DIPLOMA PLC

Preliminary Announcement

Year ended 30 September 2015

16 November 2015

Contents

Life sciences

Seals

Controls

1. Introduction and Overview

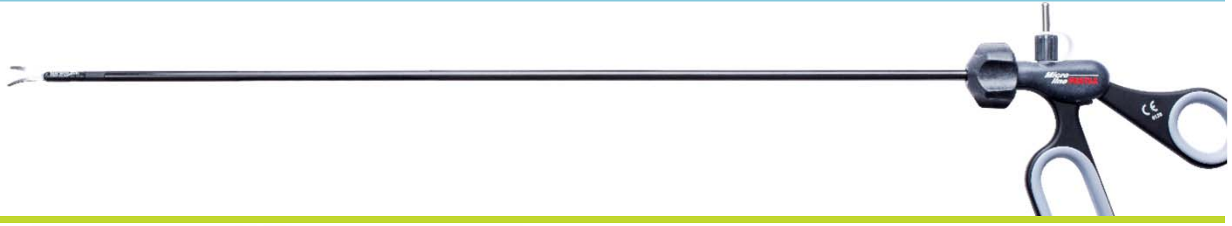
Group Overview

Balanced portfolio of businesses

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

Life sciences

31%
of revenues



Seals

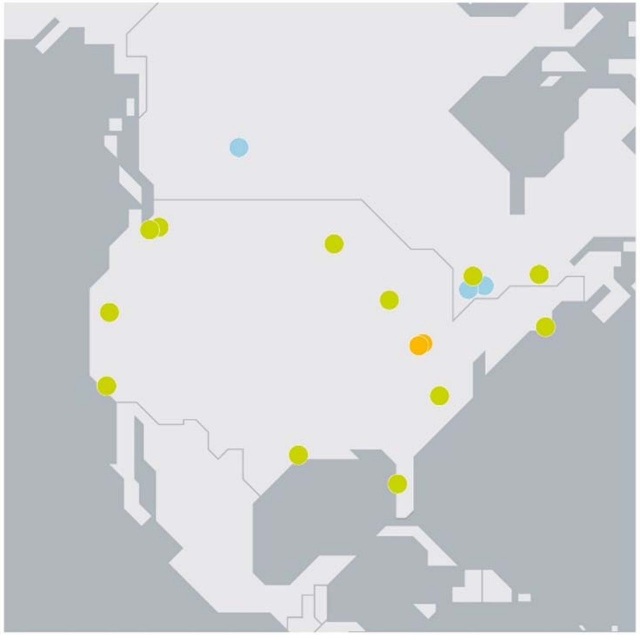
42%
of revenues

Controls

27%
of revenues

Group Overview

Well diversified by geography

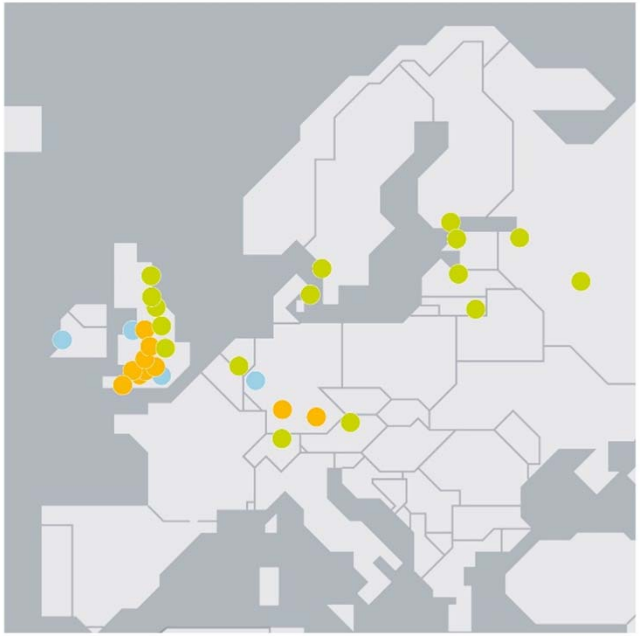


North America

46% of revenues[1]

25% US

21% Canada



Europe

46% of revenues[1]

23% UK

23% Continental Europe

Rest of World

8% of revenues[1]

- Life Sciences
- Seals
- Controls

[1]By destination

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 2015

Robust performance, acquisition led growth

- Solid underlying revenue growth in challenging markets:
  - Economic headwinds constrained growth in North America and Europe
  - Adverse foreign exchange impact on translational basis
- Robust operating margin performance despite transactional currency effects and initial dilution of acquired businesses – reflects tight cost control
- Strong contribution from acquisitions and pipeline remains promising:
  - Record acquisition spend of ca. £38m in 2015; more than double 2014 spend
  - WCIS acquisition (ca. £10m) completed shortly after year end
  - Further good opportunities in the pipeline
- Continued strong free cash flow supports growth strategy and healthy dividends

Executive Management Group

Building a broader leadership team

- Executive Management Group (“EMG”) to be established over the course of 2016
- EMG will report to the CEO and comprise key senior managers of the main business clusters and certain Group functions
- Iain Henderson’s COO responsibilities will be re-allocated across this broader leadership team
- Two experienced senior managers recruited to take leadership roles in North American Industrial Distribution and in our International Healthcare business
- EMG will ensure a strong and broad based team to support the next stage of our growth strategy

2. Financial Results

Overview of Results

Year ended 30 September

	2015	2014	
Revenue	**£333.8m**	£305.8m	+9%
Adjusted operating profit	**£60.3m**	£56.7m	+6%
Adjusted operating margin	**18.1%**	18.5%	
Adjusted profit before tax	**£59.6m**	£56.2m	+6%
Free cash flow	**£40.3m**	£37.8m	+7%
Acquisition spend	**£37.8m**	£16.5m	
Net cash funds	**£3.0m**	£21.3m	
Adjusted earnings per share	**38.2p**	36.1p	+6%
Total dividends per share	**18.2p**	17.0p	+7%

Financial Highlights

Robust performance bolstered by strong contribution from acquisitions

- Revenue and adjusted operating profit increased by 9% and 6% respectively; adjusted EPS increased by 6%
- Acquisitions added 11% to Group revenues; currency movements reduced revenues by 3%; underlying revenue growth of 1%
- Adjusted operating margins robust at 18.1% despite transactional currency effects in Healthcare businesses and initial dilution from acquisitions
- Strong free cash flow of £40.3m after £4.3m of capital expenditure
- Acquisition expenditure of £37.8m, over double that spent in prior year; net cash funds of £3.0m at year end
- Total dividend increased by 7% reflecting strong financial position and Group's growth prospects

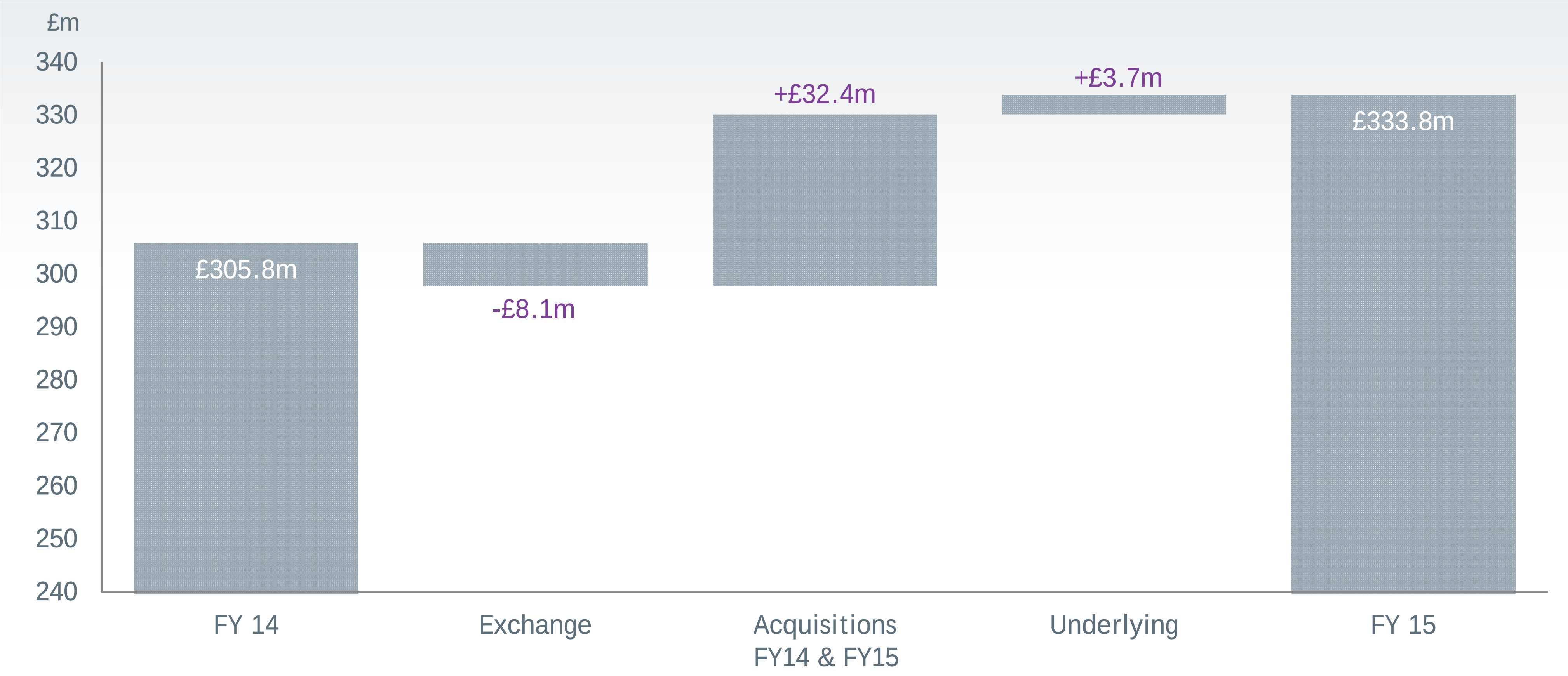
Profit Before Tax

Year ended 30 September

	2015 £m	2014 £m	
Revenue	**333.8**	305.8	*+9%*
Adjusted operating profit	**60.3**	56.7	*+6%*
Adjusted operating margin (%)	*18.1%*	*18.5%*	
Net interest expense	**(0.7)**	(0.5)	
Adjusted profit before tax	**59.6**	56.2	*+6%*
Acquisition related charges	**(7.4)**	(6.4)	
Fair value remeasurements	**(0.4)**	-	
Reported profit before tax	**51.8**	49.8	*+4%*

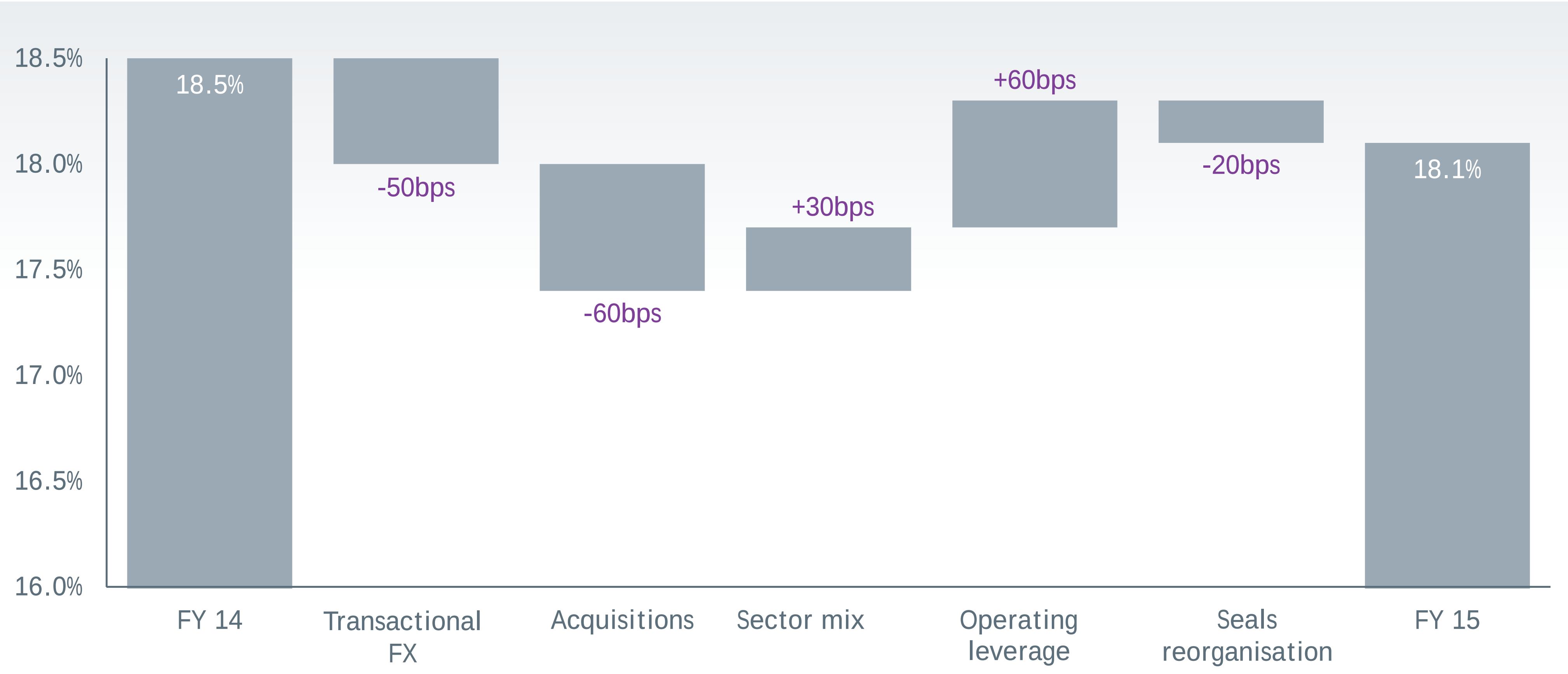
Revenue Bridge

Year ended 30 September



Adjusted Operating Margin Bridge

Year ended 30 September



Taxation and Earnings per Share

Year ended 30 September

	2015	2014	
Adjusted profit before tax (£m)	**£59.6m**	£56.2m	
Reported taxation	**(14.4)**	(13.7)	
Adjustments	**(1.3)**	(1.1)	
Adjusted tax	**(15.7)**	(14.8)	
Effective adjusted tax rate	*26.3%*	*26.3%*	
Earnings per share (pence)			
Adjusted	**38.2p**	36.1p	+6%
Basic (Reported)	**32.5p**	31.4p	+4%

Free Cash Flow

Year ended 30 September

	2015 £m	2014 £m	
Adjusted operating profit	**60.3**	56.7	
Depreciation	**3.5**	2.5	
Working capital	**(1.9)**	(4.6)	
Pension and share schemes, net	**0.2**	0.4	
Operating cash flow, before acquisition expenses	**62.1**	55.0	*+13%*
Interest paid, net	**(0.5)**	(0.3)	
Tax paid	**(15.4)**	(13.0)	
Capital expenditure, net	**(4.2)**	(2.1)	
Purchase of own shares	**(1.7)**	(1.8)	
Free cash flow	**40.3**	37.8	*+7%*

Cash

Year ended 30 September

	2015 £m	2014 £m
Free cash flow	**40.3**	37.8
Acquisition cash paid	**(37.2)**	(16.4)
Deferred consideration	**(0.6)**	(0.1)
Dividends	**(19.9)**	(18.4)
	(17.4)	2.9
Cash brought forward	**21.3**	19.3
Exchange adjustments	**(0.9)**	(0.9)
Net cash funds at 30 September	**3.0**	**21.3**
Comprising:		
Cash balances	23.0	21.3
Borrowings	(20.0)	-

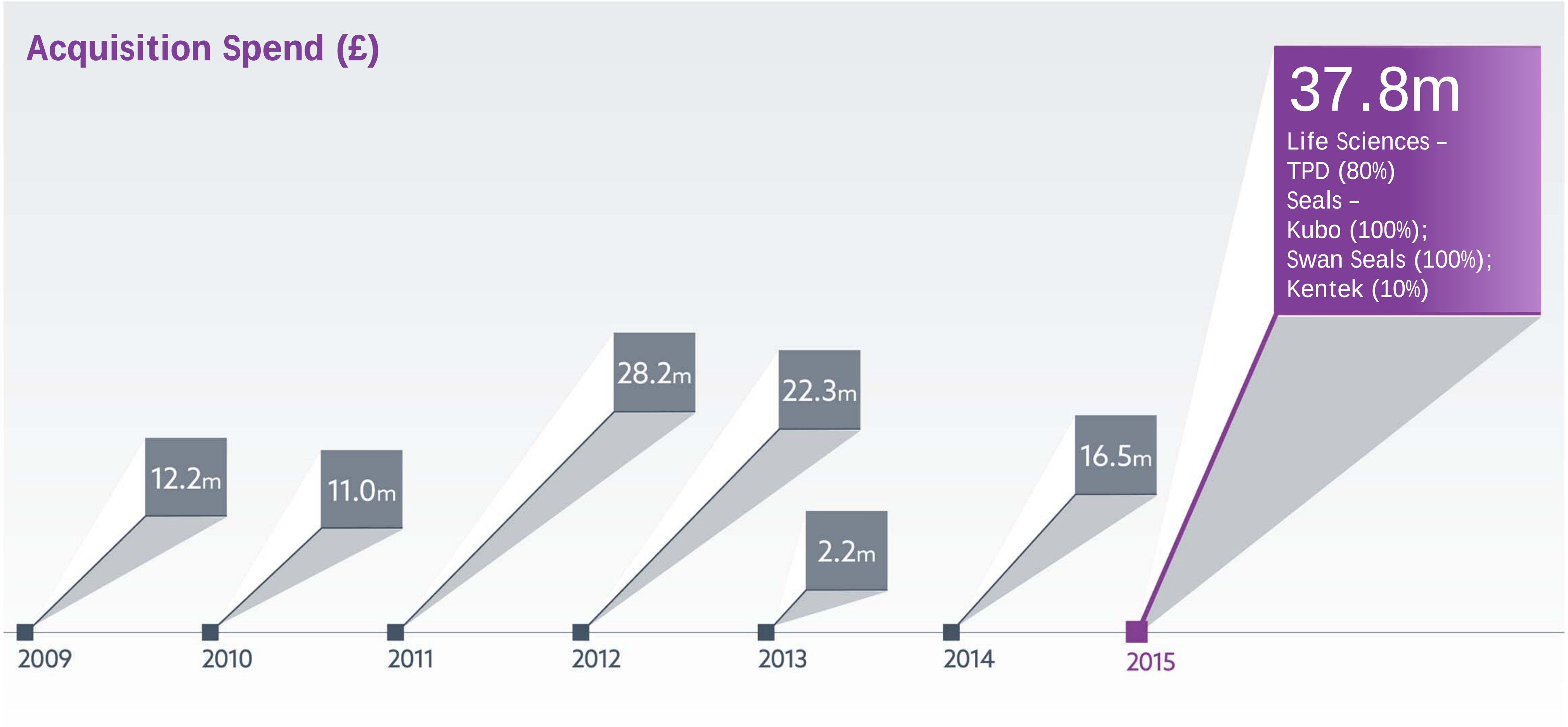
Acquisitions

Strong acquisition performance and promising pipeline

- Acquisitions are an integral part of the Group's growth strategy
- £37.8m spent on acquisitions during the year:
  - £11.2m on 80% of TPD – extending the Healthcare business to European markets
  - £22.9m on 100% of Kubo – building a stronger European Seals business
  - £2.5m on 100% of Swan Seals – bolt-on to FPE Seals in the UK
  - £1.2m on minority shareholdings and deferred consideration
- On 12 October 2015, the Group acquired WCIS for a maximum consideration of £9.8m which expands Seals into the Australasia region
- Acquisition pipeline remains encouraging and the Group will continue to focus on bringing these opportunities to completion

Acquisitions

A record year for acquisition spend



Shareholders' Funds and ROATCE

As at 30 September

	2015 £m	2014 £m
Goodwill	**89.3**	80.2
Acquisition intangible assets	**40.2**	28.6
Tangible assets and investments	**24.7**	14.6
Net working capital	**59.9**	54.2
Trading capital employed - reported	**214.1**	177.6
Retirement benefit obligations	**(9.8)**	(4.3)
Deferred tax, net	**(5.9)**	(3.3)
Acquisition liabilities	**(6.6)**	(4.0)
Net cash funds	**3.0**	21.3
Minority interests	**(5.2)**	(2.9)
Total shareholders' equity	**189.6**	184.4
ROATCE	*23.9%*	*25.8%*

3. Business Review

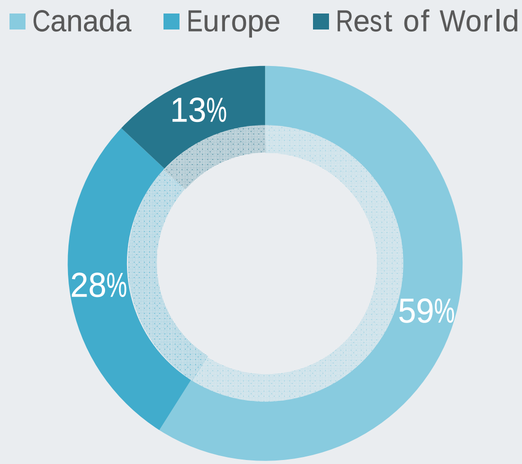
Our Sectors

Revenue by Sector and Destination

LIFE SCIENCES

387 employees

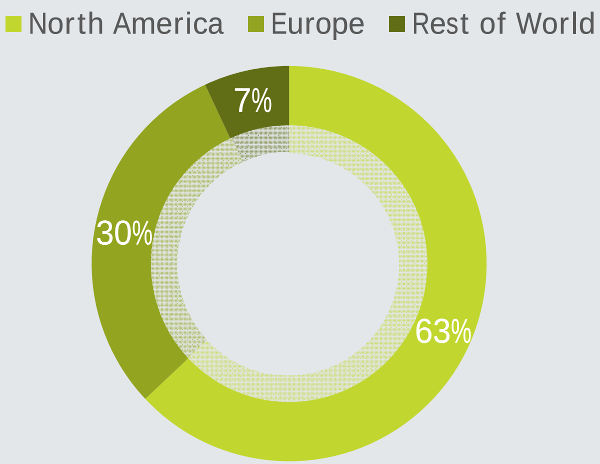
31% of group revenues



SEALS

764 employees

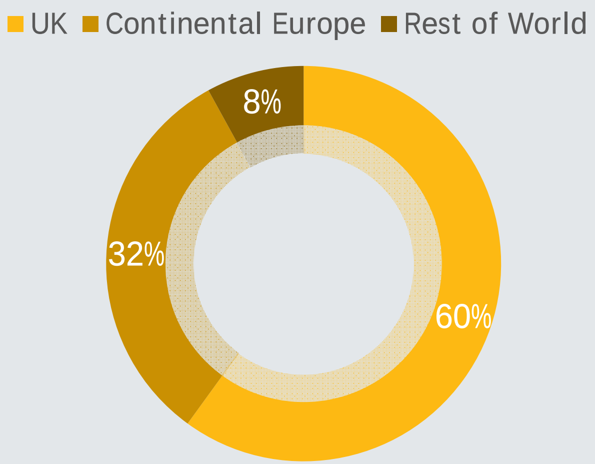
42% of group revenues



CONTROLS

334 employees

27% of group revenues



Life Sciences

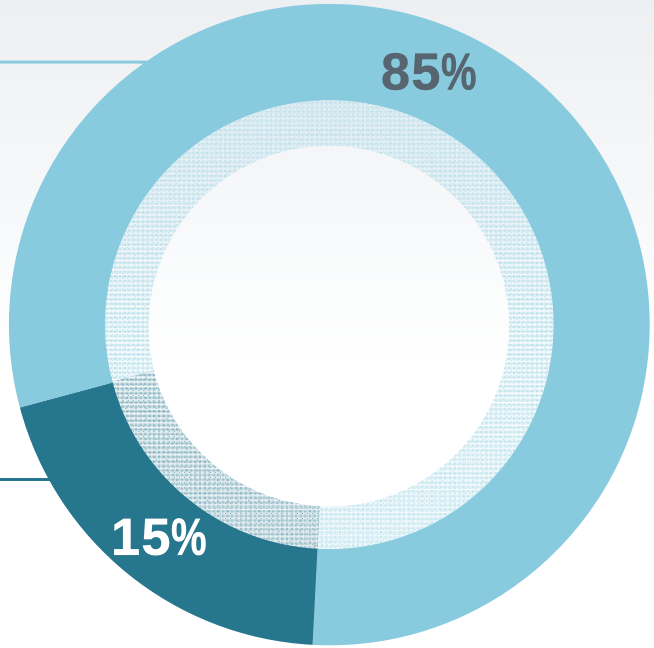
Segmentation

Healthcare

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

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	2015	2014	
Revenue	**£103.1m**	£91.4m	*+13%*
Adjusted operating profit	**£21.0m**	£19.7m	*+7%*
Adjusted operating margin	**20.4%**	21.6%	

- Underlying revenues increased by 4% after adjusting for currency and acquisitions
- TPD and Chemzyme added 15% to revenues but with lower initial operating margins; currency movements reduced revenues by 6%
- Gross margins in Healthcare businesses impacted on transactional basis by currency as C$ and A$ weakened further against US$ and hedging protection diminished
- Operating costs managed tightly

Life Sciences

Sector Developments

- Pressure on Healthcare budgets from softer economic environment in Canada and Australia
- Solid revenue growth from DHG's Canadian businesses; stronger second half of year as delayed capital equipment orders released
- In Australia, double digit growth driven by strong smoke evacuation performance; Chemzyme now fully integrated into DHG's operations in Melbourne
- TPD acquisition extends DHG into Ireland and the UK; strong double digit growth in first year
- Environmental businesses maintained underlying revenues and finished the year with solid order book

TPD Acquisition

Strong performance since acquisition

TECHNOPATH

- DHG acquired 80% of Technopath Distribution ("TPD") for ca. £11m in October 2014; owner managers retain 20% with put and call options
- TPD is an established supplier to Biotech, Clinical and Medical markets in Ireland and the UK with revenues of ca. €17m
- TPD shares key suppliers with DHG in Canada and also adds new products and suppliers
- Important first step in building DHG presence and critical mass in Ireland and the UK
- Strong performance since acquisition with double digit revenue growth on a like-for-like basis

Seals

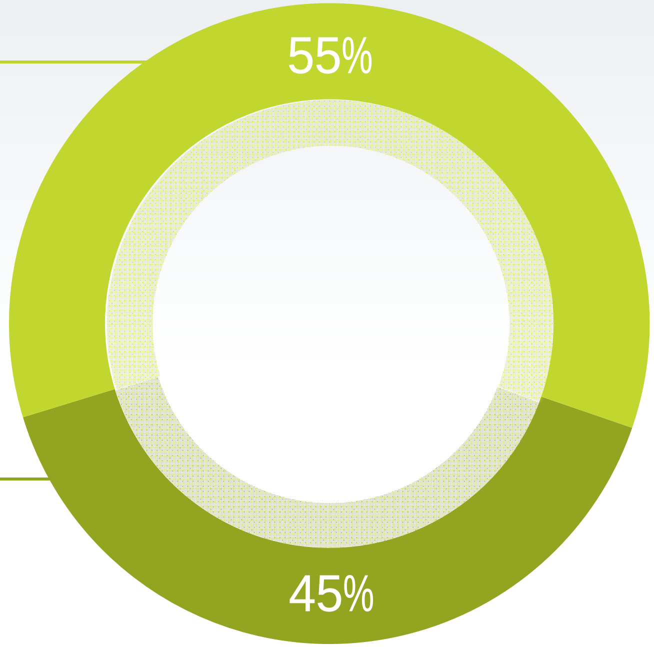
Segmentation

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 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	2015	2014	
Revenue	**£139.6m**	£119.8m	*+17%*
Adjusted operating profit	**£24.8m**	£21.7m	*+14%*
Adjusted operating margin	**17.8%**	18.1%	

- Acquisitions added 13% to revenue – Kentek, Kubo and four small UK bolt-ons
- Underlying revenue growth of 4% adjusting for acquisitions and currency (minimal impact)
- Resilient gross margins across the Seals businesses
- Operating margins reduced by 30bps – lower initial Kubo margins and one-off re-organisation costs in the US

Seals

Sector Developments

- In North America, slower trading activity in second half, impacted indirectly by cutbacks in Oil & Gas and Mining
- Continued investment in e-commerce and seal machining centres; Bulldog operations relocated to Tampa; new branch operation in Houston
- In Europe, strong underlying growth despite challenging economic background; new purpose built FPE Seals facility established as core Aftermarket hub in Europe
- EMEA Seals now 34% of Sector revenues after acquisitions of Kentek, Kubo and Swan Seals
- Acquisition of WCIS after year end broadens product range and extends Seals activities into Australasia

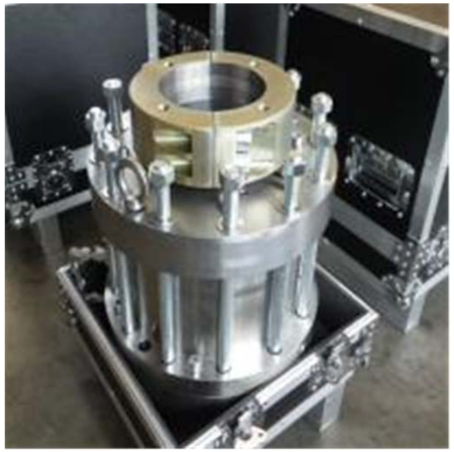
Kubo Acquisition

Acquisition integrating well

- Acquired Kubo in March 2015 for net cash consideration of ca. £23m
- Long established, leading supplier of seals, O-Rings, gaskets and moulded rubber parts
- Large and diverse base of industrial customers in Switzerland and Austria
- Kubo specialises in high value products for harsh environments and complex applications
- Kubo's high precision manufactured parts extend product line
- Kubo opens up cross-selling opportunities for Diploma's other EMEA Seals businesses

WCIS Acquisition

Acquisition shortly after the year end



- Acquired WCIS in Australia in October 2015 for maximum consideration of ca. £10m
- Established supplier of sealing products and associated services used in complex and arduous applications
- Core product capability in soft and metallic gaskets and mechanical seals
- In-country operations serving nickel ore refining companies in New Caledonia
- Important extension of the Group’s Seals activities into the Australasia region

Controls

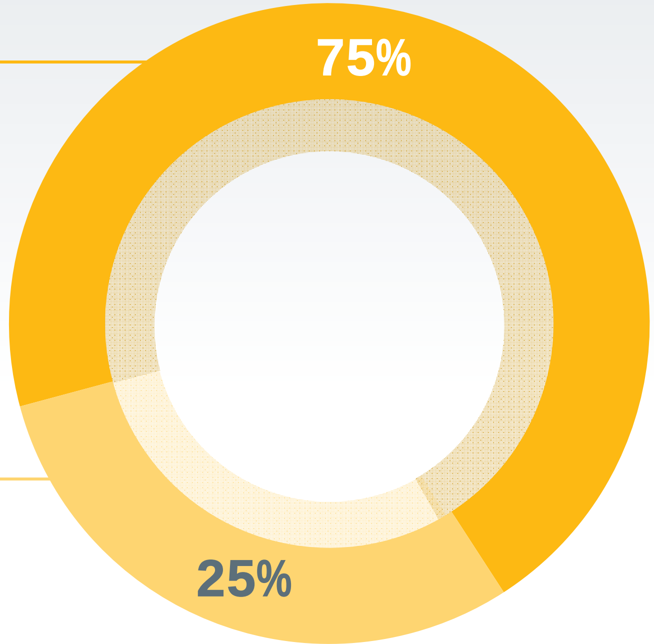
Segmentation

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	2015	2014	
Revenue	**£91.1m**	£94.6m	*-4%*
Adjusted operating profit	**£14.5m**	£15.3m	*-5%*
Adjusted operating margin	**15.9%**	16.2%	

- Underlying revenues decreased by 5% after adjusting for currency and SFC acquisition
- Gross margins remained resilient across Controls businesses due to focus on specialised markets and added value services
- Operating costs as a percentage of revenue increased due to reverse operating leverage

Controls

Sector Development

- Interconnect businesses faced challenging industrial markets in the UK and Continental Europe and strong comparatives in Civil Aerospace and Motorsport
- Continued growth in specialised segments in Germany, including the Energy and Space satellite sectors
- In Specialty Fasteners, lineside supply projects for aircraft seat manufacturer constrained business this year but will deliver long term revenue growth
- Excellent performance from SFC in first full year
- Fluid Controls businesses repositioned towards growing segments of Food & Beverage market in the UK, with smaller more energy efficient products

Specialty Fasteners

Specialty Fasteners business is being built within Controls

Clarendon building a strong position in civil aircraft seating and interiors:

- Innovative VMI solution installed this year within production cells of major customer
- Supply contract also extended to additional manufacturing site with same customer
- Business now broadening with sales to other customers across EMEA region

SFC delivered an excellent performance in its first full year:

- Gives access to wider range of smaller, niche manufacturers
- Adds own-brand fastener products (e.g. Aerocatch) for Motorsport applications

4. Outlook and Prospects

Current Trading and Outlook

Continued headwinds to organic growth, favourable acquisition environment

- The Group has a strong and proven business model and growth strategy which aims to deliver:
  - "GDP plus" levels of organic revenue growth and sustainable attractive margins
  - Carefully selected, value-enhancing acquisitions to accelerate growth to target levels
- The Group delivered robust growth this year, benefiting from a good contribution from acquisitions
- Economic headwinds are expected to continue to constrain organic growth in North America and Europe
- Prospects for acquisitions remain promising giving good platform for further growth in coming year

Appendix

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

Value enhancing acquisitions accelerate growth

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

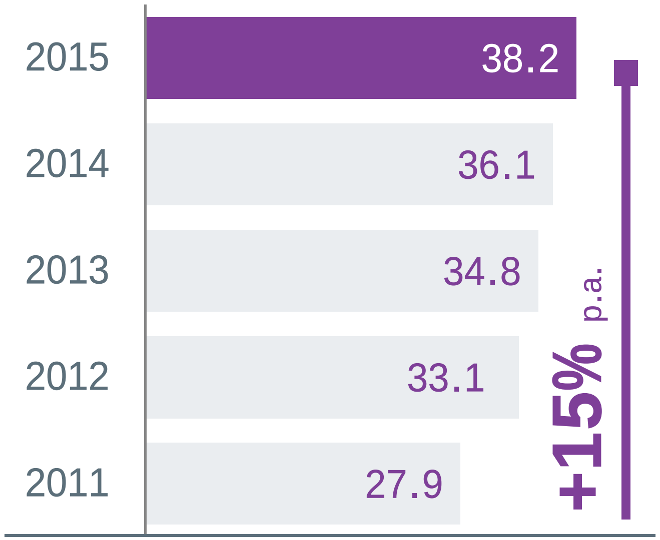
GROW

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

Our Corporate Objectives

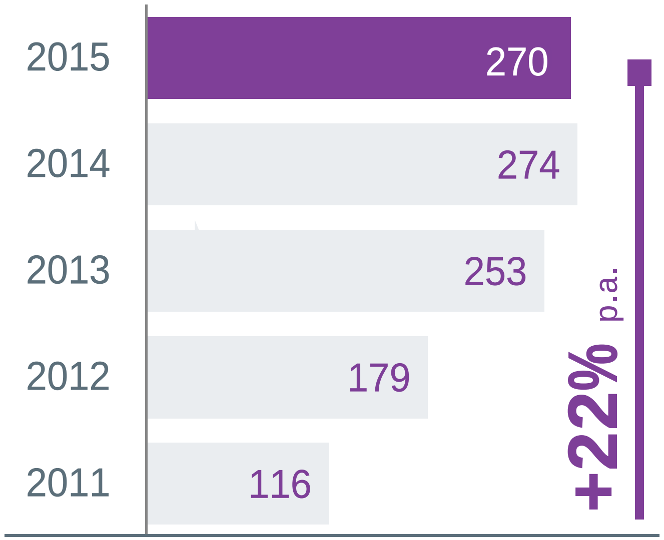
Track record of delivering strong returns for shareholders

STRONG DOUBLE-DIGIT EPS GROWTH



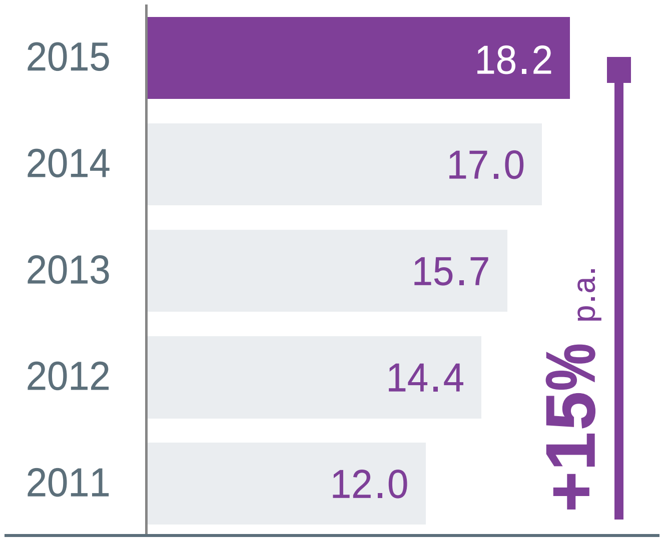
Adjusted EPS in pence

UPPER QUARTILE TSR GROWTH



TSR index, end Sept 2010 = 100

PROGRESSIVE DIVIDEND GROWTH



Dividends in pence

Financial KPIs

Five Year Trends

	2011	2012	2013	2014	2015
Revenue	£230.6m	£260.2m	£285.5m	£305.8m	£333.8m
Total growth	*+26%*	*+13%*	*+10%*	*+7%*	*+9%*
Organic growth	*+17%*	*+6%*	*+4%*	*+8%*	*+1%*
Operating margin	19.6%	20.3%	19.0%	18.5%	18.1%
Working capital (% revenues)	16.1%	16.5%	16.7%	17.2%	17.0%
Free cash flow	£25.0m	£32.7m	£31.6m	£37.8m	£40.3m
Cash conversion (%)	*80%*	*88%*	*81%*	*93%*	*93%*
ROATCE	25.4%	26.6%	25.8%	25.8%	23.9%

Average over five years:

CAGR REVENUE GROWTH
13% p.a.

OPERATING MARGINS
18-19%

ROATCE
26%

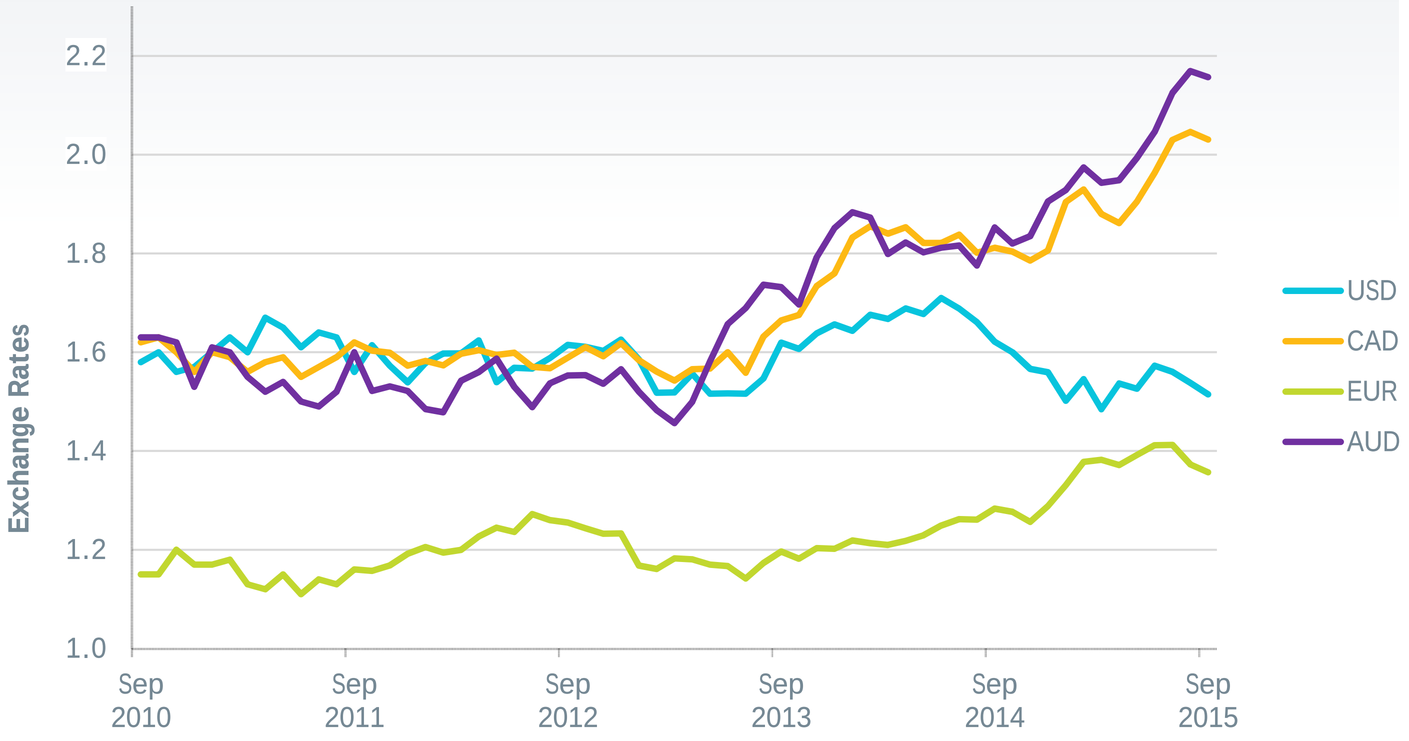
FREE CASH FLOW CONVERSION
87%

Foreign Exchange

Strengthening of UK£ continues to impact results on translation

Translational Impact (base currency GBP)

	Change over 1 year	Change over 3 years
USD	(7%)	(6%)
CAD	12%	28%
EUR	6%	8%
AUD	16%	39%

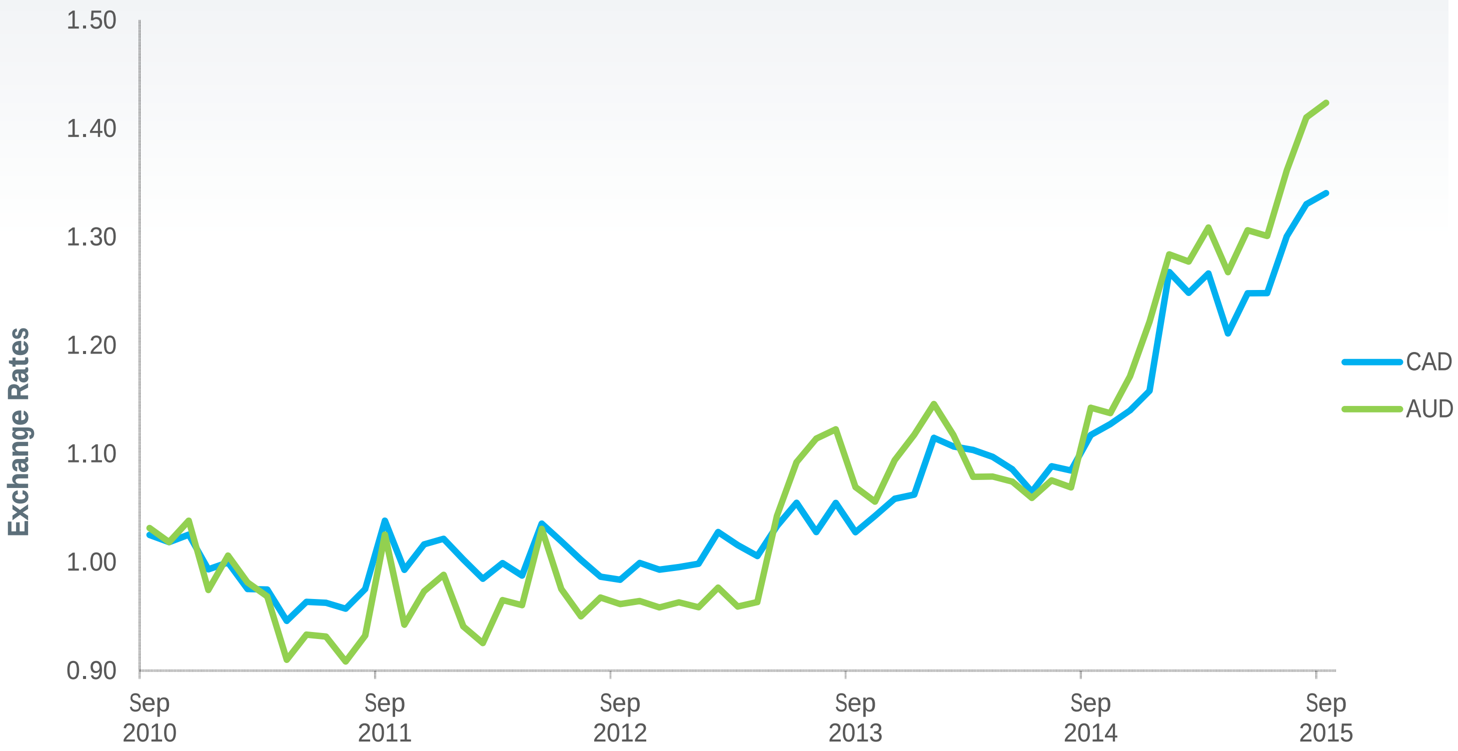


Foreign Exchange

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	20%	36%
AUD	25%	48%



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