

| 22 November 2010

Preliminary Announcement
Year ended 30 September 2010

DIPLOMA PLC

DIPLOMA PLC |

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I Overview of Results

Overview of Results

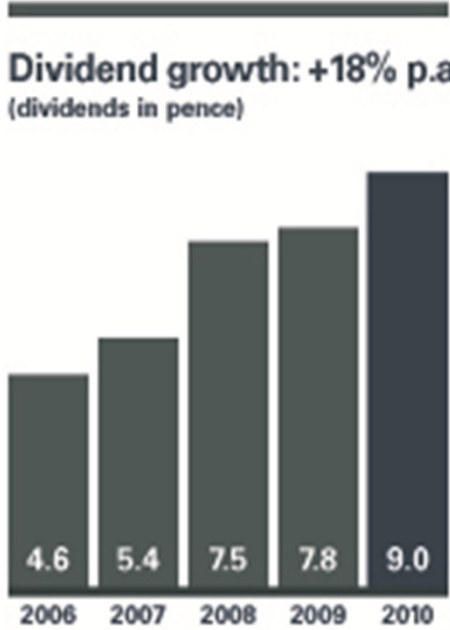
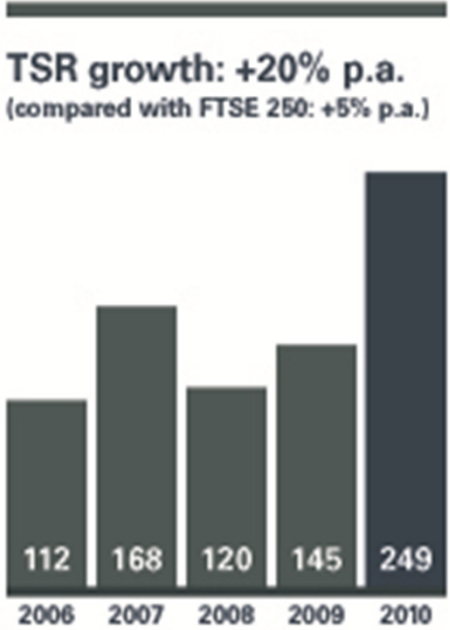
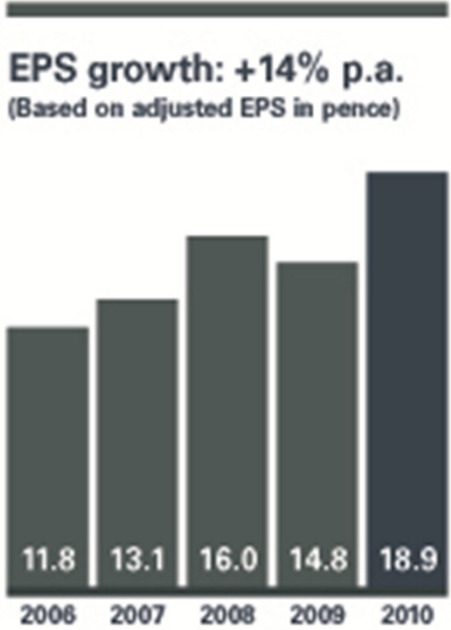
	Year ended 30 September		
	2010	2009	
Revenue	£183.5m	£160.0m	+15%
Operating profit	£32.1m	£25.6m	+25%
Operating margin	17.5%	16.0%	
Adjusted profit before tax	£32.2m	£25.5m	+26%
Free cash flow	£29.8m	£23.5m	+27%
Profit for the year*	£23.0m	£14.3m	+61%
Adjusted earnings per share	18.9p	14.8p	+28%
Total dividends per share	9.0p	7.8p	+15%

* Includes profit on sale of discontinued businesses

Overview of Results

- Revenue increased by 15% to £183.5m, with strengthening trend into H2; adjusted operating profit up 25% to £32.1m
- Operating margin at record 17.5%, reflecting benefits of operational leverage after prior year cost reductions
- Underlying revenue increased by 11% and adjusted operating profit by 19%
- Strong free cash flow of £29.8m, including £6.4m from sale of Anachem businesses
- More favourable environment for acquisitions – three completed towards end of year for cash of £8.1m
- Cash funds of £30.1m at year end; total dividends up 15% to 9.0p

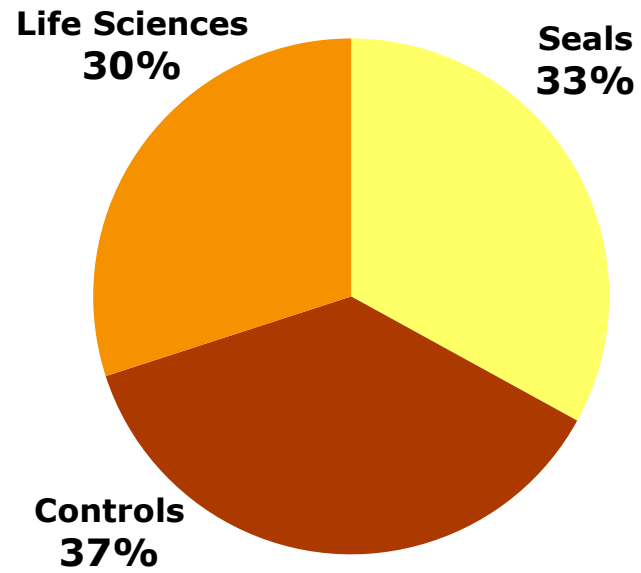
Five Year Performance



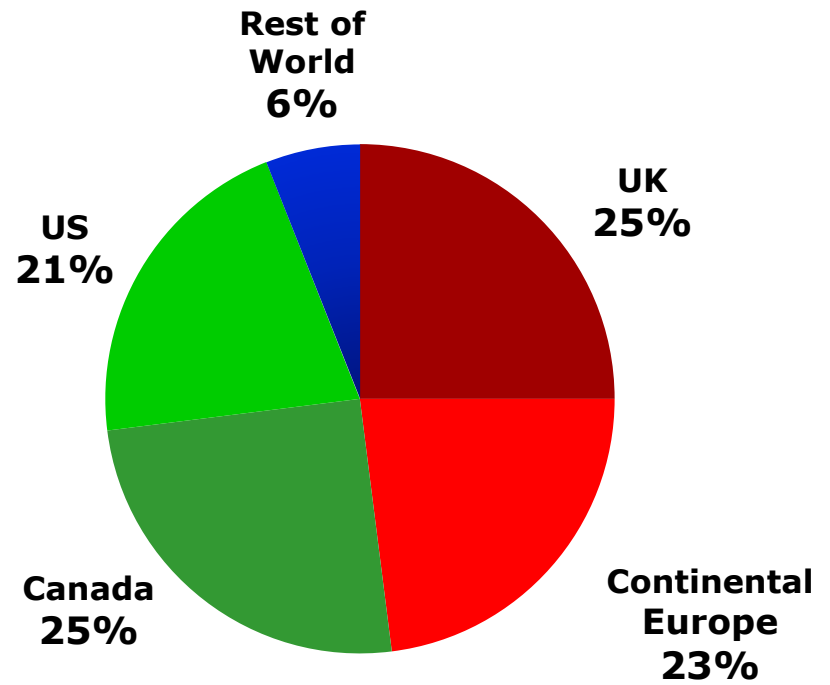
II Business Review

Segment Analysis

Revenue by sector



Revenue by geography



Life Sciences – Results

Year ended 30 September	2010	2009	
Revenue	£55.4m	£49.9m	+11%
Operating profit	£11.9m	£10.6m	+12%
Operating margin	21.5%	21.2%	
Free cash flow	£10.1m	£7.6m	+33%

- DCHI increased revenues by 13% in UK sterling; unchanged in Canadian dollars:
 - 2009 includes exceptional sale of face shields and full year of a supplier discontinued in 2010
 - underlying revenue growth of 8% in Canadian dollars from continuing product lines
- Environmental business saw 7% increase in revenues

Life Sciences – Sector developments

- The **Healthcare** businesses account for over 70% of sector revenues
- Solid growth in core electrosurgery and endoscopy product lines; high level of success with contract extensions
- Good progress in newer product areas – allergy testing, ART, Barrett’s oesophagus
- Acquisition in July 2010 of 80% of BGS in Australia – smaller version of AMT’s electrosurgery business in Canada
- In **Environmental**, growth driven by a1-Safetech in Switzerland and CBISS

Seals – Results

Year ended 30 September	2010	2009	
Revenue	£60.1m	£48.2m	+25%
Operating profit	£8.9m	£5.5m	+62%
Operating margin	14.8%	11.4%	
Free cash flow	£7.9m	£8.6m	-8%

- Results benefited from full 12 months of RT Dygert and 1 month of All Seals
- Underlying sector revenues increased by 20%, after adjusting for currency effects and acquisitions
- Operating margin improved to 14.8%, benefiting from revenue increase and prior year cost reductions

Seals – Sector developments

- The **Aftermarket** businesses account for 70% of sector revenues
 - revenues increased by 15%, with recovery strengthening during H2
 - activity levels still below 2008 peak levels and construction industry still muted
- Continued investment in warehouse automation in Clearwater, to further improve service levels and efficiency
- Strategic development of Aftermarket business in Europe continues as a key focus
- Major rebound in the **Industrial OEM** businesses; revenues up ca. 30%
- Business further expanded through the acquisition of All Seals in September 2010

Controls – Results

Year ended 30 September	2010	2009	
Revenue	£68.0m	£61.9m	+10%
Operating profit	£11.3m	£9.5m	+19%
Operating margin	16.6%	15.3%	
Free cash flow	£9.9m	£8.9m	+11%

- Underlying growth equal to headline growth - no significant impact from currency effects or acquisitions
- Operating margins improved to 16.6%, with improved revenues and benefits from prior year cost reductions

Controls – Sector developments

- Operational funding has remained buoyant in **Defence & Aerospace**, particularly for ground vehicles and military marine
- Impact of defence spending reviews on operating budgets still uncertain
- Stable demand profile in **Motorsport** and **Medical Equipment**
- Strong growth in **Commercial Refrigeration** market in the UK with investment by large food retailers
- Increased demand in the broader **Energy** sector; Fischer acquisition in August 2010 extends product offering

III Financial Highlights

Profit Before Tax

	Year ended 30 September		
	2010 £m	2009 £m	
Revenue	183.5	160.0	+15%
Adjusted operating profit	32.1	25.6	+25%
<i>Operating margin</i>	<i>17.5%</i>	16.0%	
Finance income/(expense)	0.1	(0.1)	
Adjusted profit before tax	32.2	25.5	+26%
Acquisition related charges	(3.5)	(3.1)	
Fair value remeasurements	(2.0)	(1.9)	
IFRS profit before tax	26.7	20.5	+30%

Underlying Results

	Revenue	Adjusted Operating Profit
	£m	£m
As reported	183.5	32.1
Forex - translation	(3.5)	(1.1)
- transaction	-	(0.8)
	180.0	30.2
Acquisitions - RT Dygert	(2.4)	(0.3)
- Meditech	(0.1)	-
- All Seals	(0.5)	(0.1)
- BGS	(0.4)	(0.1)
	176.6	29.7
Exceptional sale of face shields	1.2	0.8
	177.8	30.5
Movement in underlying results	+11%	+19%

FY2009	£160.0m	£25.6m
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Profit After Tax

	Year ended 30 September		
	2010 £m	2009 £m	
IFRS profit before tax	26.7	20.5	
Taxation	(8.8)	(7.1)	
Profit after tax - continuing	17.9	13.4	
Profit for the year - discontinued	5.1	0.9	
Profit for the year	23.0	14.3	
Effective tax rate on continuing operations	29.2%	29.8%	
Earnings per share			
Adjusted	18.9p	14.8p	+28%
IFRS Basic	14.6p	10.8p	+35%

Free Cash Flow

	Year ended 30 September	
	2010	2009
	£m	£m
Operating profit	32.1	25.6
Depreciation	2.1	2.2
Working capital	0.1	6.1
Pension and share schemes, net	-	0.3
Operating cash flow	34.3	34.2
Interest	0.1	-
Taxation	(9.3)	(9.0)
Capital expenditure	(1.3)	(1.8)
Property proceeds	-	0.1
Disposal of subsidiaries	6.4	-
Purchase of own shares	(0.4)	-
Free cash flow - continuing	29.8	23.5
- discontinued	(0.5)	1.7
	29.3	25.2

Cash Funds

	Year ended 30 September	
	2010	2009
	£m	£m
Free cash flow	29.3	25.2
Acquisition cash paid	(10.6)	(11.1)
Deferred consideration paid	(0.4)	(1.1)
Dividends	(10.2)	(9.1)
	8.1	3.9
Cash funds brought forward	21.3	15.7
Exchange movement	0.7	1.7
Cash funds	30.1	21.3

Shareholders' Funds

As at 30 September	2010 £m	2009 £m
Goodwill	67.3	59.6
Acquisition intangible assets	22.7	21.2
Tangible assets	11.7	12.4
	101.7	93.2
Net working capital	28.2	28.1
Trading capital employed	129.9	121.3
Business held for sale, net	-	1.9
Retirement benefit obligations	(5.3)	(4.7)
Deferred tax, net	(1.3)	(2.0)
Future purchase of minorities	(13.2)	(13.1)
Deferred consideration	(1.0)	(0.6)
Cash funds	30.1	21.3
	139.2	124.1
less: Minority interests	(3.1)	(2.7)
Total shareholders' equity	136.1	121.4

Financial KPIs – 5 year trends

Continuing Businesses	2010	2009	2008	2007	2006
Revenue	£183.5m	£160.0m	£156.2m	£124.5m	£112.1m
<i>-% growth</i>	+15%	+2%	+25%	+11%	+18%
Operating margin	17.5%	16.0%	17.0%	16.6%	16.1%
Working capital <i>(% of revenues)</i>	15.4%	17.6%	17.2%	17.3%	15.7%
ROTCE	22.1%	19.0%	22.4%	25.5%	25.1%
Free cash flow	£29.8m	£23.5m	£17.7m	£12.0m	£22.8m
<i>-% of PAT</i>	131%	131%	93%	79%	166%

IV Outlook and Prospects

Outlook and Prospects

- The Group has demonstrated the resilience of its business model and its ability to react swiftly to market changes
- Over the business cycle we look for underlying organic growth at the “GDP plus” level (5-6% p.a.)
- Acquisition environment improving, though transactions taking longer to complete; three acquisitions completed late in the year and further opportunities being pursued
- Robust organic growth, strong cash resources and active acquisition programme give confidence in further progress in 2011