DIPLOMA PLC

15 May 2017

Half Year Announcement

Six months ended 31 March 2017

Contents

DIPLOMA PLC

Introduction and Overview

The Diploma Investment Case

Clearly defined strategy, consistent track record

GDP+ Organic revenue growth	We focus on essential products and services, funded by customers' operating rather than capital budgets, giving resilience to revenues
Attractive margins	Our attractive operating margins are sustained through the quality of customer service, the depth of technical support and value adding activities
Acquisitions to accelerate growth	Carefully selected, value enhancing acquisitions accelerate the organic growth and take us into related strategic markets
Strong cash flow	An ungeared balance sheet and strong cash flow fund our growth strategy while providing healthy and growing dividends
Value creation	We aim to create value by consistently exceeding 20% ROATCE

Overview of Half Year

Strong underlying growth further boosted by currency tailwind

- Revenue, adjusted profit and adjusted EPS increased by over 20%
- Strong underlying revenue growth, further boosted by currency tailwind
- Strong free cash flow performance supports our growth strategy and healthy dividends
- Two acquisitions completed in April 2017; acquisition pipeline remains encouraging
- In second half, continued “GDP plus” organic growth and contributions from acquisitions; less benefit from currency

DIPLOMA PLC

Financial Results

Half Year Results

Six months ended 31 March

	2017	2016	
Revenue	£217.3m	£179.1m	+21%
Adjusted operating profit	£37.4m	£30.8m	+21%
Adjusted operating margin	17.2%	17.2%	
Adjusted profit before tax	£37.1m	£30.4m	+22%
Free cash flow	£20.5m	£23.0m	-11%
Acquisition spend	£0.8m	£30.2m	
Net cash/(debt)	£14.8m	(£17.8m)	
Adjusted earnings per share	23.9p	19.5p	+23%
Total dividends per share	7.0p	6.2p	+13%

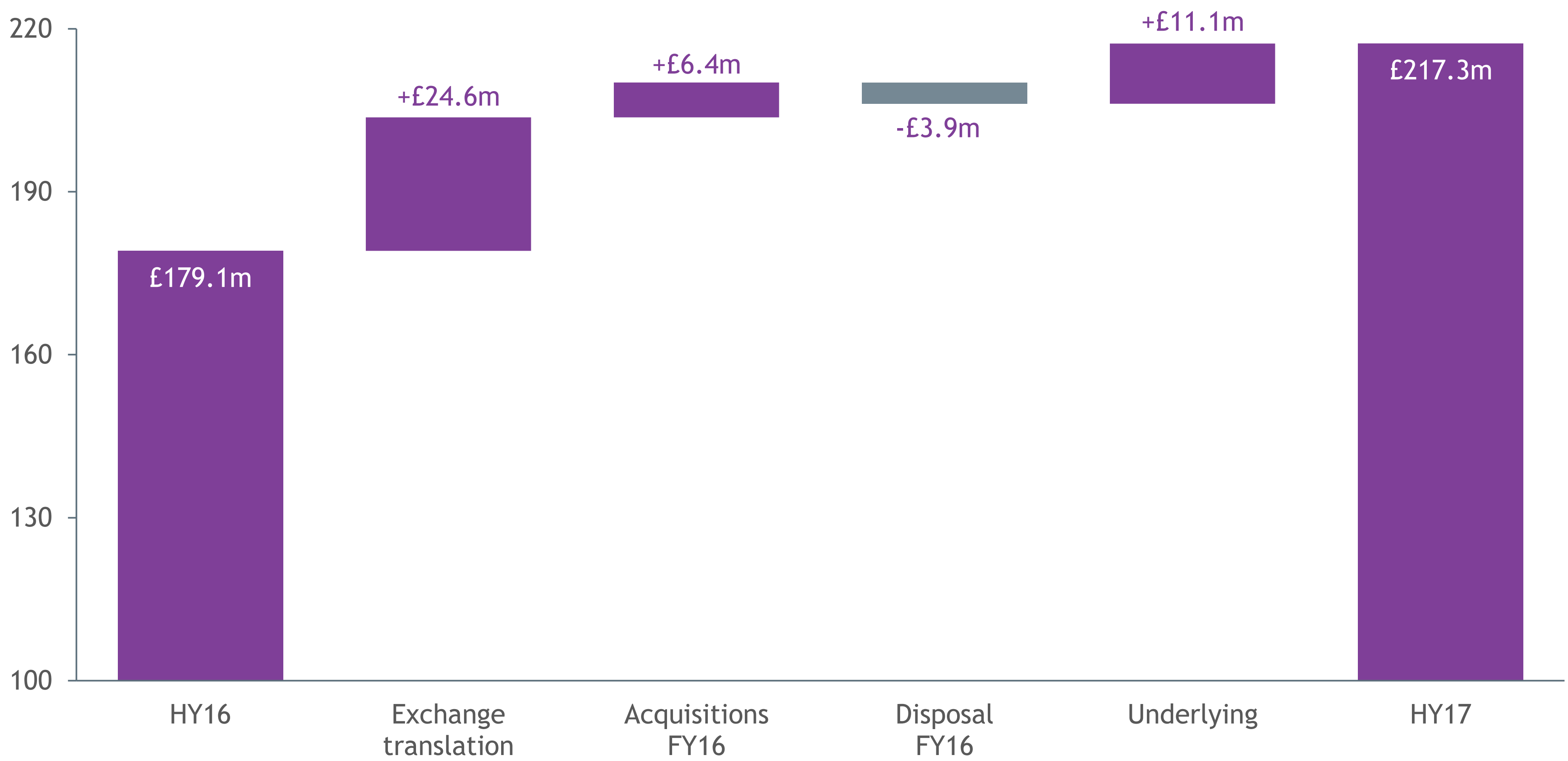
Financial Highlights

Strong underlying growth boosted further by currency headwinds

- Revenue and adjusted profit before tax increased by **21%** and **22%** respectively; adjusted EPS increased by **23%**
- Acquisitions net of disposals added **1%** to Group revenues; currency movements increased revenues by **14%**; underlying revenue growth of **6%**
- Adjusted operating margins remained at **17.2%**
- Strong free cash flow of **£20.5m**, down **11%** against prior period comparative that included **£2.3m** from sale of legacy properties
- Acquisition expenditure of **£0.8m** in the half year, boosted by two acquisitions in April 2017 for initial consideration of ca. **£15m**
- Net cash of **£14.8m** at end of period with significant resources available
- Interim dividend increased by **13%** reflecting strong financial position and confidence in Group's growth prospects

Revenue Bridge

Six Months ended 31 March



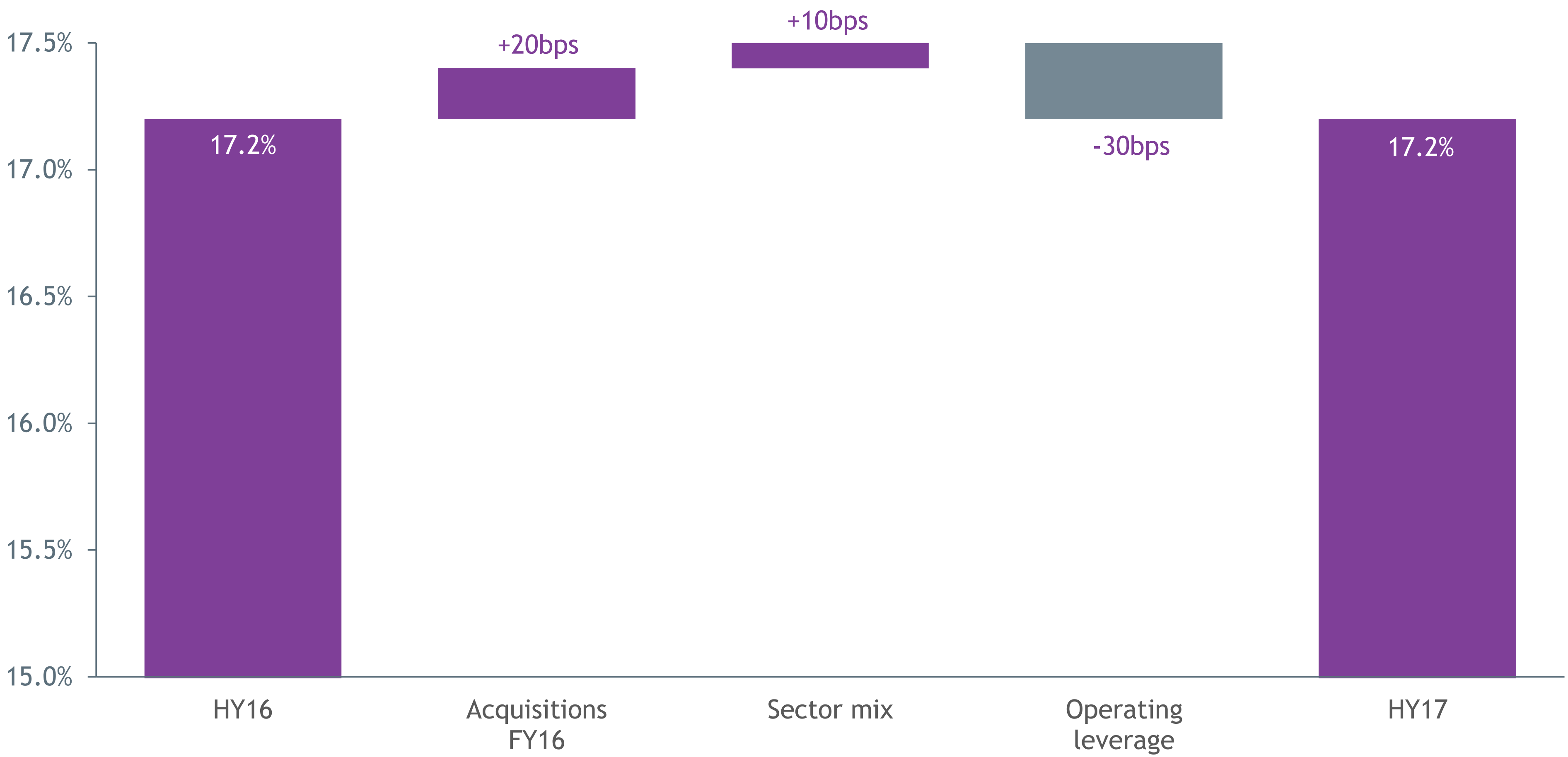
Profit Before Tax

Six Months ended 31 March

	2017 £m	2016 £m
Revenue	**217.3**	**179.1**
Adjusted operating profit	**37.4**	**30.8**
Adjusted operating margin (%)	*17.2%*	*17.2%*
Interest expense	(0.3)	(0.4)
Adjusted profit before tax	**37.1**	**30.4**
Acquisition related charges	(4.3)	(4.8)
Gain on disposal of assets	-	0.3
Fair value remeasurements	0.1	(0.3)
Reported profit before tax	**32.9**	**25.6**

Adjusted Operating Margin Bridge

Six Months ended 31 March



Taxation and Earnings per Share

Six Months ended 31 March

	2017	2016	
Adjusted profit before tax (£m)	**37.1**	30.4	
Reported taxation	**(8.9)**	(7.1)	
Adjustments	**(0.9)**	(0.8)	
Adjusted tax	**(9.8)**	(7.9)	
Effective adjusted tax rate	*26.4%*	*26.0%*	
Earnings per share (pence)			
Adjusted	**23.9p**	19.5p	*+23%*
Basic (Reported)	**21.0p**	16.0p	*+31%*

Free Cash Flow

Six Months ended 31 March

	2017 £m	2016 £m	
Adjusted operating profit	**37.4**	**30.8**	
Depreciation	2.4	2.0	
Working capital	(7.1)	(1.0)	
Pension and share schemes, net	0.2	-	
Operating cash flow, before acquisition expenses	**32.9**	**31.8**	*+3%*
Interest paid	(0.2)	(0.3)	
Tax paid	(8.9)	(8.7)	
Capital expenditure (incl. asset under construction)	(2.6)	(1.8)	
Proceeds from sale of assets	-	2.3	
EBT – share scheme funding	(0.7)	(0.3)	
Free cash flow	**20.5**	**23.0**	*-11%*
Cash conversion	*76%*	*104%*	

Net Cash

Six Months ended 31 March

	2017 £m	2016 £m
Free cash flow	**20.5**	23.0
Acquisition cash paid	(0.2)	(29.5)
Deferred consideration	(0.6)	(0.7)
Dividends	(15.8)	(14.4)
	3.9	(21.6)
Net cash brought forward	10.6	3.0
Exchange adjustments	0.3	0.8
Net Cash/(Debt) at 31 March	**14.8**	**(17.8)**
Comprising:		
Cash balances	22.8	22.2
Borrowings	(8.0)	(40.0)

Acquisitions

Further acquisitions and encouraging pipeline

- Acquisitions are an integral part of the Group's growth strategy
- **£0.8m** spent on acquisitions during the period, comprising **£0.6m** of deferred consideration and **£0.2m** on acquisition fees
- In April 2017, a further **£15.0m** invested:
  - **£13.6m** on 100% of Abacus – expanding our Healthcare business in Australia and New Zealand
  - **£1.4m** on 100% of PSP – small bolt-on to our Industrial OEM Seals businesses in the US
- Acquisition pipeline remains encouraging and the Group will continue to focus on bringing these opportunities to completion

Acquisitions

Building larger, broader-based businesses

	Life Sciences	Seals	Controls
Acquisition spend 2017 **£15.8m**	• Abacus - Australia & New Zealand	• PSP - US	
Acquisition spend 2016 **£32.7m**		• WCIS – Australia & New Caledonia	• Cablecraft – UK • Ascome – France
Acquisition spend 2015 **£37.8m**	• TPD – Ireland	• Kubo – Switzerland & Austria • Swan Seals – UK	
Acquisition spend 2014 **£16.5m**	• Chemzyme – Australia	• Kentek – Finland, Russia & Baltic States • Ramsay – UK • AB Seals – UK	• SFC – UK • Sacee – France

Shareholders' Funds

	31 Mar 2017 £m	30 Sept 2016 £m
Tangible assets and investments	26.4	25.4
Goodwill and intangible assets	166.8	169.8
Net working capital	70.6	63.4
Trading capital employed - reported	**263.8**	**258.6**
Working capital (% revenues)	*15.8%*	*16.6%*
ROATCE	*23.0%*	*21.1%*
Retirement benefit obligations	(17.1)	(17.2)
Acquisition liabilities	(5.1)	(6.8)
Net cash funds	14.8	10.6
Minority interests and deferred tax	(10.8)	(11.7)
Total shareholders' equity	**245.6**	**233.5**

DIPLOMA PLC

Business Review

Life Sciences

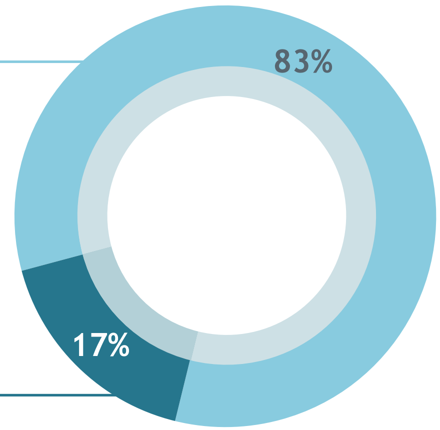
Segmentation

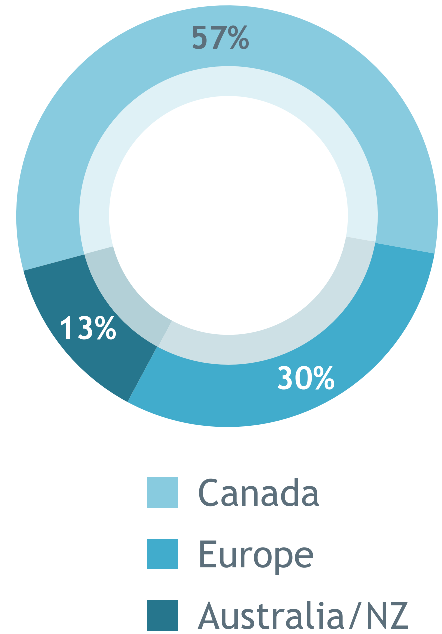
Healthcare

Diploma Healthcare Group ("DHG") supplies medical devices and related consumables and services to hospitals, private clinics and laboratories

Environmental

The a1-group supplies environmental analysers, containment enclosures, emissions monitoring systems and gas detection devices





83% of revenues from steadily growing healthcare markets

Life Sciences

Operating Results

Six months ended 31 March	2017	2016	
Revenue	**£57.9m**	£52.5m	*+10%*
Adjusted operating profit	**£10.3m**	£9.3m	*+11%*
Adjusted operating margin	**17.8%**	17.7%	

- Underlying revenues up 2%, with strong consumable and service revenues offsetting weaker capital equipment sales in certain businesses
- Medivators disposal in September 2016 reduced revenues by 7%; currency movements added 15%
- Adjusted operating margins increased by 10bps:
  - Transactional currency pressures on Healthcare businesses eased
  - Environmental margins improved

Life Sciences

Sector Developments

- In Canada, good progress despite continuing budget pressures throughout the Provincial healthcare systems:
  - Core clinical diagnostics business delivered good growth as several capital projects were reactivated
  - AMT and Vantage combined into a single, strong surgical and GI specialty medical device business
- In Australia, good revenue growth despite similar budget pressures; surgical products business the principal driver to growth
- TPD continued to deliver solid revenue growth and made improvements to operational efficiency following facility move last year
- In Environmental, strong growth in CEMS installations and related service revenues; strong comparative in environmental analysers

Abacus acquisition

Adds critical mass to Healthcare

- Acquired Abacus in April 2017 for maximum consideration of A$26.0m (£15.7m)
- Leading supplier of clinical diagnostics instrumentation and consumables to the Pathology and Life Sciences sectors
- Strengths in Immunology and Biochemistry testing, supplying to public and private hospitals
- Good fit with DSL – adds critical mass and opens up new growth opportunities

Seals

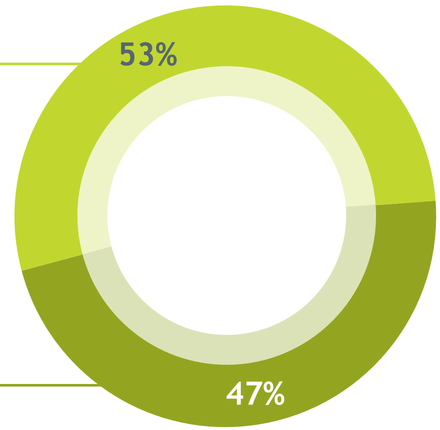
Segmentation

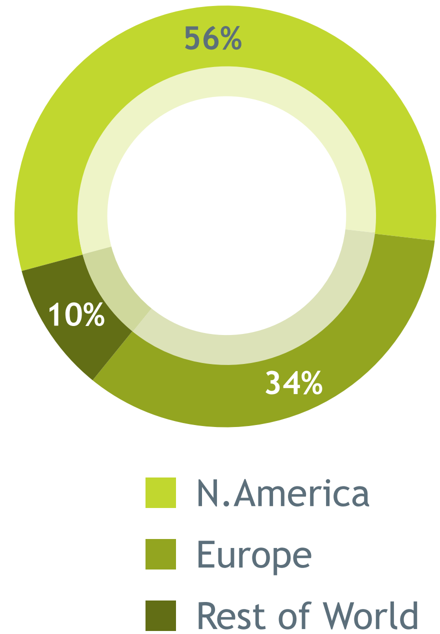
Aftermarket

Next day delivery of seals, seal kits, O-rings, gaskets, filters and cylinder components for the repair of heavy mobile machinery

Industrial OEMs

Supply of sealing products and custom moulded and machined parts to manufacturers of specialised industrial equipment





Two resilient revenue streams

Seals

Operating Results

Six months ended 31 March	2017	2016	
Revenue	**£94.8m**	£79.2m	*+20%*
Adjusted operating profit	**£15.4m**	£13.4m	*+15%*
Adjusted operating margin	**16.2%**	16.9%	

- Underlying revenues increased by 2% after adjusting for currency on translation
- Adjusted operating margins decreased by 70bps:
    - Margins broadly stable in North America
    - Margin decrease in International, driven by transactional currency effects in Kentek and reduced revenues in Kubo and WCIS

Seals

Sector Developments – North America

- **Aftermarket** revenues increased by 6% as confidence returns to the Heavy Construction and Infrastructure sectors in the US
- Positive impact from investment in sales and marketing resources; growth initiatives continue to gain traction including E-commerce
- HKX attachment kits returned to modest growth, driven by some recovery in Oil & Gas sector in Canada and pipeline construction
- **Industrial OEM Seals** revenues broadly flat in generally slow industrial markets; but with improving trend in second quarter
- J Royal relocated in April 2017 to newly constructed, purpose built facility in North Carolina; facility subsequently sold and leased back
- In April 2017, acquisition completed of PSP, small bolt-on acquisition in Colorado, adding complementary products and strengthening position in US Mountain States

Seals

Sector Developments – International

- In **Europe**, FPE Seals and M Seals delivered strong growth in the core markets of UK, Scandinavia and the Netherlands
- Good growth in both Aftermarket and Industrial OEM sectors; some recovery in demand from Oil & Gas markets; extension into Finland
- Kentek delivered good growth in Euro terms, driven by strong Agriculture sector and new sales offices in Russia; recovery in Finnish economy
- Kubo continues to face challenges in the core industrial market in Switzerland, where strong currency has made Swiss manufacturers less competitive
- In **Australasia**, WCIS was significantly impacted by cut-backs in core customer base in Mining sector in Australia and New Caledonia

Controls

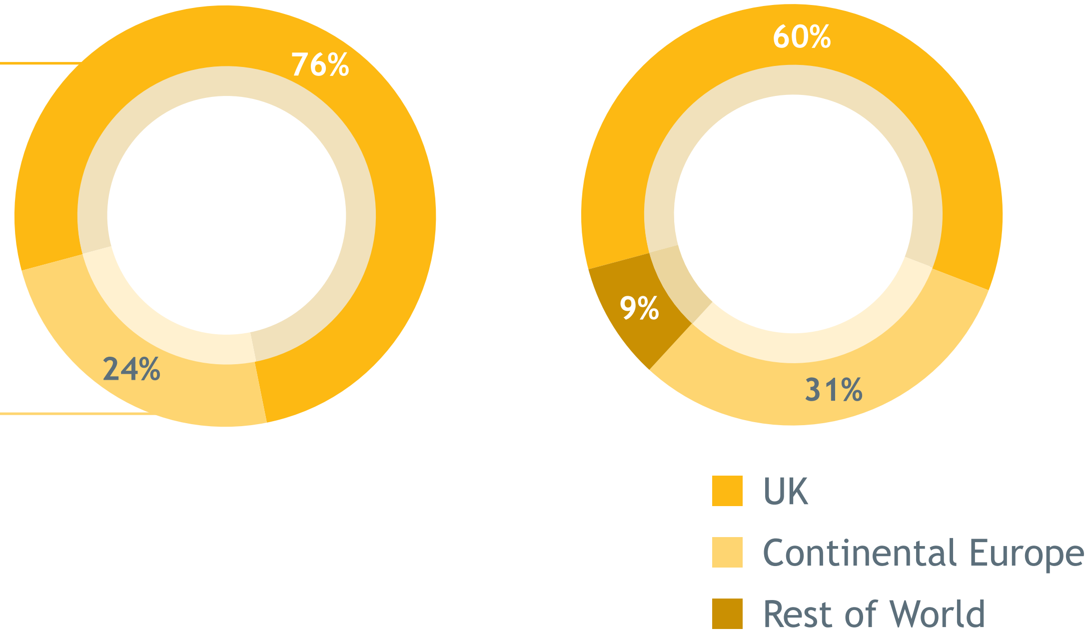
Segmentation

Interconnect

Wiring, harness components and fasteners used in specialised applications in Aerospace, Defence, Motorsport, Energy, Medical and Industrial

Fluid Controls

Temperature, pressure and fluid control products used in the Food, Beverage and Catering industries



A broad range of specialised, high performance products

Controls

Operating Results

Six months ended 31 March	2017	2016	
Revenue	**£64.6m**	£47.4m	*+36%*
Adjusted operating profit	**£11.7m**	£8.1m	*+44%*
Adjusted operating margin	**18.1%**	17.1%	

- Underlying revenues increased by 16%, although against background of weak comparatives
- Acquisitions of Cablecraft and Ascome added 14% to revenues and currency effects contributed 6%
- Adjusted operating margins increased by 100bps:
  - Higher initial margin in Cablecraft and improved margins in Fluid Controls
  - Operational leverage offset investment in other Interconnect businesses

Controls

Sector developments

- The **Interconnect** businesses increased underlying revenues by 18%
- IS-Group sales resources were realigned and investment made in broadening the product range and developing digital media capabilities
- In the UK, the IS-Rayfast delivered strong growth in its core Defence, Aerospace and Motorsport sectors and benefited from some recovery in Industrial markets
- In Germany, IS-Sommer and Filcon revenues were boosted by major project activity in key Military Aerospace, Defence and Space customers
- **Cablecraft** has made a strong contribution in the 12 months since its acquisition and increased revenues by 9% in the half year
- Good growth in specialist sleeving and in sales to electrical panel builders and to contractors upgrading UK Rail network

Controls

Sector developments

- The **Clarendon** specialty fasteners business increased revenues by over 30% with growth strongly driven by Civil Aerospace
- Ramp up of major business class seating programme at key customer, supplied though the "Clarendon AIR" replenishment system
- Increased sales to other aircraft seating and cabin interiors manufacturers and their subcontractors across Europe
- Good growth in other major markets of Motorsport and Defence
- **Fluid Controls** revenues increased by 10% with upturn in activity in the UK Refrigeration equipment market and increased exports to European markets
- Increased revenues from spare parts programmes supporting specialist coffee and vending machine operators

Current Trading and Outlook

Robust underlying growth, further acquisition opportunities targeted

- The Group has a proven business model and growth strategy:
  - Resilient "GDP plus" organic revenue growth and sustainable attractive margins
  - Carefully selected, value-enhancing acquisitions accelerate growth to target double-digit level
- The Group has delivered strong underlying growth in the first half, further boosted by currency tail-wind
- Second half will have less benefit from currency movements, but global trading environment provides opportunities for continued underlying growth in key markets
- The trading outlook, together with benefit from acquisitions, gives confidence in further progress and continued value creation

DIPLOMA PLC

Appendix

Group Overview

Balanced portfolio of businesses

Diploma PLC is an international group of specialised businesses supplying technical products and services to the following industries:

Life sciences

29%

of revenues

Suppliers of consumables, instrumentation and related services to the healthcare and environmental industries.

Seals

44%

of revenues

Suppliers of seals, gaskets, filters, cylinders, components and kits for heavy mobile machinery and industrial equipment.

Controls

27%

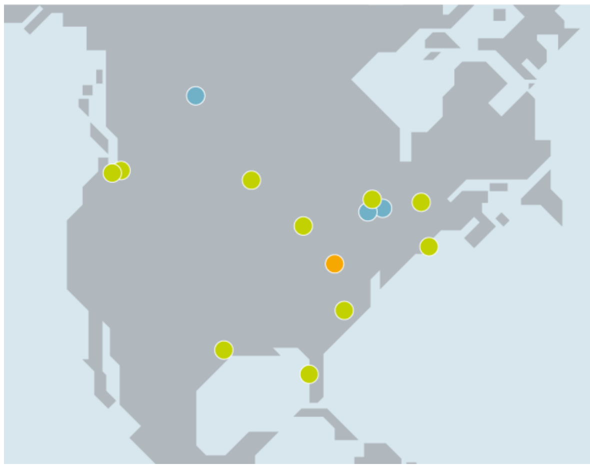
of revenues

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

All figures FY 2016

Group Overview

Well diversified by geography

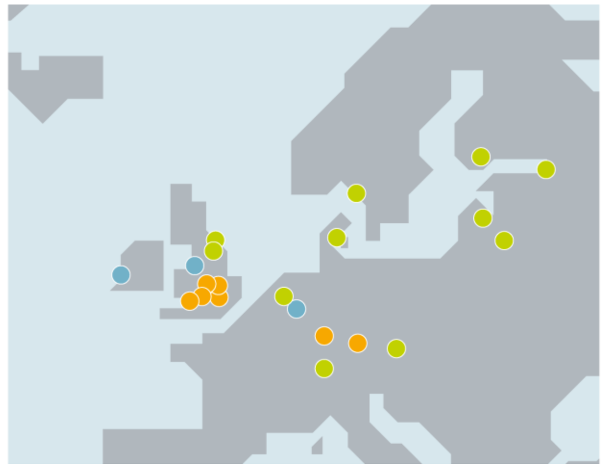


North America revenues
(by destination) by sector

42% of revenues

23% US

19% Canada



European revenues
(by destination) by sector

48% of revenues

23% UK

25% Continental Europe

Rest of World revenues
(by destination) by sector

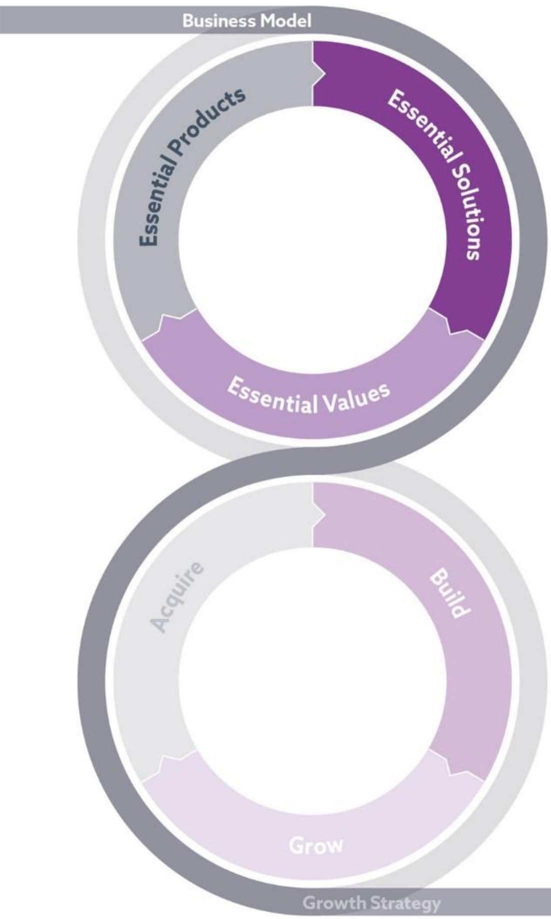
10% of revenues

● Life Sciences ● Seals ● Controls

All figures FY 2016

Our Business Model

We want to make ourselves essential to our customers



Essential Products

= recurring income and stable revenue growth

- Focus on essential products and services
- Funded by customers' operating rather than capital budgets
- "GDP plus" organic revenue growth

Essential Solutions

= sustainable and attractive margins

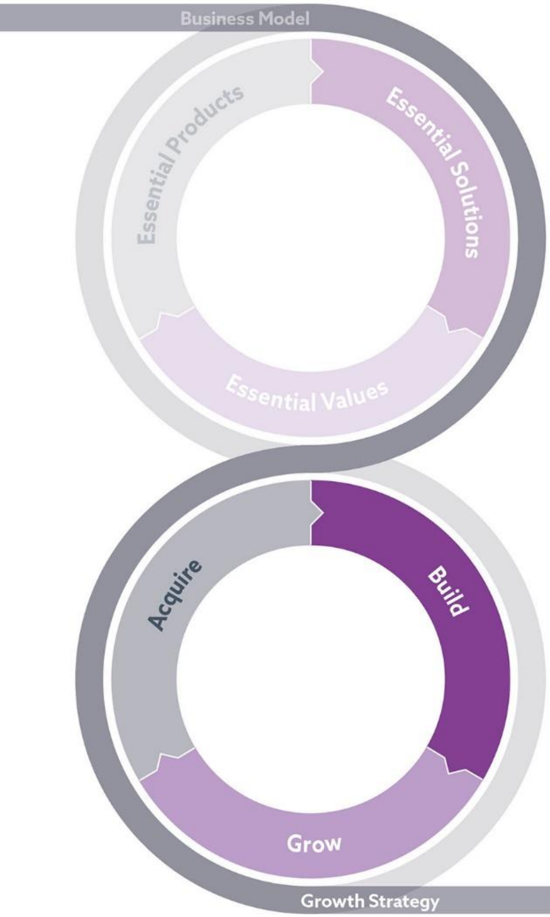
- Highly responsive customer service
- Deep technical knowledge and support
- Value adding activities

Essential Values

= agility and responsiveness

- Entrepreneurial culture
- Decentralised management model
- Decisions made close to the customer

Our Growth Strategy



Acquire

- Fit with Group's business model
- Marketing led with strong customer relationships
- Track record of stable profitable growth and cash generation
- Capable management
- Target of 20% plus pre-tax ROI

Build

- Investment to build a solid foundation for growth:
  - New facilities and IT systems
  - Increased working capital
  - Strengthened management

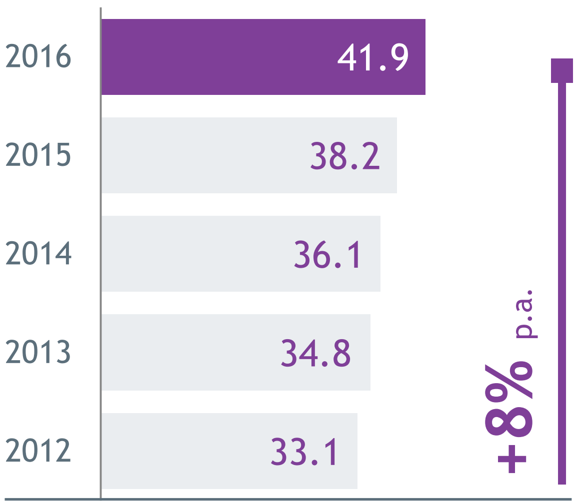
Grow

- Businesses maintain their distinct sales and marketing identity
- Synergies managed within business clusters:
  - Cross-selling
  - Joint purchasing
  - Shared back-office operations

Our Corporate Objectives

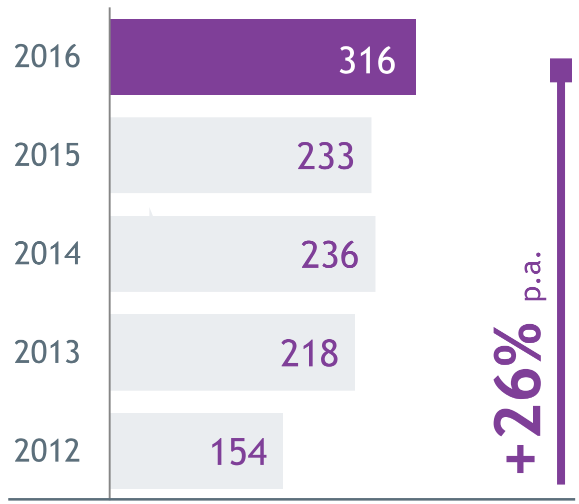
Track record of delivering strong returns for shareholders

Strong EPS growth



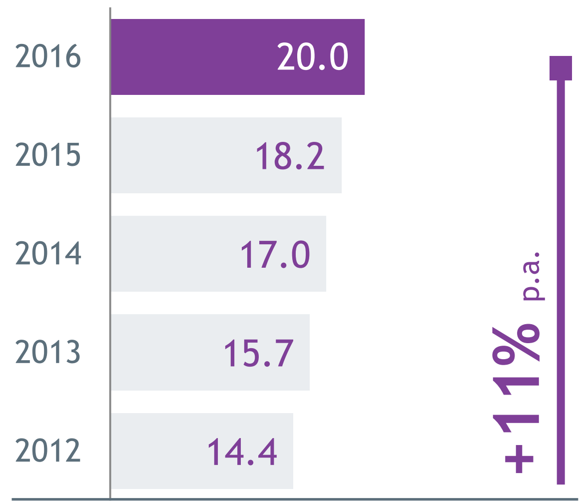
Adjusted EPS in pence

Upper quartile TSR growth



TSR index, end Sept 2011 = 100

Progressive dividend growth



Dividends in pence

Financial KPIs

Five Year Trends

	2012	2013	2014	2015	2016
Revenue	£260.2m	£285.5m	£305.8m	£333.8m	£382.6m
Total growth	*+13%*	*+10%*	*+7%*	*+9%*	*+15%*
Organic growth	*+6%*	*+4%*	*+8%*	*+1%*	*+3%*
Operating margin	20.3%	19.0%	18.5%	18.1%	17.2%
Working capital (% revenues)	16.5%	16.7%	17.2%	17.0%	16.6%
Free cash flow	£32.7m	£31.6m	£37.8m	£40.3m	£59.0m
Cash conversion (%)	*88%*	*81%*	*93%*	*93%*	*124%*
ROATCE	26.6%	25.8%	25.8%	23.9%	21.1%

Average over five years:

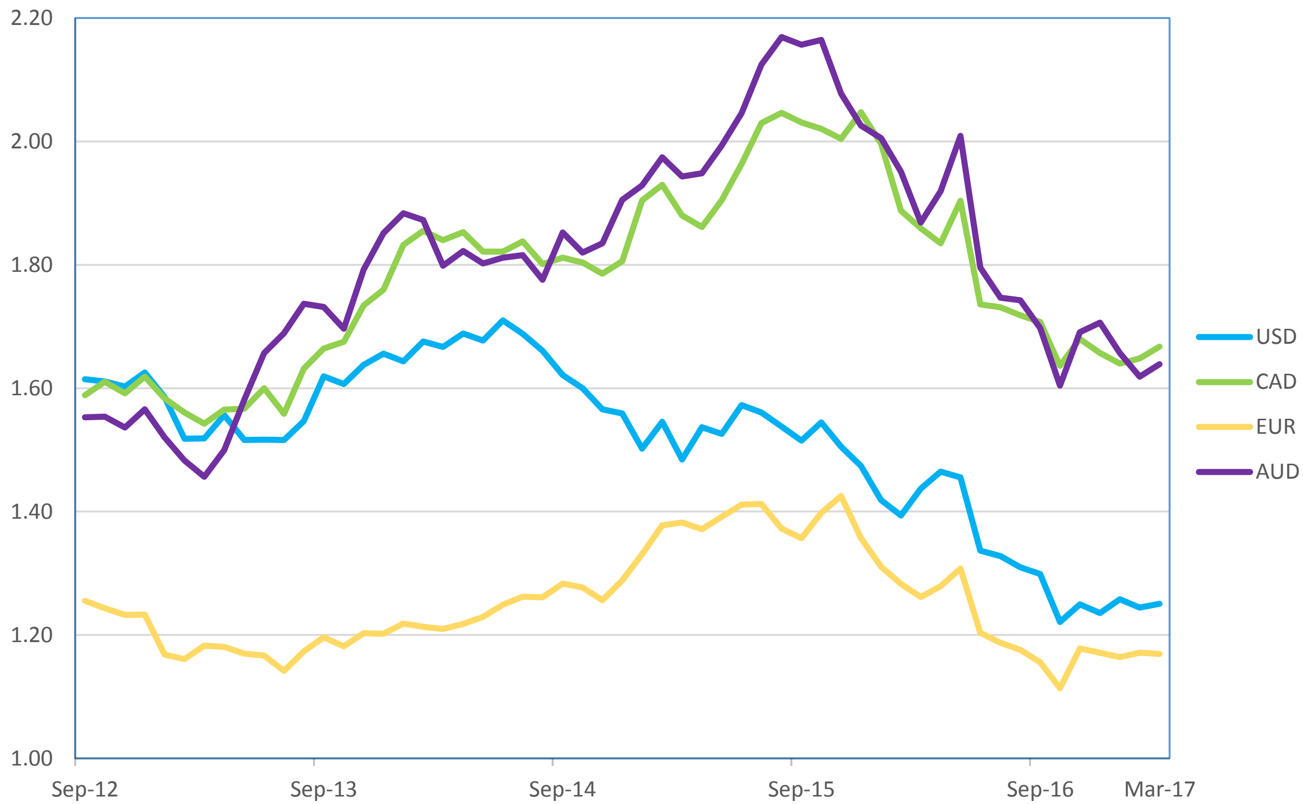
CAGR revenue growth	Operating margins	ROATCE	Free cash flow conversion
11% p.a.	18–19%	25%	96%

Foreign Exchange

Volatility of UK£ continues to impact results on translation

Translational Impact (base currency GBP)

	Change over 1 year	Change over 3 years
USD	13.0%	25.0%
CAD	10.3%	9.4%
EUR	7.3%	3.3%
AUD	12.3%	8.9%

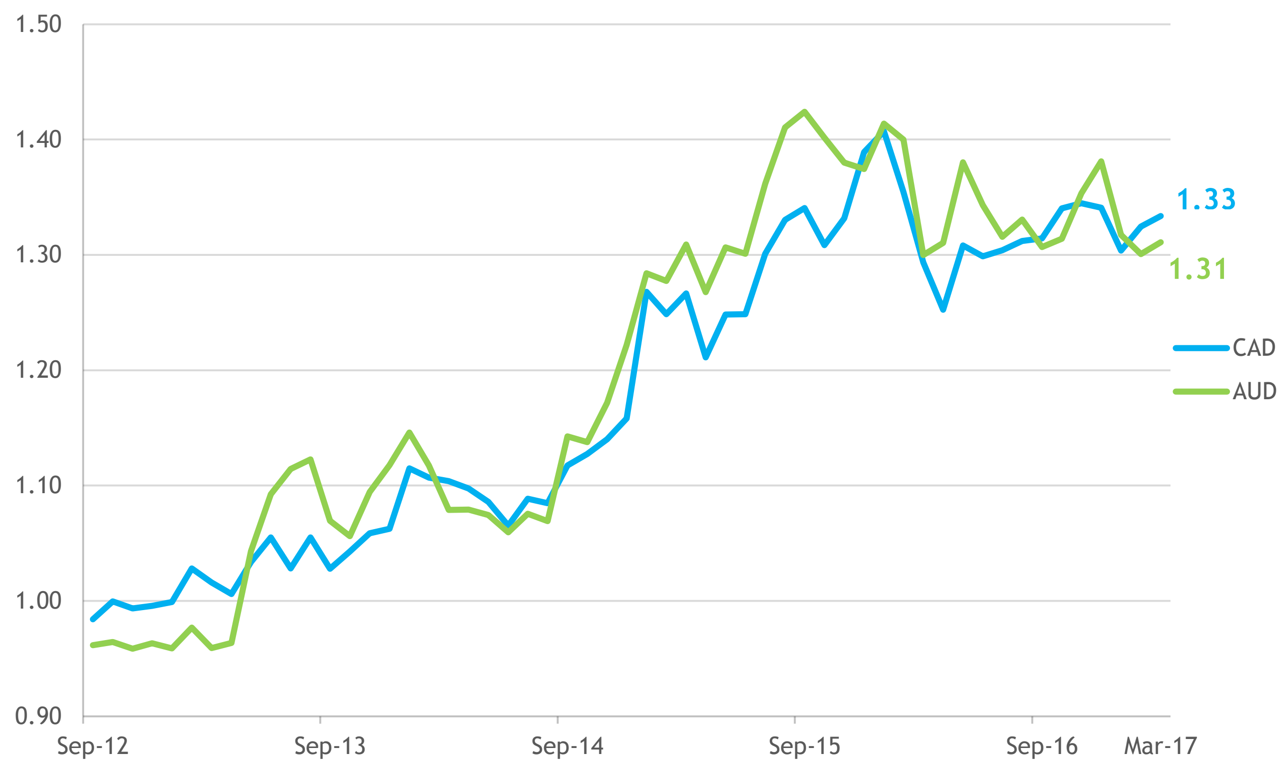


Foreign Exchange

Healthcare gross margins impacted by weakening CAD and AUD against US$

Transactional Impact (base currency USD)

	Change over 1 year	Change over 3 years
CAD	3.1%	20.8%
AUD	0.8%	21.5%



DIPLOMA PLC

Bruce M Thompson
Chief Executive Officer

Nigel P Lingwood
Group Finance Director

Tel: +44 (0) 20 7549 5700
Fax: +44 (0) 20 7549 5715
Email: investors@diplomaplc.com
Web: www.diplomaplc.com

12 Charterhouse Square
London EC1M 6AX

Tulchan Communications

David Allchurch
Martin Robinson

Tel: +44 (0) 20 7353 4200
Email: diploma@tulchangroup.com