DIPLOMA PLC

Half Year Announcement

Six months ended 31 March 2016

16 May 2016

Contents

Life sciences

Seals

Controls

1. 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

Robust performance, acquisition led growth

- Revenue and adjusted profit before tax increased by **10%** and **4%** respectively
- Growth driven by acquisitions which added **9%** to Group revenues; underlying revenue increased by **2%**
- Adjusted operating margin again impacted by transactional FX in Healthcare and initial dilution from acquisitions; operating margins in the other businesses robust
- Acquisition spend of ca. **£30m** in first half (over **£80m** since January 2014) and further opportunities in the pipeline
- Strong free cash flow supports growth strategy and healthy dividends
- Good progress in establishing Executive Management Group ("EMG")

2. Financial Results

Half Year Results

Six months ended 31 March

	2016	2015	
Revenue	**£179.1m**	£163.2m	*+10%*
Adjusted operating profit	**£30.8m**	£29.6m	*+4%*
Adjusted operating margin	**17.2%**	18.1%	
Adjusted profit before tax	**£30.4m**	£29.3m	*+4%*
Free cash flow	**£23.0m**	£12.4m	*+85%*
Acquisition spend	**£30.2m**	£35.0m	
Net debt	**£17.8m**	£14.9m	
Adjusted earnings per share	**19.5p**	18.6p	*+5%*
Total dividends per share	**6.2p**	5.8p	*+7%*

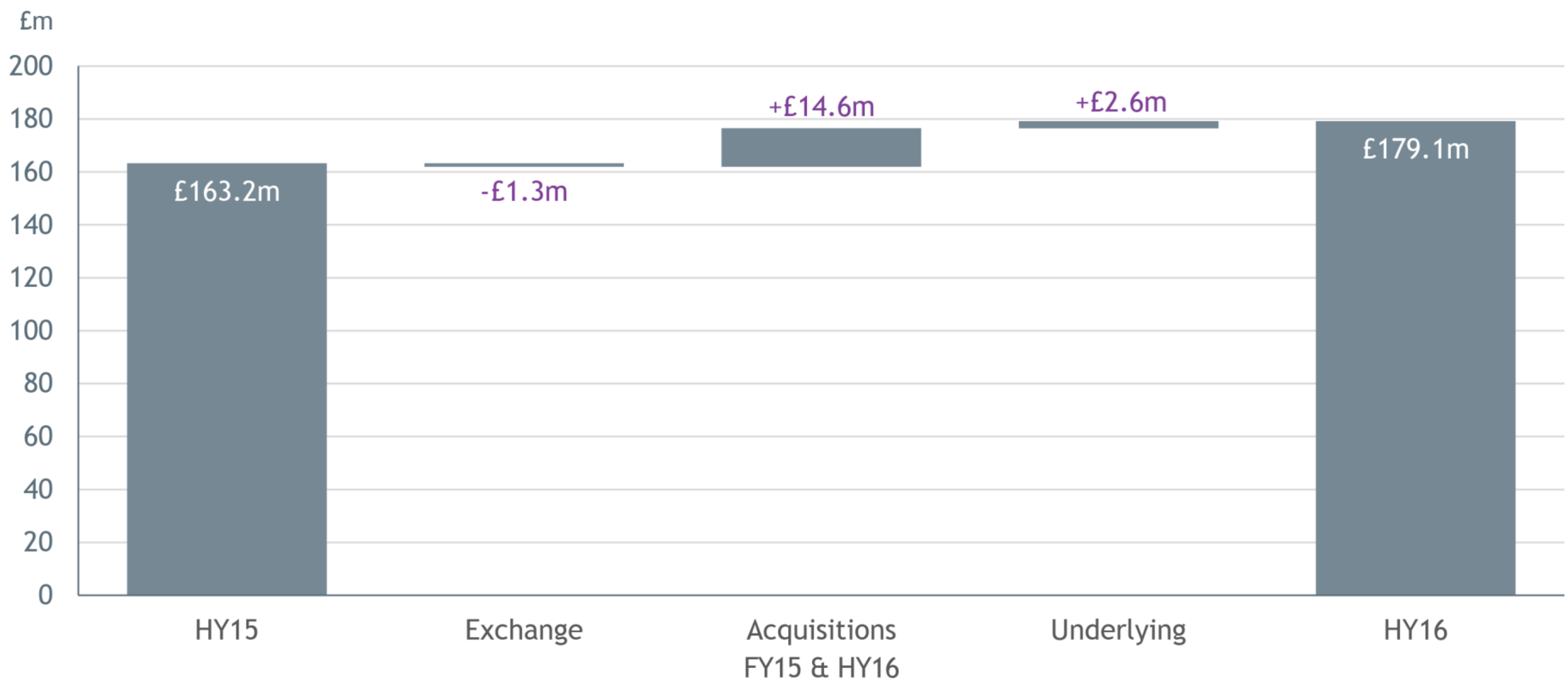
Financial Highlights

Robust performance bolstered by strong contribution from acquisitions

- Revenue and adjusted profit before tax increased by **10%** and **4%** respectively; adjusted EPS increased by **5%**
- Acquisitions added **9%** to Group revenues; currency movements reduced revenues by **1%**; underlying revenue growth of **2%**
- Adjusted operating margins reduced to **17.2%** from continuing transactional currency effects in Healthcare and initial dilution from acquired businesses
- Strong free cash flow increased by **85%** to **£23.0m** from lower investment in working capital and **£2.3m** from sale of surplus legacy properties
- Acquisition expenditure of **£30.2m** and further opportunities being targeted; net debt of **£17.8m** at end of period with significant resources available
- Interim dividend increased by **7%** reflecting strong financial position and confidence in Group's growth prospects

Revenue Bridge

Six Months ended 31 March



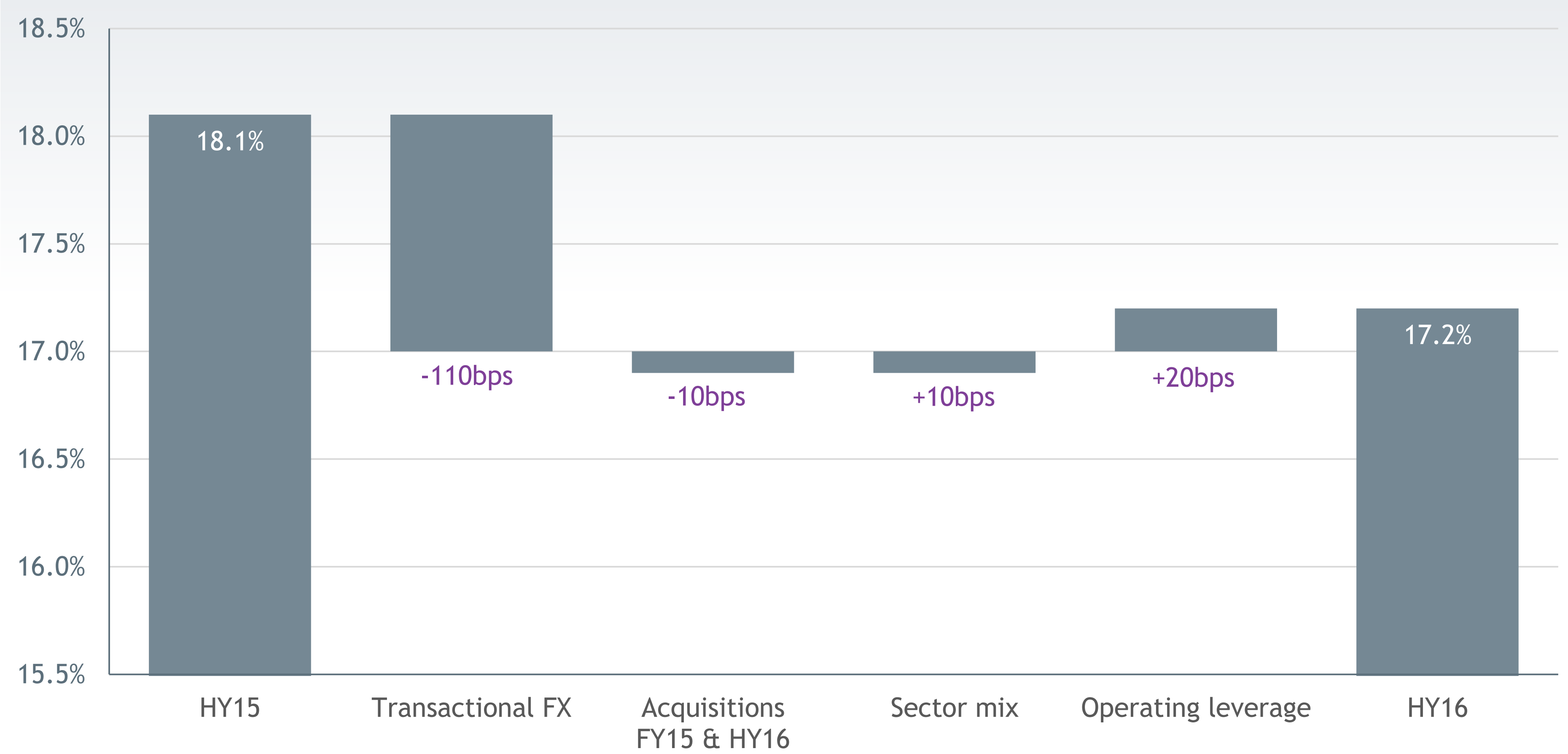
Profit Before Tax

Six Months ended 31 March

	2016 £m	2015 £m
Revenue	179.1	163.2
Adjusted operating profit	30.8	29.6
Adjusted operating margin (%)	*17.2%*	*18.1%*
Net interest expense	(0.4)	(0.3)
Adjusted profit before tax	30.4	29.3
Acquisition related charges	(4.8)	(3.7)
Gain on sale of properties	0.3	-
Fair value remeasurements	(0.3)	0.4
Reported profit before tax	25.6	26.0

Adjusted Operating Margin Bridge

Six Months ended 31 March



Taxation and Earnings per Share

Six Months ended 31 March

	2016	2015	
Adjusted profit before tax (£m)	30.4	29.3	
Reported taxation	(7.1)	(7.3)	
Adjustments	(0.8)	(0.6)	
Adjusted tax	(7.9)	(7.9)	
Effective adjusted tax rate	*26.0%*	*27.0%*	
Earnings per share (pence)			
Adjusted	19.5p	18.6p	*+5%*
Basic (Reported)	16.0p	16.2p	*-1%*

Free Cash Flow

Six Months ended 31 March

	2016 £m	2015 £m	
Adjusted operating profit	**30.8**	29.6	
Depreciation	2.0	1.4	
Working capital	(1.0)	(6.8)	
Pension and share schemes, net	-	0.2	
Operating cash flow, before acquisition expenses	**31.8**	24.4	*+30%*
Interest paid, net	(0.3)	(0.2)	
Tax paid	(8.7)	(7.3)	
Capital expenditure	(1.8)	(2.8)	
Proceeds from sale of legacy properties	2.3	-	
EBT – share scheme funding	(0.3)	(1.7)	
Free cash flow	**23.0**	12.4	*+85%*
Cash conversion	***104%***	*59%*	

Net Debt

Six Months ended 31 March

	2016 £m	2015 £m
Free cash flow	**23.0**	12.4
Acquisition cash paid	(29.5)	(34.7)
Deferred consideration	(0.7)	(0.3)
Dividends	(14.4)	(13.3)
	(21.6)	(35.9)
Net cash brought forward	3.0	21.3
Exchange adjustments	0.8	(0.3)
Net Debt at 31 March	**(17.8)**	**(14.9)**
Comprising:		
Cash balances	22.2	18.6
Borrowings	(40.0)	(33.5)

Acquisitions

Strong acquisition performance and promising pipeline

- Acquisitions are an integral part of the Group's growth strategy
- **£30.2m** spent on acquisitions during the year:
  - **£8.2m** on 100% of WCIS – extending the Seals business to Australasia region
  - **£21.0m** on 100% of Cablecraft – expanding product range & markets in the Controls businesses
  - **£0.3m** on 100% of Ascome – bolt-on to Filcon in France
  - **£0.7m** on deferred consideration
- Acquisition pipeline remains encouraging and the Group will continue to focus on bringing these opportunities to completion

Acquisitions

Total expenditure exceeds £80m since January 2014

Financial year	Acquisition spend	Life Sciences	Seals	Controls
2016	£30.2m		WCIS - Australia	Cablecraft - UK Ascome - France
2015	£37.8m	TPD - Ireland	Kubo - Switzerland & Austria Swan Seals - UK	
2014	£16.5m	Chemzyme - Australia	Kentek - Finland, Russia & Baltic States Ramsay - UK AB Seals - UK	SFC - UK Sacee - France

Shareholders' Funds

	31 Mar 2016 £m	30 Sept 2015 £m
Tangible assets and investments	24.7	24.7
Goodwill and intangible assets	167.6	129.5
Net working capital	67.5	59.9
Trading capital employed - reported	**259.8**	214.1
Working capital (% revenues)	*18.0%*	*17.0%*
ROATCE	*21.2%*	*23.9%*
Retirement benefit obligations	(10.0)	(9.8)
Acquisition liabilities	(10.6)	(6.6)
Net (debt)/cash	(17.8)	3.0
Minority interests and deferred tax	(15.3)	(11.1)
Total shareholders' equity	**206.1**	189.6

3. Business Review

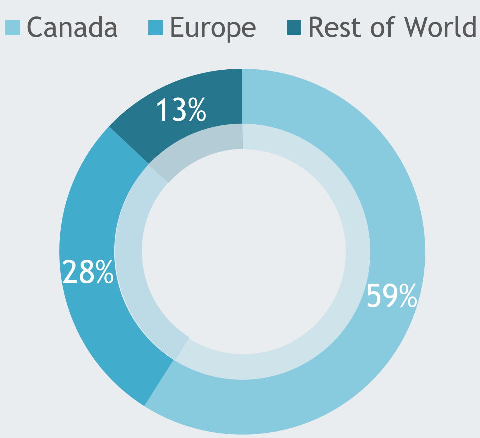
Our Sectors

Revenue by Sector and Destination

LIFE SCIENCES

387 employees

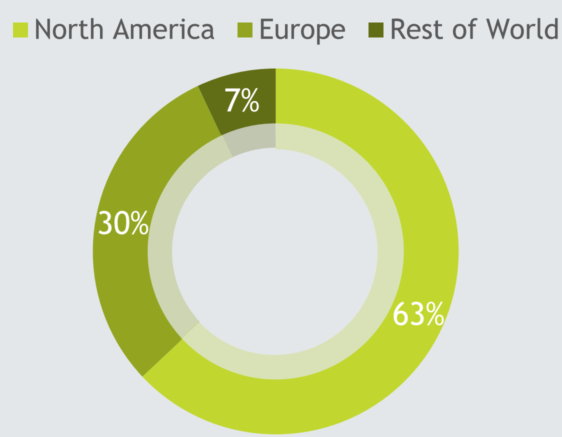
31% of group revenues



SEALS

764 employees

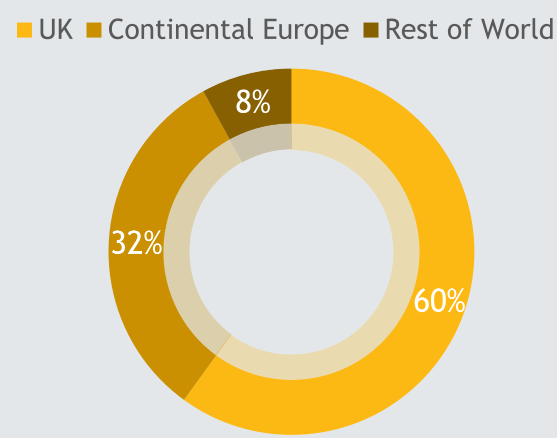
42% of group revenues



CONTROLS

334 employees

27% of group revenues



FY 2015 figures

Life Sciences

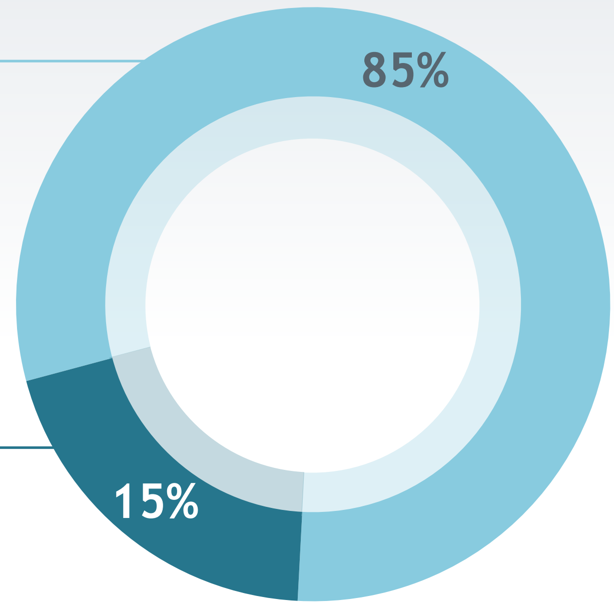
Segmentation

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

Six months ended 31 March	2016	2015	
Revenue	**£52.5m**	£52.0m	*+1%*
Adjusted operating profit	**£9.3m**	£10.3m	*-10%*
Adjusted operating margin	**17.7%**	19.8%	

- Underlying revenues increased by 6% after adjusting for currency (no acquisition impact)
- Gross margins in Healthcare reduced by 380bps as businesses became further exposed to weakening C$ and A$ against the US$
- Reducing opportunity to mitigate FX impact through management of operating costs, but C$ and A$ may now have stabilised at more favourable levels

Life Sciences

Sector Developments

- In Canada, DHG revenues increased by 4% despite budget pressures throughout Provincial healthcare systems
- Good growth in surgical products businesses (AMT and Vantage) offset reduced revenues in clinical diagnostics (Somagen)
- In Australia, DHG revenues increased by 13%, driven by BGS smoke evacuation programmes and DSL capital equipment sales
- TPD strong double-digit growth since acquisition continued into new financial year; TPD operations consolidated and relocated into adjacent, newly refurbished facility
- Environmental businesses increased revenues by 3% with strong growth in a1-envirosciences sales of high end elemental analysers and containment enclosures

Seals

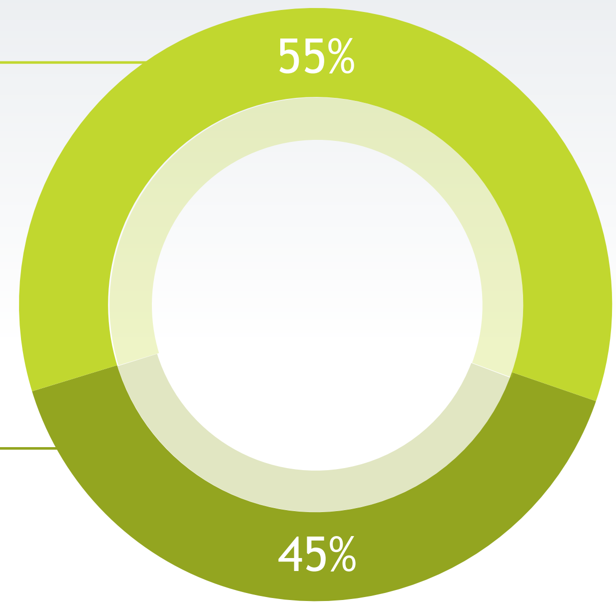
Segmentation

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

Six months ended 31 March	2016	2015	
Revenue	£79.2m	£64.8m	+22%
Adjusted operating profit	£13.4m	£12.0m	+12%
Adjusted operating margin	16.9%	18.5%	

- Underlying revenues broadly flat after adjusting for acquisitions and currency:
    - North America – 3% reduction against strong comparative
    - EMEA – 4% growth
- Acquisitions (WCIS, Kubo and Swan) added 20% to revenues; forex movements added 2%
- Lower initial operating margins in acquired businesses have diluted Sector operating margins

Seals

Sector Developments – North America

- Hercules *Aftermarket Seals* revenues in the US and Canada broadly flat against strong comparatives
- Specific growth initiatives gaining traction, including buying portals for rental fleets and addition of new product lines; Webstore revenues continue to increase
- Substantial reduction in HKX attachment kit revenues in depressed market for new excavators
- *Industrial OEM Seals* revenues reduced by 1% in generally slow industrial markets
- Businesses responded by providing exceptional levels of customer service to maintain existing projects…
- …and offering higher specification, regulatory-compliant compounds to secure new projects in Pharmaceutical, Water and Food industries and fuel dispensing applications

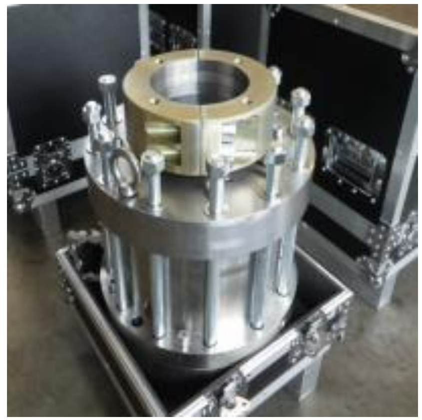
Seals

Sector Developments – EMEA

- *FPE Seals* continued to make progress in developing Aftermarket Seals business in EMEA region; now fully operational from new facility in Darlington
- Bulldog revenues held back by delayed product shipments from production operations recently relocated to Tampa
- *Kentek* delivered strong double-digit growth in Euro terms driven by new sales offices in Russia and stronger sales leadership in Finland
- *M Seals* delivered solid revenue growth in core markets of Denmark and Sweden; UK operations impacted by Oil & Gas cut-backs
- *Kubo* revenues broadly unchanged on a like-for-like basis in challenging market conditions in Switzerland and Austria
- Investments in gasket cutting machine in Austria and seal machining centre in Switzerland will improve responsiveness and service

WCIS Acquisition

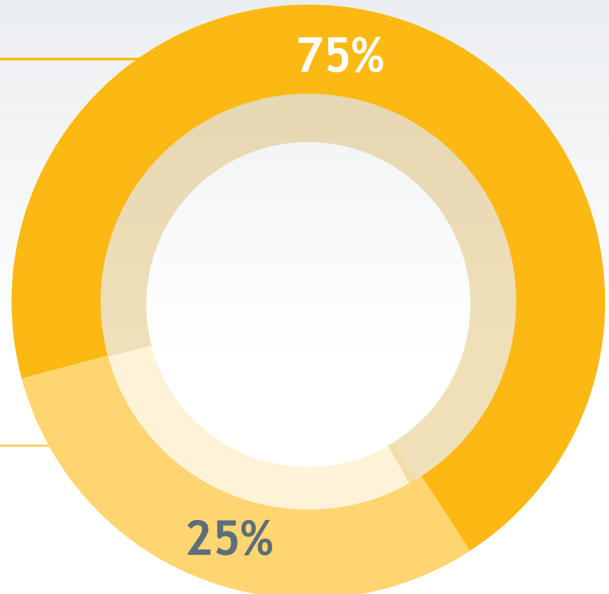
Extending the Seals business into the Australasia region



- 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

Six months ended 31 March	2016	2015	
Revenue	£47.4m	£46.4m	+2%
Adjusted operating profit	£8.1m	£7.3m	+11%
Adjusted operating margin	17.1%	15.7%	

- Underlying revenues reduced by 1% after adjusting for currency and acquisitions
- Acquisitions (Cablecraft and Ascome) added 3% to revenues and contributed to improved Sector operating margins
- Gross margins strengthened in IS-Group and Specialty Fasteners businesses, with operating costs broadly stable

Controls

Sector Development

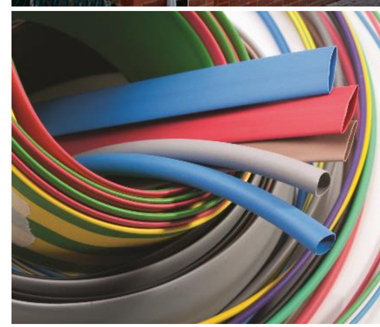
- *Interconnect* revenues from IS-Group and Filcon reduced by 5%; modestly improving trend in second quarter
- Sales resources have been realigned and new business development programmes introduced
- *Specialty Fasteners* businesses increased revenues by 12%, following last year's implementation of lineside supply system at key customer
- Increased sales to other European aircraft seating and cabin interiors manufacturers and sub-contractors
- *Fluid Controls* revenues flat in UK sterling terms; market conditions in core Food & Beverage markets remain tough
- Hawco responding by adding new product lines and targeting customers in export markets

Cablecraft Acquisition

Extension of Interconnect activities

CABLECRAFT
creative wiring solutions

- Acquired Cablecraft in March 2016 for maximum net cash consideration of £26m
- Leading supplier of cable accessory products used to identify, connect, secure and protect electrical cables
- Supplies to range of industries including Electrical contracting, Control panels, Rail and signalling, Energy & Utilities
- Own-branded and manufactured products account for ca. 80% of revenues
- Acquisition broadens the product range of the Controls businesses and industrial markets served and opens up opportunities for cross-selling



Current Trading and Outlook

Challenging trading conditions, 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 double-digit level
- Organic growth and margins in first half limited by weak macro-economic backdrop and adverse forex impact; challenging trading conditions likely to persist through second half
- Acquisition spend of ca. £30m in first half continues momentum from record acquisition spend last year; acquired businesses added 9% to Group revenues in first half
- Further acquisition opportunities will be targeted to support future growth and deliver shareholder value

4. 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 31% of revenues

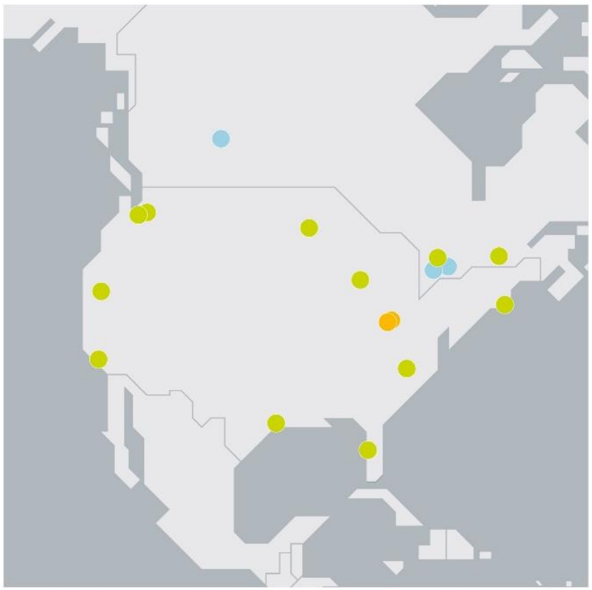
Seals 42% of revenues

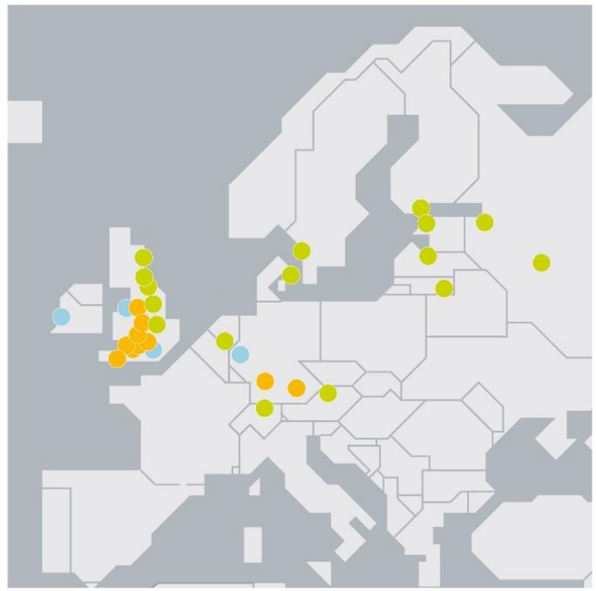
Controls 27% of revenues

FY 2015 figures

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

FY 2015 figures

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

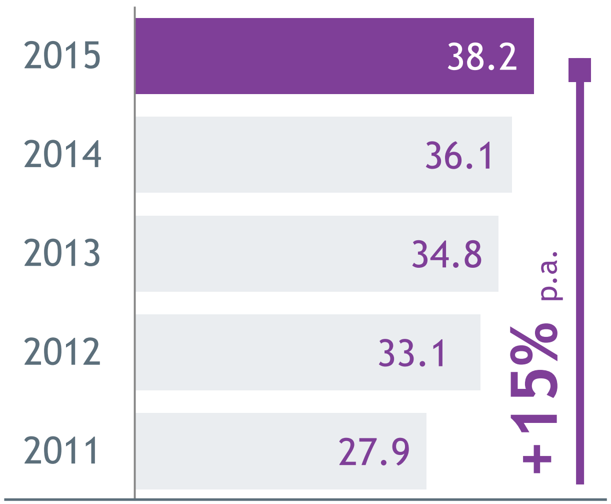
GROW

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

Our Corporate Objectives

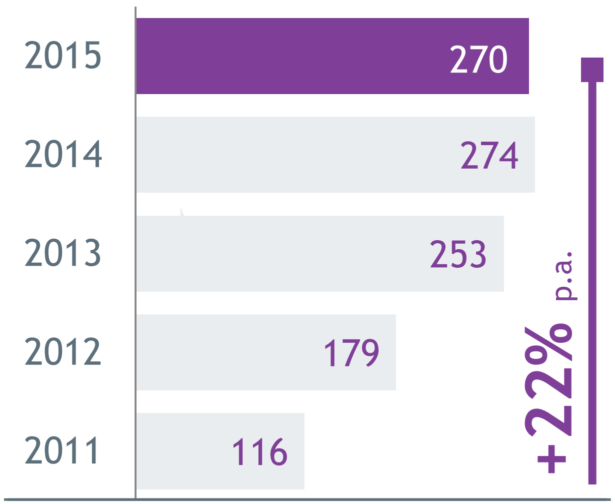
Track record of delivering strong returns for shareholders

STRONG DOUBLE-DIGIT EPS GROWTH



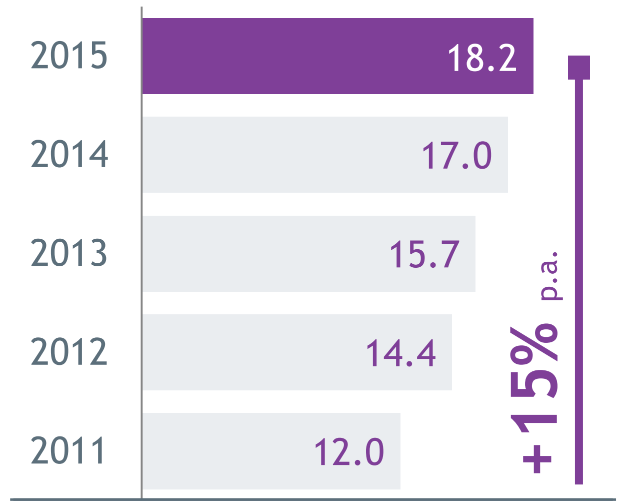
Adjusted EPS in pence

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%

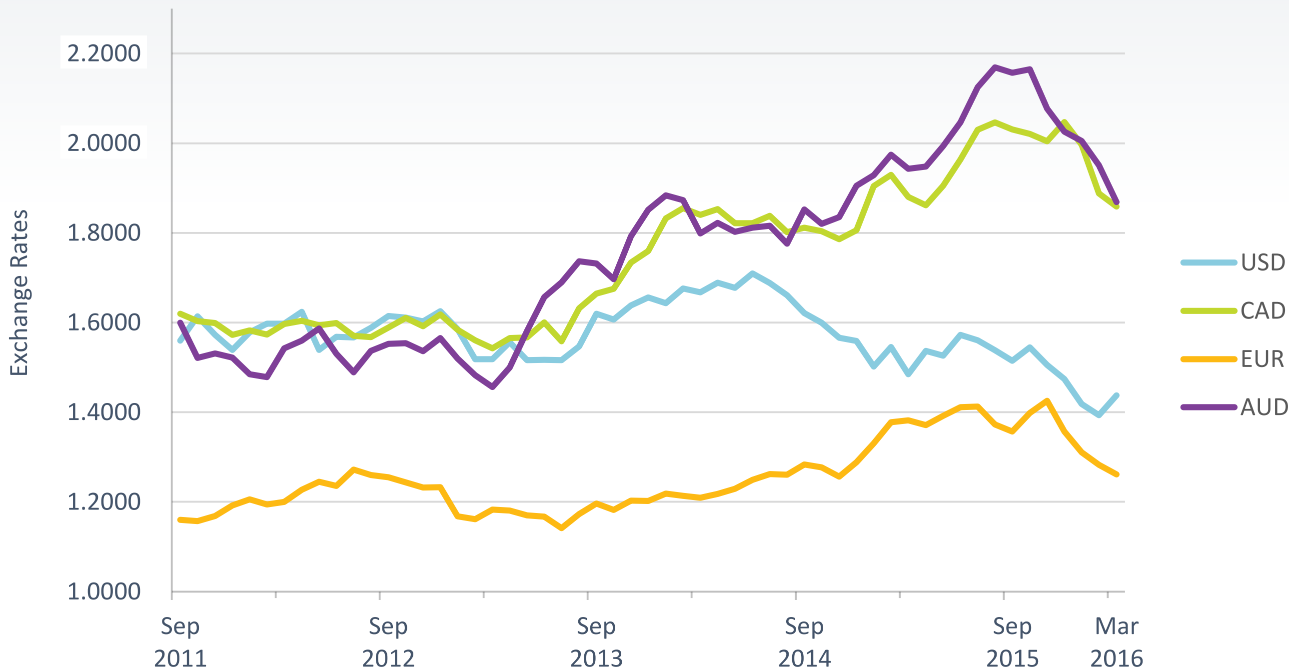
FREE CASH FLOW CONVERSION
87%

Foreign Exchange

Volatility of UK£ continues to impact results on translation

Translational Impact (base currency GBP)

	Change over 1 year	Change over 3 years
USD	(3.2%)	(5.3%)
CAD	(1.1%)	20.5%
EUR	(8.7%)	6.7%
AUD	(3.8%)	28.3%

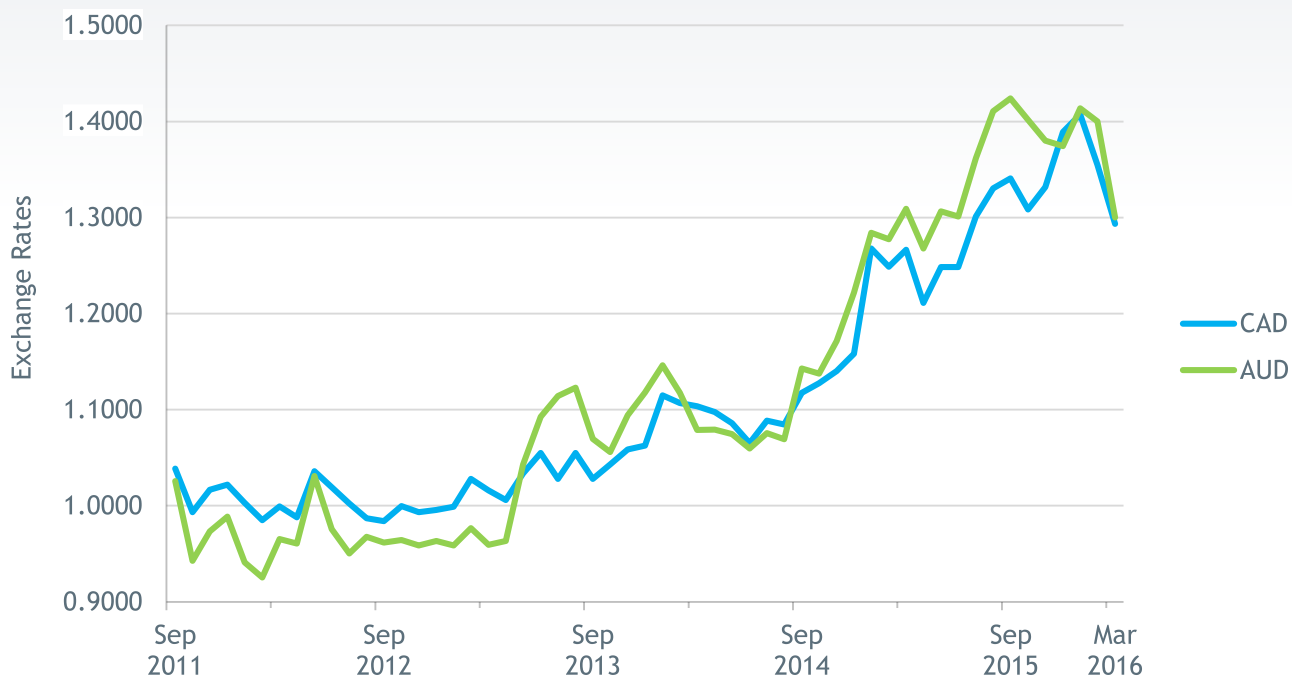


Foreign Exchange

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	2.1%	27.3%
AUD	(0.7%)	35.5%



TPD Acquisition

Strong performance since acquisition

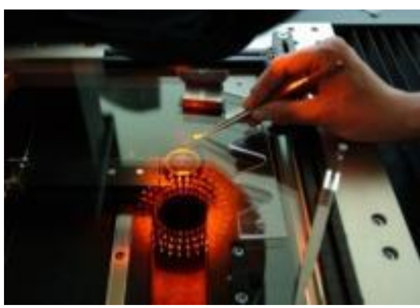
TECHNOPATH

- 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

Kubo Acquisition

Acquisition integrating well

KUBO



- 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

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

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