

DIPLOMA PLC

The Specialised International Distribution Group

Interim Announcement

Six months ended 31 March 2003

Presentation of Highlights

12-14 May 2003

Presentation structure

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I Group Strategy

- The Group's strategy is to invest in *Specialised Distribution* businesses with *long term growth potential* in the UK, Continental Europe and North America
- The businesses have a consistent record of sustaining *superior margins* over time, under-pinned by:
 - quality of customer service
 - depth of technical support
 - value adding activities
- The objective is to build more *substantial, broader based businesses* in the three sectors of:
 - Life Sciences
 - Seals & Components
 - Interconnect

I Group Strategy (continued)

- ***Strong, self standing management*** teams are in place in the operating businesses, motivated and rewarded according to their success. The Group has a small head office focused on strategy and financial control
- Diploma has a ***solid financial record*** and is strongly cash generative as a Group
- The Group has the experience and resources to accelerate ***growth through acquisition***
 - 15 acquisitions completed in 10 years
 - 20% pre-tax return on the total investment* in acquisitions
 - net funds of £30m plus borrowing capacity

* including goodwill, investment post acquisition and net profit/loss on divestments

I Overview - Results

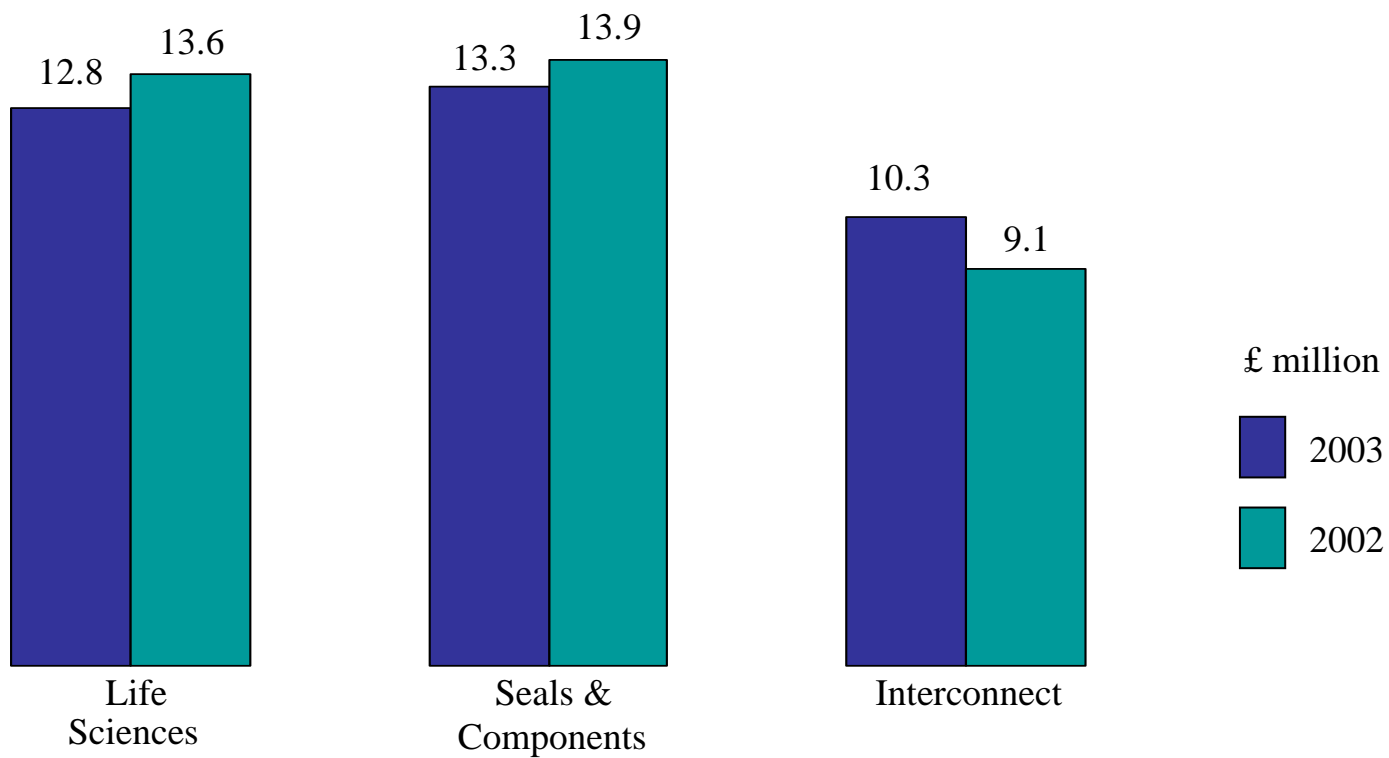
	FY 03 H1	FY 02 H1		FY 02 Full year
Turnover from continuing businesses	£36.4m	£36.6m	-0.5%	£73.7m
Operating profit from continuing businesses*	£4.4m	£4.1m	+7.3%	£8.9m
Profit before tax*	£4.9m	£4.6m	+6.5%	£9.9m
Profit before tax after exceptional items	£6.9m	£4.8m	+43.8%	£10.1m
Adjusted earnings per share*	15.0p	13.5p	+11.1%	29.4p
Dividends per share	5.0p	5.0p	-	14.0p

* *excluding goodwill amortisation and exceptional items*

II Financial Highlights – Profit before tax, exceptionals and goodwill

	Half year ended 31 March	
	2003	2002
	£m	£m
Turnover – continuing business	36.4	36.6
Operating profit	4.4	4.1
- <i>Margin</i>	12.1%	11.2%
Interest	0.5	0.5
Profit before tax, exceptionals and goodwill	4.9	4.6
<i>Exchange rate:</i>		
<i>US\$</i>	1.59	1.43
<i>Euro</i>	1.52	1.63

Financial Highlights – Turnover by sector



II Financial Highlights – Profit before tax

	Half year ended 31 March	
	2003	2002
	£m	£m
Profit before tax, exceptionals and goodwill	4.9	4.6
Goodwill amortisation	(0.2)	(0.1)
Exceptional items		
- property	2.2	0.9
- closure of business	-	(0.6)
Profit before tax	6.9	4.8

II Financial Highlights – Profit after tax

	Half year ended 31 March		
	2003	2002	
	£m	£m	
Profit before tax	6.9	4.8	
Taxation	(1.5)	(1.2)	
Profit after tax	5.4	3.6	
Effective tax rate (excl. exceptionals)	30.6%	30.4%	
Earnings per share			
Adjusted	15.0p	13.5p	+11.1%
Basic	23.8p	15.2p	+56.6%

II Financial Highlights – Free cash flow

	Half year ended 31 March	
	2003	2002
	£m	£m
Profit before tax, exceptionals and goodwill	4.9	4.6
- depreciation	0.5	0.7
- working capital	(0.3)	(0.9)
- other	(0.2)	(0.2)
	<u>4.9</u>	<u>4.2</u>
Taxation	(1.3)	(0.7)
Property proceeds	2.7	2.2
Capex/acquisitions	(0.9)	(0.5)
	<u>5.4</u>	<u>5.2</u>
Free cash flow	<u>5.4</u>	<u>5.2</u>

II Financial Highlights – Shareholders' funds

	31 March	30 Sept
	2003	2002
	£m	£m
Intangible assets	4.7	4.8
Tangible assets	9.7	9.8
	<hr/>	<hr/>
	14.4	14.6
Net working capital (inc.divs/tax)	11.8	10.5
Provisions/minorities	(0.8)	(1.1)
	<hr/>	<hr/>
Trading capital employed	25.4	24.0
Net funds	30.1	26.9
	<hr/>	<hr/>
Shareholders' funds	<u>55.5</u>	<u>50.9</u>
<i>ROTCE</i>		20.3 %
<i>WC/sales</i>		12.8%

III. Review of Operations



Life Sciences

Anachem
a1-biotech
Envirotech

35% of Group Sales



Seals & Components

Hercules Bulldog Sealing
Products
Fluid Power Equipment

37% of Group Sales



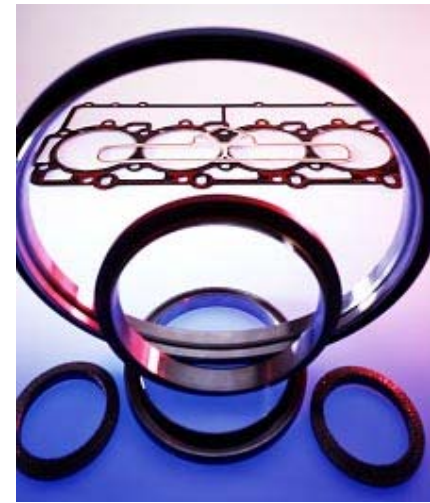
Interconnect

IS Rayfast
IS Motorsport
Clarendon
Sommer

28% of Group Sales

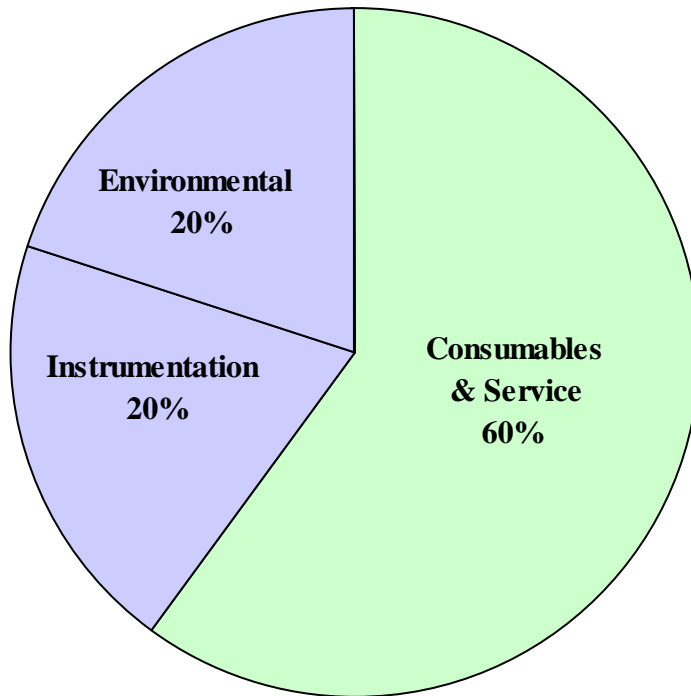
III A. Life Sciences Sector

The Anachem group of companies supply Instrumentation, Consumables and Services to the Life Sciences research laboratories of the major pharmaceutical and biotechnology companies, universities and research institutions.

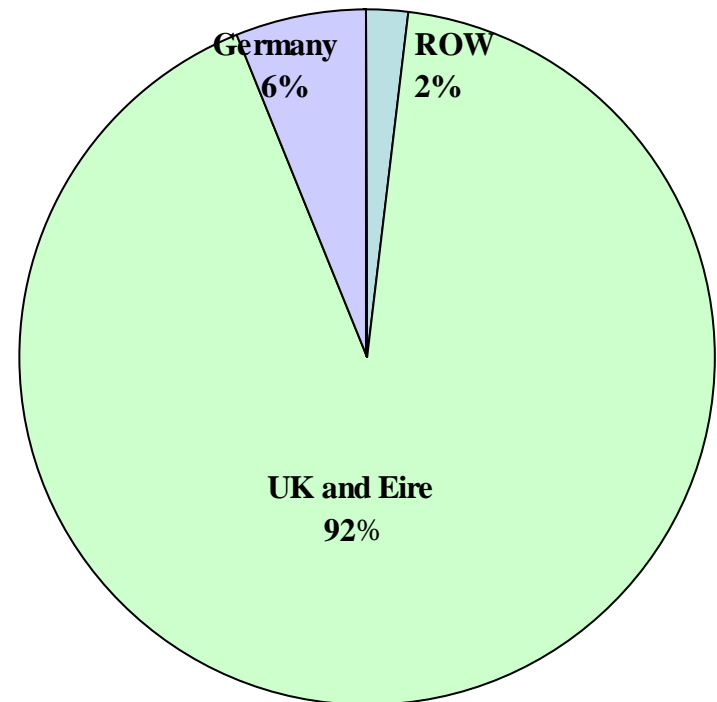


III A. Life Sciences Sector – Segment breakdown

Products/Markets



Geography*



**By destination*

III A. Life Sciences Sector – Highlights

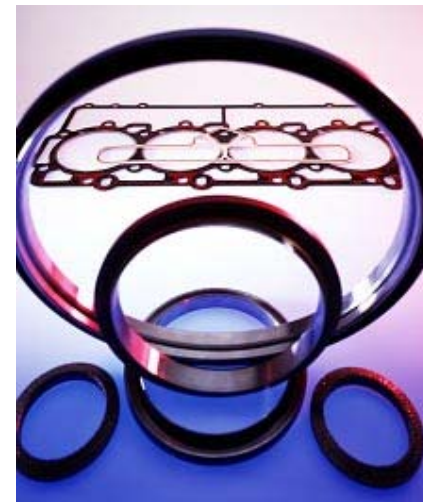
- Sales of £12.8m compared with £13.6m – shortfall due to a1-biotech rationalisation
- Improved gross margins and reduced overheads led to modest increase in operating profits
- Steady performance from *Consumables and Service* with LeaseSure and Premium Care contracts proving attractive to customers
- Strong growth in *Environmental* business in UK and Germany
- *Instrumentation* weak with pharmaceutical/biotechnology companies hesitant to commit resources

III B. Seals & Components Sector

Hercules Bulldog Sealing Products and FPE offer a next day delivery service for hydraulic seal kits, cylinder components and gaskets, supplied to repair and maintenance operations (RMOs) serving a broad range of mobile machinery aftermarkets.

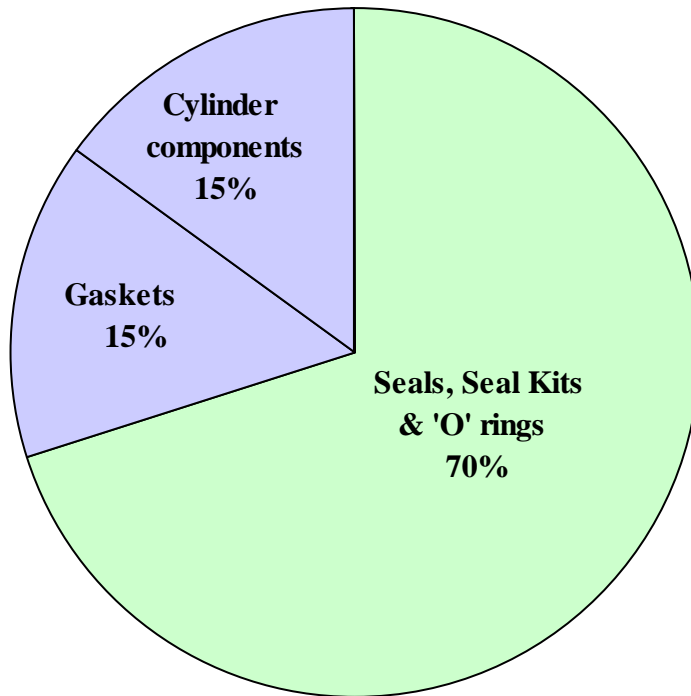


HERCULES
BULLDOG
SEALING PRODUCTS

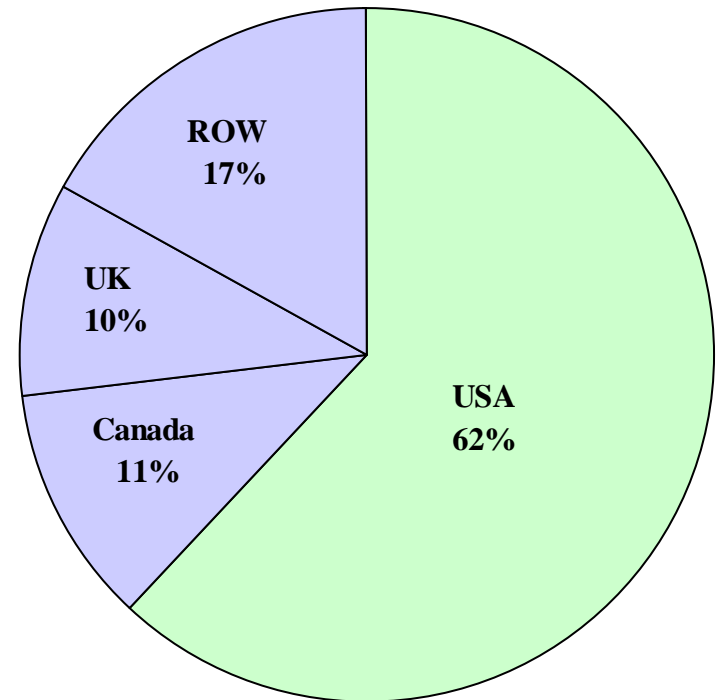


III B. Seals & Components Sector – Segment breakdown

Products



Geography*



**By destination*

III B. Seals & Components Sector – Highlights

- *Hercules Bulldog* delivered 6% growth in US dollar terms in first 6 months as merged entity
- Sector sales down 4% in sterling terms to £13.3m due to adverse impact of US dollar depreciation
- Sector profits flat in sterling terms after bearing £0.1m currency translation loss
- Access to Bulldog's gasket products and international customers offset effects of fragile US economy
- Good progress in developing new IT systems – due to go live in second half
- Solid sales and profit growth in *FPE*

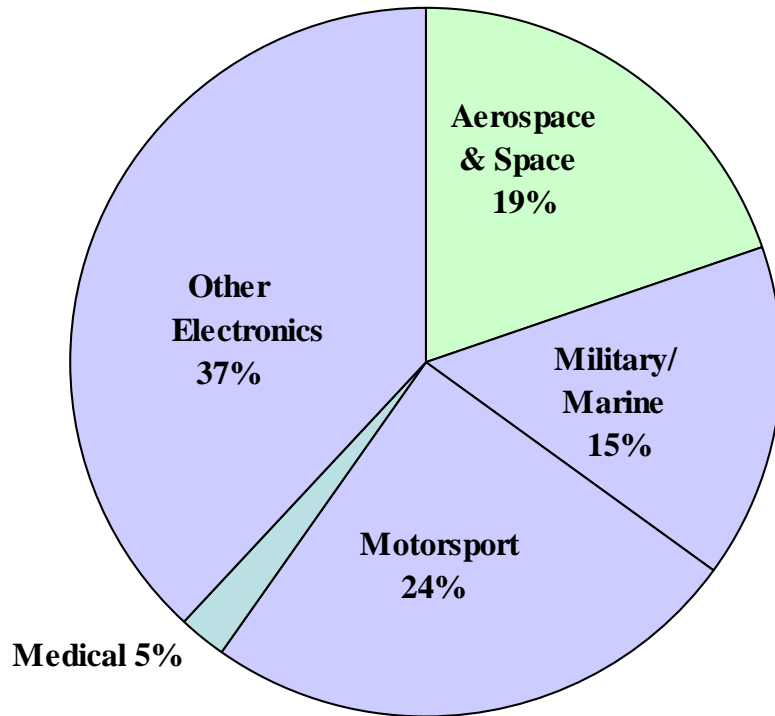
III C. Interconnect Sector

The IS Group, Clarendon and Sommer are distributors of high performance wiring, thermal shrink components, fasteners and interconnect products supplies into Defence, Aerospace, Motorsport and Commercial Electronics.

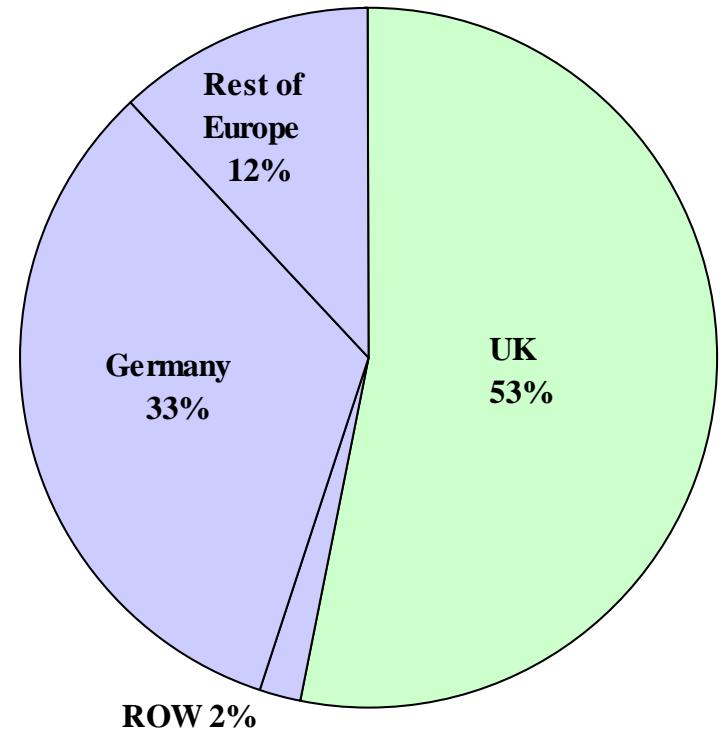


III C. Interconnect Sector – Segment breakdown

Markets



Geography*



**By destination*

III C. Interconnect Sector – Highlights

- Sector sales up 13% to £10.3m from £9.1m; operating profits increased by similar percentage
- Improved demand in core IS Rayfast business
 - increased sales to defence industry customers
 - some improvement in civil aircraft interiors business
- IS Motorsport and Clarendon recorded modest sales increases in time of significant change in Formula 1 series
- Sommer grew sales in tough German market
 - geographic expansion of resources in Munich
 - improved access to space and defence markets through Dowatronic

IV Prospects and Plans

- Resilient performance of operating businesses in difficult market conditions
- These characteristics likely to continue in second half of the year
- Careful management of human and financial resources is essential in this environment and is a strength of the Diploma Group
- Good potential to expand the Group through acquisitions
- Future returns of funds will depend upon ongoing review of capital requirements