DIPLOMA PLC

Preliminary Announcement

Year ended 30 September 2014

17 November 2014

Contents

LIFE SCIENCES

SEALS

CONTROLS

1. Introduction and Overview

Our Business Model

Essential Products

= recurring income and stable revenue growth

- Focus on essential products and services
- Funded by customers' operating rather than capital budgets
- "GDP plus" organic revenue growth

Essential Solutions

= sustainable and attractive margins

- Highly responsive customer service
- Deep technical knowledge and support
- Value adding activities

Essential Values

= agility and responsiveness

- Entrepreneurial culture
- Decentralised management model
- Decisions made close to the customer

WE WANT TO MAKE OURSELVES ESSENTIAL TO OUR CUSTOMERS

Our Growth Strategy

ACQUIRE

- Fit with Group's business model
- Marketing led with strong customer relationships
- Track record of stable profitable growth and cash generation
- Capable management
- Target of 20% plus pre-tax ROI

BUILD

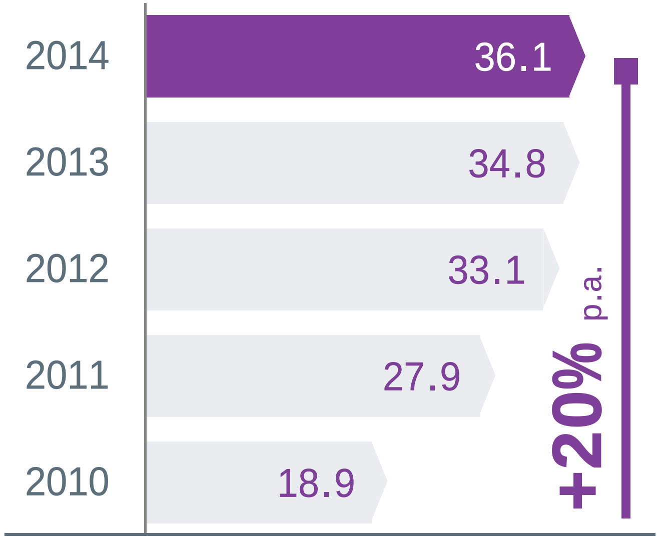
- Investment to build a solid foundation for growth:
  - New facilities and IT systems
  - Increased working capital
  - Strengthened management

GROW

- Businesses maintain their distinct sales and marketing identity
- Synergies managed within business clusters:
  - Cross-selling
  - Joint purchasing
  - Shared back-office operations

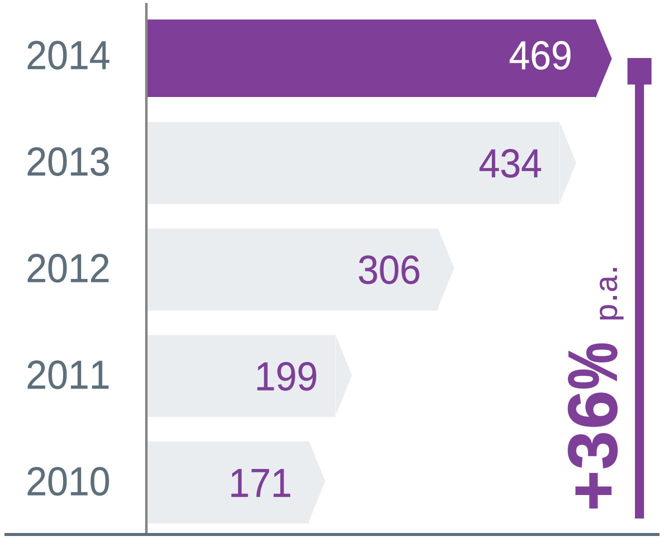
Our Corporate Objectives

STRONG DOUBLE-DIGIT EPS GROWTH



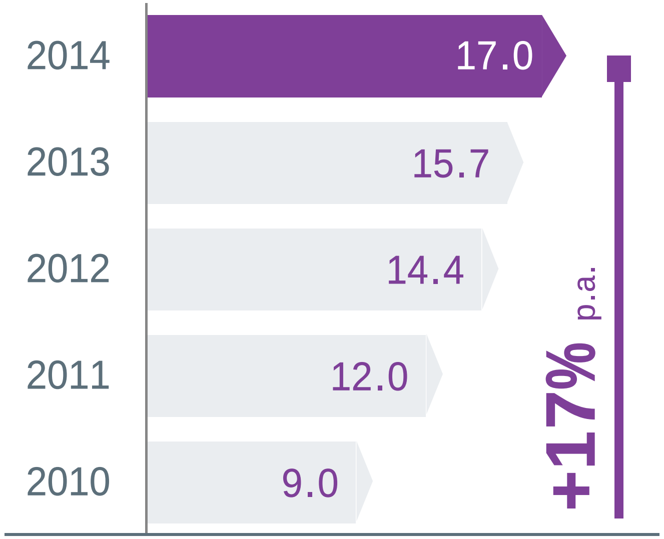
Adjusted EPS in pence

UPPER QUARTILE TSR GROWTH



TSR index, end Sept 2009 = 100

PROGRESSIVE DIVIDEND GROWTH



Dividends in pence

TRACK RECORD OF DELIVERING STRONG RETURNS FOR SHAREHOLDERS

Overview of 2014 Results

- Underlying revenue growth of **8%** with strong performance across all three Sectors
- Adjusted operating margins remained robust at **18.5%** of revenue
- Translational currency effects reduced revenue and operating profit and offset contributions from acquisitions in the year
- Free cash flow increased by **20%** to **£37.8m**; net cash of **£21.3m** at year end
- Acquisition spend increased strongly to **£16.5m**; good pipeline of opportunities
- Dividend increased by **8%** reflecting confidence in Group's growth prospects
- ROATCE was maintained at **25.8%**

2. Financial Results

Overview of Results
Year ended 30 September

	2014	2013	
Revenue	**£305.8m**	£285.5m	*+7%*
Adjusted operating profit	**£56.7m**	£54.3m	*+4%*
Adjusted operating margin	**18.5%**	19.0%	
Adjusted profit before tax	**£56.2m**	£54.3m	*+3%*
Free cash flow	**£37.8m**	£31.6m	*+20%*
Acquisition spend	**£16.5m**	£2.2m	
Year end cash	**£21.3m**	£19.3m	
Adjusted earnings per share	**36.1p**	34.8p	*+4%*
Total dividends per share	**17.0p**	15.7p	*+8%*

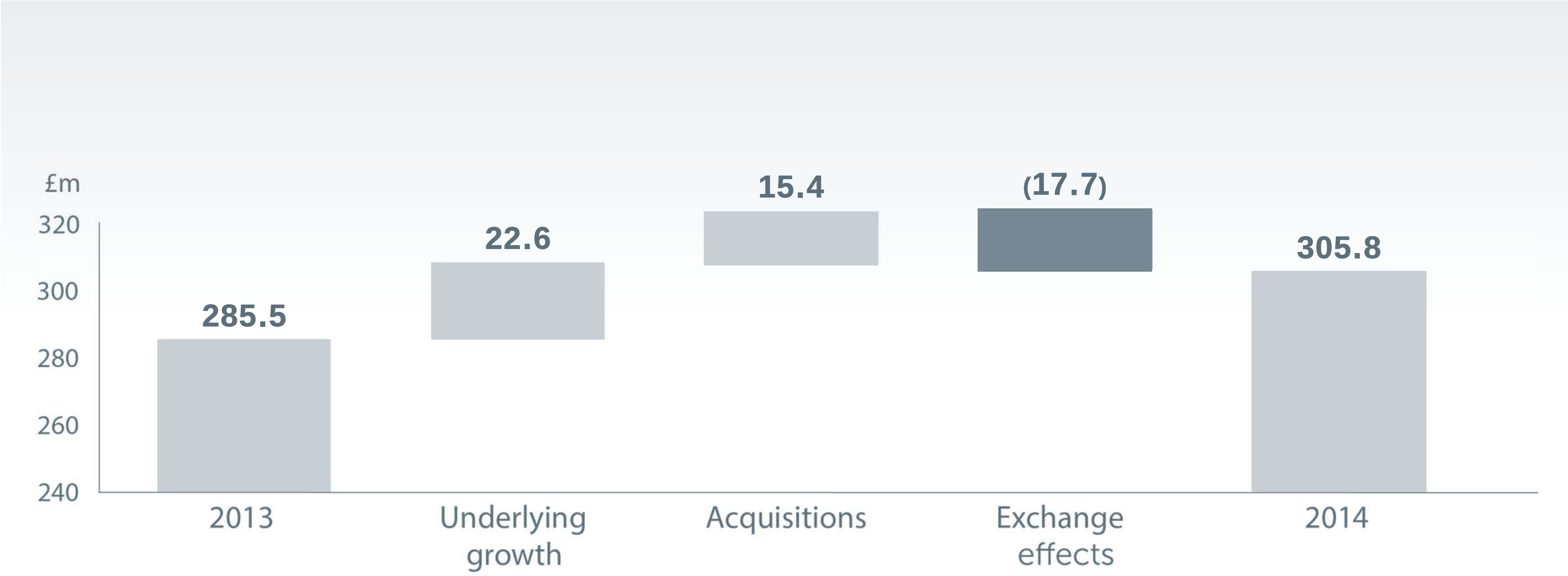
Financial Highlights

- Underlying revenue and adjusted operating profit both increased by **8%**, after adjusting for currency effects and acquisitions
- Significant strengthening in UK sterling limited growth in reported revenue and adjusted operating profit to **7%** and **4%** respectively
- Adjusted operating margins robust at **18.5%**, despite transactional currency effects in Canadian and Australian Healthcare businesses
- Adjusted profit before tax and adjusted EPS increased by **3%** and **4%** respectively to **£56.2m** and **36.1p**
- Free cash flow increased by **20%** to **£37.8m** as Group's Investment for Growth programme nears completion
- Acquisition expenditure of **£16.5m**; net cash of **£21.3m** at year end
- Total dividend up **8%** to **17.0p** per share reflecting confidence in the Group's growth prospects

Profit Before Tax
Year ended 30 September

	2014 £m	2013 £m	
Revenue	**305.8**	285.5	*+7%*
Adjusted operating profit	**56.7**	54.3	*+4%*
Adjusted operating margin (%)	*18.5%*	*19.0%*	
Net interest expense	**(0.5)**	-	
Adjusted profit before tax	**56.2**	54.3	*+3%*
Acquisition related charges	**(6.4)**	(5.6)	
Fair value remeasurements	**-**	(0.2)	
Reported profit before tax	**49.8**	48.5	*+3%*

Revenue Bridge



Translational impact on full year results has been to reduce Group revenues and adjusted operating profit by **£17.7m** and **£4.1m** respectively

Foreign Exchange

Average rates in UK Sterling	2014	2013	
US$	**1.66**	1.56	*+6%*
C$	**1.80**	1.59	*+13%*
Euro	**1.23**	1.19	*+3%*
A$	**1.81**	1.58	*+15%*

Average rates in US Dollars	2014	2013	
C$	**1.09**	1.02	*+7%*
A$	**1.09**	1.01	*+8%*

Adjusted Operating Margin

+ Tight control of operating costs in the Healthcare businesses
+ Operational leverage from benefits of Investment for Growth programme

Adjusted operating margin

18.5%

– Transactional currency effects in Canadian and Australian Healthcare businesses
– Acquisitions joining the Group with lower initial operating margins

Taxation and Earnings per Share
Year ended 30 September

	2014	2013	
Adjusted profit before tax	**£56.2m**	£54.3m	
Reported taxation	**(13.7)**	(13.7)	
Adjustments	**(1.1)**	(1.1)	
Adjusted tax	**(14.8)**	(14.8)	
Effective adjusted tax rate	*26.3%*	*27.3%*	
Earnings per share			
Adjusted	**36.1p**	34.8p	+4%
Basic (Reported)	**31.4p**	30.7p	+2%

Free Cash Flow
Year ended 30 September

	2014 £m	2013 £m	
Adjusted operating profit	**56.7**	54.3	
Depreciation	**2.5**	2.5	
Working capital	**(4.6)**	(1.1)	
Pension and share schemes, net	**0.4**	0.2	
Operating cash flow, before acquisition expenses	**55.0**	55.9	*-2%*
Interest paid, net	**(0.3)**	(0.2)	
Tax paid	**(13.0)**	(14.8)	
Capital expenditure, net	**(2.1)**	(4.6)	
Notional purchase of own shares	**(1.8)**	(4.7)	
Free cash flow	**37.8**	31.6	*+20%*

Cash

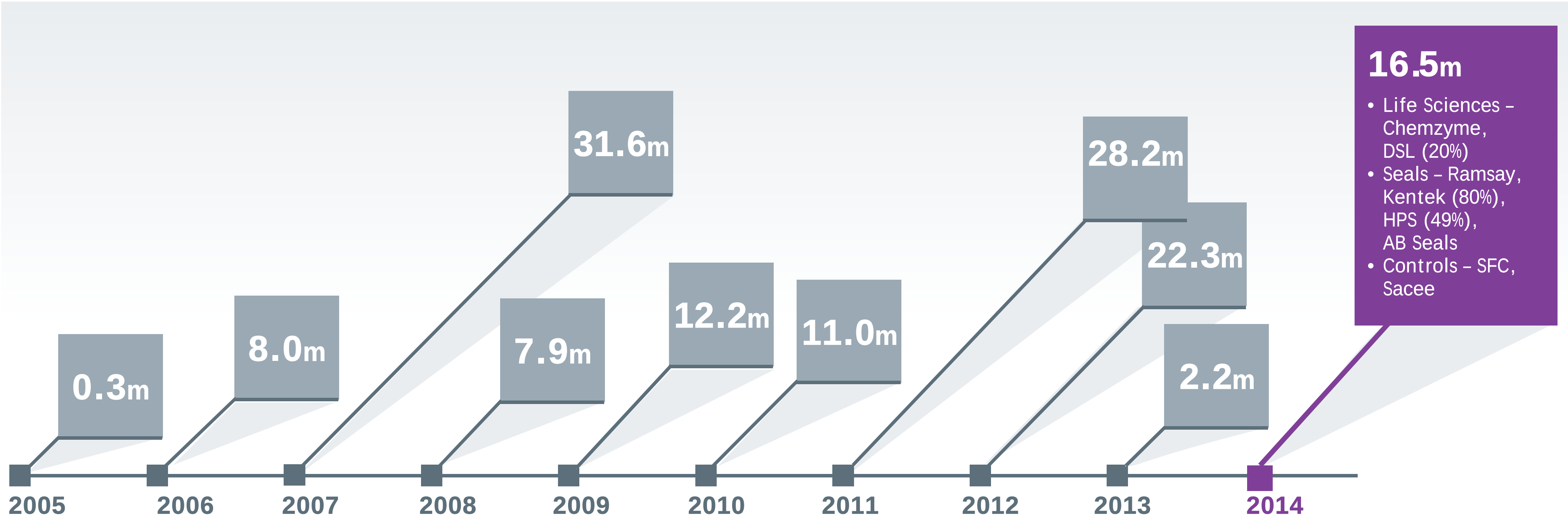
Year ended 30 September

	2014 £m	2013 £m
Free cash flow	**37.8**	31.6
Acquisition cash paid	**(16.4)**	(1.6)
Deferred consideration	**(0.1)**	(0.6)
Dividends	**(18.4)**	(17.6)
	2.9	11.8
Cash brought forward	**19.3**	7.9
Exchange adjustments	**(0.9)**	(0.4)
Cash at 30 September	**21.3**	**19.3**

Acquisitions

- Acquisitions are an integral part of the Group's growth strategy
- £16.5m spent on acquisitions during the year:
  - £9.9m on 80% of Kentek – extends Seals business into new geographic markets and adds filter products
  - £5.0m on five small bolt-on acquisitions – natural extensions of existing businesses into new product and market segments
  - £1.6m on acquiring minority shareholdings and paying deferred consideration
- 80% of TPD acquired shortly after the year end taking total spend in CY2014 to £26m
- Prospects for 2015 encouraging with improving acquisition environment, good pipeline of opportunities and additional resources in place

Acquisition Spend (£)



80% of TPD acquired shortly after year end taking total spend in CY2014 to £26m

Shareholders' Funds and ROATCE
As at 30 September

	2014 £m	2013 £m
Goodwill	80.2	78.5
Acquisition intangible assets	28.6	26.7
Tangible assets and investments	14.6	15.4
Net working capital	54.2	47.8
Trading capital employed - reported	**177.6**	168.4
Retirement benefit obligations	(4.3)	(4.7)
Deferred tax, net	(3.3)	(1.7)
Acquisition liabilities	(4.0)	(3.0)
Cash	21.3	19.3
Minority interests	(2.9)	(1.4)
Total shareholders' equity	**184.4**	176.9
ROATCE	*25.8%*	*25.8%*

3. Business Review

Our Sectors
Revenue by Sector and Destination

LIFE SCIENCES	SEALS	CONTROLS
30% of group revenues	39% of group revenues	31% of group revenues
334 employees	604 employees	312 employees
67% Canada	68% North America	58% UK
19% Europe	24% Europe	34% Continental Europe
14% Rest of World	8% Rest of World	8% Rest of World

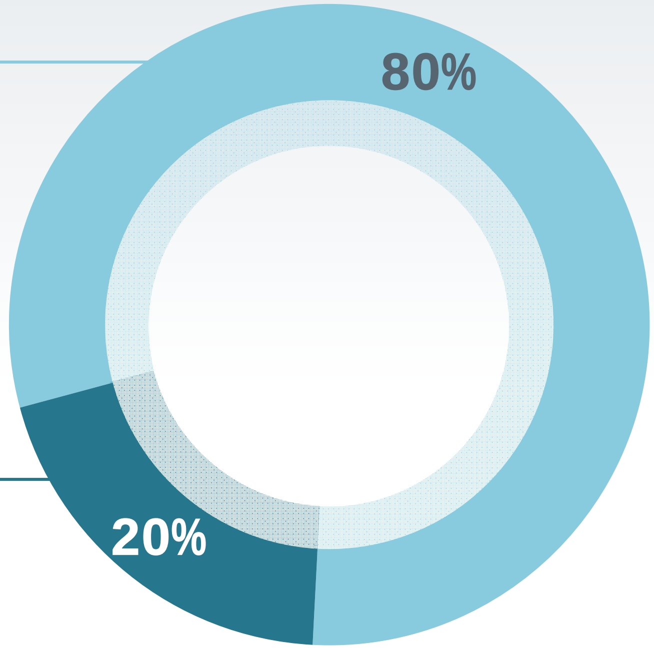
Life Sciences
Segmentation

Healthcare

Diploma Healthcare Group ("DHG") supplies medical devices and related consumables and services to the healthcare industries in Canada and Australia

Environmental

The a1-group supplies environmental analysers, containment enclosures, emissions monitoring systems and gas detection devices



80% OF REVENUES FROM STEADILY GROWING HEALTHCARE MARKETS

Life Sciences
Operating Results

Year ended 30 Sept	2014	2013	
Revenue	**£91.4m**	£93.2m	*-2%*
Adjusted operating profit	**£19.7m**	£20.9m	*-6%*
Adjusted operating margin	**21.6%**	22.4%	

- Underlying revenues increased by 9% after adjusting for currency
- Good growth in both Healthcare and Environmental businesses
- Gross margins in Healthcare impacted on transactional basis by currency; operating costs managed tightly

Life Sciences
Sector Developments

- In **Healthcare**, strong consumable revenues offset weaker capital equipment and service revenues
- ERP project well advanced – Somagen completed, Vantage in process and AMT to follow in 2015
- DHG Australia building critical mass under single leadership and with consolidated operations; Chemzyme acquired and integrated
- Acquisition of TPD after year end extends DHG into Ireland and the UK and adds new products and suppliers
- Strong growth in **Environmental** businesses with stable operating margins

LIFE SCIENCES

TPD Acquisition

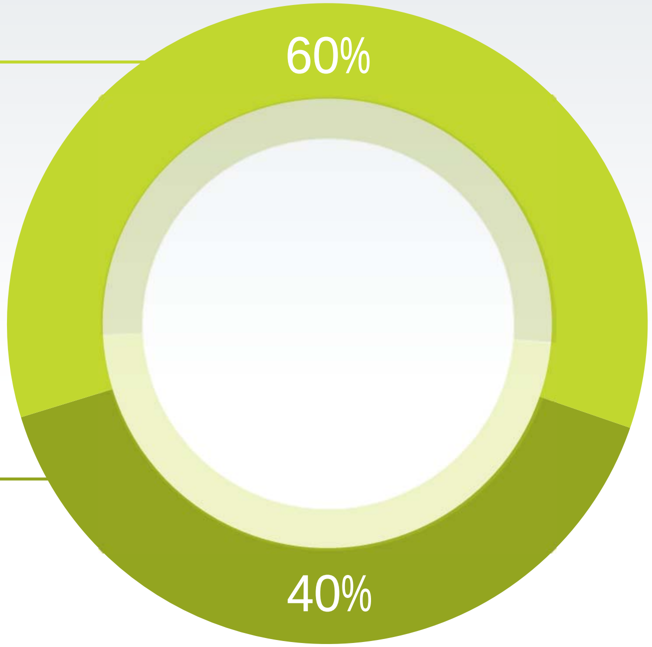
TECHNOPATH

- DHG acquired 80% of Technopath Distribution ("TPD") shortly after the year end
- TPD is an established supplier to Biotech, Clinical and Medical markets in Ireland and the UK with revenues of ca. €15m
- TPD shares key suppliers with DHG in Canada and also adds new products and suppliers
- Owner managers remain as Directors with put and call options over 20% shareholding
- Important first step in building DHG presence and critical mass in Ireland and the UK

Seals
Segmentation

Aftermarket

Next day delivery of seals, seal kits, O-rings, gaskets, filters and cylinder components for the repair of heavy mobile machinery



Industrial OEMs

Supply of seals, O-rings and custom moulded and machined parts to manufacturers of specialised industrial equipment

TWO RESILIENT REVENUE STREAMS

Seals
Operating Results

Year ended 30 Sept	2014	2013	
Revenue	**£119.8m**	£106.1m	*+13%*
Adjusted operating profit	**£21.7m**	£19.5m	*+11%*
Adjusted operating margin	**18.1%**	18.4%	

- Underlying revenues increased by 7% after adjusting for currency and acquisitions:
  - Aftermarket businesses up by 5%
  - Industrial OEM businesses up by 8%
- Resilient gross margins across the Seals businesses
- HFPG and FPE Seals operating margins improved with benefits from prior year investments; lower initial margins at Kentek

Seals
Sector Developments

- Good growth in HFPG **Aftermarket** Seals business in North America, despite disruption from severe weather
- Unified European Aftermarket Seals group taking shape, centred on FPE Seals; AB Seals added during the year
- Kentek acquisition brings new geographic markets and adds filter products
- Continuing strong underlying growth in the **Industrial OEM** Seals businesses in the US and Europe
- M Seals acquired Ramsay Services in the UK and All Seals is opening a new branch operation in Houston, Texas

SEALS

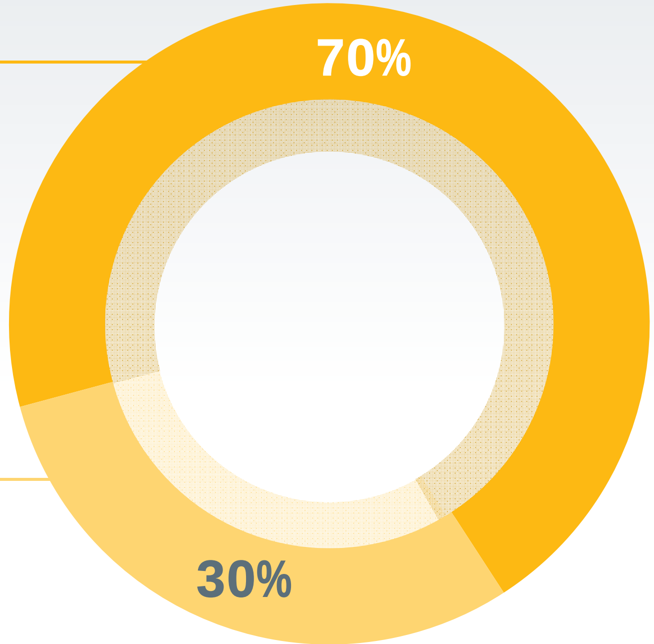
Controls
Segmentation

Interconnect

Wiring, harness components and fasteners used in specialised applications in Aerospace, Defence, Motorsport, Energy, Medical and Industrial

Fluid Controls

Temperature, pressure and fluid control products used in the Food, Beverage and Catering industries



A BROAD RANGE OF SPECIALISED, HIGH PERFORMANCE PRODUCTS

Controls
Operating Results

Year ended 30 Sept	2014	2013	
Revenue	**£94.6m**	£86.2m	*+10%*
Adjusted operating profit	**£15.3m**	£13.9m	*+10%*
Adjusted operating margin	**16.2%**	16.1%	

> Underlying revenues increased by 8% after adjusting for currency and acquisitions

> Gross margins remained resilient across Controls businesses

> Operational leverage improving with benefits from prior year investments

Controls

Sector development

- Strong growth in **Interconnect**, driven by improved markets in the UK and Germany, particularly Civil Aerospace, Energy and Motorsport
- Acquisition of SFC strengthened the fasteners business and added design skills and added-value assembly expertise
- Sacee acquisition extended Filcon's business into Satellite sector in France
- In **Fluid Controls**, significant gains made by Hawco in Food & Beverage sector
- Relocation of Hawco's offices, consolidation of warehouse facilities and extension of new ERP system into Abbeychart

CONTROLS

4. Outlook and Prospects

The Diploma Investment Case

GDP+ ORGANIC REVENUE GROWTH	We focus on essential products and services, funded by customers' operating rather than capital budgets, giving resilience to revenues
ATTRACTIVE MARGINS	Our attractive operating margins are sustained through the quality of customer service, the depth of technical support and value adding activities
ACQUISITIONS TO ACCELERATE GROWTH	Carefully selected, value enhancing acquisitions accelerate the organic growth and take us into related strategic markets
STRONG CASH FLOW	An ungeared balance sheet and strong cash flow fund our growth strategy while providing healthy and growing dividends
VALUE CREATION	We aim to create value by consistently exceeding 20% ROATCE

CLEARLY DEFINED STRATEGY – CONSISTENT TRACK RECORD

Current Trading and Outlook

Group
- Strong underlying performance across all three Sectors
- Resilient business model
- Strong balance sheet and cash flow

Life Sciences
- 9% underlying revenue growth
- Strong consumable revenues
- TPD acquisition extends Healthcare into Ireland and UK

Seals
- 7% underlying revenue growth
- Strong Industrial OEM performance and recovery in Aftermarket
- Growing international business

Controls
- 8% underlying revenue growth
- Improved markets in UK and Germany
- Strong Civil Aerospace, Energy and Motorsport

Acquisitions
- Improving acquisition environment
- Good acquisition pipeline
- Additional resources in place

THE BOARD REMAINS CONFIDENT OF FURTHER PROGRESS FROM “GDP+” ORGANIC GROWTH AND ACQUISITIONS

DIPLOMA PLC

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