| 17 November 2008

Preliminary Announcement
Year ended 30 September 2008

DIPLOMA PLC

Group Overview

Diploma PLC is an international group of specialised businesses supplying technical products and services

- ***Stable revenue growth*** is achieved through the focus on essential products and services funded by customers' operating, rather than capital budgets
- ***Attractive margins*** are sustained through the quality of customer service, the depth of technical support and value adding activities
- In the operating businesses, ***strong committed management teams*** execute well formulated development strategies
- Over five years, the Group has delivered profit growth of 21% p.a. through a combination of steady ***organic growth*** and ***value enhancing acquisitions***
- An ungeared balance sheet and ***strong cash flow*** have funded this growth strategy while providing ***healthy dividends***

I Overview of Results

Overview of Results

	Year ended 30 September		
	2008	**2007**	
Revenue	**£172.3m**	£140.7m	***+22%***
Operating profit	**£27.3m**	£22.1m	***+24%***
Adjusted profit before tax	**£27.5m**	£23.3m	***+18%***
IFRS profit before tax	**£21.8m**	£22.3m	***-2%***
Free cash flow	**£18.0m**	£13.2m	***+36%***
Adjusted earnings per share	**16.4p**	14.0p	***+17%***
Total dividends per share	**7.5p**	5.4p	***+39%***

Overview of Results

- Another year of double digit profit growth and strong free cash flow
- Revenues and adjusted profit before tax up 22% and 18% respectively:
  - Strong contributions from acquisitions completed in 2007;
  - Currency gains on translation of overseas revenues and profits;
  - Underlying growth of 3% in both revenue and operating profits;
- Robust free cash flow of £18.0m; total dividends up 39% to 7.5p
- Strong balance sheet:
  - cash funds of £15.7m at year end
  - £20m of committed bank facilities

Financial KPIs – 5 year trends

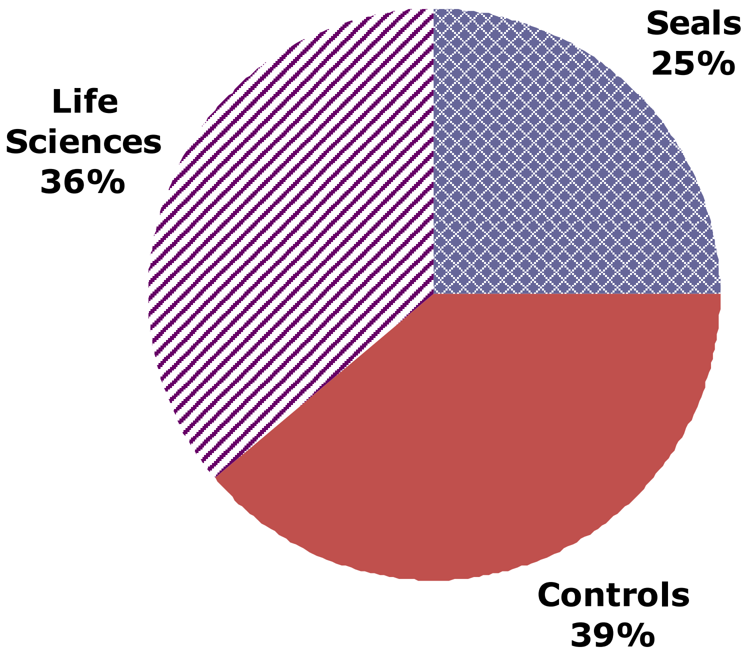
	2008	2007	2006	2005	2004
Adjusted PBT	**£27.5m**	£23.3m	£20.4m	£17.2m	£13.1m
-% growth	***+18%***	*+14%*	*+19%*	*+31%*	*+24%*
Operating margin	**15.8%**	15.7%	15.1%	14.8%	12.2%
Free cash flow*	**£18.0m**	£12.6m	£13.3m	£11.9m	£5.6m
-% of PAT	***92%***	*78%*	*91%*	*95%*	*59%*
ROTCE	**21.0%**	24.2%	23.9%	22.1%	21.0%

***** *excluding proceeds from Stamford land sales*

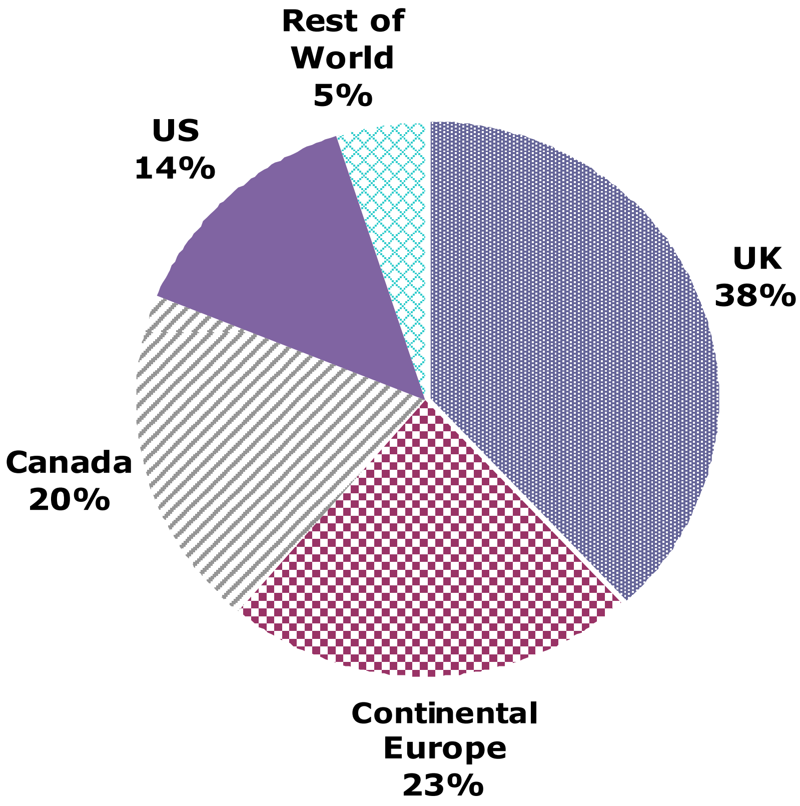
II Business Review

Segment Analysis

Revenue by sector



Revenue by geography



Life Sciences – Results

Year ended 30 September	2008	2007	
Revenue	**£62.1m**	£44.7m	+*39%*
Operating profit	**£9.6m**	£6.6m	+*45%*
Operating margin	**15.5%**	14.8%	

- Strong contribution from the Canadian businesses:
  - Excellent first full year performance from AMT
  - Benefits from strong appreciation of Canadian dollar against UK sterling
- European businesses increased revenue; margins impacted by strong euro and IT/restructuring costs
- Underlying organic growth in revenues of 7% on a comparable, constant currency basis

Life Sciences – Strategic developments

- Strategy is to broaden customer and geographic scope; reducing dependence on Life Science research in the UK

- Strong performance from Canadian Healthcare businesses; now account for 50% of sector revenues

- Further growth of Environmental businesses; now contribute 25% of sector revenues

- Greater stability of revenues from broadening of sector activities
  - multi-year contracts for consumables and service now underpin 60% of sector revenues
  - long term, exclusive distribution agreements with suppliers

- Hitek and Meditech acquisitions have opened up new growth opportunities in related market segments

Seals – Results

Year ended 30 September	2008	2007	
Revenue	**£42.6m**	£36.0m	*+18%*
Operating profit	**£6.7m**	£5.8m	*+16%*
Operating margin	**15.7%**	16.1%	

- Resilient performance from core North American businesses
- Good first full year contribution in Europe from M Seals; increase in International revenues
- Margins impacted by investments in Europe & China and Edmonton branch closure
- Underlying organic growth in revenues of 3% on a comparable, constant currency basis

Seals – Strategic developments

- Core business is the next day delivery of sealing products to the mobile machinery Aftermarket in North America

- Strategy is to broaden the scope of the business
  - extend into industrial OEMs
  - expand internationally
  - add new products

- M Seals acquisition has extended business into industrial OEMs in Denmark, Sweden and China; developing specialist markets including wind turbines

- European Aftermarket Seals business is being developed:
  - Acquisition of Snijders Engineering
  - General Manager of Hercules Europe appointed
  - Multilingual seal catalogues developed

Controls – Results

Year ended 30 September	2008	2007	
Revenue	**£67.6m**	£60.0m	+*13%*
Operating profit	**£11.0m**	£9.7m	+*13%*
Operating margin	**16.3%**	16.2%	

- Strong IS-Group and Sommer performance, further boosted by:
  - Good first full year contribution from Cabletec
  - Benefit from stronger euro relative to UK sterling

- Project sales at Filcon reduced from exceptional 2007 levels; challenging market conditions for Hawco

- Sector revenues down by 1% on comparable, constant currency basis

Controls – Strategic developments

- Focus is on more specialised, technology driven segments, which are typically more buoyant than broader industrial economies
- Strong established positions in Aerospace, Military and Marine, Motorsport and Medical Equipment
- Cabletec acquisition has added range of manufactured products
- Advances made in year in Power Generation and Rail Industries
- New Motorsport operation in North Carolina to focus on US Nascar series
- With 90% of sector revenues in the UK and Germany, further opportunities to expand geographically are being pursued

III Financial Highlights

Profit Before Tax

	Year ended 30 September 2008 £m	2007 £m	
Revenue	**172.3**	140.7	*+22%*
Operating profit	**27.3**	22.1	*+24%*
Operating margin	***15.8%***	*15.7%*	
Finance income	**0.2**	1.2	
Adjusted profit before tax	**27.5**	23.3	*+18%*
Amortisation of acquisition intangibles	**(2.7)**	(1.0)	
Fair value remeasurements	**(3.0)**	-	
IFRS profit before tax	**21.8**	22.3	*- 2%*

Profit After Tax

	Year ended 30 September		
	2008	**2007**	
	£m	**£m**	
Profit before tax	**21.8**	22.3	
Taxation	**(7.4)**	(7.5)	
Profit after tax	**14.4**	14.8	
Effective tax rate on operations	**29.1%**	30.4%	
Earnings per share			
Adjusted	**16.4p**	14.0p	*+17%*
IFRS Basic	**11.8p**	12.7p	*-7%*

Free Cash Flow

	Year ended 30 September	
	2008	**2007**
	£m	**£m**
Operating profit	**27.3**	22.1
Depreciation	**2.5**	1.8
Working capital	**(1.3)**	(1.1)
Pension and share schemes, net	**0.3**	0.2
Operating cash flow	**28.8**	23.0
Interest	**-**	1.1
Taxation	**(8.2)**	(8.0)
Capital expenditure	**(1.9)**	(2.2)
Property proceeds	**0.2**	0.6
Purchase of own shares	**(0.9)**	(1.3)
Free cash flow	**18.0**	13.2

Cash Funds

	Year ended 30 September	
	2008	**2007**
	£m	**£m**
Free cash flow	**18.0**	13.2
Acquisition cash paid	**(7.6)**	(31.1)
Deferred consideration paid	**(0.3)**	(0.5)
Dividends	**(7.8)**	(5.7)
	2.3	(24.1)
Cash funds brought forward	**12.4**	36.7
Exchange movement	**1.0**	(0.2)
Cash funds	**15.7**	12.4

Shareholders' Funds

As at 30 September	2008 £m	2007 £m
Goodwill	**51.6**	42.7
Other intangible assets	**19.8**	21.1
Tangible assets	**11.6**	11.7
	83.0	75.5
Net working capital	**27.5**	21.6
Trading capital employed	**110.5**	97.1
Retirement benefit obligations	**(1.7)**	(1.6)
Deferred tax, net	**(3.3)**	(3.6)
Future purchase of minorities	**(11.2)**	(11.8)
Cash funds	**15.7**	12.4
	110.0	92.5
less: Minority interests	**(1.9)**	(1.8)
Total shareholders' equity	**108.1**	90.7

IV Outlook and Prospects

Outlook and Prospects

- The Group has a strong balance sheet, committed bank facilities and strong cash flow from businesses

- In challenging market and economic conditions, the Group draws strength from:
  - focus on essential products and services, funded by operating budgets
  - margins sustained by the service levels provided
  - operating costs which are, to a large extent, variable

- Good acquisition opportunities as price expectations become more realistic

- With carefully selected, value enhancing acquisitions adding to modest organic growth, the Board is confident of making further progress in 2009.