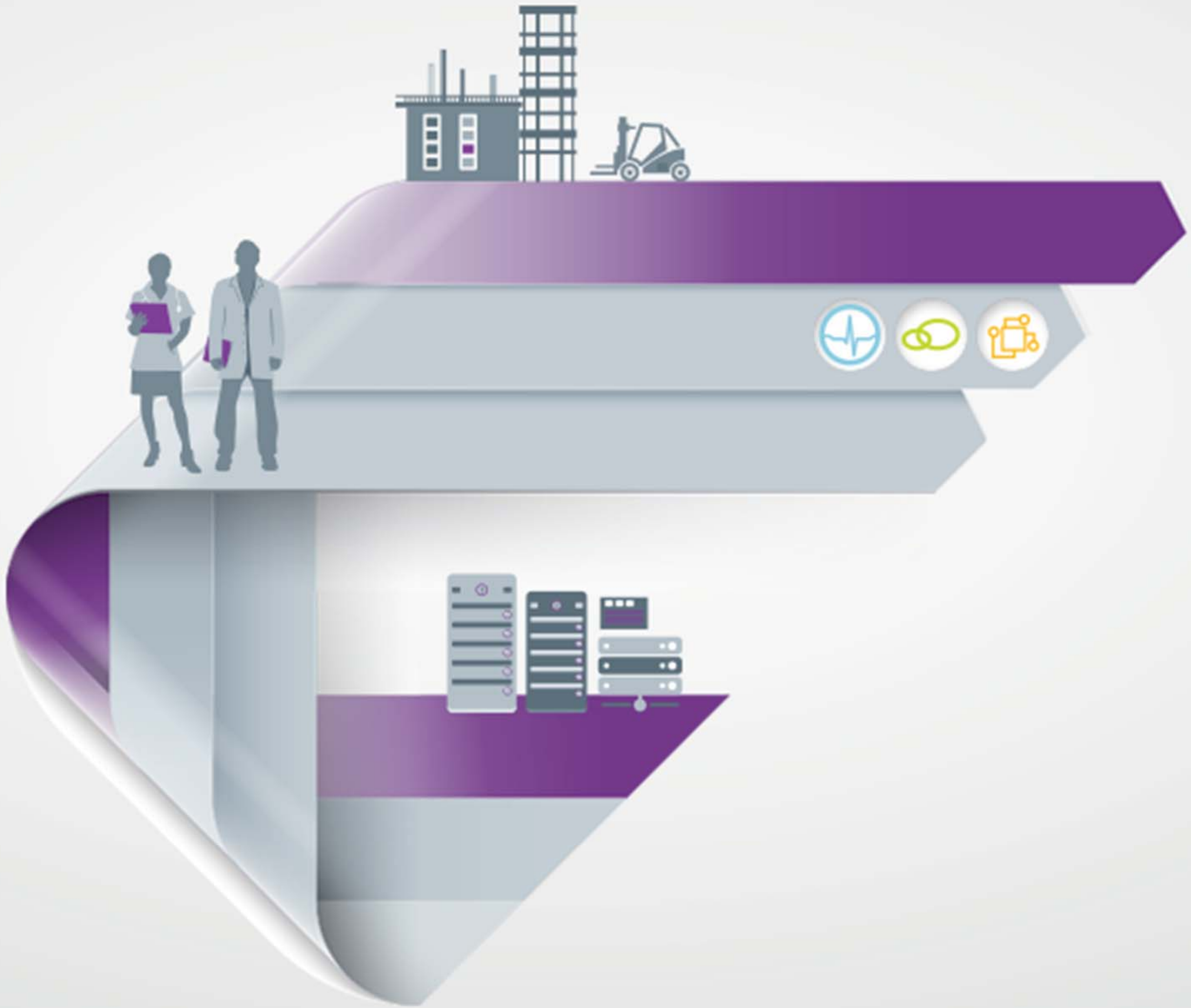
DIPLOMA PLC

Preliminary Announcement

Year ended 30 September 2013

18 November 2013



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LIFE SCIENCES

SEALS

CONTROLS

1. Group Overview

Our Business Model

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

WE WANT TO MAKE OURSELVES ESSENTIAL TO OUR CUSTOMERS

Group Overview - Sectors

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

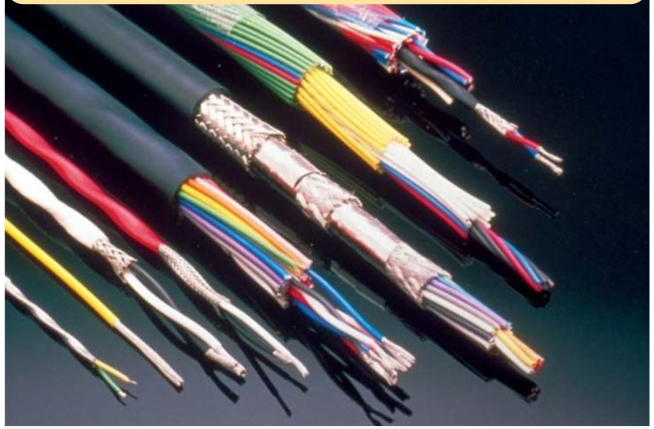
LIFE SCIENCES

33%
of revenues

SEALS

37%
of revenues

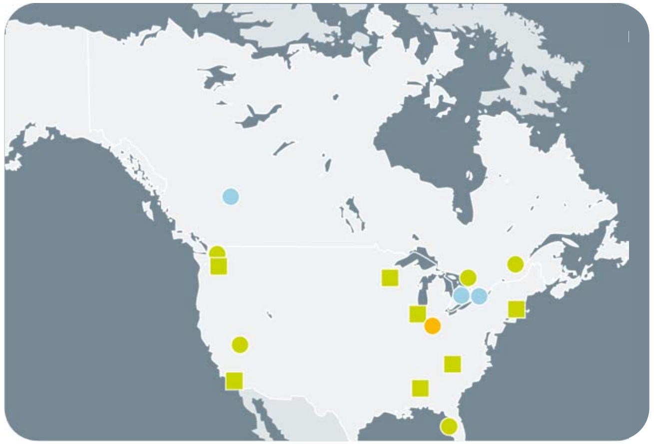
CONTROLS

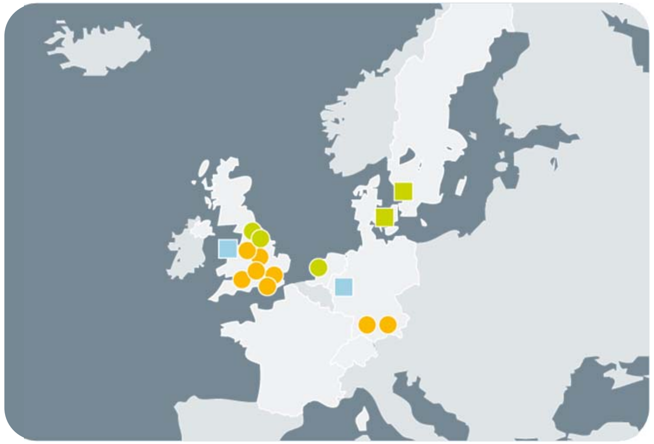


30%
of revenues

A BALANCED AND DIVERSE PORTFOLIO OF BUSINESSES BY SECTOR

Group Overview - Geography





North America

53%
of revenues[1]

27% US

26% Canada

Europe

38%
of revenues[1]

22% UK

16% Continental Europe

Rest of World

9%
of revenues[1]

Life Sciences
- Healthcare
- Environmental

Seals
- Aftermarket
- Industrial OEM

Controls
- Controls

[1]By destination

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

Five Year Performance

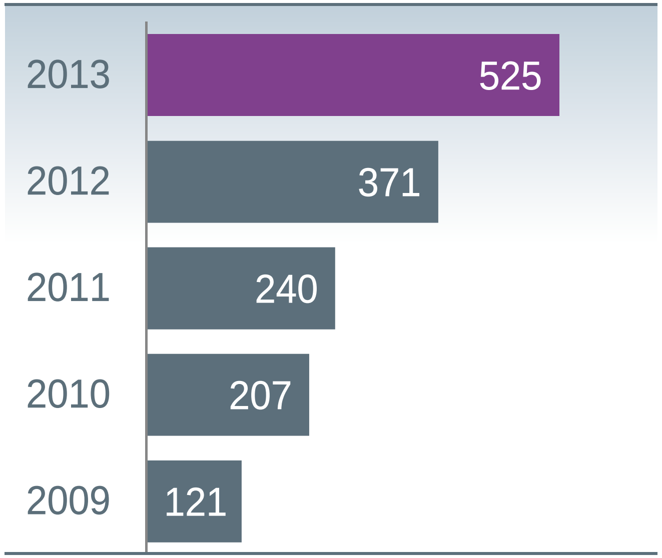
EPS growth

+17% p.a.

Adjusted EPS in pence

TSR growth

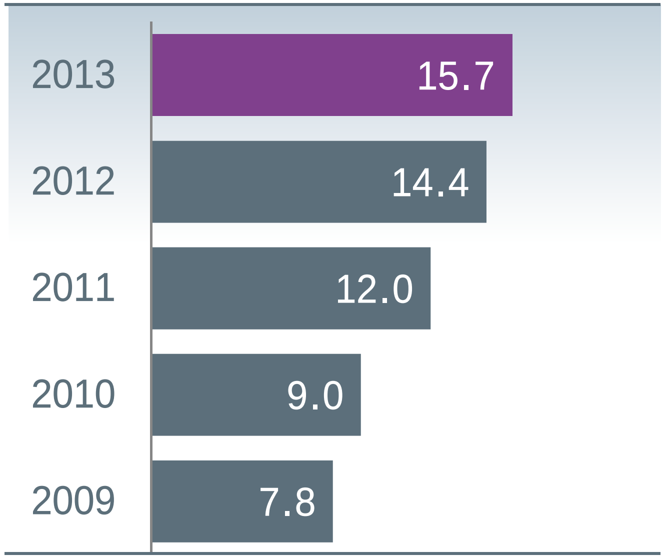
+39% p.a.



TSR index, end Sept 2008 = 100

Dividend growth

+16% p.a.



Dividends in pence

TRACK RECORD OF DELIVERING STRONG RETURNS FOR SHAREHOLDERS

2. Summary of 2013 Results

Overview of Results

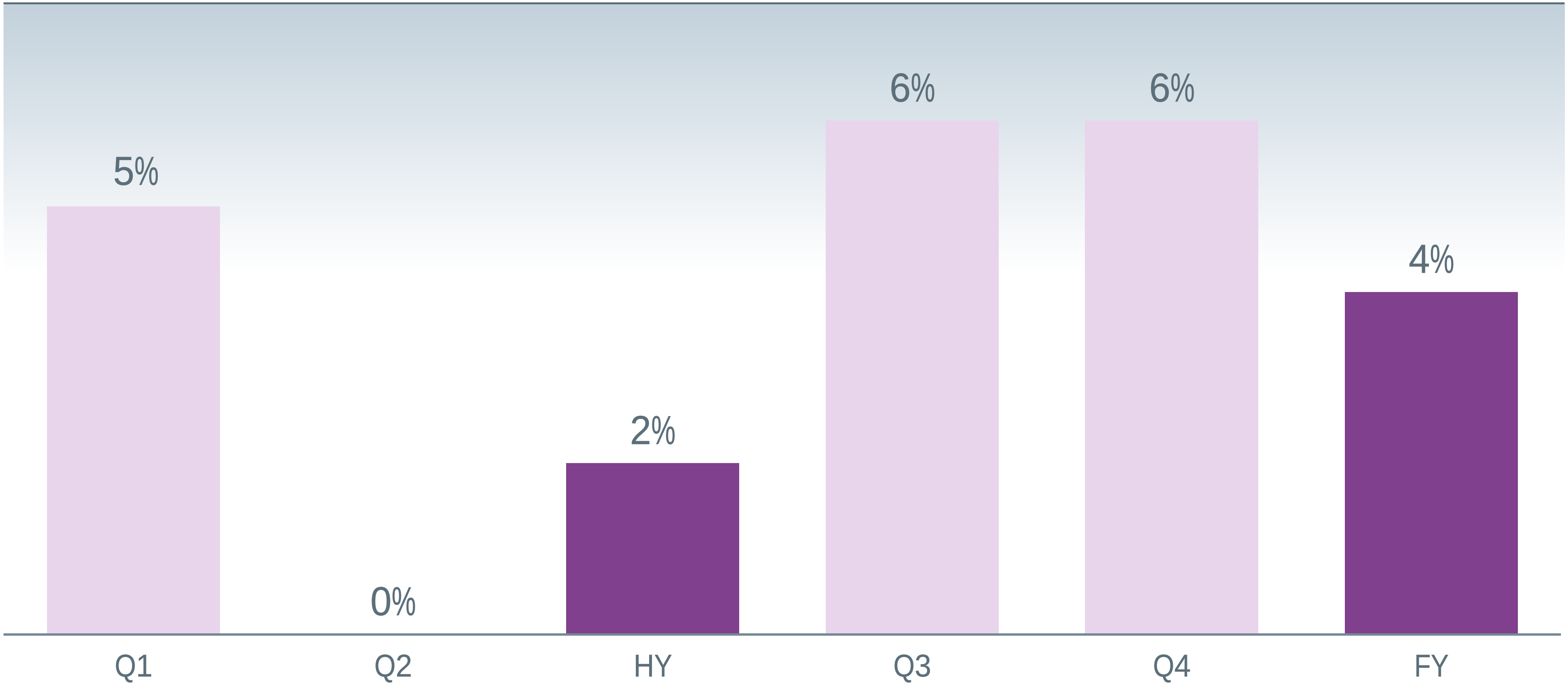
Year ended 30 September

	2013	2012	
Revenue	**£285.5m**	£260.2m	+10%
Adjusted operating profit	**£54.3m**	£52.8m	+3%
Adjusted operating margin	**19.0%**	20.3%	
Adjusted profit before tax	**£54.3m**	£52.6m	+3%
Free cash flow	**£31.6m**	£32.7m	-3%
Adjusted earnings per share	**34.8p**	33.1p	+5%
Total dividends per share	**15.7p**	14.4p	+9%

Financial Highlights

- Revenue up by **10%**; after adjusting for currency and acquisitions/divestment, underlying revenue up by **4%**, with stronger second half up **6%**
- Adjusted operating margin of **19.0%** largely reflecting additional costs from investment in businesses
- Adjusted PBT up **3%** to **£54.3m**; Adjusted EPS up **5%** due to lower effective tax rate
- Strong free cash flow of **£31.6m** despite higher capex and EBT funding; net cash of **£19.3m** at year end
- Full year dividend up by **9%** to **15.7p** per share

Underlying Revenue Trends



UNDERLYING REVENUE TRENDING TO GDP+ GROWTH

Operational Highlights

- Strong double-digit growth across Life Sciences businesses reflecting benefits of prior year investments; underlying growth of 15%
- Modest underlying growth of 2% in Seals against very strong comparatives; trending towards "GDP plus" growth rates
- Acquisition of Kentek Oy agreed after year end with operations in Finland, Russia and Baltic States; 80% for maximum consideration of £11.2m
- Challenging conditions in Europe leading to a 3% reduction in underlying revenues for Controls; some signs of improvement
- Investment for Growth programme continues with significant investments in facilities, IT and additional management

Investment for Growth Programme

	Actual 2012 £m	Actual 2013 £m	Forecast 2014 £m	Total £m
Expenditure				
Capital	1.3	2.0	0.5	3.8
Revenue cost	0.4	0.7	0.4	1.5
	1.7	**2.7**	**0.9**	**5.3**
Comprising				
Facilities	1.5	1.9	0.2	3.6
IT infrastructure	0.2	0.8	0.7	1.7
	1.7	**2.7**	**0.9**	**5.3**
Impact on Income Statement				
Additional management	0.4	1.1	1.2	
Revenue cost & depreciation	0.6	1.1	0.9	
	1.0	**2.2**	**2.1**	

Investment for Growth

- To end of 2013, £3.4m invested in modern and expanded facilities for RT Dygert and All Seals in the US, Vantage and Hercules in Canada and IS-Group in the UK
- Further £1.0m invested in powerful new ERP systems at M Seals, Hawco, a1-envirosciences and DHG (Somagen); in 2014, the DHG system will roll out to the other Canadian Healthcare businesses
- Investment in senior managers at the Group’s Head Office and in the major businesses has added ca. £1.1m to annual operating costs
- Outside the Investment for Growth programme, there has been further investment in strengthening sales and business development resources and regional management

INVESTING TO SUPPORT SUSTAINABLE GROWTH FOR THE NEXT 5 YEARS

Acquisition Development

Financial Year	Acquisition Spend (£m)	Life Sciences	Seals	Controls
2009	12.2	Meditech - Canada	RT Dygert - US	
2010	11.0	BGS (80%) – Australia Somagen (8%) - Canada	All Seals - US	ET Fisher - Germany
2011	28.2	AMT (25%) – Canada Carsen Medical - Canada		
2012	22.3	DSL (80%) - Australia	J Royal – US JRPP (10%) - China	Amfast – UK Abbeychart - UK
2013	2.2	BGS (20%) – Australia		Rayquick - Germany

5 Yr Total = **£75.9m** (average £15.2m p.a.)

ACQUISITIONS ARE AN INTEGRAL PART OF SECTOR GROWTH STRATEGIES

Financial KPIs

Five Year Trends

	2009	2010	2011	2012	2013
Revenue	£160.0m	£183.5m	£230.6m	£260.2m	£285.5m
Total growth	*+2%*	*+15%*	*+26%*	*+13%*	*+10%*
Organic growth	*-12%*	*+11%*	*+17%*	*+6%*	*+4%*
Operating margin	16.0%	17.5%	19.6%	20.3%	19.0%
Working capital (% revenues)	17.6%	15.4%	16.1%	16.5%	16.7%
ROTCE	19.0%	22.1%	25.4%	26.6%	25.8%
Free cash flow	£23.5m	£29.8m	£25.0m	£32.7m	£31.6m
% of PAT	*131%*	*131%*	*78%*	*87%*	*80%*

Average over five years:

CAGR REVENUE GROWTH	OPERATING MARGINS	ROTCE	FREE CASH FLOW CONVERSION
13% p.a.	18-19%	24%	95%

3. Business Review

Our Sectors

Revenue by Sector and Destination

LIFE SCIENCES	SEALS	CONTROLS
33% of group revenues	37% of group revenues	30% of group revenues
319 employees	513 employees	300 employees
71% Canada 16% Europe 13% Rest of World	76% North America 13% Europe 11% Rest of World	58% UK 34% Europe 8% Rest of World

Life Sciences

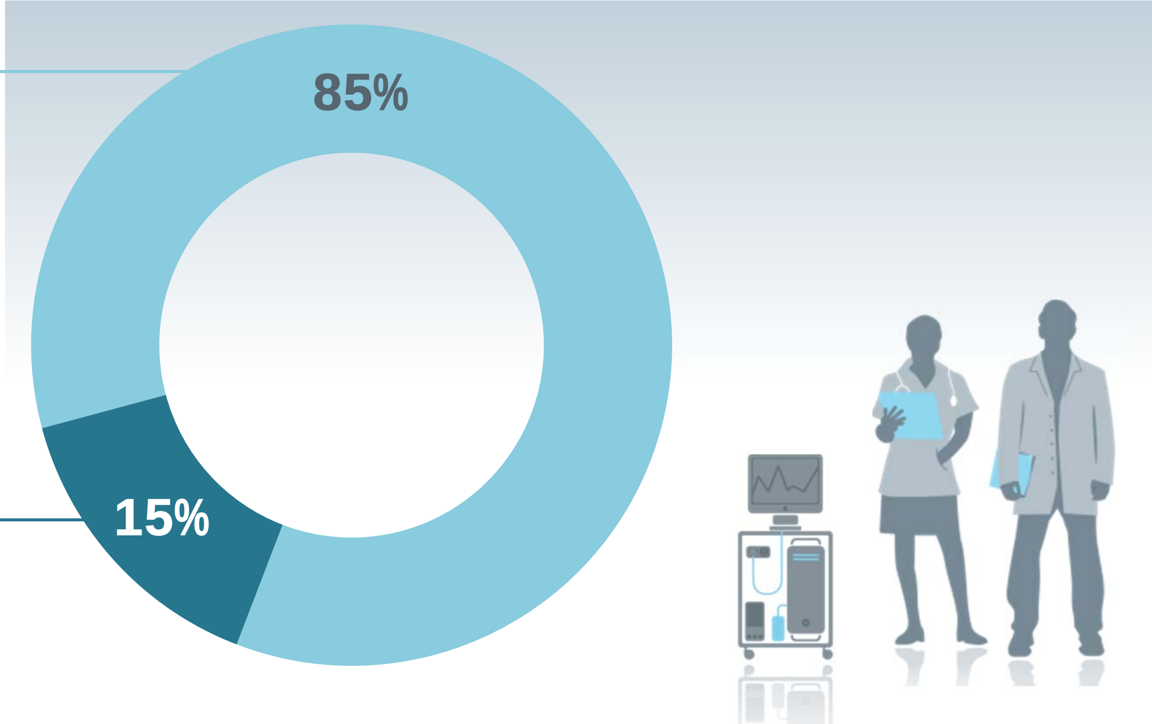
Segmentation

Healthcare

Diploma Healthcare Group ("DHG") supplies medical devices and related consumables and services to the healthcare industries in Canada and Australia

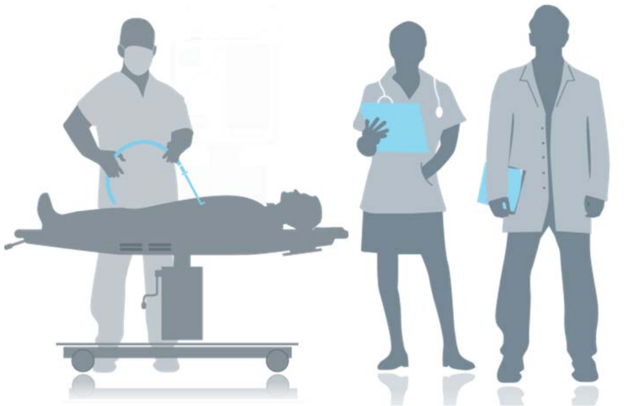
Environmental

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



85% OF REVENUES FROM STEADILY GROWING HEALTHCARE MARKETS

Life Sciences
Operating Results

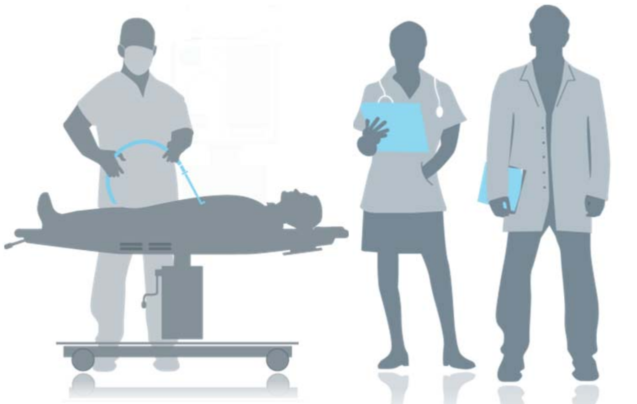


Year ended 30 Sept	2013	2012	
Revenue	**£93.2m**	£78.4m	*+19%*
Operating profit	**£20.9m**	£18.0m	*+16%*
Operating margin	**22.4%**	23.0%	
Free cash flow	**£14.4m**	£13.3m	*+8%*

- DHG underlying revenue growth of 15% after adjusting for DSL acquisition and currency
- a1-group underlying revenue growth of 15% after adjusting for re-shaping of businesses and currency
- Operating margins impacted by investments and currency

Life Sciences

Sector Developments



> Steady growth in consumable and service sales in core **Healthcare** businesses in Canada

> Vantage completed integration programme with move to new facility; Strong growth of new MI Surgery business in AMT

> Major supplier added at DSL shortly after acquisition; Australian management strengthened and operations integrated

> Major new ERP system initiated in Somagen with roll out across Canadian businesses in 2014

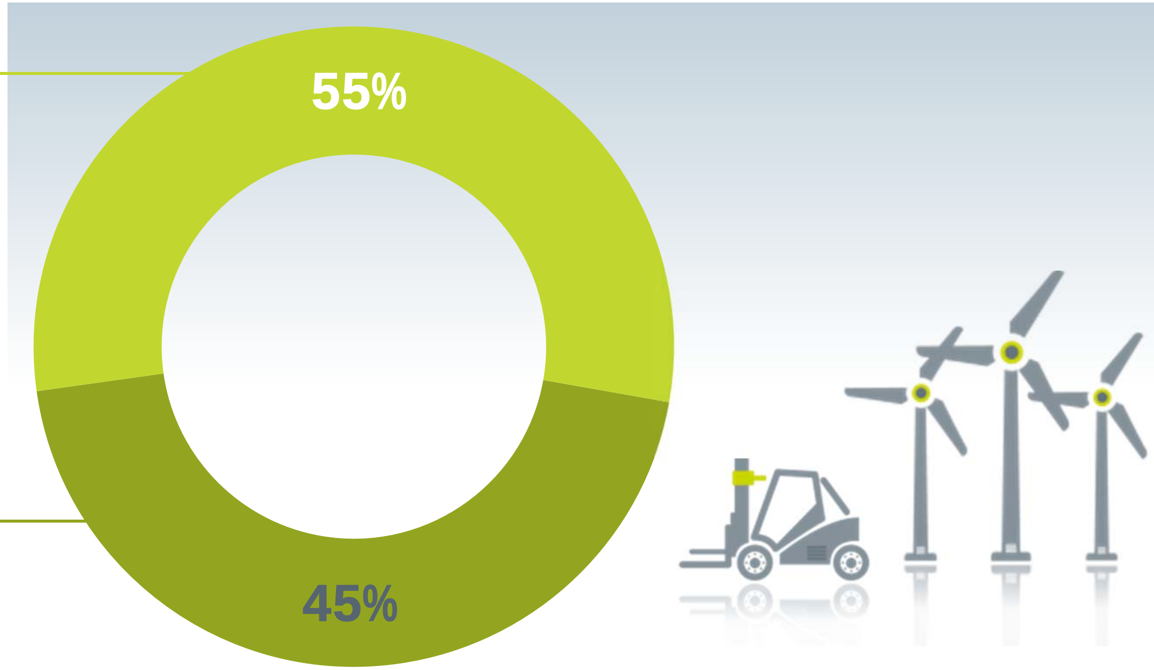
> Good double digit growth in reshaped **Environmental** business; improving margins

Seals

Segmentation

Aftermarket

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



Industrial OEMs

Supply of seals, O-rings and custom moulded and machined parts to manufacturers of specialised industrial equipment

TWO RESILIENT REVENUE STREAMS

Seals

Operating Results

Year ended 30 Sept	2013	2012	
Revenue	**£106.1m**	£99.9m	*+6%*
Operating profit	**£19.5m**	£20.4m	*-4%*
Operating margin	**18.4%**	20.4%	
Free cash flow	**£15.9m**	£13.7m	*+16%*

- Aftermarket businesses – slightly positive against very strong prior year comparatives (2012: 14%; 2011: 26%)
- Industrial OEM businesses – underlying revenue growth of 4% after adjusting for currency and J Royal acquisition
- Operating margins reduced by 200bps, largely reflecting investment in businesses

Seals

Sector Developments

- In **Aftermarket**, continued development of Webstore application with on-line sales up by 30% this year
- Investment in two new seal machining centres and increased engineering resource to improve service offering and broaden product line
- In **Industrial OEM**, investment in sales resource to broaden customer base and new seal compounds to move up value chain
- Hercules Canada relocation after year end and new ERP system implemented across the three M Seals businesses

Kentek Acquisition

- In early November, contracts signed for acquisition of 80% of Kentek Oy for maximum consideration of £11.2m
- Kentek is a specialised distributor of filters and related products for heavy mobile machinery and industrial equipment applications
- Kentek is based in Finland with operations in Russia and the Baltic States
- Potential to extend the reach of the Seals businesses into new and emerging markets

Controls

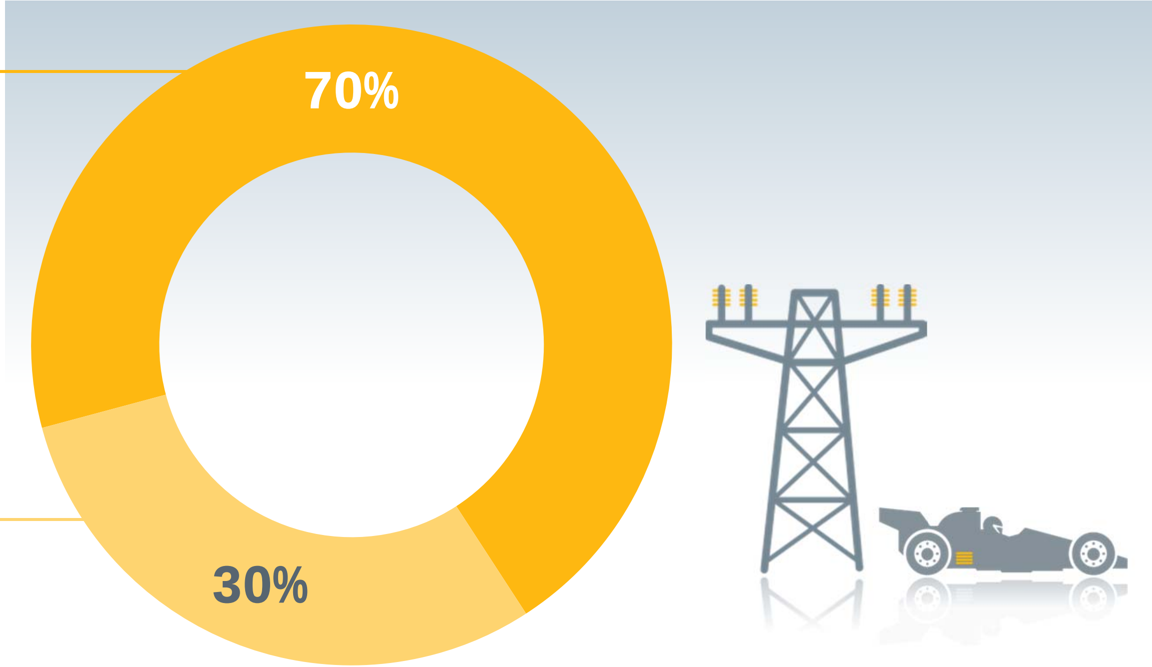
Segmentation

Interconnect

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

Fluid controls

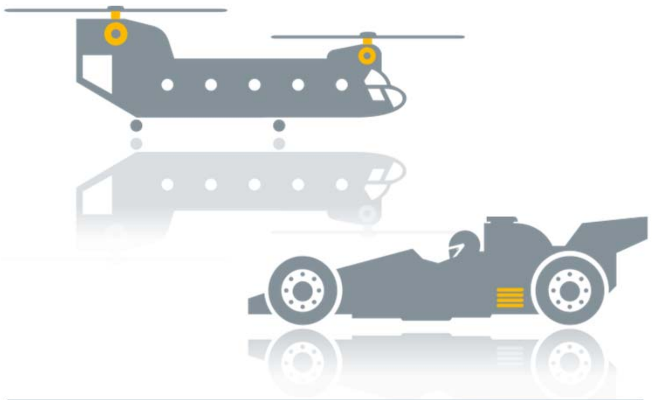
Temperature, pressure and fluid control products used in the Food, Beverage and Catering industries



A BROAD RANGE OF SPECIALISED, HIGH PERFORMANCE PRODUCTS

Controls

Operating Results



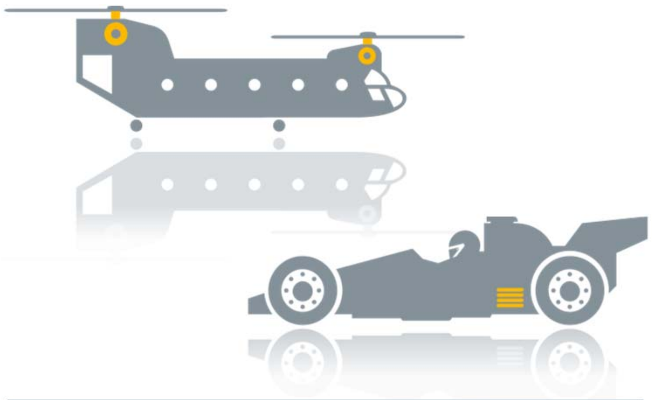
Year ended 30 Sept	2013	2012	
Revenue	**£86.2m**	£81.9m	*+5%*
Operating profit	**£13.9m**	£14.4m	*-3%*
Operating margin	**16.1%**	17.6%	
Free cash flow	**£11.9m**	£10.0m	*+19%*

> Underlying revenues decreased by 3% after adjusting for currency and acquisitions of Abbeychart, Amfast and Rayquick

> Operating margins reduced by 150bps, reflecting revenue reduction and investments in businesses

Controls

Sector Developments



- In Interconnect, new warehouse facility for IS-Group gives appropriate environment for technically biased company plus substantial capacity for growth
- Amfast integrated into Clarendon; strong performance in premium aircraft seats and interiors
- Rayquick acquisition strengthens Sommer in Electrical Distribution market in Germany
- In Fluid Controls, new ERP system at Hawco and strengthened sales resource at Abbeychart

4. Financial Highlights

Profit Before Tax

Year ended 30 September

	2013 £m	2012 £m	
Revenue	**285.5**	260.2	+10%
Adjusted operating profit	**54.3**	52.8	+3%
Operating margin	*19.0%*	*20.3%*	
Net interest expense	**-**	(0.2)	
Adjusted profit before tax	**54.3**	52.6	+3%
Acquisition related charges	**(5.6)**	(6.4)	
Fair value remeasurements	**(0.2)**	(0.2)	
IFRS profit before tax	**48.5**	46.0	+5%

Underlying Results
Year ended 30 September

		Revenue £m	Adjusted operating profit £m
As reported - FY2013		**285.5**	**54.3**
Forex	Translation	(1.8)	(0.3)
	Transaction	-	0.3
		283.7	54.3
Acquisitions	Rayquick	(1.3)	(0.4)
	Abbeychart, Amfast, DSL, J Royal	(11.4)	(1.5)
Divestment	a1-envirosciences (Switzerland)	1.0	-
		272.0	52.4
Increase/decrease in underlying results		*4%*	*-1%*
As reported - FY2012		260.2	52.8

Taxation

Year ended 30 September

	2013 £m	2012 £m	
Adjusted profit before tax	**54.3**	52.6	
IFRS taxation	**(13.7)**	(14.4)	
Adjustments	**(1.1)**	(0.7)	
Adjusted tax	**(14.8)**	(15.1)	
Effective adjusted tax rate	*27.3%*	*28.7%*	
Earnings per share			
Adjusted	**34.8p**	33.1p	+5%
Basic (IFRS)	**30.7p**	27.9p	+10%

Free Cash Flow
Year ended 30 September

	2013 £m	2012 £m	
Adjusted operating profit	**54.3**	52.8	
Depreciation	**2.5**	2.1	
Working capital	**(1.1)**	(5.2)	
Pension and share schemes, net	**0.2**	0.5	
Operating cash flow	**55.9**	50.2	+11%
Interest paid, net	**(0.2)**	(0.3)	
Taxation	**(14.8)**	(13.7)	
Capital expenditure	**(4.6)**	(3.5)	
Purchase of own shares	**(4.7)**	-	
Free cash flow	**31.6**	32.7	-3%

Net Funds
Year ended 30 September

	2013 £m	2012 £m
Free cash flow	**31.6**	32.7
Acquisition cash paid	**(1.6)**	(21.5)
Deferred consideration	**(0.6)**	(0.8)
Dividends	**(17.6)**	(14.3)
	11.8	(3.9)
Net funds brought forward	**7.9**	12.2
Exchange adjustments	**(0.4)**	(0.4)
Net funds	**19.3**	**7.9**
Comprising:		
Cash funds	**19.3**	**11.4**
Borrowings	**-**	**(3.5)**

Shareholders' Funds

As at 30 September

	2013 £m	2012 £m
Goodwill	**78.5**	79.8
Acquisition intangible assets	**26.7**	32.2
Investment	**0.7**	0.7
Tangible assets	**14.7**	13.0
	120.6	125.7
Net working capital	**47.8**	44.4
Trading capital employed	**168.4**	170.1
Retirement benefit obligations	**(4.7)**	(5.4)
Deferred tax, net	**(1.7)**	(1.6)
Future purchases of minorities	**(2.8)**	(3.2)
Deferred consideration	**(0.2)**	(0.6)
Net funds	**19.3**	7.9
	178.3	167.2
less: minority interests	**(1.4)**	(1.4)
Total shareholders' equity	**176.9**	165.8

5. Outlook and Prospects

The Diploma Investment Case

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 dividends
VALUE CREATION	We aim to create value by consistently exceeding 20% ROTCE

CLEAR AND PROVEN STRATEGY FOR GROWTH

Outlook

Group

> Resilient business model
> Good geographic spread
> Strong balance sheet and cash flow

Life Sciences

> Continued growth across all businesses after prior year investments

Seals

> Trending to GDP plus growth rates after several years of very strong growth

Controls

> Markets in Europe remain challenging, but some signs of improving conditions in recent months

Acquisitions

> Improving acquisition environment and promising pipeline
> Additional corporate development resources in place

THE BOARD IS CONFIDENT THAT THE GROUP WILL MAKE FURTHER PROGRESS THIS YEAR

Potential for Growth

HEALTHCARE

- Increase share in specialised segments of growing Canadian Healthcare market
- Extend into other medical disciplines with new products and technologies
- Build critical mass in Australian market and then other geographies

SEALS

- Aftermarket share gains through superior marketing and product development
- Increase Aftermarket's global footprint – Particularly in Europe and Asia Pacific
- Expand group of Industrial OEM businesses in North America and internationally

CONTROLS

- Further penetrate specialised market sectors in Europe
- Broaden range of high performance products and added-value services
- Expand geographical reach outside Northern Continental Europe

OVERALL

- Increased focus on newer developing markets, particularly Asia Pacific
- Ungeared balance sheet, committed bank facilities and strong cash flow will fund the growth strategy and healthy dividends

DIPLOMA PLC

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