

Interim Announcement
Six months ended 31 March 2007

DIPLOMA PLC

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I Financial Highlights

Overview of Results

	Six months ended 31 March			Full year ended
	2007	2006		30 Sept 2006
Revenue	£68.2m	£63.5m	+7%	£128.2m
Operating profit*	£10.1m	£9.3m	+9%	£19.4m
Adjusted profit before tax*	£10.7m	£9.7m	+10%	£20.4m
Profit before tax	£10.5m	£20.3m	-	£31.2m
Adjusted earnings per share	31.6p	28.9p	+9%	62.8p
Dividends per share	9.0p	8.0p	+13%	23.0p
Free cash flow per share	7.5p	67.1p	-	108.2p

* Before sale of property and amortisation of acquisition intangible assets

Profit Before Tax

	Six months ended 31 March		
	2007 £m	2006 £m	
Revenue	68.2	63.5	+7%
Operating profit*	10.1	9.3	+9%
<i>Operating margin</i>	<i>14.8%</i>	14.6%	
Finance income	0.6	0.4	
Adjusted profit before tax	10.7	9.7	+10%
Stamford property sale	-	10.6	
Amortisation of acquisition intangibles	(0.2)	-	
Profit before tax	10.5	20.3	

* Before sale of property and amortisation of acquisition intangible assets

Profit After Tax

Six months ended 31 March

	2007 £m	2006 £m	
Profit before tax	10.5	20.3	
Taxation			
- ordinary	(3.5)	(3.0)	
- property	-	(1.3)	
Profit after tax	7.0	16.0	
<i>Adjusted effective tax rate</i>	<i>32.7%</i>	<i>30.9%</i>	
Earnings per share			
Adjusted	31.6p	28.9p	+ 9%
Basic	30.2p	69.9p	

Free Cash Flow

	Six months ended 31 March	
	2007	2006
	£m	£m
Operating profit*	10.1	9.3
Depreciation	0.9	0.8
Working capital	(4.8)	(2.3)
Share-based expense/pension	0.2	0.3
Operating cash flow	6.4	8.1
Finance income	0.6	0.4
Taxation	(4.3)	(3.5)
Capital expenditure	(0.9)	(0.8)
Property proceeds	0.5	11.1
Purchase of own shares	(0.6)	(0.1)
Free cash flow	1.7	15.2

* Before sale of property and amortisation of acquisition intangible assets

Cash Funds

Six months ended 31 March

	2007 £m	2006 £m
Free cash flow	1.7	15.2
Acquisitions	(4.8)	(6.6)
Deferred consideration	(0.5)	(1.0)
Dividends	(3.7)	(3.2)
	(7.3)	4.4
Cash funds brought forward	36.7	25.7
Exchange movement	(0.5)	0.2
Cash funds	28.9	30.3

Shareholders' Funds

	31 Mar 2007 £m	30 Sept 2006 £m
Goodwill	30.9	28.0
Other intangible assets	2.6	2.6
Tangible assets	9.4	9.5
	<hr/>	<hr/>
	42.9	40.1
Net working capital	24.5	19.0
	<hr/>	<hr/>
Trading capital employed	67.4	59.1
Retirement benefit obligations	(4.6)	(4.7)
Deferred tax asset	3.1	3.4
Cash funds	28.9	36.7
	<hr/>	<hr/>
	94.8	94.5
less: minority interests	(1.4)	(1.6)
	<hr/>	<hr/>
Total shareholders' equity	93.4	92.9

II Review of Operations

Life Sciences – Overview

Suppliers of consumables, instrumentation and related services to research, environmental and clinical diagnostic laboratories

Six months ended 31 March	2007	2006	
Revenue	£21.3m	£20.4m	+4%
Operating profit	£3.2m	£3.0m	+7%
Operating margin	15.0%	14.7%	

Positive contribution from newly acquired CBISS business; negative impact of weaker Canadian dollar

Life Sciences – Half Year Highlights

Anachem

- Solid performance from pipettes and tips
- Progress in new development projects – particularly filtration
- Good growth in service revenues for both pipettes and instruments; new Pfizer contract in negotiation

a1-envirosciences

- Good progress in a1-safetech with new containment products
- Order bank building for a1-envirotech analysers
- New SF6 products for electricity industry

Life Sciences – Half Year Highlights (contd.)

CBISS

- Major CEMs orders signed with Veolia (waste incinerators) and E.ON UK (power plants)
- Service revenues building
- Gas detection products to be consolidated – upgrade path from detection tubes to engineered systems

Somagen

- Steady growth in reagent sales as part of multi-year reagent rental contracts
- Good contribution from new Trinity Biotech co-agulation products, offset revenues lost from acquisition of suppliers
- Lower sales of instruments with no additional funding from the Provinces

Seals – Overview

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

Six months ended 31 March	2007	2006	
Revenue	£16.9m	£17.6m	-4%
Operating profit	£2.3m	£2.6m	-12%
Operating margin	13.6%	14.8%	

Sales growth of 7% on constant currency basis; operating profits unchanged on an underlying basis

Seals – Half Year Highlights

Hercules Bulldog

- Hercules maintained market position in slowing US economy; service and order fulfilment levels remained solid
- Greater sales focus in Bulldog and small re-organisation of Reno operations
- In Canada, newly consolidated Alberta operation met growth targets; less helpful markets for Ontario & Quebec operations
- Strong growth in international sales for both Hercules and Bulldog from increased sales resources and weaker US dollar

Seals – Half Year Highlights (contd.)

HKX

- Excavator sales slowed from prior year record levels
- Dealers delayed orders due to market uncertainty and in anticipation of new model introductions
- HKX still achieved 10% like-for-like growth from penetration of new dealer accounts

FPE

- Sluggish market conditions in the UK; growth in exports
- Small competitor in Doncaster acquired

Controls – Overview

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

Six months ended 31 March	2007	2006	
Revenue	£30.0m	£25.5m	+ 18%
Operating profit	£4.6m	£3.7m	+ 24%
Operating margin	15.3%	14.5%	

Strong growth from IS Group and Sommer Filcon; Defence, Aerospace and Motorsport markets buoyant

Controls – Half Year Highlights

IS Group

- Defence & Aerospace benefited from Urgent Operational Requirements (“UOR”s) from the MoD
- Commercial sales strong with major orders in the power sector
- Settled period in Motorsport - presence expanded in Italy, Germany and US

Sommer Filcon

- Major contract successes for Filcon connectors:
 - Eurofighter Tranche 2
 - Tornado upgrade
 - Tiger and NH90 Helicopters
 - Transrapid trains for Shanghai

Controls – Half Year Highlights (contd.)

Sommer Filcon (contd.)

- Sommer developed business in improving German economy
- Success in supplying specialised wire & cable and heat shrink tubing to Motorsport and medical instruments

Hawco

- Challenging market conditions in Controls business
- Bolton sales consolidated into Guildford; new “Quick Pick” range launched; focus on key customers
- Growth in sales to medium sized Refrigeration contractors

III Current Trading and Prospects

Current Trading and Prospects

- H1 trading conditions broadly expected to continue in H2
- Controls businesses still benefiting from buoyant Defence & Aerospace markets in Europe
- Seals businesses maintaining position in slower growth, North American markets
- Environmental businesses will benefit from stronger order books and CBISS acquisition
- Further progress in 2007 despite negative currency impact on overseas results