 The purchaser will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph 38.1 of this Article shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

39. PROOF OF FORFEITURE

A statutory declaration by a Director or the Secretary that a share has been duly forfeited on a specified date shall be conclusive evidence of the facts stated in it against all persons claiming to be entitled to the share. The declaration shall (subject to the execution of any necessary instrument of transfer) constitute good title to the share. The person to whom the share is disposed of shall not be bound to see to the application of the consideration (if any) given for it on such disposal. His title to the share will not be affected by any irregularity in, or invalidity of, the proceedings connected with the forfeiture or disposal.

40. SALE OF SHARES

40.1 The Company may sell at the best price reasonably obtainable any share of a member, or any share to which a person is entitled by transmission, if:

- (A) during the period of twelve (12) years prior to the date of the publication of the advertisements referred to in this paragraph 40.1 (or, if published on different dates, the earlier or earliest of them):
 - (1) no cheque, warrant or money order in respect of such share sent by or on behalf of the Company to the member or to the person entitled by transmission to the share, at his address in the Register of Members or other address last known to the Company has been cashed;
 - (2) no cash dividend payable on the shares has been satisfied by the transfer of funds to a bank account of the member (or person entitled by transmission to the share) or by transfer of funds by means of the Uncertificated System; and
 - (3) the Company has received no communication (whether in writing or otherwise) in respect of such share from such member or person,

provided that during such twelve (12) year period the Company has paid at least three cash dividends (whether interim or final) in respect of shares of the class in question and no such dividend has been claimed by the person entitled to such share;

- (B) on or after the expiry of such twelve (12) year period the Company has given notice of its intention to sell such share by advertisements in a national newspaper published in the country in which the Registered Office is located and in a newspaper circulating in the area in which the address in the Register of Members or other last known address of the member or the person entitled by transmission to the share or the address for the service of notices on such member or person notified to the Company in accordance with these Articles is located;
- (C) such advertisements, if not published on the same day, are published within thirty (30) days of each other; and
- (D) during a further period of three months following the date of publication of such advertisements (or, if published on different dates, the date on which the requirements of this paragraph 40.1 concerning the publication of newspaper advertisements are met) and prior to the sale the Company has not received any communication (whether in writing or otherwise) in respect of such share from the member or person entitled by transmission.

40.2 To give effect to a sale pursuant to paragraph 40.1 of this Article, the Board may:

- (A) in the case of certificated shares, authorise a person to execute an instrument of transfer of shares in the name and on behalf of the holder of, or the person entitled by transmission to, them to the purchaser or as the purchaser may direct; and
- (B) in the case of uncertificated shares, exercise any power conferred on it by Article 24.9 (uncertificated shares) to effect a transfer of the shares.

40.3 The transferee will not be bound to see to the application of the purchase monies in respect of any such sale. The title of the transferee to the shares will not be affected by any irregularity in or invalidity of the proceedings connected with the sale or transfer. Any instrument or exercise referred to at paragraph 40.2 of this Article shall be effective as if it had been executed or exercised by the holder of, or the person entitled by transmission to, the shares to which it relates.

41. APPLICATION OF SALE PROCEEDS

The Company shall account to the member or other person entitled to such share for the net proceeds of such sale by carrying all monies in respect of the sale to a separate account. The Company shall be deemed to be a debtor to, and not a trustee for, such member or other person in respect of such monies. Monies carried to such separate account may either be employed in the business of the Company or invested as the Board may think fit. No interest shall be payable to such member or other person in respect of such monies and the Company shall not be required to account for any money earned on them.

TRANSFER OF SHARES

42. FORM OF TRANSFER

42.1 Subject to these Articles, a member may transfer all or any of his shares:

- (A) in the case of certificated shares, by an instrument of transfer in writing in any usual form or in another form approved by the Board, which must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee; or
- (B) in the case of uncertificated shares, without a written instrument in accordance with the Uncertificated Securities Regulations.

42.2 The transferor shall remain the holder of the share transferred until the name of the transferee is entered in the Register of Members in respect of it.

42.3 The Board may at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder thereof recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board may think fit to impose.

43. REGISTRATION OF A CERTIFICATED SHARE TRANSFER

43.1 Subject to these Articles, the Board may, in its absolute discretion, refuse to register the transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is:

- (A) in respect of a share which is fully paid;
- (B) in respect of a share on which the Company has no lien;
- (C) in respect of only one class of shares;
- (D) in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (E) duly stamped (if required); and
- (F) delivered for registration to the Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer of a share, for which a certificate has not been issued, by a person in respect of whom the Company is not required by the 2006 Act to complete and have ready for delivery a share certificate, and except in the case of a renunciation) and any other evidence as the Board may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so,

provided that the Board shall not refuse to register any transfer or renunciation of any certificated shares listed on any investment exchange to which the shares are admitted to trading on the ground that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

43.2 If the Board refuses to register a transfer or renunciation pursuant to this Article, it shall, within two months after the date on which the transfer or renunciation was delivered to the Company, send notice of the refusal to the transferee or renounee together with their reasons for the refusal. An instrument of transfer or renunciation which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person delivering it. All instruments of transfer which are registered may, subject to these Articles, be retained by the Company.

43.3 The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor.

43.4 In the case of a partly paid up share the instrument of transfer must also be signed by or on behalf of the transferee.

43.5 All instruments of transfer which shall be registered shall (except in case of fraud) be retained by the Company, but any instrument of transfer which the Board may refuse to register shall (except in case of fraud) be returned to the party presenting the same.

44. REGISTRATION OF AN UNCERTIFICATED SHARE TRANSFER

44.1 The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a Participating Security held in uncertificated form in accordance with the Uncertificated Securities Regulations, except that the Board may refuse (subject to any relevant requirements of (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Uncertificated Securities Regulations.

44.2 If the Board refuses to register any such transfer or renunciation the Company shall, within two months after the date on which the instruction relating to such transfer or renunciation was received by the Company, send notice of the refusal to the transferee or renouneece.

45. NO FEE ON REGISTRATION

No fee shall be charged for the registration of a transfer of a share or the renunciation of a renounceable letter of allotment or other document relating to or affecting the title to any share.

46. CLOSING OF REGISTER OF MEMBERS

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods, not exceeding thirty (30) days in any year, as the Board may decide (subject to the Uncertificated Securities Regulations in the case of any shares of a class which is a Participating Security).

EXERCISE OF MEMBERS' RIGHTS

47. NOMINATION OF PERSONS TO ENJOY MEMBERS' RIGHTS

47.1 Any member of the Company who is not a holder of Preference Shares may, by giving thirty (30) days' notice in writing to the Company, nominate another person or persons as being entitled to enjoy or exercise all or any specified rights of the member in relation to the Company. Once such notice has been given, anything required or authorised by any provision of the 2006 Act to be done by or in relation to the member shall instead be done or, (as the case may be) may instead be done, by or in relation to the nominated person (or each of them) as if he were a member of the Company.

47.2 Article 47.1 above applies in respect of the rights set out in section 145 of the 2006 Act and is subject to section 145(4) of the 2006 Act.

TRANSMISSION OF SHARES

48. ON DEATH

If a member dies, the survivors or survivor where he was a joint holder, or his personal representatives where he was the sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his shares. Nothing in these Articles shall release the estate of a deceased holder from any liability in respect of a share which has been held by him solely or jointly.

49. ELECTION OF PERSON ENTITLED BY TRANSMISSION

49.1 A person becoming entitled to a share in consequence of the death or bankruptcy of a member, or of any other event giving rise to a transmission of such entitlement by operation of law, may, on such evidence as to his title being produced as the Board may require, elect either to become registered as the holder of such share or to have some person nominated by him so registered. If he elects to be registered himself, he shall give notice to the Company to that effect. If he elects to have some other person registered, he shall:

(A) in the case of a certificated share, execute an instrument of transfer of such share to such person; and

(B) in the case of an uncertificated share, either:

(1) procure that all appropriate instructions are given by means of the Uncertificated System to effect the transfer of such share to such person; or

(2) change the uncertificated share to certificated form and then execute an instrument of transfer of such share to such person.

49.2 All the provisions of these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer or instructions (as the case may be) referred to at paragraph 49.1 of this Article as if the notice were an instrument of transfer and as if the instrument of transfer was executed, or the instructions were given, by the member and the event giving rise to the transmission had not occurred.

49.3 The Board may give notice requiring a person to make the election referred to in paragraph 49.1 of this Article. If such notice is not complied with within sixty (60) days, the Board may withhold payment of all dividends and other amounts payable in respect of the share until notice of election has been made.

50. RIGHTS ON TRANSMISSION

A person becoming entitled by transmission to a share shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as its holder, be entitled in respect of it to receive notice of, or to attend or vote at, any general meeting or at any separate meeting of the holders of any class of shares.

GENERAL MEETINGS

51. ANNUAL AND OTHER GENERAL MEETINGS

51.1 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held in each period of six months beginning with the day following the Company's accounting reference date and subject thereto at such time and place as the Board shall determine. The first such annual general meeting of the Company will be held in 2016.

51.2 The Board may convene a general meeting whenever it thinks fit. A general meeting shall, subject as provided in these Articles, also be convened on such requisition, or in default may be convened by such requisitionists, as provided by section 303 of the 2006 Act. In the case of a general meeting called in pursuance of a requisition, no business shall be transacted at such meeting except that stated by the requisition or proposed by the Board.

51.3 All provisions of these Articles relating to general meetings of the Company shall, mutatis mutandis, apply to every separate general meeting of the holders of any class of shares in the capital of the Company, except that:

(A) the necessary quorum at any such meeting (or adjournment thereof) shall be members of that class who together represent at least the majority of the voting rights of all the members of that class entitled to vote, present in person or by proxy, at the relevant meeting; and

(B) each holder of shares of the class shall, on a poll, have one vote in respect of every share of the class held by him.

52. NOTICE OF GENERAL MEETINGS

52.1 A general meeting that is an annual general meeting shall be convened by not less than twenty-one (21) clear days' and no more than sixty (60) clear days' notice.

52.2 Subject to the provisions of the 2006 Act and these Articles, all general meetings other than annual general meetings shall be convened by not less than fourteen (14) clear days' and no more than sixty (60) clear days' notice.

52.3 Subject to the 2006 Act and notwithstanding that it is convened by shorter notice than that specified in paragraphs 52.1 and 52.2 of this Article, a general meeting shall be deemed to have been duly convened if it is so agreed:

(A) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and

(B) in the case of any other general meeting, by members having a right to attend and vote at the meeting holding in aggregate not less than 95 per cent. in nominal value of the shares giving that right.

52.4 A notice of meeting shall specify:

(A) whether the meeting is an annual general meeting or any other general meeting;

(B) the place, the day and the time of the meeting;

(C) subject to the requirements of (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading, the general nature of the business to be transacted;

(D) if the meeting is convened to consider a special resolution, the intention to propose the resolution as such; and

(E) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member.

52.5 The notice of meeting:

(A) shall be given to the members (other than a member who, under these Articles or any restrictions imposed on any shares, is not entitled to receive notice from the Company), the Directors and the Company's auditors; and

(B) may specify a time by which a person must be entered on the Register of Members in order for such person to have the right to attend or vote at the meeting (subject to the Uncertificated Securities Regulations).

52.6 The Board may determine that the members entitled to receive notice of a meeting are those persons entered on the Register of Members at the close of business on a day determined by the Board (subject to the Uncertificated Securities Regulations).

52.7 The accidental omission to send or give a notice of meeting or, in cases where it is intended that it be sent out or given with the notice, an instrument of proxy or any other document to, or the non-receipt of any such item by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

53. QUORUM FOR GENERAL MEETING

53.1 No business shall be transacted at a general meeting unless a quorum is present when the meeting proceeds to business. Save as otherwise provided by these Articles, a quorum will comprise qualifying persons, who together are entitled to cast at least the majority of the voting rights of all the members entitled to vote at the relevant meeting, on a poll. For the purposes of this Article 53.1 a proxy, attorney or other representative of a member will be considered to be entitled to cast only the voting rights to which his appointment relates and not any other voting rights held by the member he represents.

53.2 For the purposes of this Article, a "**qualifying person**" means (i) an individual who is a member of the Company (other than a member who, under these Articles or any restrictions imposed on any shares, is not entitled to attend, speak or vote, whether in person or by proxy, at any general meeting of the Company) or his validly appointed attorney, (ii) a person authorised under section 323 of the 2006 Act to act as the representative of a corporation in relation to the meeting, or (iii) a person appointed as a proxy of a member in relation to the meeting. The Board is entitled, acting in good faith and without further enquiry, to assume the validity of any votes cast in person or by proxy.

53.3 The absence of a quorum will not prevent the appointment of a chairman of the meeting. Such appointment shall not be treated as being part of the business of the meeting.

54. PROCEDURE IF QUORUM NOT PRESENT

54.1 If within fifteen (15) minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the holding of the meeting a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting:

(A) if convened on the requisition of members, shall be dissolved; and

(B) in any other case, shall stand adjourned to the same day in the next week or to such other day and at such other time and place as the chairman (or, in default, the Board) may, subject to the provisions of the 2006 Act, determine.

54.2 If at such adjourned meeting a quorum is not present within fifteen (15) minutes after the time appointed for holding it the adjourned meeting shall be dissolved.

55. CHAIRMAN OF GENERAL MEETING

The chairman (if any) of the Board or, in his absence, the vice or deputy chairman (if any) shall preside as chairman at a general meeting. If there is no chairman or vice or deputy chairman, or if at a meeting neither is present within five minutes after the time fixed for the start of the meeting, or neither is willing to act, the Directors present shall select one of their number to be chairman of the meeting. If only one Director is present and willing to act, he shall be chairman of the meeting. In default, the members present in person and entitled to vote shall choose one of their number to be chairman of the meeting.

56. RIGHTS OF DIRECTORS AND OTHERS TO ATTEND MEETINGS

A Director (and any other person invited by the chairman of the meeting to do so) shall be entitled to attend and speak at a general meeting and at a separate meeting of the holders of any class of shares, whether or not he is a member.

57. ACCOMMODATION OF MEMBERS AT MEETING

If it appears to the chairman of the meeting that the meeting place specified in the notice convening the meeting is inadequate to accommodate all members entitled and wishing to attend, the meeting will be duly constituted and its proceedings valid if the chairman is satisfied that adequate facilities are available to ensure that a member who is unable to be accommodated is able (whether at the meeting place or elsewhere):

(A) to participate in the business for which the meeting has been convened;

(B) to hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise); and

(C) to be heard and seen by all other persons present in the same way.

58. SECURITY

In addition to any measures which the Board may be required to take due to the location or venue of the meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security of a meeting including, without limitation, the searching of any person attending the meeting and the imposing of restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to, or eject from, a meeting a person who refuses to comply with any such arrangements or restrictions.

59. POWER TO ADJOURN

59.1 The chairman of the meeting may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting, from time to time (or indefinitely) and from place to place as the chairman shall determine.

59.2 Without prejudice to any other power of adjournment which the chairman of the meeting may have under these Articles, at common law or otherwise, the chairman may, without the consent of the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place if he decides that it is necessary or appropriate to do so in order to:

(A) secure the proper and orderly conduct of the meeting; or

(B) give all persons entitled to do so an opportunity of attending the meeting; or

(C) give all persons entitled to do so a reasonable opportunity of speaking and voting at the meeting; or

(D) ensure that the business of the meeting is properly concluded or disposed of, including (without limitation) for the purpose of determining the result of a poll.

59.3 Without prejudice to the generality of the foregoing, the chairman of the meeting may in such circumstances direct that the meeting be held simultaneously in two or more venues connected for the duration of the meeting by audio or audio visual links or in two or more consecutive sessions with the votes taken being aggregated or that it be adjourned to a later time on the same day or a later date at the same or any other venue.

60. NOTICE OF ADJOURNED MEETING

Whenever a meeting is adjourned for fourteen (14) days or more or indefinitely, at least seven clear days' notice, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, shall be given in the same manner as in the case of an original meeting. Except in these circumstances, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting.

61. BUSINESS OF ADJOURNED MEETING

No business shall be transacted at any adjourned meeting other than the business which might properly have been transacted at the meeting from which the adjournment took place.

62. PROPOSED SHAREHOLDER RESOLUTIONS

62.1 Any request by a member or members to propose a resolution at a meeting of the Company must, in order for the resolution to be properly moved at a meeting of the Company (i) comply with the requirements of the 2006 Act and the requirements of Article 63 and (ii) contain:

(A) to the extent that the request relates to the nomination of a director, as to each person whom the member(s) propose(s) to nominate for election or re-election as a director:

- (1) all information relating to such person that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, and the regulations promulgated thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;

- (2) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such member(s) and any Member Associated Person (as defined below), on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the member(s) making the nomination and any Member Associated Person were the “registrant” for purposes of such rule and the nominee were a director or executive officer of such registrant;
- (B) to the extent that that request relates to any business other than the nomination of a director that the member(s) propose(s) to bring before the meeting, a comprehensive description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, the text of the proposal (including the complete text of any resolution(s) proposed for consideration) and any material interest in such business of such member(s) and any Member Associated Person, individually or in the aggregate, including any anticipated benefit to the member(s) or any Member Associated Person therefrom;
- (C) as to the member(s) giving the notice and the Member Associated Person, if any, on whose behalf the nomination or proposal is made:
- (1) the name and address of such member(s), as they appear on the Company's books, and of such Member Associated Persons, if any;
 - (2) the class and number of shares of the Company which are, directly or indirectly, owned beneficially and of record by such member(s) and such Member Associated Persons, if any;
 - (3) any "**Derivative Instrument**" owned beneficially, directly or indirectly, by such member or Member Associated Person(s), being any option, warrant, convertible security, share appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Company or with a value derived in whole or in part from the value of any class or series of shares of the Company, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Company, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Company, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Company, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Company, through the delivery of cash or other property, or otherwise, and without regard to whether the member(s) and such Member Associated Persons, if any, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company;
 - (4) any proxy, contract, arrangement, understanding, or relationship pursuant to which such member(s) and such Member Associated Persons, if any, have the right to vote any class or series of shares of the Company;
 - (5) any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called “stock borrowing” agreement or arrangement, involving such member(s) and such Member Associated Persons, if any, directly or indirectly, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Company by, manage the risk of share price changes for, or increase or decrease the voting power of, such member(s), and such Member Associated Persons, if any, with respect to any class or series of the shares of the Company, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the Company (any of the foregoing, a "**Short Interest**");
 - (6) any rights to dividends on the shares of the Company owned beneficially by such member(s) and such Member Associated Persons, if any, that are separated or separable from the underlying shares of the Company;
 - (7) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Company held by such member(s), and such Member Associated Persons, if any; any other information relating to such member(s) or such other beneficial owner or Member Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and

(8) to the extent known by the member(s) giving the notice, and such Member Associated Persons, if any, the name and address of any other member or, as the case may be, the Member Associated Person of such other member, supporting the nominee for election or re-election as a director or the proposal of other business on the date of such request; and

(D) the information required in Article (C) above shall be updated by such member(s) as of the record date for the meeting not later than three days after the record date for the meeting.

62.2 To be eligible to be a nominee of any member(s) for election or re-election as a director of the Company, save where such election or re-election is at the recommendation of the Board, a person must deliver (in accordance with the time periods prescribed in Article 63.1 for delivery of a request pursuant to Article 62.1) to the secretary at the Registered Office a written questionnaire with respect to the background and qualifications of such individual and the background of any other person or entity on whose behalf, directly or indirectly, the nomination is being made (which questionnaire shall be provided by the secretary upon written request), and a written representation and agreement (in the form provided by the secretary upon written request) that such individual (a) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question (a **"Voting Commitment"**) that has not been disclosed therein, including without limitation any Voting Commitment that could limit or interfere with such individual's ability to comply, if elected as a director of the Company, with such individual's fiduciary and other director's duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, (c) in such individual's personal capacity and on behalf of any person or entity on whose behalf, directly or indirectly, the nomination is being made, would be in compliance, if elected as a director of the Company, and will comply, with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Company publicly disclosed from time to time and (d) irrevocably submits his or her resignation as a director effective upon a finding by a court of competent jurisdiction that such person has breached such written representation and agreement.

62.3 Except as otherwise provided by law or the Articles, the chairman of the meeting shall have the power and duty to determine whether a nomination or any other business proposed to be brought before the meeting was proposed in accordance with the procedures set out in this Article 62 and in Article 63 and, if any proposed nomination or other business is not in compliance with this Article 62 and Article 63, to declare that such defective proposal or nomination shall be disregarded.

62.4 For the purposes of this Article 62, where nominations of persons for appointment to the board and/or proposals of other business to be considered by the members (as the case may be) are made by or on behalf of more than one member or Member Associated Person, references to a member or Member Associated Person in relation to notice and other information requirements shall apply to each member or Member Associated Person, respectively, as the context requires.

62.5 For the purposes of this Article 62, a **"Member Associated Person"** of any member shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such member, (ii) any beneficial owner of shares of the Company owned of record or beneficially by such member or in which such member is interested or in respect of which such member has the ability to direct votes, and (iii) any person controlling, controlled by or under common control with a person of the kind referred to in sub-paragraphs (i) or (ii), and for these purposes **"control"**, when used with respect to any person, means the possession, directly or indirectly, of the power to manage or direct the management, policies or activities of such person, whether through the ownership of voting securities, by contract, or otherwise and **"controlling"**, **"controlled by"** and **"under common control with"** shall be construed accordingly.

63. TIME FOR RECEIVING REQUESTS

63.1 A member or Member Associated Person who makes a request to which Article 62.1 relates, must deliver any such request in writing to the secretary at the Registered Office not earlier than the close of business on the one hundred and twentieth (120th) calendar day nor later than the close of business on the ninetieth (90th) calendar day prior to the first anniversary of the preceding year's annual general meeting, provided, however, that if the date of an annual meeting is more than thirty (30) calendar days before or more than sixty (60) calendar days after the first anniversary of the preceding year's annual general meeting, notice by the member must be so delivered in writing not earlier than the close of business on the one hundred and twentieth (120th) calendar day prior to such annual general meeting and not later than the close of business on the later of (i) the ninetieth (90th) calendar day prior to such annual general meeting and (ii) the fifth (5th) calendar day after the day on which public announcement of the date of such annual general meeting is first made by the Company provided that in no event shall any adjournment or postponement of an annual general meeting or the public announcement thereof commence a new time period for the giving of a member's notice as described in this Article.

- 63.2 For the purposes of the annual general meeting of the Company to be held in 2016, references in this Article 63 to the Company's "preceding year's annual general meeting" shall be construed as references to the 2015 annual general meeting of STERIS Corporation.
- 63.3 Notwithstanding anything in the foregoing provisions of this Article 63 to the contrary, if the number of directors to be elected to the board is increased and there is no public announcement by the Company naming all of the nominees for director or specifying the size of the increased board of directors made by the Company at least one hundred (100) calendar days prior to the date of the first anniversary of the preceding year's annual general meeting, a member's notice required by this Article 63 shall also be considered as validly delivered in accordance with Article 63, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the Company's registered not later than 5.00 p.m., local time, on the tenth (10th) calendar day after the day on which such public announcement is first made by the Company.
- 63.4 For purposes of this Article 63, "**public announcement**" shall mean disclosure in a press release reported by Reuters, the Dow Jones News Service, Associated Press or a comparable news service or in a document publicly filed by the Company with the US Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.
- 63.5 Notwithstanding the provisions of Article 62 or the foregoing provisions of this Article 63, a member shall also comply with all applicable requirements of the 2006 Act and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in Article 62 and this Article 63. Nothing in Article 62 or this Article 63 shall be deemed to affect any rights of members to request inclusion of proposals in, nor the right of the Company to omit proposals from, the Company's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

VOTING

64. VOTING AT A GENERAL MEETING

- 64.1 A resolution put to the vote of a general meeting shall be decided on a poll. This requirement for poll voting on resolutions at a general meeting of the Company may only be removed, amended or varied by resolution of the members passed unanimously at a general meeting of the Company.

65. POLL PROCEDURE

- 65.1 Each poll shall be conducted in such a manner as the chairman directs. In advance of any meeting, the chairman shall appoint scrutineers or inspectors who need not be members, to act at the meeting. The chairman may appoint one or more persons as alternate scrutineers or inspectors to replace any scrutineer or inspector who fails to act. If no scrutineer or inspector or alternate scrutineer is willing or able to act at a meeting, the chairman shall appoint one or more other persons to act as scrutineers or inspectors at the meeting. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was conducted.
- 65.2 Each scrutineer or inspector appointed in accordance with this Article 65 shall, prior to acting, be required to provide an undertaking to the Company, in a form determined by the board, that he or she will execute the duties of a scrutineer or inspector with strict impartiality and according to the best of his or her ability.
- 65.3 Any poll conducted on the election of the chairman or on any question of adjournment shall be taken at the meeting and without adjournment. A poll conducted on another question shall be taken at such time and place at the chairman decides, either at once or after an interval or adjournment.
- 65.4 The date and time of the opening and the closing of a poll for each matter upon which the shareholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the scrutineers or inspectors after the closing of the poll unless a court with relevant jurisdiction upon application by a shareholder shall determine otherwise.

- 65.5 A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

66. VOTES OF MEMBERS

- 66.1 Every member (other than a member who, under these Articles or any restrictions imposed on any shares, is not entitled to 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) who (being an individual) is present in person or by duly appointed proxy or (being a corporation) is present by duly authorised representative or by duly appointed proxy shall have one vote for every share of which he is the holder.
- 66.2 In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. Seniority shall be determined by the order in which the names of the holders stand in the Register of Members in respect of the joint holding.

66.3 A member in respect of whom an order has been made by any court or official having jurisdiction (whether in the United Kingdom, the United States or elsewhere) in matters concerning mental disorder or incapacity may vote by his guardian or other person duly authorised to act on his behalf, who may vote by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming the right to vote shall be deposited at the Registered Office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised, and in default the right to vote shall not be exercisable.

67. CHAIRMAN'S CASTING VOTE

In the case of an equality of votes, the chairman of the meeting shall be entitled to a further or casting vote in addition to any other vote he may have or be entitled to exercise.

68. VOTING RESTRICTIONS ON AN OUTSTANDING CALL

Unless the Board decides otherwise, no member shall be entitled to be present or vote at any meeting either personally or by proxy until he has paid all calls due and payable on every share held by him whether alone or jointly with any other person together with interest and expenses (if any) to the Company.

69. PROXY INSTRUMENT

69.1 The appointment of a proxy shall be in any usual form or in any other form which the Board may approve and, in the case of an instrument in writing, shall be executed by or on behalf of the appointor but need not be witnessed. In the case of an instrument in writing, a corporation may execute a form of proxy either under its common seal (or in any other manner permitted by law and having the same effect as if executed under seal) or under the hand of a duly authorised officer, attorney or other person. A member may appoint more than one proxy to attend on the same occasion, but only one proxy may be appointed in respect of any one share. The appointment of a proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it. A form of proxy shall, unless it provides to the contrary, be valid for any adjournment of the meeting to which it relates.

69.2 The appointment of a proxy and any authority under which it is executed or a copy of the authority certified notarially or in some other way approved by the Board shall:

- (A) in the case of an instrument in writing be deposited at the Registered Office or at such other place as is specified in the notice convening the meeting, or in any instrument of proxy sent out by the Company in relation to the meeting, not less than forty eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote;
- (B) in the case of an appointment contained in a communication by electronic means, where an address has been specified for the purpose of receiving communications by electronic means:
 - (1) in the notice convening the meeting; or
 - (2) in any instrument of proxy sent out by the Company in relation to the meeting; or
 - (3) in any invitation contained in an communication by electronic means to appoint a proxy issued by the Company in relation to the meeting,

be received at such address not less than forty eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;

- (C) be deemed to include the right to speak at the meeting and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit; and
- (D) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates;

and an appointment of proxy which is not deposited, delivered or received in a manner so permitted shall be invalid (unless the Board, in its absolute discretion in relation to any such appointment, waives any such requirement and decides to treat such appointment as valid).

- 69.3 When two or more valid but differing appointments of proxy are delivered or received in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share.
- 69.4 The Board may at the expense of the Company send forms of appointment of proxy to the members by post, by communication by electronic means or otherwise (with or without provision for their return by pre-paid post) for use at any general meeting or at any separate meeting of the holders of any class of shares, either blank or nominating as proxy in the alternative any one or more of the Directors or any other person and worded so as to enable the proxy to vote either for or against or to withhold their vote in respect of the resolutions to be proposed at the meeting at which the proxy is to be used. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the Company's expense, they shall be issued to all (and not to some only) of the members entitled to be sent notice of the meeting and to vote at it. The accidental omission to send such a form of appointment or to give such an invitation to, or the non-receipt of such form of appointment by, any member entitled to attend and vote at a meeting shall not invalidate the proceedings at that meeting.
- 69.5 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or the revocation of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Registered Office, or at such other place as is referred to in Article 69.2, not less than forty eight (48) hours (excluding days which are not working days) before the commencement of the meeting or adjourned meeting at which the instrument of proxy is used.

70. CORPORATE REPRESENTATIVES

In accordance with the 2006 Act, any corporation which is a member entitled to attend a meeting of the Company or a meeting of the holders of any class of its shares may, by resolution of its directors or other governing body, authorise such person or persons as it thinks fit to act as its representative or representatives at any such meeting of the Company or at any such meeting of the holders of any class of its shares. Any person so authorised shall be entitled to exercise the same powers on behalf of the corporation (in respect of that part of the corporation's holdings to which the authority relates) as the corporation could exercise if it were an individual member. The corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present at it. All references in these Articles to attendance and voting in person shall be construed accordingly. A Director, the Secretary or some other person authorised for the purpose by the Secretary may (but is not bound to) require the representative to produce a certified copy of the resolution so authorising him or such other evidence of his authority reasonably satisfactory to such person before permitting him to exercise his powers.

71. AMENDMENT TO RESOLUTIONS

- 71.1 If an amendment shall be proposed to any resolution but shall in good faith be ruled out of order by the chairman of the meeting, any error in such ruling shall not invalidate the proceedings on the substantive resolution.
- 71.2 In the case of a resolution duly proposed as a special resolution, no amendment to it (other than an amendment to correct a patent error) may be considered or voted on and in the case of a resolution duly proposed as an ordinary resolution no amendment to it (other than an amendment to correct a patent error) may be considered or voted on unless either at least forty eight (48) hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move it has been lodged at the Registered Office or the chairman of the meeting in his absolute discretion decides that it may be considered or voted on.

72. OBJECTION TO ERROR IN VOTING

No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote, except at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any such objection or error shall be referred to the chairman of the meeting, who shall not be obliged to take it into account unless he considers it to be of sufficient magnitude to affect the decision of the meeting. The chairman's decision on such matters shall be final and binding on all concerned.

FAILURE TO DISCLOSE INTERESTS IN SHARES

73. FAILURE TO DISCLOSE INTERESTS IN SHARES

- 73.1 For the purpose of this Article:

(A) **"Exempt Transfer"** means, in relation to shares held by a member:

- (1) a transfer pursuant to acceptance of a takeover offer (as defined in section 974 of the 2006 Act) for the Company or in relation to any of its shares;
 - (2) a transfer in consequence of a sale made through a recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000) or any investment exchange selected by the Company outside the United Kingdom on which the Company's shares (or rights in respect of those shares) are normally traded; or
 - (3) a transfer made in consequence of a sale in good faith of the whole of the beneficial interest in the shares to a bona fide unconnected third party, that is to say one who, in the reasonable opinion of the Board, is unconnected with the member or with any other person appearing to be interested in such shares prior to such transfer (being a party which itself is not the holder of any shares in the Company in respect of which a Direction Notice is then in force or a person appearing to be interested in any such shares) and/or the Board does not have reasonable grounds to believe that the transferor or any other person appearing to be interested in such first mentioned shares will following such transfer have any interest in such shares;
- (B) a person shall be treated as appearing to be **"interested"** in any shares if the member holding such shares has given to the Company information in response to a notice from the Company pursuant to section 793 of the 2006 Act (a **"Section 793 Notice"**) which names such person as being so interested or if the Company (after taking into account information provided in response to the relevant Section 793 Notice and any other notification under the 2006 Act or any relevant information otherwise available to the Company) knows or has reasonable cause to believe that the person in question is, or may be, interested in the shares, and references in this Article to persons interested in shares and to **"interests in shares"** shall be construed in accordance with section 820 of the 2006 Act;
- (C) a person, other than the member holding a share, shall be treated as appearing to be interested in such share if the member has informed the Company that the person is or may be so interested, or if the Company (after taking account of information obtained from the member or, pursuant to a duly served Section 793 Notice from anyone else) knows or has reasonable cause to believe that the person is or may be so interested;
- (D) reference to a person having failed to give to the Company information required by a Section 793 Notice, or being in default of supplying such information, includes references to his having:
- (1) failed or refused to give all or any part of such information; and
 - (2) given information which he knows to be false in a material particular or recklessly given information which is false in a material particular; and
- (E) **"transfer"** means a transfer of a share or (where applicable) a renunciation of a renounceable letter of allotment or other renounceable document of title relating to a share.

73.2 Where a Section 793 Notice is given by the Company to a member, or another person appearing to be interested in shares held by such member, and the member or other person has failed in relation to any shares (**"Default Shares"**) (which expression applies also to any shares issued after the date of the Section 793 Notice in respect of those shares and to any other shares registered in the name of such member at any time whilst the default subsists) to give the Company the information required within the time period specified in such notice, then provided that ten (10) clear days have elapsed since service of the Section 793 Notice, the Board may at any time thereafter at its absolute discretion by notice to such member (a **"Direction Notice"**) direct that:

- (A) the member which is the subject of a Direction Notice is not, in respect of the Default Shares, entitled to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll;
- (B) in respect of the Default Shares that represent, at the date of the Direction Notice, 0.25 per cent or more in nominal value of the issued shares of their class:
 - (1) any dividend (or any part of a dividend) or any monies which would otherwise be payable in respect of the Default Shares (except on a winding up of the Company) may be withheld by the Company, which shall have no obligation to pay interest on such dividend;
 - (2) the member shall not be entitled to elect, pursuant to Article 133 (scrip dividends) or otherwise, to receive shares instead of a dividend; and
 - (3) the Board may, in its absolute discretion, refuse to register the transfer of any Default Shares (subject, in the case of any uncertificated shares, to the Uncertificated Securities Regulations) unless:

- (a) the transfer is an Exempt Transfer; or
- (b) the member is not himself in default in supplying the information required and proves to the satisfaction of the Board that no person in default of supplying the information required is interested in any of the shares which are the subject of the transfer, and

(C) the member which is the subject of a Direction Notice is in breach of these Articles.

73.3 The Company shall send a copy of the Direction Notice to each other person appearing to be interested in the relevant Default Shares the address of whom has been notified to the Company, but failure or omission by the Company to do so shall not invalidate such notice.

73.4 Where any person appearing to be interested in any shares has been served with a Section 793 Notice and such shares are held by a Depositary, the provisions of this Article shall be deemed to apply only to those shares held by the Depositary in which such person appears to be interested and not (so far as that person's apparent interest is concerned) to any other shares held by the Depositary and references to Default Shares shall be construed accordingly.

73.5 Where a person who has an interest in Depositary Interests receives a Section 793 Notice, that person is considered for the purposes of this Article 73 to have an interest in the number of shares represented by those Depositary Interests which is specified in the Section 793 Notice and not in the remainder of the shares held by the Depositary or in which the Depositary is otherwise interested.

73.6 Where the member on whom a Section 793 Notice has been served is a Depositary, the obligations of the Depositary acting in its capacity as such shall be limited to disclosing to the Company such information relating to any person appearing to be interested in the shares held by it as has been recorded by the Depositary in accordance with the arrangements entered into by the Company or approved by the Board pursuant to which it was appointed as a Depositary.

73.7 The sanctions under paragraph 73.2 of this Article shall cease to apply seven days after the earlier of:

- (A) receipt by the Company of notice of an Exempt Transfer, but only in relation to the shares transferred; and
- (B) receipt by the Company, in a form satisfactory to the Board, of all the information required by the Section 793 Notice.

73.8 The Board may, to enable the Company to deal with Default Shares in accordance with the provisions of this Article:

(A) give notice in writing to any member holding Default Shares in uncertificated form or to any other person who is interested in Default Shares which are represented by Depositary Interests, requiring the member who holds such Default Shares and/or the person holding Depositary Interests:

(1) to change his holding of such shares from uncertificated form into certificated form in the name of the member or his holding of such shares represented by Depositary Interests into certificated shares only in the name of the person who is interested in the Depositary Interests, as applicable, within a specified period; and

(2) then to hold such Default Shares in certificated form for so long as the default subsists; and

(B) appoint any person to take any steps, by instruction by means of the Uncertificated System or otherwise, in the name of any holder of Default Shares as may be required to change such Default Shares from uncertificated form into certificated form or where a person has an interest in Default Shares which are represented by Depositary Interests to change such Default Shares represented by Depositary Interests into certificated form only in the name of the interested person (and such steps shall be effective as if they had been taken by such holder).

73.9 None of the provisions contained in this Article shall in any way limit or restrict the rights of the Company under sections 793 and 794 of the 2006 Act or any order made by the court under section 794 or elsewhere under Part 22 of the 2006 Act nor shall any sanction imposed by the Board pursuant to this Article cease to have effect, otherwise than as provided in this Article, unless it is so ordered by the court.

APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

74. NUMBER OF DIRECTORS

The number of Directors shall be as the Board may determine from time to time and at the date of adoption of these Articles shall be not more than 15 (fifteen) and not less than 7 (seven).

75. NO SHARE QUALIFICATION

A Director need not hold any shares but shall be entitled to receive notice of, attend and speak at all general meetings of the Company and of any class of members of the Company.

76. COMPANY'S POWER TO APPOINT DIRECTORS

76.1 Subject to these Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Directors, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Articles.

76.2 A resolution for the appointment of two or more persons as Directors by a single resolution at a general meeting shall be void unless an ordinary resolution that the resolution for appointment be proposed in such way has first been agreed to by the meeting without any vote being given against it.

77. BOARD'S POWER TO APPOINT DIRECTORS

Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board or as a successor to a Director who is not re-elected at an annual general meeting and whose successor is not elected at such annual general meeting, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Articles.

78. APPOINTMENT OF EXECUTIVE DIRECTORS

Subject to the 2006 Act, the Board may appoint one or more of its members to an executive office or other position of employment with the Company for such term (subject to the 2006 Act) and on any other conditions the Board thinks fit. The Board may revoke, terminate or vary the terms of any such appointment, without prejudice to a claim for damages for breach of contract between the Director and the Company.

79. ANNUAL RE-ELECTION

79.1 Commencing with the annual general meeting of the Company in 2016, Directors shall stand for re-election at each annual general meeting of the Company.

79.2 Notwithstanding that a Director might not be re-elected at an annual general meeting, such Director shall nevertheless hold office until his successor is elected or is appointed by the Board pursuant to Article 77, or until his earlier resignation or removal in accordance with these Articles or the 2006 Act.

79.3 A Director whose term expires at an annual general meeting may, if willing to act, be re-appointed.

80. ELIGIBILITY OF NEW DIRECTORS

No person shall be eligible for nomination for election or re-election as Director at any general meeting unless:

- (A) he is recommended by the Board for appointment or, in the case of a Director retiring, re-appointment; or
- (B) in any other case, the requirements of Article 62 and 63 in respect of nominations of Directors are satisfied.

81. REMOVAL BY ORDINARY RESOLUTION

In addition to any power of removal under the 2006 Act and subject to the provisions of these Articles, including, without limitation, Articles 62, 63 and 80 the Company may:

- (A) by ordinary resolution, of which special notice has been given in accordance with section 312 of the 2006 Act, remove any Director before the expiration of his period of office, but without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company; and
- (B) by ordinary resolution appoint another person in place of a Director removed under Article 81(A); and
- (C) without prejudice to the powers of the Directors in Article 77, appoint any person to be a Director either to fill a casual vacancy or as an additional Director.

Any person so appointed under paragraph 81(B) shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

82. VACATION OF DIRECTOR'S OFFICE

82.1 Without prejudice to the provisions in these Articles for retirement, the office of a Director shall be vacated if:

- (A) he resigns by notice in writing delivered to the Secretary at the Registered Office or tendered at a Board meeting;
- (B) he only held office as a Director for a fixed term and such term expires;
- (C) he ceases to be a Director by virtue of any provision of the Statutes, is removed from office pursuant to these Articles or the Statutes or becomes prohibited by law from being a Director;
- (D) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under any legislation relating to insolvency;
- (E) an order is made by any court of competent jurisdiction on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment under any legislation relating to mental health and the Board resolves that his office be vacated;
- (F) he is absent, without permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated;
- (G) he is removed from office by notice in writing addressed to him at his address as shown in the Company's register of directors and signed by not less than three-quarters of all the Directors in number (rounded down to the nearest whole number and excluding the Director in question) (without prejudice to any claim for damages which he may have for breach of contract against the Company); or
- (H) in the case of a Director who holds executive office, his appointment to such office is terminated or expires and the Board resolves that his office be vacated.

82.2 A resolution of the Board declaring a Director to have vacated office pursuant to this Article shall be conclusive as to the fact and grounds of vacation stated in the resolution.

BOARD POWERS

83. BOARD POWERS

Subject to the Statutes, the Company's memorandum of association and these Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not. No alteration of the memorandum of association or of these Articles nor any such direction shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given. The provisions in these Articles giving specific powers to the Board shall not limit the general powers given by this Article.

84. DIRECTORS BELOW THE MINIMUM NUMBER

If the number of Directors is less than the minimum prescribed in accordance with these Articles, the remaining Director or Directors shall act only for the purposes of appointing an additional Director or Directors to make up such minimum or of convening a general meeting of the Company for the purpose of making such appointment. If there are no Director or Directors able or willing to act, any two members may summon a general meeting for the purpose of appointing Directors. Any additional Director so appointed shall hold office (subject to these Articles) only until the dissolution of the annual general meeting next following such appointment unless he is re-elected during such meeting.

85. DELEGATION TO EXECUTIVE DIRECTORS

The Board may delegate to a Director holding executive office any of its powers, authorities and discretions for such time and on such terms and conditions as it shall think fit. The Board may grant to a Director the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director. The Board may at any time revoke the delegation or alter its terms and conditions.

86. DELEGATION TO COMMITTEES

86.1 The Board may delegate any of its powers, authorities and discretions (including, without limitation, those relating to the payment of monies or other remuneration to, and the conferring of benefits on, a Director) for such time and on such terms and conditions as it shall think fit to a committee consisting of one or more Directors and (if thought fit) one or more other persons. The Board may grant to the committee the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the committee. The Board may at any time revoke the delegation or alter its terms and conditions or discharge the committee in whole or in part. Where a provision of the Articles refers to the exercise of a power, authority or discretion by the Board and that power, authority or discretion has been delegated by the Board to a committee, the provision shall be construed as permitting the exercise of the power, authority or discretion by the committee.

86.2 The Board's power under these Articles to delegate to a committee:

- (A) includes (without limitation) the power to delegate the determination of any fee, remuneration or other benefit to be paid or provided to any Director; and
- (B) is not limited by the fact that in some Articles but not others express reference is made to particular powers being exercised by the Board or by a committee.

87. LOCAL MANAGEMENT

The Board may establish local or divisional boards, agencies or branch offices for managing the affairs of the Company in a specified locality, either in the United States or elsewhere, and may appoint persons to be members of a local or divisional board, agency or branch office and may fix their remuneration. The Board may delegate to a local or divisional board, agency or branch office any of its powers, authorities and discretions for such time and on such terms and conditions as it thinks fit. The Board may grant to such local or divisional board, agency or branch office the power to sub-delegate, may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the local or divisional board, agency or branch office and may authorise the members of a local or divisional board, agency or branch (or any of them) to fill a vacancy or to act despite a vacancy. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation. Subject to the terms and conditions imposed by the Board, the proceedings of a local or divisional board, agency or branch office with two or more members are governed by those Articles that regulate the proceedings of the Board, so far as applicable.

88. DELEGATION TO AGENTS

The Board may, by power of attorney or otherwise, appoint a person to be the agent of the Company and may delegate to such person any of its powers, authorities and discretions for such purposes, for such time and on such terms and conditions (including as to remuneration) as it thinks fit. The Board may grant the power to sub-delegate and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the agent. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation.

89. EXERCISE OF VOTING POWER

The Board may exercise or cause to be exercised the voting power conferred by shares in any other body corporate held or owned by the Company, or any power of appointment to be exercised by the Company, in any manner it thinks fit (including the exercise of the voting power or power of appointment in favour of the appointment of any Director as a director or other officer or employee of such company or in favour of the payment of remuneration to the directors, officers or employees of such company).

90. PROVISION FOR EMPLOYEES

The Board may exercise any power conferred on the Company by the Statutes to make provision for the benefit of persons employed or formerly employed by any Group Member in connection with the cessation or the transfer to any person of the whole or part of the undertaking of such Group Member.

91. OVERSEAS REGISTERS

Subject to the Statutes and the Uncertificated Securities Regulations, the Board may exercise the powers conferred on the Company with regard to the keeping of an overseas branch, local or other register in relation to members and may make and vary such regulations as it thinks fit concerning the keeping of any such register.

92. ASSOCIATE DIRECTORS

The Board may appoint any person (not being a Director) to any office or employment having a designation or title including the word "**director**" or attach to any existing office or employment with the Company such designation or title and may

terminate any such appointment or the use of such designation or title. The inclusion of the word "**director**" in the designation or title of any such office or employment shall not imply that such person is, or is deemed to be, or is empowered in any respect to act as, a Director for any of the purposes of the Statutes or these Articles.

93. BORROWING POWERS

Subject to the Statutes, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to sections 549 and 551 of the 2006 Act, to create and issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of any third party.

94. CHANGE OF COMPANY NAME

The name of the Company may be changed with the approval of the Board.

DIRECTORS' REMUNERATION, EXPENSES AND BENEFITS

95. FEES

The Company shall pay to the Directors for their services as Directors such aggregate amount of fees as the Board decides. The aggregate fees shall be divided among the Directors in such proportions as the Board decides or, if no decision is made, equally. A fee payable to a Director pursuant to this Article shall be distinct from any salary or remuneration payable to him under a service agreement or other amount payable to him pursuant to other provisions of these Articles and accrues from day to day.

96. EXPENSES

A Director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of his duties as a Director, including (without limitation) any professional fees incurred by him (with the approval of the Board or in accordance with any procedures stipulated by the Board) in taking independent professional advice in connection with the discharge of such duties.

97. REMUNERATION OF EXECUTIVE DIRECTORS

The salary or remuneration of a Director appointed to hold employment or executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Board (including, for the avoidance of doubt, by the Board acting through a duly authorised Board committee), and may be in addition to or instead of a fee payable to him for his services as Director pursuant to these Articles.

98. SPECIAL REMUNERATION

A Director who, at the request of the Board, goes or resides abroad, makes a special journey or performs a special service on behalf of or for the Company (including, without limitation, services as a chairman or vice-chairman of the Board, services as a member of any Board committee and services which the Board considers to be outside the scope of the ordinary duties of a Director) may be paid such reasonable additional remuneration (whether by way of salary, bonus, commission, percentage of profits or otherwise) and expenses as the Board (including, for the avoidance of doubt, the Board acting through a duly authorised Board committee) may decide.

99. PENSIONS AND OTHER BENEFITS

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a Director, an officer or a director or an employee of a company which is or was a Group Member, a company which is or was allied to or associated with the Company or with a Group Member or a predecessor in business of the Company or of a Group Member (and for any member of his family, including a spouse or former spouse, or a person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The Board may arrange for this to be done by the Company alone or in conjunction with another person. A Director or former Director is entitled to receive and retain for his own benefit any pension or other benefit provided in accordance with this Article and is not obliged to account for it to the Company.

DIRECTORS' PROCEEDINGS

100. BOARD MEETINGS

Subject to these Articles, the Board may regulate its proceedings as it thinks fit. A Director may, and the Secretary at the request

of a Director shall, call a meeting of the Board.

101. NOTICE OF BOARD MEETINGS

Notice of a Board meeting shall be deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent in writing to his last known address or any other address given to the Company by him for such purpose or given by electronic communications to an address for the time being notified to the Company by the Director. It shall not be necessary to give notice of a Board meeting to a Director who is absent with leave unless the Director has notified the Company in writing of an address or an address for electronic communications at which notice of such meetings is to be given to him when he is absent with leave. A Director may be treated as having waived his entitlement to notice of a meeting of the Board if he has not supplied the Company with the information necessary to ensure that he receives notice of a meeting before it takes place. A Director may waive the requirement that notice of any Board meeting be given to him, either prospectively or retrospectively.

In this Article "**address**", in relation to documents in electronic form, includes any number or address used for the supply of documents in electronic form.

102. QUORUM

No business shall be transacted at any meeting of the Board unless a quorum is present. The quorum may be fixed by the Board and unless so fixed at any other number shall be a majority in number of the Directors. A duly convened Board meeting at which a quorum is present shall be competent to exercise any and all of the authorities, discretions and powers vested in or exercisable by the Board.

103. BOARD CHAIRMAN

The Board may appoint any Director to be, and may remove, a chairman and a vice- or deputy chairman of the Board. The chairman or, in his absence, the vice- or deputy chairman, shall preside at all Board meetings. If there is no chairman or vice- or deputy chairman, or if at a Board meeting neither the chairman nor the vice- or deputy chairman is present within ten minutes after the time appointed for the meeting, or if neither of them is willing to act as chairman, the Directors present may choose any Director present to be chairman of the meeting.

104. VOTING

Questions arising at a meeting shall be decided by a simple majority of votes of the Directors present at the meeting. For the avoidance of doubt, in the case of an equality of votes, the chairman shall have a second or casting vote.

105. TELEPHONE PARTICIPATION

A Director may participate in a meeting of the Board or a committee of the Board through the medium of conference telephone, video conferencing or any other form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person participating in this way shall be deemed to be present in person at the meeting and shall be counted in a quorum and entitled to vote. Subject to the Statutes, all business transacted in this way by the Board or a committee of the Board shall be deemed for the purposes of the Articles to be validly and effectively transacted at a meeting of the Board or a committee of the Board even if one Director only is physically present at any one place. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.

106. WRITTEN RESOLUTIONS

106.1 A resolution in writing executed by all the Directors for the time being entitled to receive notice of a Board meeting and unanimously in number, or by all the members of a committee of the Board for the time being entitled to receive notice of the meetings of such committee and unanimously in number, shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the Board (or committee, as the case may be).

106.2 Such a resolution:

- (A) may consist of several documents in the same form each executed by one or more of the Directors or members of the relevant committee, including executions evidenced by facsimile transmission; and
- (B) to be effective, need not be signed by a Director who is prohibited by these Articles from voting on it.

107. COMMITTEE PROCEEDINGS

Proceedings of committees of the Board shall be conducted in accordance with regulations prescribed by the Board (if any). Subject to those regulations, such proceedings shall be conducted in accordance with applicable provisions of these Articles

regulating the proceedings of the Board. Where the Board resolves to delegate any of its powers, authorities and discretions to a committee and such resolution states that the committee shall consist of any one or more unnamed Directors, it shall not be necessary to give notice of a meeting of such committee to any Directors other than the Director or Directors who form the committee.

108. MINUTES

108.1 The Board shall cause minutes to be made of:

- (A) all appointments of officers and committees made by the Board and of any such officer's remuneration; and
- (B) the names of Directors present at every meeting of the Board, a committee of the Board, the Company or the holders of any class of shares or debentures, and all orders, resolutions and proceedings of such meetings.

108.2 Any such minutes, if purporting to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting or the Secretary, shall be prima facie evidence of the matters stated in them.

109. VALIDITY OF PROCEEDINGS

All acts done in good faith by a meeting of the Board, or of a committee of the Board, or by a person acting as a Director or a committee member shall, notwithstanding that it may be discovered afterwards that there was a defect in the appointment of any person so acting or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or committee member and entitled to vote.

INTERESTS OF DIRECTORS

110. CONTRACTING WITH THE COMPANY

Subject to the provisions of the Statutes, no Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or any transaction or arrangement entered into on behalf of the Company in which any Director is in any way directly or indirectly interested be liable to be avoided, nor shall any Director so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relationship thereby established, provided that the nature of this interest has been declared by him in accordance with Article 111.

111. DECLARATION OF INTERESTS

111.1 A Director who is in any way (directly or indirectly) interested in an existing or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other Directors: (i) at a meeting of the Directors; or (ii) by a notice in writing in accordance with section 184 of the 2006 Act; or (iii) by a general notice in accordance with section 185 of the 2006 Act, in the case of an existing transaction as soon as is reasonably practicable after the Director becomes so interested and in the case of a proposed transaction, prior to such transaction or arrangement being entered into by the Company. If a declaration of interest under this Article proves to be, or becomes, inaccurate or incomplete, a further declaration must be made. This Article does not require a declaration of an interest of which the Director is not aware or where the Director is not aware of the transaction or arrangement in question. For this purpose a Director shall be deemed to be aware of matters of which he ought reasonably to be aware. A Director need not declare an interest in the circumstances set out in section 177(6) or 182(6) (as applicable) of the 2006 Act.

111.2 Provided that a Director has declared the nature and extent of his interest to the other Directors, a Director notwithstanding his office:

- (A) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and
- (B) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested,

and (i) he shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate; (ii) he shall not infringe his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company as a result of any such office or employment or any such transaction or arrangement or any interest in such body corporate; (iii) he shall not be required to disclose to the Company, or use in performing his duties

as a Director of the Company, any confidential information relating to such office or employment if to make such disclosure or use would result in a breach of a duty or obligation of confidence owed by the Director in relation to or in connection with such office or employment; (iv) he may absent himself from discussions, whether in meetings of the Directors or otherwise, and exclude himself from information which will or may relate to such office, employment, transaction, arrangement or interest; and (v) no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

112. AUTHORISATION OF BOARD OF CONFLICTS OF INTERESTS

112.1 The Directors are empowered to authorise a Director in relation to any matter proposed to the Board which, if not so authorised, would infringe the duty to avoid conflicts of interest as set out in section 175 of the 2006 Act. The Directors may give any such authorisation upon such terms as they think fit. The Directors may vary or terminate any such authorisation at any time.

112.2 If a matter, or office, employment or position has been authorised by the Directors in accordance with this Article 112 then (subject to such terms and conditions, if any, as the Directors may think fit to impose from time to time, and always subject to their right to vary or terminate such authorisations or the permissions set out below):

- (A) the Director shall not be required to disclose any confidential information relating to such matter, or office, employment or position to the Company if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position;
- (B) the Director may absent himself from meetings of the Directors at which anything relating to that matter will or may be discussed; and
- (C) the Director may make such arrangements as such Director thinks fit for relevant papers to be received and read by a professional adviser on behalf of that Director.

112.3 A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter which has been approved by the Directors pursuant to this Article 112 (subject in any such case to any limits or conditions to which such approval was subject).

113. PROHIBITION ON VOTING BY INTERESTED DIRECTORS

Except as otherwise provided in these Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company or any resolution of the Directors granting him authorisation under Article 112. A Director shall not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.

114. ABILITY OF INTERESTED DIRECTORS TO VOTE

A Director shall (in the absence of a material interest other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (A) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (B) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (C) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub underwriting thereof;
- (D) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or member or otherwise howsoever, provided that he is not interested (as that term is used in section 820 of the 2006 Act) in one per cent or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all the circumstances);
- (E) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes;

- (F) any proposal relating to any arrangement for the benefit of employees under which he benefits or may benefit in a similar manner as the employees and which does not accord to him as a Director any privilege or advantage not generally accorded to the employees to whom the arrangement relates; or
- (G) subject to the Statutes, any proposal concerning the purchase and/or maintenance of any insurance policy under which a Director may benefit.

115. DIVISION OF PROPOSALS

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately. In such case each of the Directors concerned (if not debarred from voting under the proviso to paragraph 114(D) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

116. RULINGS ON QUESTIONS OF ENTITLEMENT TO VOTE

If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall (unless the Director in question is the chairman in which case he shall withdraw from the meeting and the Board shall elect a deputy chairman to consider the question in place of the chairman) be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive, except in a case where the nature or extent of the interest of the Director concerned has not been fairly disclosed.

117. INTERESTS OF CONNECTED PERSONS

For the purposes of these Articles, an interest of any person who is for any purpose of the 2006 Act (excluding any statutory modification thereof not in force when these Articles became binding on the Company) connected with a Director shall be taken to be the interest of that Director.

118. REMUNERATION FOR PROFESSIONAL SERVICES

Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to a remuneration for professional services as if he were not a Director provided that nothing herein contained shall authorise a Director or his firm to act as the Auditors.

119. DIRECTORSHIPS OF OTHER COMPANIES

Any Director may continue to be or become a director of, or hold any other office or place of profit under, any other company in which the Company may be interested, and no such Director shall be accountable for any remuneration, salary, commission, participation in profits, pension, superannuation or other benefits received by him as a director of, or holder of any other office or place of profit under, or member of, any such other company. The Board may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner in all respects as it may think fit (including the exercise thereof in favour of any resolution appointing the Directors or any of them directors of such company, or voting or providing for the payment of remuneration to the directors of such company).

SECRETARY

120. SECRETARY

- 120.1 Subject to the Statutes, the Board shall appoint a Secretary and may appoint one or more persons to be a joint, deputy or assistant Secretary on such terms and conditions as it thinks fit. The Board may remove a person appointed pursuant to this Article from office and appoint another or others in his place.
- 120.2 Any provision of the Statutes or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as a Director and as, or in the place of, the Secretary.

SEALS AND DOCUMENT AUTHENTICATION

121. APPLICATION OF SEAL

121.1 Any Seal may be used only by the authority of the Board or of a committee of the Board. The Board may decide who is to sign an instrument to which the Seal is to be affixed either generally or in relation to a particular instrument or type of instrument. The Board may decide, either generally or in a particular case, that a signature may be dispensed with or affixed by mechanical means. Unless otherwise decided by the Board:

- (A) share certificates and certificates issued in respect of debentures or other securities to which the Seal is affixed (subject to the provisions of the relevant instrument) need not be signed or, if signed, a signature may be applied by mechanical or other means or may be printed; and
- (B) every other instrument to which the Seal is affixed shall be signed by one Director and by the Secretary or a second Director.

121.2 Every share certificate or share warrant shall be issued either under the Seal (which may be affixed to it or printed on by mechanical or other means) or in such other manner as the Board, having regard to the terms of issue, the Statutes and (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading, may authorise. All references in these Articles to the Seal shall be construed in relation to share certificates and share warrants accordingly.

122. OFFICIAL SEAL FOR USE ABROAD

The Company may exercise the powers conferred by the Statutes with regard to having an official seal for use abroad, and those powers shall be vested in the Board.

123. DIRECTORS OR SECRETARY TO AUTHENTICATE OR CERTIFY

123.1 A Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company (including the memorandum of association and these Articles) and any resolutions passed by the Company or holders of a class of shares or the Board or any committee of the Board and any books, records, documents and accounts relating to the business of the Company, and may certify copies of or extracts from any such items as true copies or extracts.

123.2 A document purporting to be a copy of a resolution of the Board or an extract from the minutes of a meeting of the Board or any committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of the proceedings at a duly constituted meeting.

DIVIDENDS AND OTHER PAYMENTS

124. DECLARATION

Subject to the Statutes and these Articles, the Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests in the profits of the Company. No such dividend shall exceed the amount recommended by the Board.

125. INTERIM DIVIDENDS

Subject to the Statutes, the Board may pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. If the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of an interim dividend on any shares ranking after those with preferential rights.

126. ENTITLEMENT TO DIVIDENDS

126.1 Except as otherwise provided by these Articles or the rights attached to shares:

- (A) a dividend shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares on which the dividend is paid; and
- (B) dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

126.2 Except as otherwise provided by these Articles or the rights attached to shares:

- (A) a dividend may be paid in any currency or currencies decided by the Board;
- (B) the Company may agree with a member that any dividend declared or which may become due in one currency will be paid to the member in another currency; and
- (C) the Directors can decide that a Depositary should receive dividends in a currency other than the currency in which they were declared and can make arrangements accordingly. In particular, if a Depositary has chosen or agreed to receive dividends in another currency, the Directors can make arrangements with the Depositary for payment to be made to the Depositary for value on the date on which the relevant dividend is paid, or a later date decided by the Directors,

for which purpose the Board may use any relevant exchange rate current at any time as the Board may select for the purpose of calculating the amount of any member's entitlement to the dividend.

127. PAYMENT METHODS

127.1 The Company may pay a dividend, interest or other amount payable in respect of a share in cash or by cheque, warrant or money order or by a bank or other funds transfer system or (in respect of any uncertificated share) through the Uncertificated System in accordance with any authority given to the Company to do so (whether in writing, through the Uncertificated System or otherwise) by or on behalf of the member in a form or in a manner satisfactory to the Board. Any joint holder or other person jointly entitled to a share may give an effective receipt for a dividend, interest or other amount paid in respect of such share.

127.2 The Company may send a cheque, warrant or money order by post:

- (A) in the case of a sole holder, to his registered address;
- (B) in the case of joint holders, to the registered address of the person whose name stands first in the Register of Members;
- (C) in the case of a person or persons entitled by transmission to a share, as if it were a notice given in accordance with Article 49 (notice to persons entitled by transmission);
- (D) in the case of a Depositary, and subject to the approval of the Directors, to such persons and postal addresses as the Depositary may direct; or
- (E) in any case, to a person and address that the person or persons entitled to the payment may in writing direct.

127.3 Every cheque, warrant or money order shall be sent at the risk of the person or persons entitled to the payment and shall be made payable to the order of the person or persons entitled or to such other person or persons as the person or persons entitled may in writing direct. The payment of the cheque, warrant or money order shall be a good discharge to the Company. If payment is made by a bank or other funds transfer or through the Uncertificated System, the Company shall not be responsible for amounts lost or delayed in the course of transfer. If payment is made by or on behalf of the Company through the Uncertificated System:

- (A) the Company shall not be responsible for any default in accounting for such payment to the member or other person entitled to such payment by a bank or other financial intermediary of which the member or other person is a customer for settlement purposes in connection with the Uncertificated System; and
- (B) the making of such payment in accordance with any relevant authority referred to in paragraph 127.1 above shall be a good discharge to the Company.

127.4 The Board may:

- (A) lay down procedures for making any payments in respect of uncertificated shares through the Uncertificated System;
- (B) allow any holder of uncertificated shares to elect to receive or not to receive any such payment through the Uncertificated System; and
- (C) lay down procedures to enable any such holder to make, vary or revoke any such election.

127.5 The Board may lay down procedures for making any payments in respect of shares represented by Depositary Interests.

127.6 The Board may withhold payment of a dividend (or part of a dividend) payable to a person entitled by transmission to a share until he has provided any evidence of his entitlement that the Board may reasonably require.

128. DEDUCTIONS

The Board may deduct from any dividend or other amounts payable to any person in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to that share.

129. INTEREST

No dividend or other money payable in respect of a share shall bear interest against the Company, unless otherwise provided by the rights attached to the share.

130. UNCLAIMED DIVIDENDS

All unclaimed dividends or other monies payable by the Company in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend unclaimed after a period of twelve (12) years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

131. UNCASHED DIVIDENDS

If, in respect of a dividend or other amount payable in respect of a share:

- (A) a cheque, warrant or money order is returned undelivered or left uncashed; or
- (B) a transfer made by or through a bank transfer system and/or other funds transfer system(s) (including, without limitation, the Uncertificated System in relation to any uncertificated shares) fails or is not accepted,

on two consecutive occasions, or one occasion and reasonable enquiries have failed to establish another address or account of the person entitled to the payment, the Company shall not be obliged to send or transfer a dividend or other amount payable in respect of such share to such person until he notifies the Company of an address or account to be used for such purpose.

132. DIVIDENDS IN KIND

A general meeting declaring a dividend may, upon the recommendation of the Board, direct that it shall be satisfied wholly or partly by the distribution of assets (including, without limitation, paid up shares or securities of any other body corporate). Where any difficulty arises concerning such distribution, the Board may settle it as it thinks fit. In particular (without limitation), the Board may:

- (A) issue fractional certificates or ignore fractions;
- (B) fix the value for distribution of any assets, and may determine that cash shall be paid to any member on the footing of the value so fixed in order to adjust the rights of members; and
- (C) vest any assets in trustees on trust for the persons entitled to the dividend.

133. SCRIP DIVIDENDS

133.1 The Board may, with the prior authority of an ordinary resolution and subject to such terms and conditions as the Board may determine, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution, subject to the Statutes and to the provisions of this Article.

133.2 An ordinary resolution under paragraph 133.1 of this Article may specify a particular dividend (whether or not declared), or may specify all or any dividends declared within a specified period, but such period may not end later than the beginning of the fifth annual general meeting next following the date of the meeting at which the ordinary resolution is passed.

133.3 The entitlement of each holder of Ordinary Shares to new Ordinary Shares shall be such that the relevant value of the entitlement shall be the cash amount, disregarding any tax credit, (or as near to such cash amount as the Board considers appropriate) that such holder would have received by way of dividend. For this purpose, "**relevant value**" shall be calculated by reference to the average of the middle market quotations for the Ordinary Shares for the day on which the Ordinary Shares are first quoted "**ex**" the relevant dividend and the four subsequent dealing days, or in such other manner as may be determined by or in accordance with the ordinary resolution. A written confirmation or report by the Auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount.

- 133.4 The Board may make any provision it considers appropriate in relation to an allotment made or to be made pursuant to this Article (whether before or after the passing of the ordinary resolution referred to in paragraph 133.1 of this Article), including (without limitation):
- (A) the giving of notice to holders of the right of election offered to them;
 - (B) the provision of forms of election and/or a facility and a procedure for making elections through the Uncertificated System (whether in respect of a particular dividend or dividends generally);
 - (C) determination of the procedure for making and revoking elections;
 - (D) the place at which, and the latest time by which, forms of election and other relevant documents must be lodged in order to be effective;
 - (E) the disregarding or rounding up or down or carrying forward of fractional entitlements, in whole or in part, or the accrual of the benefit of fractional entitlements to the Company (rather than to the holders concerned);
 - (F) the exclusion from any offer of any holders of Ordinary Shares where the Board considers that the making of the offer to them would or might involve the contravention of the laws of any territory or that for any other reason the offer should not be made to them; and
 - (G) the exclusion from any offer of, or the making of any special formalities in connection with any offer to, any holders of Ordinary Shares represented by Depositary Interests.
- 133.5 The Directors can exclude or restrict the right to elect to receive new Ordinary Shares under this Article 133 in the case of any member or other person who is a Depositary if the election by the people on whose behalf the Depositary holds the beneficial interest in the shares would involve the contravention of the laws of any territory or if for any other reason the Board determines that the offer should not be made to such persons.
- 133.6 The dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on Ordinary Shares in respect of which a valid election has been made ("**the elected Ordinary Shares**"). Instead additional Ordinary Shares shall be allotted to the holders of the elected Ordinary Shares on the basis of allotment determined under this Article. For such purpose, the Board may capitalise out of any amount for the time being standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, a sum equal to the aggregate nominal amount of the additional Ordinary Shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued Ordinary Shares for allotment and distribution to the holders of the elected Ordinary Shares on that basis.
- 133.7 The additional Ordinary Shares when allotted shall rank *pari passu* in all respects with the fully paid Ordinary Shares in issue on the record date for the dividend in respect of which the right of election has been offered, except that they will not rank for any dividend or other entitlement which has been declared, paid or made by reference to such record date.
- 133.8 The Board may:
- (A) do all acts and things which it considers necessary or expedient to give effect to any such capitalisation, and may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for such capitalisation and incidental matters and any agreement so made shall be binding on all concerned;
 - (B) establish and vary a procedure for election mandates in respect of future rights of election and determine that every duly effected election in respect of any Ordinary Shares shall be binding on every successor in title to the holder of such shares; and
 - (C) terminate, suspend or amend any offer of the right to elect to receive Ordinary Shares in lieu of any cash dividend at any time and generally implement any scheme in relation to any such offer on such terms and conditions as the Board may from time to time determine and take such other action as the Board may deem necessary or desirable from time to time in respect of any such scheme.

134. RESERVES

The Board may set aside out of the profits of the Company and carry to reserve such sums as it thinks fit. Such sums standing to reserve may be applied, at the Board's discretion, for any purpose to which the profits of the Company may properly be applied and, pending such application, may either be employed in the business of the Company or be invested in such investments as the Board thinks fit. The Board may divide the reserve into such special funds as it thinks fit and may consolidate into one fund

any special funds or any parts of any special funds into which the reserve may have been divided as it thinks fit. The Board may also carry forward any profits without placing them to reserve.

135. CAPITALISATION OF PROFITS AND RESERVES

135.1 The Board may, with the authority of an ordinary resolution:

- (A) subject to this Article, resolve to capitalise any undistributed profits of the Company (whether or not available for distribution) or any sum standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;
- (B) appropriate the sum resolved to be capitalised to the members in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members or as the Board may direct, in those proportions, or partly in one way and partly in the other, but so that the share premium account, the capital redemption reserve and any profits or reserves which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to members credited as fully paid;
- (C) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividend only to the extent that such partly paid shares rank for dividend;
- (D) make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of fractions to the Company rather than to the members concerned) or by payment in cash or otherwise as the Board may determine in the case of shares or debentures becoming distributable in fractions;
- (E) authorise any person to enter on behalf of all the members concerned into an agreement with the Company providing for either:
 - (1) the allotment to them respectively, credited as fully paid, of any further shares or debentures to which they are entitled upon such capitalisation; or
 - (2) the payment up by the Company on behalf of such members by the application thereto of their respective proportions of the reserves or profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares,

and so that any such agreement shall be binding on all such members; and

- (F) generally do all acts and things required to give effect to such resolution.

135.2 This Article (which is without prejudice to the generality of the provisions of Article 135) applies where:

- (A) the Board has established a Rights Plan and has granted Rights in accordance therewith as provided in Articles 14.1 and 14.2 above; and
- (B) the Board has exercised any discretion which may be conferred upon it by any Rights Plan so established to exchange or cause to be exchanged all or part of the Rights (other than Rights held by or on behalf of an Acquiring Person, which would have become void) for Ordinary Shares (and/or Depositary Interests) and/or shares of another class or series.

135.3 For the purposes of giving effect to any such exchange as is referred to in Article 135.2(B), the Board may:

- (A) resolve to capitalise an amount standing to the credit of reserves (including without limitation a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution, being an amount equal to the nominal amount of the Ordinary Shares (including Ordinary Shares to be represented by Depositary Interests) and/or the other shares which are to be exchanged for the Rights (other than Rights held by or on behalf of or for the benefit of an Acquiring Person); and
- (B) apply that sum in paying up in full shares and allot such shares, credited as fully paid, to the holders of Rights (other than an Acquiring Person) and/or to a Depositary (including, for the avoidance of doubt, to a nominee of a Depositary) to enable a Depositary to issue Depositary Interests representing such shares to the holders of Rights (other than an Acquiring Person or a person holding shares or interests in shares on behalf of or for the benefit of an Acquiring Person) in exchange for the Rights (other than Rights held by or on behalf of or for the benefit of an Acquiring Person).

135.4 The provisions of sub-paragraphs 135.1(D), 135.1(E), 135.1(F) shall apply (mutatis mutandis) to any resolution of the Board pursuant to Article 135.3 as they apply to any resolution of the Board pursuant to Article 135.1.

135.5 For the purposes of this Article 135:

(A) **"Rights Plan"** and **"Rights"** shall have the respective meanings ascribed to them in Articles 14.1 and 14.2 (respectively); and

(B) **"Acquiring Person"** shall have the meaning ascribed to it in Article 14.5.

RECORD DATES

136. BOARD TO FIX DATE

Notwithstanding any other provision of these Articles but without prejudice to the rights attached to any shares and subject to the Statutes the Company or the Board may:

136.1 fix any date ("**the record date**") as the date at the close of business (or such other time as the Board may decide) on which persons registered as the holders of shares or other securities shall be entitled to receipt of any dividend, distribution, interest, allotment, issue, notice, information, document or circular; a record date may be on or at any time before any date on which such item is paid, made, given or served or (in the case of any dividend, distribution, interest, allotment or issue) after any date on which such item is recommended, resolved, declared or announced; and

136.2 for the purposes of determining which persons are entitled to attend and vote at a general meeting of the Company, or a separate general meeting of the holders of any class of shares in the capital of the Company, specify in the notice of meeting a time by which a person must be entered on the register in order to have the right to attend or vote at the meeting. Changes to the register after the time specified by virtue of this Article 136.2 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

ACCOUNTS

137. ACCESS TO ACCOUNTING RECORDS

No member (other than an officer of the Company) shall have any right of inspecting any accounting record or other document of the Company unless he is authorised to do so by statute, by order of the court, by the Board or by an ordinary resolution.

138. DISTRIBUTION OF ANNUAL ACCOUNTS

138.1 In respect of each financial year, a copy of the Company's annual accounts, Directors' report and Auditors' report on those accounts shall be sent by post or delivered or given, in electronic form to an address for the time being notified to the Company by the member (or, where the member is a company, deemed to have been so notified to the Company by a provision of the 2006 Act), to every member, every holder of debentures, and every other person who is entitled to receive notices of general meetings, in each case not less than twenty one (21) clear days before the date of the meeting at which copies of those documents are to be laid in accordance with the Statutes. This Article does not require copies of such documents to be sent or delivered or given to a person who is not entitled to receive notices of general meetings and of whose address the Company is unaware or to more than one of the joint holders of shares or debentures.

138.2 Where permitted in accordance with the Statutes, the Company may send a summary financial statement to any member instead of or in addition to the documents referred to in paragraph 138.1 of this Article.

138.3 References in this Article to sending to any persons printed copies include references to using electronic communications for sending those copies to such address as may for the time being be notified to the Company by that person for that purpose. For the purposes of this Article, copies of those documents are also to be treated as sent to a person where:

(A) the Company and that person have agreed to that person having access to the documents on a website (instead of their being sent to such person);

(B) the documents are documents to which that agreement applies; and

(C) that person is notified, in a manner for the time being agreed for the purpose between such person and the Company, of:

(1) the publication of the documents on a website;

(2) the address of that website; and

- (3) the place on that website where the documents may be accessed, and how they may be accessed.

In this Article, "**address**" includes any number or address used for the purpose of electronic communications.

- (D) For the purposes of this Article, documents treated in accordance with Article 138.3 as sent to any person are to be treated as sent to such person not less than twenty one (21) days before the date of a meeting if, and only if:

- (1) the documents are published on the website throughout a period beginning at least twenty one (21) days before the date of the meeting and ending with the conclusion of the meeting; and
- (2) the notification given for the purposes of Article 138.3(C) is given not less than twenty one (21) days before the date of the meeting.

138.4 Nothing in Article 138.3 shall invalidate the proceedings of a meeting where:

- (A) any documents that are required to be published as mentioned in Article 138.3(C)(1) are published for a part, but not all, of the period mentioned in that paragraph; and
- (B) the failure to publish those documents throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

138.5 This Article shall not require a copy of the documents referred to in paragraphs 138.1 or 138.2 of this Article to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

COMMUNICATIONS

139. COMMUNICATIONS

Any documents or information to be sent or supplied by or to the Company may be sent or supplied in hard copy form, in electronic form or by means of a website to the extent permitted by the statutes and these Articles.

140. COMMUNICATIONS TO THE COMPANY

140.1 A document or information is validly sent or supplied by a member to the Company in hard copy form if it is sent or supplied by hand or by post (in a prepaid envelope) to:

- (A) an address specified by the Company for the purpose;
- (B) the Registered Office; or
- (C) an address to which any provision of the Statutes authorises the document or information to be sent or supplied.

140.2 A document or information may only be sent or supplied by a member to the Company in electronic form if the Company has agreed by notice to the members that the document or information may be sent or supplied in that form (and not revoked that agreement) or the Company is deemed to have so agreed by a provision of the Statutes.

140.3 Subject to paragraph 140.2 above, where a document or information is sent or supplied by electronic means, it may only be sent or supplied to an address:

- (A) specified for the purpose by the Company (generally or specifically); or
- (B) deemed by a provision of the Statutes to have been so specified.

141. COMMUNICATIONS BY THE COMPANY OR THE BOARD IN HARD COPY FORM

141.1 A document or information sent or supplied by the Company or the Board in hard copy form must be:

- (A) handed to the intended recipient; or
- (B) sent or supplied by hand or by post (in a pre-paid envelope):
 - (1) to an address specified for the purpose by the intended recipient;
 - (2) to a company at its registered office;

- (3) to a person in his capacity as a member, at his address as shown in the register;
- (4) to a person in his capacity as a Director, at his address as shown in the register of directors; or
- (5) to an address to which any provision of the Statutes authorises the document or information to be sent or supplied.

141.2 Where the Company is unable to obtain any address falling within paragraph 141.1 above, the document or information may be sent or supplied to the intended recipient's last address known to the company.

142. COMMUNICATIONS BY THE COMPANY IN ELECTRONIC FORM

142.1 A document or information may only be sent or supplied by the Company or the Board in electronic form:

- (A) to a person who has agreed (generally or specifically) that the document or information may be sent or supplied in that form (and not revoked that agreement); or
- (B) to a company that is deemed to have so agreed by a provision in the Statutes.

142.2 Where the document or information is sent or supplied by electronic means, it may only be sent or supplied to an address:

- (A) specified for the purpose by the intended recipient (generally or specifically); or
- (B) where the intended recipient is a company, deemed by a provision of the Statutes to have been so specified.

143. COMMUNICATIONS BY THE COMPANY BY MEANS OF A WEBSITE

143.1 A document or information may only be sent or supplied by the Company to a person by being made available on a website if the person:

- (A) has agreed (generally or specifically) that the document or information may be sent or supplied to him or her in that manner; or
- (B) is taken to have so agreed in accordance with the Statutes,

and has not revoked that agreement.

143.2 A document or information authorised or required to be sent or supplied by means of a website must be made available in a form, and by a means, that the Company reasonably considers will enable the recipient to read it (and see any images contained in it) with the naked eye and to retain a copy of it.

143.3 The Company must notify the intended recipient of:

- (A) the presence of the document or information on the website;
- (B) the address of the website;
- (C) the place on the website where it may be accessed; and
- (D) how to access the document or information.

143.4 The document or information is taken to be sent:

- (A) on the date on which the notification required by paragraph 143.3 above is sent; or
- (B) if later, the date on which the document or information first appears on the website after that notification is sent.

143.5 The Company must make the document or information available on the website throughout:

- (A) the period specified by any applicable provision of the Statutes; or
- (B) if no such period is specified, the period of twenty eight (28) days beginning with the date on which the notification required by paragraph 143.3 is sent to the person in question.

A failure to make a document or information available on a website throughout the period mentioned in this paragraph 143.5 shall be disregarded if (1) it is made available on the website for part of that period and (2) the failure to make it available

throughout that period is wholly attributable to circumstances that it would not be reasonable to have expected the Company to prevent or avoid.

143.6 A notice of a general meeting of the Company given by means of a website must:

- (A) state that it concerns a notice of a meeting of the Company;
- (B) specify the place, date and time of the meeting; and
- (C) state whether the meeting is to be an annual general meeting.

144. COMMUNICATIONS BY OTHER MEANS

144.1 A document or information that is sent or supplied to the Company otherwise than in hard copy form, electronic form or by means of a website is validly sent or supplied if it is sent or supplied in a form or manner that has been agreed by the Company.

144.2 A document or information that is sent or supplied by the Company or the Board otherwise than in hard copy form, electronic form or by means of a website is validly sent or supplied if it is sent or supplied in a form or manner that has been agreed by the intended recipient.

145. FAILURE TO DELIVER BY ELECTRONIC MEANS

If any document or information has been sent or supplied by electronic means in accordance with Article 142 to any member at his or her address specified for the purpose or deemed to be so specified and the Company becomes aware of a failure in delivery (and subsequent attempts to send or supply such document or information by electronic means also result in a failure in delivery), the Company shall either:

- (A) send or supply a hard copy of such document or information to such member; or
- (B) notify such member of the information set out in Article 143.3,

in each case in the manner described in Article 141.1.

146. WHEN SERVICE IS EFFECTED ON A MEMBER

146.1 Where a document or information is, under Article 141.1, sent or supplied by post, service or delivery to a member it shall be deemed to be effected:

- (A) if sent by first class post or special delivery post from an address in the United Kingdom to another address in the United Kingdom, or from an address in the United States to another address in the United States, or by a postal service similar to first class post or special delivery post from an address in another country to another address in that other country, at the expiration of twenty four (24) hours after the time when the cover containing the same is posted; or
- (B) in any other case, on the third day following that on which the document or information was posted,

and in proving such service or delivery it shall be sufficient to prove that such cover was properly addressed and posted.

146.2 Where a document or information is, under Article 142, sent or supplied by electronic means to an address specified for the purpose by the intended recipient, service or delivery shall be deemed to be effected on the same day on which it is sent or supplied and in proving such service it will be sufficient to prove that it was properly addressed.

146.3 Where a document or information is, under Article 143, sent or supplied by means of a website, service or delivery shall be deemed to be effected when (a) the material is first made available on the website or (b) if later, when the recipient received (or, in accordance with this Article 146, is deemed to have received) notification of the fact that the material was available on the website.

147. NOTICE BY ADVERTISEMENT

147.1 If at any time by reason of the suspension or curtailment of postal services within the United Kingdom or the United States the Company is unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by notice advertised on the same date in at least one national newspaper in the United Kingdom and/or the United States (as applicable) and such notice shall be deemed to have been duly served on all members entitled thereto on the day when the advertisement appears. In any such case the Company shall send confirmatory copies of the notice by post if at least six clear days prior to the meeting the posting of notices to addresses throughout the United Kingdom or the United States (as applicable) again becomes practicable.

147.2 Notwithstanding anything in the Statutes or these Articles, if by reason of suspension or curtailment of postal services within the United Kingdom or the United States the Company is unable in the opinion of the Board to deliver the documents referred to in paragraphs 138.1 or 138.2 of Article 138 (as the case may be) to persons entitled thereto by the time therein prescribed, the Company may nevertheless proceed validly to convene and hold the general meeting before which such documents are to be laid by giving notice of such meeting in accordance with paragraph 147.1 of this Article, but so that the reference in the final sentence of that paragraph to "**confirmatory copies of the notice**" shall be read to include the relevant documents referred to in Article 138 and the reference therein to "**six clear days**" shall be read as "**three clear days**" and provided always that such documents shall be made available for inspection during normal business hours at the Registered Office throughout the period from the date of publication of the notice convening such meeting until the date of the meeting and also at the meeting itself.

148. DOCUMENTS AND INFORMATION TO JOINT HOLDERS

All notices directed to be given to the members shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the register, and notice so given shall be sufficient notice to all the holders of such share.

149. SERVICE OF DOCUMENTS AND INFORMATION ON PERSONS ENTITLED TO SHARES BY TRANSMISSION

A person entitled to a share in consequence of the death or bankruptcy of a member upon supplying to the Company such evidence as the Board may reasonably require to show his title to the share, and upon supplying also an address in the United Kingdom or the United States or such other jurisdiction as the Board may consider appropriate for the service of notices, shall be entitled to have served upon or delivered to him at such address any notice or document to which the member but for his death or bankruptcy would be entitled, and such service or delivery shall for all purposes be deemed to be sufficient service for delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid any notice or document delivered or sent by post to or left at the address of any member in pursuance of these presents shall, notwithstanding that such member be then dead or bankrupt, and whether or not the Company shall have notice of his death or bankruptcy, be deemed to have been duly served or delivered in respect of any share registered in the name of such member as sole or first named joint holder.

150. MEMBERS NOT ENTITLED TO NOTICES, DOCUMENTS AND INFORMATION

A member who has not supplied to the Company an address for the service of notices shall not be entitled to receive notices from the Company.

151. DOCUMENT DESTRUCTION

151.1 The Company may destroy:

- (A) any share certificate or other evidence of title to shares which has been cancelled at any time after one year from the date of such cancellation;
- (B) any mandate for the payment of dividends or other amounts or any variation or cancellation of such mandate or any other instruction concerning the payment of monies or any notification of change of name or address at any time after two years from the date such mandate, variation, cancellation or notification was recorded by the Company;
- (C) any instrument or other evidence of transfer of shares or renunciation of an allotment of shares which has been registered at any time after six years from the date of registration; and
- (D) any other document on the basis of which an entry in the Register is made at any time after six years from the date an entry in the Register was first made in respect of it,

and the Company may destroy any such document earlier than the relevant date, provided that a permanent record of the document is made (on microfilm, computer disc or otherwise) which is not destroyed before that date.

151.2 It shall be conclusively presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of a document destroyed in accordance with this Article was duly and properly made, that every instrument of transfer so destroyed was duly registered, that every share certificate so destroyed was valid and was duly cancelled and that every other document so destroyed was valid and effective in accordance with the recorded particulars in the records of the Company, provided that:

- (A) this Article shall apply only to the destruction of a document in good faith and without express notice of any claim (regardless of the parties to it) to which the document might be relevant;
- (B) nothing in this Article imposes on the Company any liability in respect of the destruction of any such document otherwise than as provided for in this Article which would not attach to the Company in the absence of this Article; and
- (C) references in this Article to the destruction of any document include references to the disposal of it in any manner.

MISCELLANEOUS

152. INDEMNITY AND INSURANCE

Subject to and to the fullest extent permitted by the Statutes, but without prejudice to any indemnity to which he may be otherwise entitled:

152.1 every Director (and every director of any associated company of the Company) shall be entitled to be indemnified out of the assets of the Company against all costs and liabilities incurred by him in relation to any proceedings (whether civil or criminal) or any regulatory investigation or action which relate to anything done or omitted or alleged to have been done or omitted by him in his capacity as such save that no such person shall be entitled to be indemnified (whether directly or indirectly):

- (A) for any liability incurred by him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company of the Company;
- (B) for any fine imposed in criminal proceedings which have become final;
- (C) for any sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature howsoever arising;
- (D) for any liability incurred by him in defending any criminal proceedings in which he is convicted and such conviction has become final;
- (E) for any liability incurred by him in defending any civil proceedings brought by the Company or an associated company of the Company in which a final judgment has been given against him; and
- (F) for any liability incurred by him in connection with any application under sections 660, 661 or 1157 of the 2006 Act in which the court refuses to grant him relief and such refusal has become final;

152.2 every Director (and every director of any associated company of the Company) shall be entitled (i) to have funds provided to him by the Company to meet expenditure incurred or to be incurred by him in defending himself in any proceedings (whether civil or criminal) or in connection with an application for relief (as defined in section 205(5) of the 2006 Act) or in an investigation, or against action proposed to be taken, by a regulatory authority or (ii) to receive assistance from the Company as will enable any such person to avoid incurring such expenditure, where such proceedings, application, investigation or action are in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company of the Company, provided that he will be obliged to repay any funds provided to him no later than:

- (A) if he is convicted in such proceedings, the date when the conviction becomes final; or
- (B) in the event of judgment being given against him in such proceedings, the date when the judgment becomes final; or
- (C) if the court refuses to grant him such relief, the date when the refusal becomes final; or
- (D) if he becomes liable for any sum payable to a regulatory authority by way of penalty in respect of non-compliance with any requirement of a regulatory nature howsoever arising, the date on which any appeal relating to such sum becomes final (within the meaning of section 205(3) of the 2006 Act); and

152.3 every Director shall be entitled to be indemnified out of the assets of the Company against all costs and liabilities incurred by him in relation to any of the Company's activities as trustee of an occupational pension scheme (as defined in section 235(6) of the 2006 Act) save that no Director shall be entitled to be indemnified:

- (A) for any fine imposed in criminal proceedings which have become final;
- (B) for any sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature howsoever arising; and
- (C) for any costs for which he has become liable in defending any criminal proceedings in which he is convicted and such conviction has become final.

153. PURCHASE OF INSURANCE

Subject to the Statutes, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a director or other officer or employee of the Company or any associated company of the Company or in which the Company has an interest whether direct or indirect or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of any such body corporate is or has been interested indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a director, officer, employee or trustee.

154. BUSINESS COMBINATIONS

154.1 The adoption or authorisation of any Business Combination must be pre-approved with the sanction of an ordinary resolution of the Company. The foregoing vote shall be in addition to any class vote or other vote otherwise required by law, these Articles, or any agreement to which the Company is a party.

154.2 For the purposes of this Article 154, the term "**Business Combination**" shall mean the sale or lease or exchange of all or substantially all of the property and of the assets of the Company to any person.

155. MANDATORY OFFER PROVISIONS

155.1 A person must not:

- (A) effect or purport to effect a Prohibited Acquisition (as defined in Article 155.10); or
- (B) except as a result of a Permitted Acquisition (as defined in Article 155.8):
 - (1) whether by a series of transactions over a period of time or not, acquire an interest in shares which (on their own or taken together with shares in which persons determined by the Board to be acting in concert with him or her are interested) carry 30 per cent or more of the voting rights of the Company; or
 - (2) whilst he or she (alone or together with persons determined by the Board to be acting in concert with him or her) is interested in shares that in aggregate carry not less than 30 per cent but not more than 50 per cent of the voting rights of the Company, acquire, whether by himself or herself or with persons determined by the Board to be acting in concert with him or her, an interest in any other shares that (on their own or taken together with any interests in shares held by persons determined by the Board to be acting in concert with him or her) increases the percentage of shares carrying voting rights in which he or she is interested,

(each of (1) and (2) a "**Limit**").

155.2 Where any person breaches any Limit, except as a result of a Permitted Acquisition, or becomes interested in any shares as a result of a Prohibited Acquisition, that person is in breach of these Articles.

155.3 Where the Board has reason to believe that any Limit is or may be breached or any Prohibited Acquisition has been or may be effected it may require any member or any other person (other than, in each case, a Depositary in its capacity as Depositary) to provide details of (i) any persons acting in concert with such member or other person, (ii) any interests in shares of such member (or other person or any persons acting in concert with them), and (iii) any other information, as in each case the Board considers appropriate to determine any of the matters under this Article 155.

155.4 Where the Board determines (at any time and without any requirement to have first exercised any of its rights under Article 155.3) that any Limit is breached (and, in the case of a breach of a Limit which is capable of becoming a Permitted Acquisition in accordance with the provisions of Article 155.8(C) at any time when such acquisition has not become a Permitted Acquisition) or any Prohibited Acquisition has been effected (or is purported) by any person or persons (such person, together with any persons determined by the Board to be acting in concert with him or her, being "**Breaching Persons**"), the Board may do all or any of the following:

- (A) determine that members shall not be entitled in respect of any shares held by or on behalf of the Breaching Persons, or in respect of which the Breaching Persons are interested, in breach of this Article 155 (together, "**Relevant Shares**") to be present or to vote or procure or instruct another person to vote (in any such case either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares and, without prejudice to the foregoing, determine that any votes purported to be cast by or on behalf of the Breaching Persons in respect of Relevant Shares at a general meeting or at a separate meeting of the holders of a class of shares shall be disregarded;
- (B) determine that any dividend or other distribution (or any part of a dividend or other distribution) or other amount payable in respect of the Relevant Shares shall be withheld by the Company, which shall have no obligation to pay interest on it, and that the relevant member shall not be entitled to elect, pursuant to Article 133, to receive shares instead of a dividend; and
- (C) determine that no transfer of any certificated Relevant Shares (other than any Relevant Shares held by a Depositary in its capacity as Depositary) to or from a Breaching Person shall be registered.

155.5 For the purpose of enforcing the sanctions in Article 155.4 the Board may give notice to the relevant member and/or Breaching Person requiring the member and/or Breaching Person to change the Relevant Shares held in uncertificated form into certificated form or the Relevant Shares which are represented by Depositary Interests into certificated shares, in the name and on behalf of the holder of the Relevant Shares or Depositary Interests in question, as applicable, by the time stated in the notice. The notice may also state that the member and/or Breaching Person may not change any Relevant Shares held in certificated form into uncertificated form or to be represented by Depositary Interests. If the member and/or Breaching Person does not comply with the notice, the Board may require the Operator to convert Relevant Shares held in uncertificated form into certificated form in the name and on behalf of the relevant member and/or Breaching Person in accordance with the Uncertificated Securities Regulations or a Depositary to convert such number of Relevant Shares as are represented by Depositary Interests into certificated form in the name and on behalf of the holder of the Depositary Interests in question.

155.6 Where any Relevant Shares are held by any Depositary in its capacity as a Depositary, the provisions of this Article 155 shall be treated as applying only to such Relevant Shares held by any such Depositary and not to any other shares held by the relevant Depositary.

155.7 No Depositary shall be in breach of Article 155.1 or Article 155.2 or be a Breaching Person solely as a result of holding any shares (or interests in shares) in its capacity as a Depositary, provided that any shares held by any such Depositary (or in which such Depositary is interested) may still be Relevant Shares. Notwithstanding the preceding sentence, all interests in shares held by or on behalf of persons other than a Depositary in respect of shares (or interests in shares) held by such Depositary shall be taken into account for all purposes of this Article.

155.8 An acquisition is a "**Permitted Acquisition**" (or, in the case of Article 155.8(C) an acquisition will become a Permitted Acquisition upon completion of the making and implementation of a Mandatory Offer in accordance with, and compliance with the other provisions of, Article 155.8(C)) if:

- (A) the Board consents to the acquisition or the acquisition is pursuant to an offer made by or on behalf of the acquirer that is recommended by the Board; or
- (B) the acquisition is made as a result of a voluntary offer made and implemented, save to the extent that the Board determines otherwise:
 - (1) for all of the issued and outstanding shares of the Company (except not necessarily for those already held by the acquirer);
 - (2) in cash (or accompanied by a full cash alternative); and
 - (3) otherwise in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company); or
- (C) the acquisition is from a single shareholder and is made pursuant to a single transaction which causes a breach of a Limit (otherwise than as a result of an offer) and provided that:
 - (1) no further acquisitions are made by the acquirer (or any persons determined by the Board to be acting in concert with him or her) other than (a) pursuant to a Mandatory Offer made in accordance with Article 155.8(C)(2) or (b) Permitted Acquisitions under Article 155.8(A), (D) or (E), provided that no such further acquisition (other than pursuant to a Mandatory Offer made in accordance with Article 155.8(C)(2)) shall be or become, in any event, a Permitted Acquisition under this Article 155.8(C); and

- (2) the acquirer makes, within 7 days of such breach, and does not subsequently withdraw, an offer which, except to the extent the Board determines otherwise, is made and implemented in accordance with Rule 9 and the other relevant provisions of the Takeover Code (as if it so applied to the Company) (a "**Mandatory Offer**"), and (for the avoidance of doubt) acquisitions pursuant to a Mandatory Offer shall (subject to compliance with the other provisions of this Article 155.8(C)) also be Permitted Acquisitions; or
- (D) the acquisition was approved previously by an ordinary resolution passed by a general meeting of members if no votes are cast in favour of the resolution by or, in the case of shares held by a Depositary for the person in question, at the direction of:
 - (1) the person proposing to make the acquisition and any persons determined by the Board to be acting in concert with him or her; or
 - (2) the persons (if any) from whom the acquirer (together with persons determined by the Board to be acting in concert with him or her) has agreed to acquire shares or interests in shares or has otherwise obtained an irrevocable commitment in relation to the acquisition of shares or interests in shares by the acquirer or any persons determined by the Board to be acting in concert with him or her; or
- (E) there is an increase in the percentage of the voting rights attributable to an interest in shares held by a person or by persons determined by the Board to be acting in concert with him or her and such an increase would constitute a breach of any Limit where such increase results from the Company redeeming or purchasing its own shares or interests in shares.

155.9 Unless the Board determines otherwise, in the case of a Permitted Acquisition pursuant to Articles 155.8(A), 155.8(B) or 155.8(C) above, offers must also be made in accordance with Rule 14, if applicable, and Rule 15 of the Takeover Code (as if Rules 14 and 15 applied to the Company).

155.10 Unless (a) the acquisition is a Permitted Acquisition, or (b) the Board determines otherwise, an acquisition of an interest in shares is a "**Prohibited Acquisition**" if Rules 4 (Restrictions on dealings), 5 (Timing restrictions on acquisitions), 6 (Acquisitions resulting in an obligation to offer a minimum level of consideration), 8.1 (Disclosure by an Offeror), 8.4 (Disclosure by Concert Parties) or 11 (Nature of consideration to be offered) of the Takeover Code would in whole or part apply to the acquisition if the Company were subject to the Takeover Code and the acquisition of such interest in shares were made (or, if not yet made, would, if and when made, be) in breach of or otherwise would not comply with any of Rules 4, 5, 6, 8.1, 8.4 or 11 of the Takeover Code.

155.11 The Board has full authority to determine the application of this Article including as to the deemed application of relevant parts of the Takeover Code (as if it applied to the Company). Such authority shall include all discretion vested in the Takeover Panel (as if the Takeover Code applied to the Company). Any resolution or determination of, or decision or exercise of any discretion or power by, the Board acting in good faith and on such grounds as the Board shall genuinely consider reasonable, irrespective of whether such grounds would be considered reasonable by any other party with or without the benefit of hindsight, shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever and, in the absence of fraud, the Board shall not owe any duty of care to or have any liability to any person in respect of any cost, loss or expense as a result of any such resolution, determination, decision or exercise of any discretion or power. The Board shall not be required to give any reasons for any decision, determination, resolution or declaration taken or made in accordance with this Article 155.

155.12 Any one or more of the Directors may act as attorney(s) of any member in relation to the execution of documents and other actions to be taken in respect of Relevant Shares (including Relevant Shares represented by Depositary Interests) as determined by the Board under this Article 155 (including, without limitation, to enforce the sanctions referred to in Article 155.4).

155.13 Where used in this Article, the phrases "**offer**" and "**voting rights**" shall have the meanings ascribed to them in the Takeover Code.

156. APPLICATION OF CERTAIN ARTICLES

156.1 The provisions of Articles 12 and 155 shall be valid and binding on the Company and its members only for so long as the Takeover Code is not deemed by the Takeover Panel to be applicable to the Company. If the Takeover Code is deemed by the Takeover Panel to be applicable to the Company, the provisions of Articles 12 and 155 shall cease to apply in respect of the Company and its members.

157. DISPUTE RESOLUTION

- 157.1 The courts of England and Wales shall have exclusive jurisdiction to determine any dispute related to or connected with (a) any derivative claim in respect of a cause of action vested in the Company or seeking relief on behalf of the Company, (b) any action asserting a claim of breach of a fiduciary or other duty owed by any director or officer or other employee of the Company to the Company or the Company's members, or (c) any action asserting a claim against the Company or any director or officer or other employee of the Company arising under the laws of England and Wales or pursuant to any provision of the Articles (as either may be amended from time to time).
- 157.2 Damages alone may not be an adequate remedy for any breach of this Article 157, so that, in the event of a breach or anticipated breach, the remedies of injunction and/or an order for specific performance would in appropriate circumstances be available.
- 157.3 The governing law of the Articles is the substantive law of England.
- 157.4 For the purposes of this Article 157:
- (A) a "**dispute**" shall mean any dispute, controversy or claim;
 - (B) references to "**Company**" shall be read so as to include each and any of the Company's subsidiary undertakings from time to time; and
 - (C) "**director**" shall be read so as to include each and any director of the Company from time to time in his capacity as such or as an employee of the Company and shall include any former director of the Company.

158. DEPOSITARY INTERESTS

- 158.1 The Directors shall, subject always to applicable law and the provisions of these Articles, have power to implement and/or approve any arrangements which they may, in their absolute discretion, think fit in relation to (without limitation) the evidencing of title to and transfer of Depositary Interests or similar interests in shares.
- 158.2 The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements under Article 158.1 including, without limitation, treating holders of Depositary Interests or similar interests in shares as if they were holders directly thereof for the purposes of compliance with any obligations imposed under these Articles on members.
- 158.3 If and to the extent that the Directors implement and/or approve any arrangements in relation to the evidencing of title to and transfer of Depositary Interests or similar interests in shares in accordance with Articles 158.1 and 158.2, the Directors shall ensure that such arrangements provide (in so far as is reasonably practicable):
- (A) a holder of any such Depositary Interests or similar interest in shares with the same or equivalent rights as a member of the Company including, without limitation, in relation to the exercise of voting rights and provision of information; and
 - (B) the Company and the Directors with the same or equivalent powers as given under these Articles in respect of a member of the Company, including, without limitation, the powers of the Board under Articles 73 and 155, so that such power may be exercised against a holder of a Depositary Interest or similar interest in shares and the shares represented by such Depositary Interest or similar interest.

APPENDIX

SUMMARY OF EXAMPLE TERMS

RIGHTS TO PURCHASE SHARES OF STERIS PLC

Subject to the provisions of the Companies Act 2006 and every other enactment from time to time in force concerning companies (including any orders, regulations or other subordinate legislation made under the Companies Act 2006 or any such other enactment), so far as they apply to or affect STERIS plc (the "**Company**"), the Board of Directors of the Company (the "**Board**") may exercise any power of the Company to establish a shareholders rights plan (the "**Rights Plan**"). The Rights Plan may be in such form as the Board shall in its absolute discretion decide and may in particular (but without restriction or limitation) include such terms as are described in this Summary of Example Terms.

Pursuant to the Rights Plan, the Board would declare and issue one Share Purchase Right (a "**Right**") for each outstanding Ordinary Share of the Company (the "**Ordinary Shares**"). Each Right would entitle the registered holder, upon payment to the Company of the price per Right specified in the Rights Plan, to have delivered to such holder Ordinary Shares, Depositary Interests or shares of any other class or series as specified in the Rights Plan (a "**Share**"), subject to adjustment.

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons or persons acting in concert (a "**group**") has acquired beneficial ownership of or an interest in 20% or more of the outstanding Ordinary Shares and Depositary Interests (without duplication) (such person or group, an "**Acquiring Person**") and (ii) 10 business days (or such later date as may be determined by action of the Board prior to such time as any person or group were to become an Acquiring Person) following the commencement of, or announcement of an intention to make, a takeover offer by a person or group the consummation of which would result in the beneficial ownership of or an interest in 20% or more of the outstanding Ordinary Shares and Depositary Interests (without duplication) being acquired by that person or group (the earlier of such dates being called the "**Distribution Date**"), each Right would be associated with an individual Ordinary Share or Depositary Interest, as applicable, and the Rights would be transferred with and only with the Ordinary Shares or Depositary Interests, as applicable.

After the Distribution Date, separate certificates evidencing the Rights ("**Right Certificates**") would be mailed to (or credited to the account of) holders of record of the Ordinary Shares and Depositary Interests (without duplication) as of the close of business on the Distribution Date. Such separate Right Certificates alone would then evidence the Rights and the Rights would then be separately transferable.

The Rights would not be exercisable until the Distribution Date. The Rights would expire on a date to be specified in the Rights Plan, unless the Rights were earlier redeemed or exchanged by the Company.

After the Distribution Date, each holder of a Right, other than Rights held by or on behalf of any Acquiring Person (which would thereupon become void), would thereafter have the right to receive upon exercise of a Right that number of Shares having a market value of two times the exercise price for the Right.

If, after a person or group were to become an Acquiring Person, the Company were to be acquired by a third party (including an Acquiring Person) in a securities exchange, proper provisions would be made so that each holder of a Right (other than Rights held by or on behalf of an Acquiring Person, which would have become void) would thereafter have the right to receive upon the exercise of a Right that number of shares of such third party (including an Acquiring Person) or its parent that at the time of such acquisition would have a market value of two times the exercise price of the Right.

At any time after any person or group were to become an Acquiring Person and prior to the acquisition by such Acquiring Person of an interest in 50% or more of the outstanding Ordinary Shares and Depositary Interests (without duplication), the Board would have the authority to exchange or cause to be exchanged the Rights (other than Rights held by or on behalf of such Acquiring Person, which would have become void), in whole or in part, for Shares at an exchange ratio of one Share per Right, subject to the receipt of any consideration required by applicable law to be received by the Company in respect of the same.

At any time before any person or group were to become an Acquiring Person, the Board would have the authority to redeem the Rights in whole, but not in part, at a price per Right to be specified in the Rights Plan (the "**Redemption Price**").

Before any person or group became an Acquiring Person, the Board would have the authority, except with respect to the Redemption Price, to amend the Rights Plan in any manner, subject to applicable law and any restrictions set forth in the Articles of Association of the Company. After any person or group became an Acquiring Person, the Board would have the authority, except with respect to the Redemption Price, to amend the Rights Plan in any manner that would not adversely effect the interests of holders of the Rights (other than Rights held by or on behalf of any Acquiring Person, which would have become void).

Before the exercise of a Right, a Right would not entitle the holder thereof to any rights as a shareholder of the Company or as a holder of Depositary Interests including, without limitation, the right to vote or receive dividends in respect of such Right.

LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Board of Directors and Shareholders
STERIS plc

We are aware of the incorporation by reference in the following STERIS plc Registration Statements of our review report, dated November 8, 2016, relating to the unaudited consolidated interim financial statements of STERIS plc and subsidiaries, included in its Form 10-Q for the quarter ended September 30, 2016:

Registration Number	Description
333-207721	Form S-8 Registration Statement – STERIS plc 2006 Long-Term Equity Incentive Plan, Assumed as Amended and Restated
333-207722	Form S-8 Registration Statement – STERIS Corporation 401(k) Plan
333-214491	Form S-8 Registration Statement – STERIS plc 2006 Long-Term Equity Incentive Plan

Cleveland, Ohio
November 8, 2016

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Walter M Rosebrough, Jr., certify that:

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

Date: November 8, 2016

/s/ WALTER M ROSEBROUGH, JR.

Walter M Rosebrough, Jr.
President and Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael J. Tokich, certify that:

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

Date: November 8, 2016

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President, Chief Financial Officer and Treasurer

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

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS plc (the "Company") for the quarter ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ WALTER M ROSEBROUGH, JR.

Name: Walter M Rosebrough, Jr.
Title: President and Chief Executive Officer

/s/ MICHAEL J. TOKICH

Name: Michael J. Tokich
Title: Senior Vice President, Chief Financial Officer and Treasurer

Dated: November 8, 2016

