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IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR ORDINARY SHARES IN DIPLOMA PLC PLEASE SEND THIS DOCUMENT AND, WHERE RELEVANT, THE ACCOMPANYING FORM OF PROXY TO THE STOCKBROKER OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.

12 Charterhouse Square
London
EC1M 6AX

30 November 2009

DIPLOMA PLC

(the “Company”)

(Registered in England and Wales No. 3899848)

Dear Shareholder,

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in the Brewers’ Hall, Aldermanbury Square, London, EC2V 7HR on Wednesday, 13 January 2010 at 12.00, midday. As you can see from the Notice of the Annual General Meeting which follows this letter there are, in addition to the Ordinary Business at the Annual General Meeting, six items of Special Business.

The purpose of this letter is to explain the Business to be transacted at the Annual General Meeting.

Ordinary Business

Resolutions 1 to 5

The Ordinary Resolutions deal with the receipt and adoption of the Report of the Directors and the Financial Statements for the year ended 30 September 2009, together with the Auditors’ Report, the declaration of a final dividend, the re-election of Directors, the re-appointment of Deloitte LLP as Auditors and the authorisation of the Directors to set the Auditors’ remuneration.

Biographical details of the Director seeking re-election are given on pages 8 and 9 of the Annual Report and Accounts 2009.

Special Business

Resolution 6 – Approval of Directors’ Remuneration Report

In accordance with the Directors’ Remuneration Report Regulations 2002, shareholders are being invited to approve the Directors’ Remuneration Report for the financial year ended 30 September 2009. You can find the report on pages 33 to 37 of the Annual Report and Accounts 2009.

Resolution 7 – Authority to Allot Shares

The Directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders. The previous authority granted by shareholders in respect of the allotment of shares will expire on 13 January 2010. Accordingly, Resolution 7 will be proposed as an Ordinary Resolution to grant new authority to allot shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount of £1,887,326.

This amount represents approximately one third of the total issued ordinary share capital of the Company as at 30 November 2009. If given, this authority will expire at the Annual General

Meeting in 2011 or 13 April 2011, whichever is the earlier. The Directors have no present intention of issuing any of the share capital of the Company.

Resolution 8 – Disapplication of Pre-Emption Rights

The Directors require a power from shareholders to allot equity securities or sell treasury shares where they propose to do so for cash and otherwise than to existing shareholders *pro rata* to their holdings. The previous power granted by shareholders in respect of the disapplication of pre-emption rights will expire on 13 January 2010. Accordingly, Resolution 8 will be proposed as a Special Resolution to grant such a power. Apart from offers or invitations, the authority will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal amount of £283,099 (being five per cent. of the issued ordinary share capital at 30 November 2009). If given, this authority will expire on the earlier of 13 April 2011 and the conclusion of the Annual General Meeting in 2011. Your Directors will have due regard to institutional guidelines in relation to any exercise of this authority, in particular the requirement for advance consultation and explanation before making any non pre-emptive cash issue pursuant to this resolution which exceeds 7.5 per cent. of the Company's issued share capital in any rolling three year period. Your Directors do not have any present intention of exercising this authority, but consider it desirable to have the flexibility to use it should opportunities arise.

Resolution 9 – Authority to make Market Purchases of Ordinary Shares

This resolution will give the Company authority to purchase its own shares in the market up to a limit of 10 per cent. of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. The Directors believe that it is advantageous for the Company to have the flexibility to make market purchases of its own shares. In the event that Shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, subject to the Companies Act 2006 (the "Act"), be retained as treasury shares. The Act enables companies to hold shares re-purchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them. The Company will consider holding re-purchased shares pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. The Directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally. This resolution is to be renewed for the period ending on the earlier of 13 April 2011 and the conclusion of the Annual General Meeting in 2011.

At the date of this letter the Company does not hold any treasury shares.

Resolutions 10(a) and (b) – Removal of the provisions from the Memorandum of Association and Adoption of New Articles of Association

By these resolutions the Directors are seeking to remove the provisions of the Memorandum of Association and to adopt new Articles of Association in order to update the Company's current Articles of Association, primarily to take account of changes in English company law brought about by the Companies Act 2006 and the implementation of the Shareholder Rights Directive in the United Kingdom in August 2009.

The Companies Act 2006 has abolished the concept of the Memorandum of Association in its previous meaning for new companies and deems provisions of the Memorandum of Association transferred into the Articles of Association for existing companies.

The Articles of Association of the Company in their current form contain certain provisions that no longer fully reflect both legislation and best practice and accordingly the Board considers it prudent to replace the Company's existing Articles of Association with new Articles of Association that take account of those developments.

A summary of the material changes brought about by the proposed adoption of the new Articles of Association is set out in Appendix 1 to this letter. Other changes, which are of a minor, technical or clarifying nature, have not been noted in the Appendix.

A copy of the new Articles of Association, along with a comparison of the new Articles of Association and the current Articles of Association, will be on display at the registered office of the

Company during normal business hours on any week day up to and including the date of the Annual General Meeting, and at that meeting.

Resolution 11 – Notice Period for General Meetings

This resolution is required under the changes made to the Act by the Companies (Shareholders' Rights) Regulations 2009 (the "**Regulations**") which came into force on 3 August 2009 and implement the Shareholder Rights Directive. The Regulations increase the notice period for general meetings of companies such as ours to 21 days, unless certain conditions are met in which case it may be 14 clear days notice. To ensure that our general meetings (other than annual general meetings) may be held on not less than 14 clear days notice, one of the conditions needing to be met is that a shareholder resolution reducing the period of notice to not less than 14 clear days has been passed at the immediately preceding annual general meeting. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Recommendation and Action to be Taken

The Board is unanimous in its view that the adoption of the resolutions (including the new Articles of Association), set out in the Notice of Annual General Meeting, is in the best interests of the Company and its shareholders as a whole. Accordingly, the Board recommends that you vote in favour of the resolutions. Each Director intends to vote in favour of the resolutions in respect of his own beneficial holding, which in aggregate amount to 2,260,370 shares at the date of this letter.

Ordinary shareholders are requested, whether or not they propose to attend the Annual General Meeting, to complete and return the enclosed form of proxy to Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol, BS99 3FA so as to arrive as soon as possible, but in any event by no later than 48 hours before the time of the meeting. The lodging of forms of proxy will not prevent ordinary shareholders from attending and voting in person if they so wish.

Yours faithfully

JL Rennocks
Chairman

Note:

Copies of the following documents are available for inspection at the registered office of the Company, 12 Charterhouse Square, London, EC1M 6AX during normal business hours on any weekday from the date of this Notice until the close of the Annual General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the Annual General Meeting convened for that day from at least 15 minutes prior to the appointed time for the meeting until the meeting is concluded or adjourned:

- (a) copies of the Executive Directors' service agreements;
- (b) copies of the terms and conditions of appointment of non-Executive Directors; and
- (c) a copy of the proposed new Articles of Association and a copy of the current Articles of Association, marked up to show the changes being proposed in Resolution 10.

Appendix 1

Diploma PLC (the “Company”)

Explanatory Notes of principal changes to the Company’s Articles of Association

1. The Company’s objects

The provisions regulating the operations of the Company are currently set out in the Company’s Memorandum of Association (“**Memorandum**”) and Articles of Association. The Company’s Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 (the “**2006 Act**”) significantly reduces the constitutional significance of a company’s Memorandum. The 2006 Act provides that a Memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company’s Memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company’s Articles of Association, but the company can remove these provisions by special resolution.

Further, the 2006 Act states that, unless a company’s Articles of Association provide otherwise, a company’s objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company’s Articles of Association as of 1 October 2009. Resolution 10(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company’s Memorandum regarding limited liability, the new Articles of Association (the “**New Articles**”) also contain an express statement regarding the limited liability of shareholders.

2. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its Articles of Association the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead, provided they are so authorised by the Articles of Association. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares, but if it did so the Directors would need shareholders’ authority to issue new shares in the usual way.

3. Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

4. Voting by proxies on a show of hands

The Companies (Shareholders’ Rights) Regulations 2009 (the “**Regulations**”) have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands, unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The current Articles of Association have been amended to reflect these changes.

5. Voting by corporate representatives

The Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

6. Notice of general meetings

The Regulations amend the 2006 Act to require the Company to give 21 clear days’ notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general

meetings must be held on 21 clear days notice. The New Articles amend the provisions of the current Articles of Association to be consistent with the new requirements.

7. Adjournments for lack of quorum

Under the 2006 Act, as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The current Articles of Association have been changed to reflect this requirement.

