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Interim Announcement
Six months ended 31 March 2008

DIPLOMAPLC

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I Overview of Results

Overview of Results

	Six months ended 31 March		
	2008	2007	
Revenue	£85.3m	£68.2m	<i>+25%</i>
Operating profit	£13.1m	£10.1m	<i>+30%</i>
Operating margin	15.4%	14.8%	
Adjusted profit before tax	£13.1m	£10.7m	<i>+22%</i>
Free cash flow	£5.4m	£1.7m	<i>+218%</i>
Adjusted earnings per share	7.6p	6.3p	<i>+21%</i>
Dividends per share	2.5p	1.8p	<i>+39%</i>

Overview of Results

- Revenues and adjusted PBT up by **25%** and **22%** respectively; adjusted EPS up by **21%**.
- Strong contributions from new acquisitions – AMT, M Seals and Cabletec.
- Underlying revenue and operating profit growth of **5%** and **7%** respectively, after adjusting for acquisitions and currency effects.
- Results demonstrate the resilience of the businesses:
 - focus on specialised technical products and services;
 - typically funded by operating rather than capital budgets.
- Free cashflow of £5.4m, up **218%** over prior year.
- Interim dividend increased by **39%** reflecting new policy to target 2.0 times dividend cover.

II Review of Operations

Life Sciences – Overview

Suppliers of consumables, instrumentation and related services for research, environmental and clinical applications

Six months ended 31 March	2008	2007	
Revenue	£31.4m	£21.3m	+47%
Operating profit	£5.1m	£3.2m	+59%
Operating margin	16.2%	15.0%	

Adjusting for acquisition of AMT and stronger Canadian dollar, underlying revenues increased by 14%

Life Sciences – Half Year Highlights

- Canadian Healthcare businesses grew revenues by 11% :
 - Excellent contribution from AMT's core electrosurgery business and newly formed GI endoscopy unit;
 - Somagen invested in strong core of suppliers across several product groups.
- European businesses grew revenues by 12%:
 - Strong performance by Environmental businesses in UK and Continental Europe;
 - Launch of own brand containment products;
 - OEM supply agreements and dealer expansion;
 - Acquisition of calibration company (Hitek) by Anachem.

Seals – Overview

Suppliers of hydraulic seals, kits and components for heavy mobile and industrial machinery

Six months ended 31 March	2008	2007	
Revenue	£20.0m	£16.9m	+ 18%
Operating profit	£2.7m	£2.3m	+ 17%
Operating margin	13.5%	13.6%	

Adjusting for acquisition of M Seals and currency effects, underlying revenues increased by 4%

Seals – Half Year Highlights

- Resilient performance from North American Seals businesses (2% revenue growth):
 - Focus on Aftermarket rather than new equipment sales;
 - Focus on heavy, non-residential construction and infrastructure;
 - 35% of revenues generated outside the domestic US market.
- European Seals businesses delivered 9% revenue growth:
 - Good contribution from M Seals, particularly in wind turbines;
 - Strong export performance from FPE; integration of Hydraflow acquisition;
 - New growth initiative in European Aftermarket.

Controls – Overview

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

Six months ended 31 March	2008	2007	
Revenue	£33.9m	£30.0m	+13%
Operating profit	£5.3m	£4.6m	+15%
Operating margin	15.6%	15.3%	

Adjusting for acquisition of Cabletec and stronger Euro, underlying revenues reduced by 2%

Controls – Half Year Highlights

- UK Controls businesses increased sales by 19%:
 - Good contribution from Cabletec;
 - Strong IS Group performance in Aerospace & Commercial Electronics;
 - Reduced level of UOR's in first half; however second half should benefit from results of design-in work.
- German Controls businesses saw 6% constant currency decline in revenues:
 - Good growth in Sommer, supplying to Aerospace, Defence, Motorsport and Medical;
 - Filcon sales did not repeat record 2007 levels; though still 50% higher than 2006.

III Financial Highlights

Profit Before Tax

	Six months ended 31 March		
	2008 £m	2007 £m	
Revenue	85.3	68.2	+25%
Operating profit	13.1	10.1	+30%
<i>Operating margin</i>	15.4%	14.8%	
Finance income, net	-	0.6	
Adjusted profit before tax	13.1	10.7	+22%
Fair value remeasurements	(0.3)	-	
Amortisation of acquisition intangibles	(1.3)	(0.2)	
IFRS profit before tax	11.5	10.5	+10%

Profit After Tax

Six months ended 31 March

	2008 £m	2007 £m	
Adjusted profit before tax	13.1	10.7	
IFRS taxation	(3.8)	(3.5)	
Adjustments	(0.3)	0.1	
Adjusted tax	(4.1)	(3.4)	
<i>Effective adjusted tax rate</i>	<i>31.3%</i>	<i>31.8%</i>	
Earnings per share			
Adjusted	7.6p	6.3p	+21%
Basic	6.4p	6.0p	+7%

Free Cash Flow

	Six months ended 31 March	
	2008	2007
	£m	£m
Operating profit	13.1	10.1
Depreciation	1.2	0.9
Working capital	(3.8)	(4.8)
Pension and share schemes, net	0.2	0.2
Operating cash flow	10.7	6.4
Interest, net	-	0.6
Taxation	(4.0)	(4.3)
Capital expenditure	(0.9)	(0.9)
Property proceeds	-	0.5
Purchase of own shares	(0.4)	(0.6)
Free cash flow	5.4	1.7

Net Cash Funds

Six months ended 31 March

	2008	2007
	£m	£m
Free cash flow	5.4	1.7
Acquisition cash paid	(6.0)	(5.3)
Dividends	(4.9)	(3.7)
	(5.5)	(7.3)
Cash funds brought forward	12.4	36.7
Exchange movement	0.3	(0.5)
Net cash funds	7.2	28.9

Shareholders' Funds

	31 Mar 2008 £m	30 Sept 2007 £m
Goodwill	48.7	42.7
Other intangible assets	20.5	21.1
Tangible assets	11.6	11.7
	<hr/> 80.8	<hr/> 75.5
Net working capital	28.7	23.3
Trading capital employed	109.5	98.8
Retirement benefit obligations	(1.5)	(1.6)
Deferred tax, net	(3.6)	(3.6)
Future purchases of minorities	(10.0)	(13.5)
Net cash funds	7.2	12.4
	<hr/> 101.6	<hr/> 92.5
less: minority interests	(1.2)	(1.8)
Total shareholders' equity	100.4	90.7

IV Outlook and Prospects

Outlook and Prospects

- First half results again demonstrated the resilience of the Group's businesses.
- Focus is on supplying specialised technical products and services, mostly funded by operating rather than capital budgets.
- With further contributions from the new acquisitions, Board remains confident of further progress in second half of the year.
- We will continue to pursue strategy of combining:
 - Robust organic growth
 - Selective, value enhancing acquisitions.