

| 10 May 2010

Interim Announcement
Six months ended 31 March 2010

DIPLOMAPLC

DIPLOMAPLC |

Table of Contents

		Slide
I	Overview of Results	3
II	Review of Operations	6
III	Financial Highlights	13
IV	Outlook and Prospects	21

I Overview of Results

Overview of Results

	Six months ended 31 March		
	2010	2009	
Revenue	£86.2m	£80.3m	+7%
Operating profit	£14.6m	£11.9m	+23%
Operating margin	16.9%	14.8%	
Adjusted profit before tax	£14.6m	£12.0m	+22%
Free cash flow	£16.6m	£6.8m	
Adjusted earnings per share	8.4p	6.9p	+22%
Dividend per share	2.8p	2.5p	+12%

Overview of Results

- Revenues increased by **7%** with an improving trend into Q2.
- Adjusted PBT increased by **22%**; benefiting from cost reduction programmes in H1 2009.
- Underlying revenue and operating profits increased by **4%** and **17%** respectively, after adjusting for currency effects and acquisitions.
- Sale of **Anachem** MLH & Instruments businesses completed.
- Strong free cashflow of **£16.6m**, including **£6.3m** on sale of business; cash funds of **£28.4m** at end of period.
- Interim dividend increased by **12%** to **2.8p** per share.

II Review of Operations

Life Sciences – Overview

Suppliers of consumables, instrumentation and related services to clinical, environmental and industrial applications

Six months ended 31 March	2010	2009	
Revenue	£26.9m	£24.4m	+10%
Operating profit	£5.9m	£4.6m	+28%
Operating margin	21.9%	18.9%	

Adjusting for currency translation benefits, sector revenues increased by 3%

Life Sciences – Half Year Highlights

- **DCHI** increased revenues by 4% in Canadian dollars; 14% in UK sterling.
- Good growth in contracted consumable products; in particular smoke evacuation, surgical products and flexible endoscopic instruments.
- Capital sales constrained by tender processes and limits on number and cost of medical procedures.
- **a1-group** increased revenues by 2% and improved margins:
 - Good growth in Switzerland and France
 - Reduced cost base from prior year restructuring.

Seals – Overview

Suppliers of hydraulic seals, gaskets, cylinders and attachment kits for heavy mobile and industrial machinery

Six months ended 31 March	2010	2009	
Revenue	£26.3m	£23.7m	+11%
Operating profit	£3.2m	£2.5m	+28%
Operating margin	12.2%	10.5%	

Adjusting for acquisition of RTD Seals and currency translation effects, sector revenues increased by 7%

Seals – Half Year Highlights

- **HFPG** revenues increased by 22% in US dollars; 4% increase, excluding RTD Seals acquisition.
- Core Aftermarket business resilient and showing improving trend from Q1 to Q2.
- Strong recovery in Bulldog and HKX businesses, supplying to industrial OEMs and equipment dealers and impacted more by market downturn.
- RTD Seals developing positively with strong rebound in revenues:
 - Sales and engineering teams now strengthened to respond to demand
 - Back office integrated into HFPG.
- **FPE** and **M Seals** improving steadily.

Controls – Overview

Suppliers of specialised wiring, connectors, fasteners and control devices for a range of technically demanding applications

Six months ended 31 March	2010	2009	
Revenue	£33.0m	£32.2m	+2%
Operating profit	£5.5m	£4.8m	+15%
Operating margin	16.7%	14.9%	

Revenue growth similar on constant currency basis

Controls – Half Year Highlights

- **UK Controls** increased revenues by 4%:
 - IS Group sales to Defence and Motorsport sectors strong
 - Good growth in Hawco Calibration Services and Refrigeration
 - Aerospace, Energy and Industrial sectors softer.

- **German Controls** revenues decreased by 1%; but improvement relative to H2 2009:
 - Recovery in general Industrial sector
 - Motorsport impacted by Toyota and BMW withdrawals from F1
 - Mixed performance in Defence and Aerospace.

III Financial Highlights

Profit Before Tax

	Six months ended 31 March		
	2010 £m	2009 £m	
Revenue	86.2	80.3	+7%
Operating profit	14.6	11.9	+23%
<i>Operating margin</i>	<i>16.9%</i>	14.8%	
Net finance income	-	0.1	
Adjusted profit before tax	14.6	12.0	+22%
FV remeasurement of put options	(1.7)	(1.3)	
Amortisation of acquisition intangibles	(1.6)	(1.4)	
IFRS profit before tax	11.3	9.3	+22%

Underlying Results

	Revenue £m	Operating Profit £m
As reported	86.2	14.6
Forex - translation	(0.5)	(0.4)
Acquisitions	(2.5)	(0.3)
	83.2	13.9
Movement in underlying results	4%	17%

As reported – HY 2009	£80.3m	£11.9m
-----------------------	--------	--------

Profit After Tax

	Six months ended 31 March		
	2010	2009	
	£m	£m	
Adjusted profit before tax	14.6	12.0	
IFRS taxation	(4.2)	(3.4)	
Adjustments	(0.2)	(0.2)	
Adjusted tax	(4.4)	(3.6)	
<i>Effective adjusted tax rate</i>	30.1%	30.0%	
Earnings per share			
Adjusted	8.4p	6.9p	+22%
Basic	5.7p	4.7p	+21%

Discontinued Business

	2010 £m	2009 £m
Revenue	<u>5.0</u>	<u>7.7</u>
Operating (loss)/profit	(0.6)	0.4
Tax	<u>0.2</u>	<u>(0.1)</u>
Profit after tax	(0.4)	0.3
Profit on disposal	<u>5.6</u>	<u>-</u>
Attributable profit	<u>5.2</u>	<u>0.3</u>
Free cash flow	<u>(0.7)</u>	<u>0.3</u>

Free Cash Flow

	Six months ended 31 March	
	2010	2009
	£m	£m
Operating profit	14.6	11.9
Depreciation	1.0	1.1
Working capital	0.3	0.1
Pension and share schemes, net	0.2	0.2
Operating cash flow	16.1	13.3
Purchase of own shares/Interest	(0.4)	0.1
Taxation	(4.9)	(5.6)
Capital expenditure	(0.5)	(1.0)
Disposal of business	6.3	-
Free cash flow - continuing	16.6	6.8

Net Cash Funds

	Six months ended 31 March	
	2010	2009
	£m	£m
Free cash flow - continuing	16.6	6.8
Free cash flow – discontinued	(0.7)	0.3
Acquisition cash paid	(2.5)	(11.2)
Deferred consideration	(0.3)	(1.1)
Dividends	(7.1)	(6.3)
	6.0	(11.5)
Cash funds brought forward	21.3	15.7
Exchange adjustments	1.1	1.3
Cash funds	28.4	5.5

Shareholders' Funds

	31 Mar 2010 £m	30 Sept 2009 £m
Goodwill	65.7	59.6
Acquisition intangible assets	20.8	21.2
Tangible assets	12.2	12.4
	<hr/>	<hr/>
	98.7	93.2
Net working capital	28.8	28.1
	<hr/>	<hr/>
Trading capital employed	127.5	121.3
Business held for sale, net	0.2	1.9
Retirement benefit obligations	(4.0)	(4.7)
Deferred tax, net	(1.7)	(2.0)
Future purchases of minorities	(12.3)	(13.1)
Deferred consideration	(0.1)	(0.6)
Cash funds	28.4	21.3
	<hr/>	<hr/>
	138.0	124.1
less: minority interests	(2.4)	(2.7)
	<hr/>	<hr/>
Total shareholders' equity	135.6	121.4
	<hr/>	<hr/>

IV Outlook and Prospects

Outlook and Prospects

- Improving trend across most market segments continues to gain momentum.
- More favourable environment for acquisitions.
- Group should continue to make good progress in second half of the year.