DIPLOMA PLC

21 November 2016

Preliminary Announcement

Year ended 30 September 2016

Contents

DIPLOMA PLC

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

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

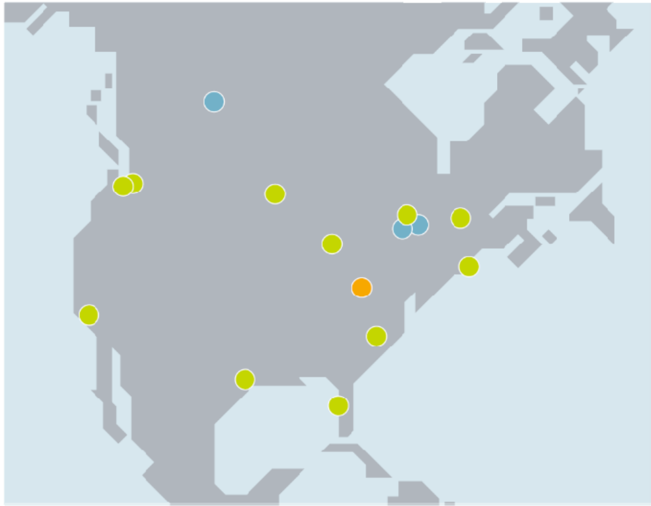
27%

of revenues

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

Group Overview

Well diversified by geography

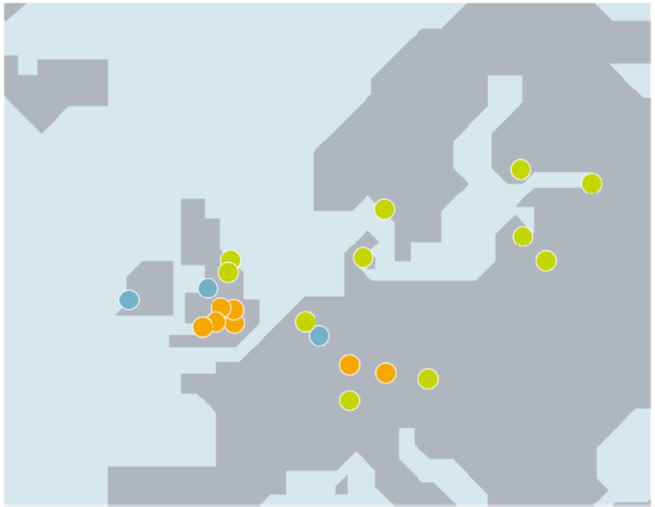


North America revenues
(by destination) by sector

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**

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 2016

Strong results and excellent free cash flow

- Hard won underlying organic revenue growth across generally challenging markets; currency tailwind in final quarter
- Boosted by good contribution from acquisitions:
  - £33m invested this year; ca.£90m invested over last 3 years
  - These acquisitions contributed 20% of 2016 Group revenues
- Operating margins remained broadly in line with first half; continuing transactional currency impact in Healthcare
- Very strong free cash flow with an inflow from reduced working capital and proceeds from sale of assets; net cash funds at end year
- 10% growth in Adjusted EPS; 36% growth in TSR

DIPLOMA PLC

Financial Results

Overview of Results

Year ended 30 September

	2016	2015	
Revenue	**£382.6m**	£333.8m	*+15%*
Adjusted operating profit	**£65.7m**	£60.3m	*+9%*
Adjusted operating margin	**17.2%**	18.1%	
Adjusted profit before tax	**£64.9m**	£59.6m	*+9%*
Free cash flow	**£59.0m**	£40.3m	*+46%*
Acquisition spend	**£32.7m**	£37.8m	
Net cash funds	**£10.6m**	£3.0m	
Adjusted earnings per share	**41.9p**	38.2p	*+10%*
Total dividends per share	**20.0p**	18.2p	*+10%*

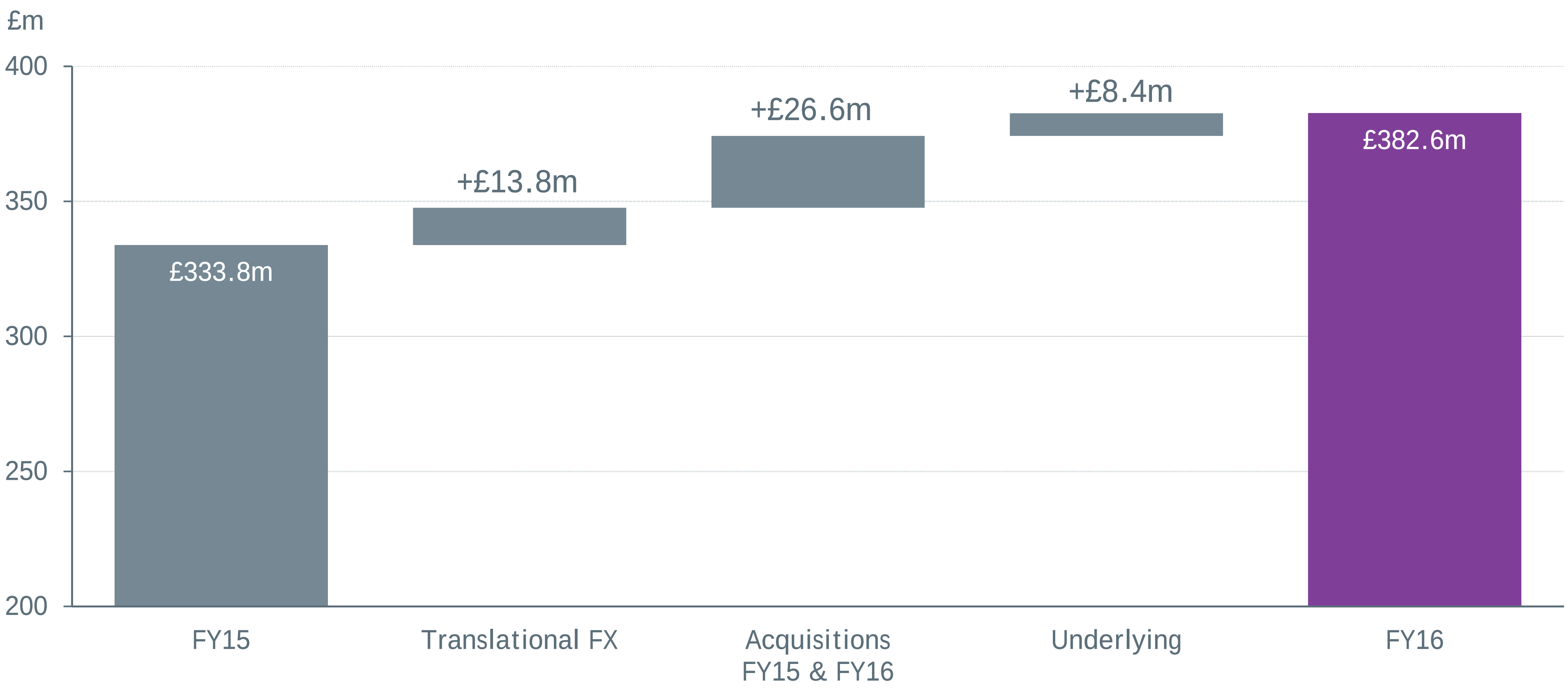
Financial Highlights

Strong results and excellent free cash flow

- Revenue and adjusted operating profit increased by **15%** and **9%** respectively; adjusted EPS increased by **10%**
- Acquisitions added **8%** to Group revenues; currency movements increased revenues by **4%**; underlying revenue growth of **3%**
- Adjusted operating margins broadly in line with first half at **17.2%**; continuing transactional currency effects in Healthcare
- Strong free cash flow of **£59.0m** with **£6.3m** inflow from reduction in working capital and **£4.6m** of proceeds from the sale of assets
- Acquisition expenditure of **£32.7m** and further opportunities being targeted; net cash funds of **£10.6m** at year end
- Total dividend increased by **10%** reflecting strong financial position and Group's growth prospects

Revenue Bridge

Year ended 30 September



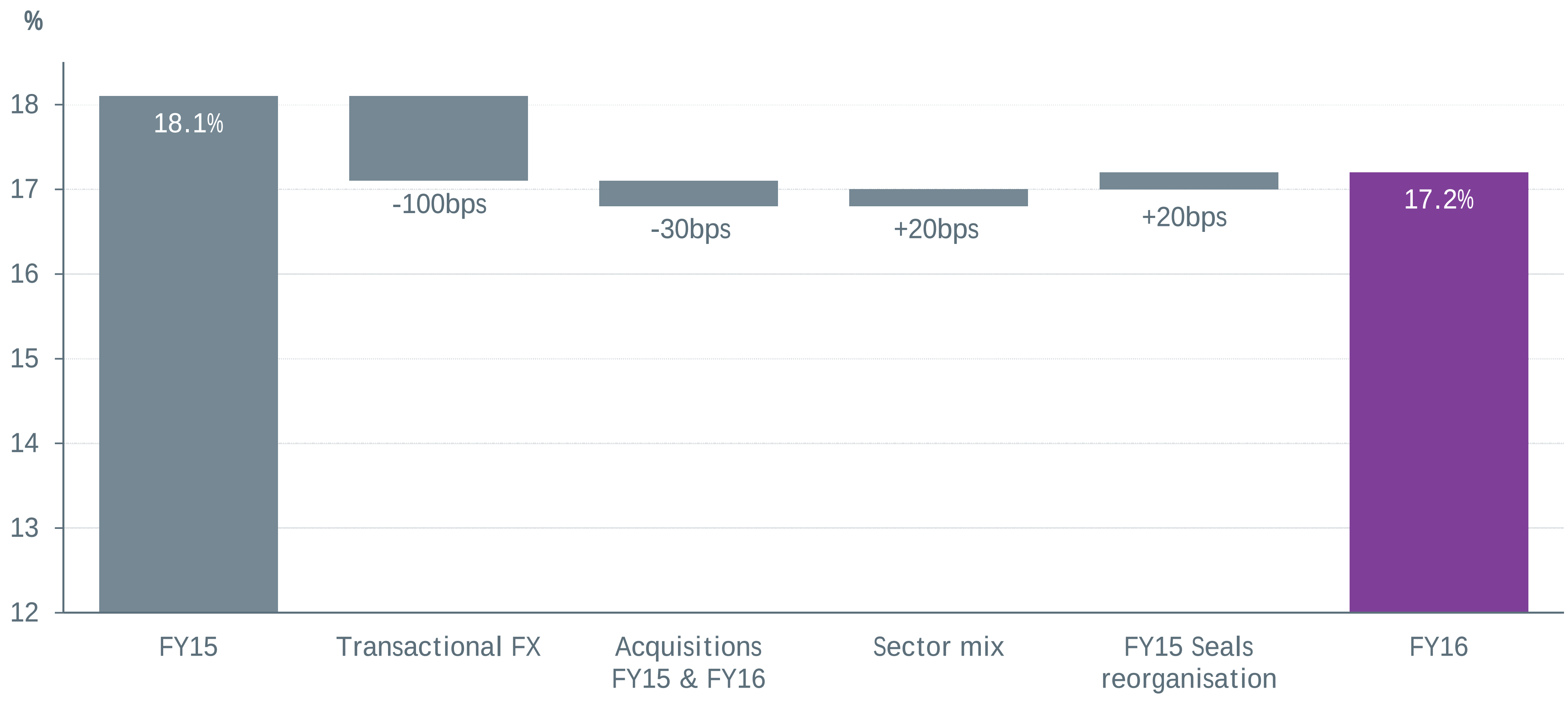
Profit Before Tax

Year ended 30 September

	2016 £m	2015 £m	
Revenue	**382.6**	333.8	*+15%*
Adjusted operating profit	**65.7**	60.3	*+9%*
Adjusted operating margin (%)	*17.2%*	*18.1%*	
Interest expense	**(0.8)**	(0.7)	
Adjusted profit before tax	**64.9**	59.6	*+9%*
Acquisition related charges	**(10.3)**	(7.4)	
Fair value remeasurements	**(1.3)**	(0.4)	
Gain on disposal of assets	**0.7**	-	
Reported profit before tax	**54.0**	51.8	*+4%*

Adjusted Operating Margin Bridge

Year ended 30 September



Taxation and Earnings per Share

Year ended 30 September

	2016	2015	
Adjusted profit before tax (£m)	**64.9**	59.6	
Reported taxation	**(14.9)**	(14.4)	
Adjustments	**(1.8)**	(1.3)	
Adjusted tax	**(16.7)**	(15.7)	
Effective adjusted tax rate	*25.7%*	*26.3%*	
Earnings per share (pence)			
Adjusted	**41.9p**	38.2p	*+10%*
Basic (Reported)	**33.9p**	32.5p	*+4%*

Free Cash Flow

Year ended 30 September

	2016 £m	2015 £m	
Adjusted operating profit	**65.7**	60.3	
Depreciation	**4.5**	3.5	
Working capital	**6.3**	(1.9)	
Pension and share schemes, net	**0.1**	0.2	
Operating cash flow, before acquisition expenses	**76.6**	62.1	*+23%*
Interest paid, net	**(0.6)**	(0.5)	
Tax paid	**(17.6)**	(15.4)	
Capital expenditure	**(3.7)**	(4.3)	
Proceeds from sale of assets	**4.6**	0.1	
EBT – share scheme funding	**(0.3)**	(1.7)	
Free cash flow	**59.0**	40.3	*+46%*

Net Cash

Year ended 30 September

	2016 £m	2015 £m
Free cash flow	**59.0**	40.3
Acquisition cash paid	**(32.0)**	(37.2)
Deferred consideration	**(0.7)**	(0.6)
Dividends	**(21.4)**	(19.9)
	4.9	(17.4)
Net cash brought forward	**3.0**	21.3
Exchange adjustments	**2.7**	(0.9)
Net cash funds at 30 September	**10.6**	**3.0**
Comprising:		
Cash balances	20.6	23.0
Borrowings	(10.0)	(20.0)

Acquisitions

Strong acquisition performance and encouraging pipeline

- Acquisitions are an integral part of the Group's growth strategy
- £32.7m spent on acquisitions during the year:
  - £21.3m on Cablecraft – expanding product range & markets in the Controls businesses
  - £8.4m on WCIS – extending the Seals business to Australasia region
  - £0.4m on Ascome – bolt-on to Filcon in France
  - £2.6m on minority shareholdings and deferred consideration
- Acquisition pipeline remains encouraging and the Group will continue to focus on bringing these opportunities to completion

Acquisitions

Total expenditure of ca.£90m over last 3 years

	Life Sciences	Seals	Controls
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 and ROATCE

As at 30 September

	2016 £m	2015 £m
Tangible assets and investments	**25.4**	24.7
Goodwill and intangible assets	**169.8**	129.5
Net working capital	**63.4**	59.9
Trading capital employed - reported	**258.6**	214.1
Working capital (% of revenue)	*16.6%*	*17.0%*
ROATCE	*21.1%*	*23.9%*
Retirement benefit obligations	**(17.2)**	(9.8)
Acquisition liabilities	**(6.8)**	(6.6)
Net cash funds	**10.6**	3.0
Minority interests and deferred tax	**(11.7)**	(11.1)
Total shareholders' equity	**233.5**	189.6

DIPLOMA PLC

Business Review

Life Sciences

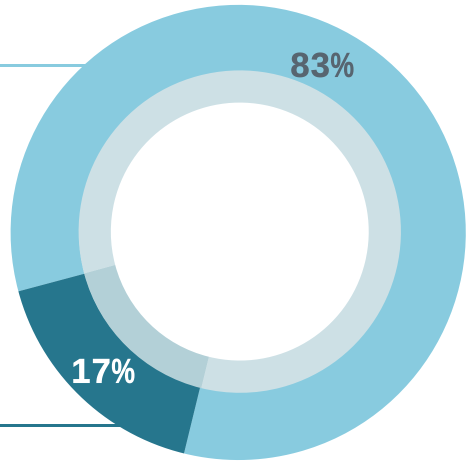
Segmentation

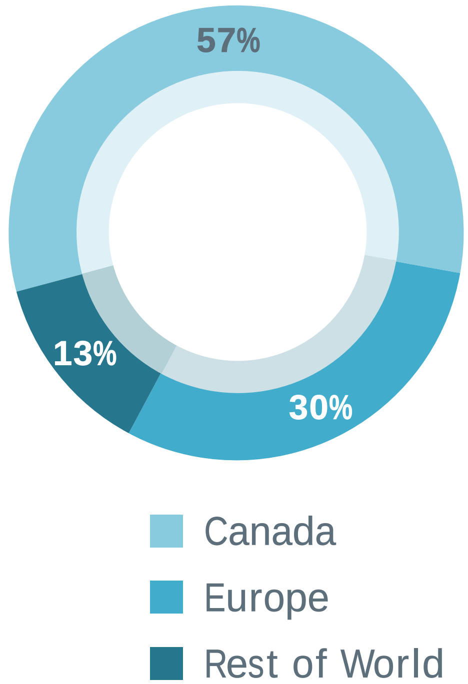
Healthcare

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

Year ended 30 Sept	2016	2015	
Revenue	**£109.9m**	£103.1m	+7%
Adjusted operating profit	**£19.6m**	£21.0m	-7%
Adjusted operating margin	**17.8%**	20.4%	

- Underlying revenues increased by 4%; currency movements increased revenues by 3%
- Gross margins in Healthcare reduced by 350bps driven by the weakening C$ and A$ against US$; stabilised in second half of year
- Reducing opportunity to mitigate FX impact through management of operating costs

Life Sciences

Sector Developments

- Continued pressure on Healthcare budgets from softer economic environment in Canada and Australia
- In Canada, revenues broadly flat with growth in Surgical products offsetting reduced capital spend in Clinical Diagnostics
- In Australia, strong growth from positioning in growing segments of the market
- TPD in Ireland and the UK delivered second year of good growth; facility investment gives capacity to support European growth
- Environmental businesses showed steady growth and ended the year with improved order book

Medivators disposal

Vantage sold product line to Cantel

- Vantage completed sale of Medivators endoscope reprocessor product line in September 2016 to Cantel Medical Corporation
- Gross consideration of £2.8m (net consideration of £2.2m after expenses of sale and integration costs)
- Vantage facility and large proportion of Vantage's operational staff transferred to purchaser as part of transaction
- Vantage retained its other principal product lines (ca.60% of Vantage revenues) and now managed as a division of AMT Surgical
- AMT and Vantage together now form a strong Surgical products business in Canada, with integrated back office and operational functions

Seals

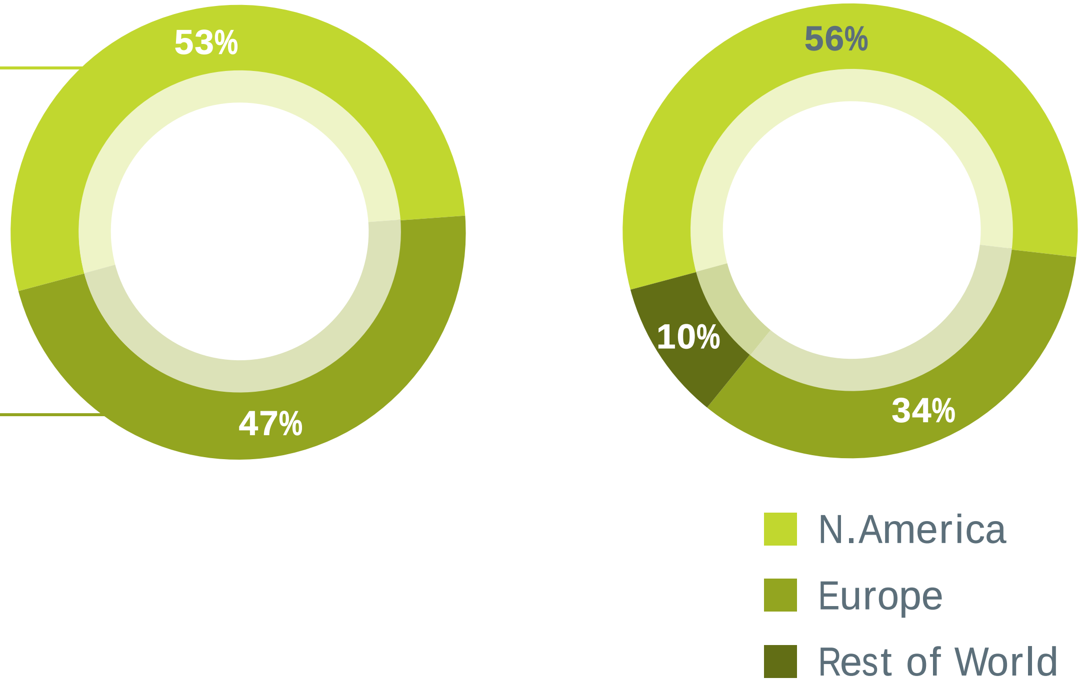
Segmentation

Aftermarket

Next day delivery of seals, sealing products, 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

Year ended 30 Sept	2016	2015	
Revenue	**£166.6m**	£139.6m	*+19%*
Adjusted operating profit	**£28.2m**	£24.8m	*+14%*
Adjusted operating margin	**16.9%**	17.8%	

- Underlying revenue growth of 1% after adjusting for acquisitions and currency
- Acquisitions added 12% to revenue - WCIS, Kubo and Swan Seals
- Currency movements contributed 6% to revenue on translation due to weaker UK sterling
- Resilient gross margins across the businesses; initial operating margin dilution from acquired businesses

North American Seals

Sector Developments

- Core *Aftermarket* seal and gasket revenues broadly flat in sluggish Construction market; reduction in attachment kit revenues
- Strengthening of senior sales and marketing management and new growth initiatives gaining traction
- Increased focus on national rental fleets and contractors through buying portals; online (“Webstore”) revenues continue to increase
- Businesses well positioned to take advantage of potential increase in Infrastructure investment following the US election
- *Industrial OEM* revenues reduced by 1% against background of generally slow industrial markets
- Focus on higher specification, regulatory compliant compounds

International Seals

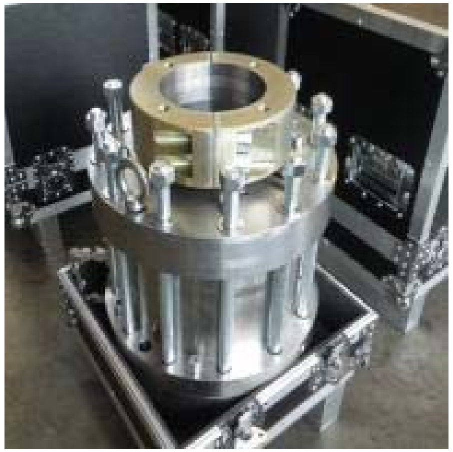
Sector Developments

- International Seals businesses in EMEA and Australasia now account for ca.40% of Seals Sector revenues; underlying revenues increased by 5%
- FPE Seals – GDP plus growth with second half improvement in activity levels; new facility now the core operational hub for Aftermarket Seals expansion across EMEA region
- Kentek – strong double-digit growth despite challenging economic conditions; growth driven by new sales offices in Russia and new management in Finland
- M Seals – strong revenue growth in core markets in Denmark and Sweden; UK revenues impacted by cut-backs in Oil & Gas
- Kubo – faced challenging market conditions in Switzerland due to strong Swiss Franc (after de-coupling from Euro); market share gains through sales initiatives and value-added services

WCIS Acquisition

Acquisition extends Seals into Australasia

WCIS TOTALSEAL™
"We Care In Service"



- Acquired WCIS in October 2015 for maximum consideration of ca. £10m
- Core product capabilities in gaskets and mechanical seals, used in complex and arduous applications
- Key Mining customers have faced difficult market conditions, holding back revenues
- In Australia, strengthening of team to broaden sales coverage across wider range of sectors
- In New Caledonia, new three-year contracts signed with major customer for provision of products and services

Controls

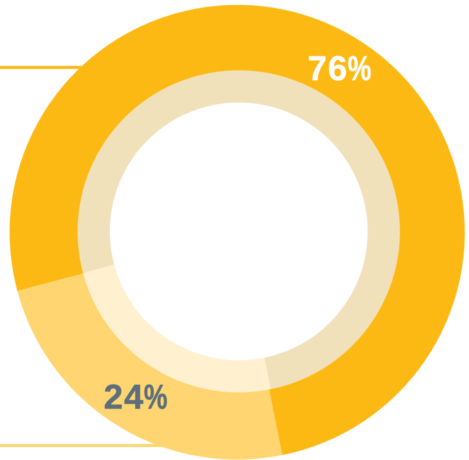
Segmentation

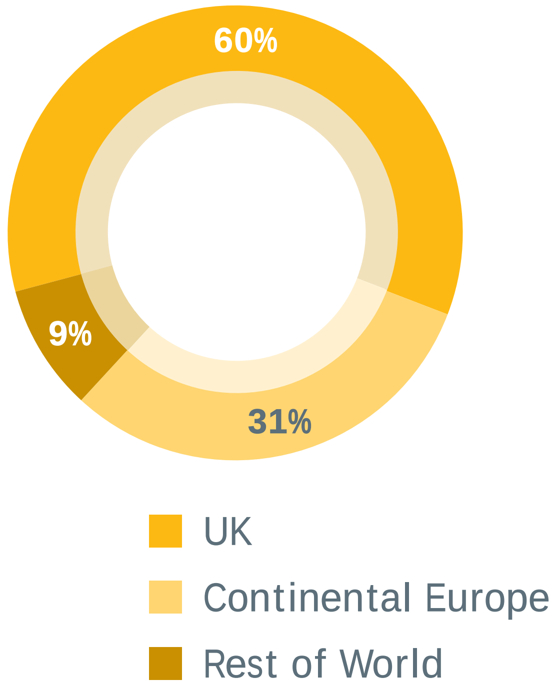
Interconnect

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	2016	2015	
Revenue	**£106.1m**	£91.1m	*16%*
Adjusted operating profit	**£17.9m**	£14.5m	*23%*
Adjusted operating margin	**16.9%**	15.9%	

- Underlying revenues increased by 4% after adjusting for currency and acquisitions of Cablecraft and Ascome
- Strong underlying growth in second half (+9%) against less demanding comparatives
- Gross margins strengthened in IS-Group and Clarendon, offsetting margin pressure in Hawco
- Improved operating margins from management of operating costs and Cablecraft acquisition

Controls

Sector developments

- The *Interconnect* businesses delivered modest underlying growth
  - In the UK, strong performances in Aerospace, Defence and Motorsport markets offset weaker Industrial markets
  - In Germany, strong and growing position in supplying products used in Electricity network; modest growth in Industrial markets
- Clarendon specialty fasteners business now managed as a stand-alone business:
  - Strong double-digit growth in sales to aircraft seating and cabin interior manufacturers
  - Strong revenue growth in Motorsport with increased development expenditure by F1 teams
- *Fluid Controls* businesses delivered solid growth with upturn in refrigeration equipment sales in second half

Cablecraft Acquisition

Extension of Interconnect activities

- 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
- As we learn more about the business, we will evaluate synergy opportunities with other Interconnect businesses

CABLECRAFT
creative wiring solutions

DIPLOMA PLC

Outlook and Prospects

Current Trading and Outlook

Continued headwinds to organic growth, favourable acquisition environment

- The Group has a strong and resilient business model, with a broad geographic spread of businesses
- Growth strategy is supported by robust balance sheet and consistently high free cash flow
- Strong result delivered this year with good contribution from acquisitions and currency tailwind in final quarter
- Board is confident that the Group will continue to make progress in coming year, from combination of:
  - Steady GDP plus organic growth
  - Strong successful acquisition programme

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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

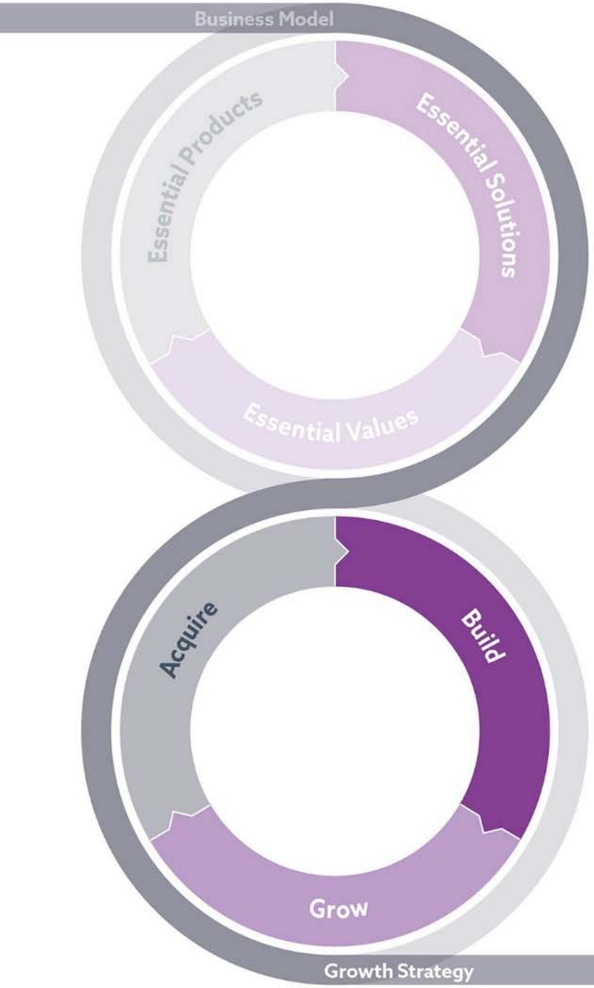
- Highly responsive customer service
- Deep technical knowledge and support
- Value adding activities

Essential Values

= agility and responsiveness

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

Our Growth Strategy



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

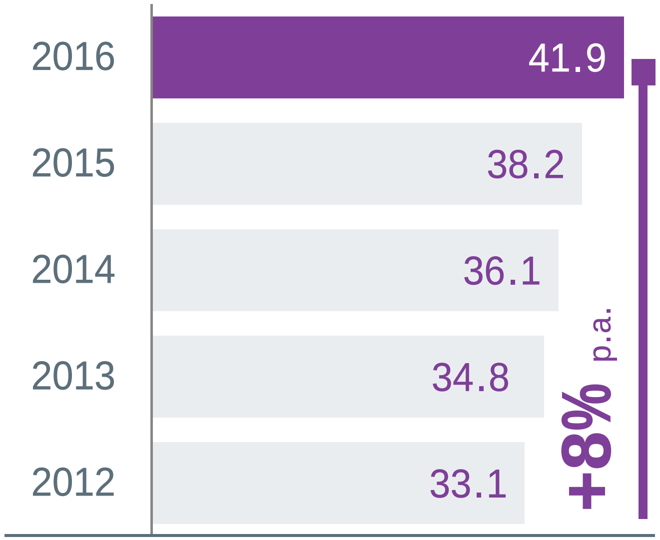
Grow

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

Our Corporate Objectives

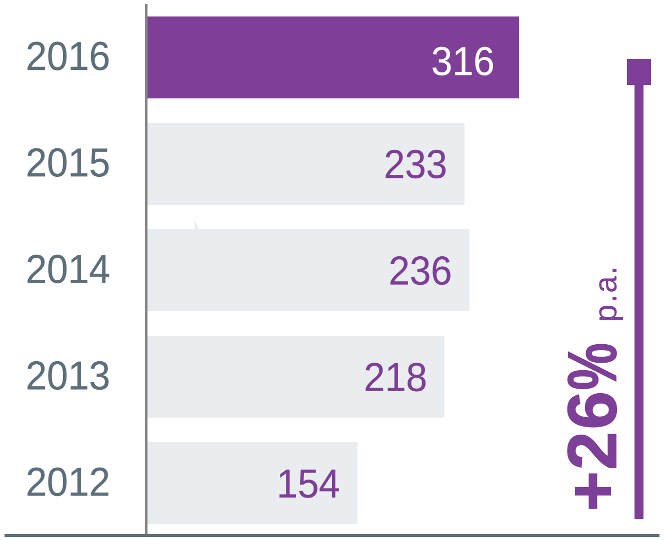
Track record of delivering strong returns for shareholders

Strong EPS growth



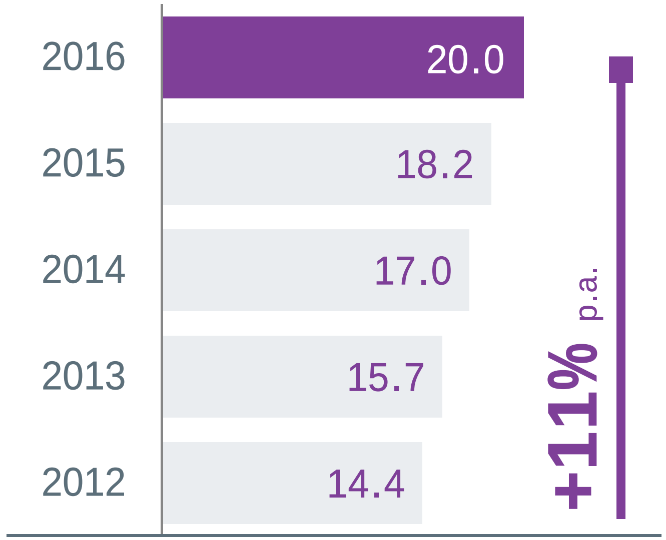
Adjusted EPS in pence

Upper quartile TSR growth



TSR index, end Sept 2010 = 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:

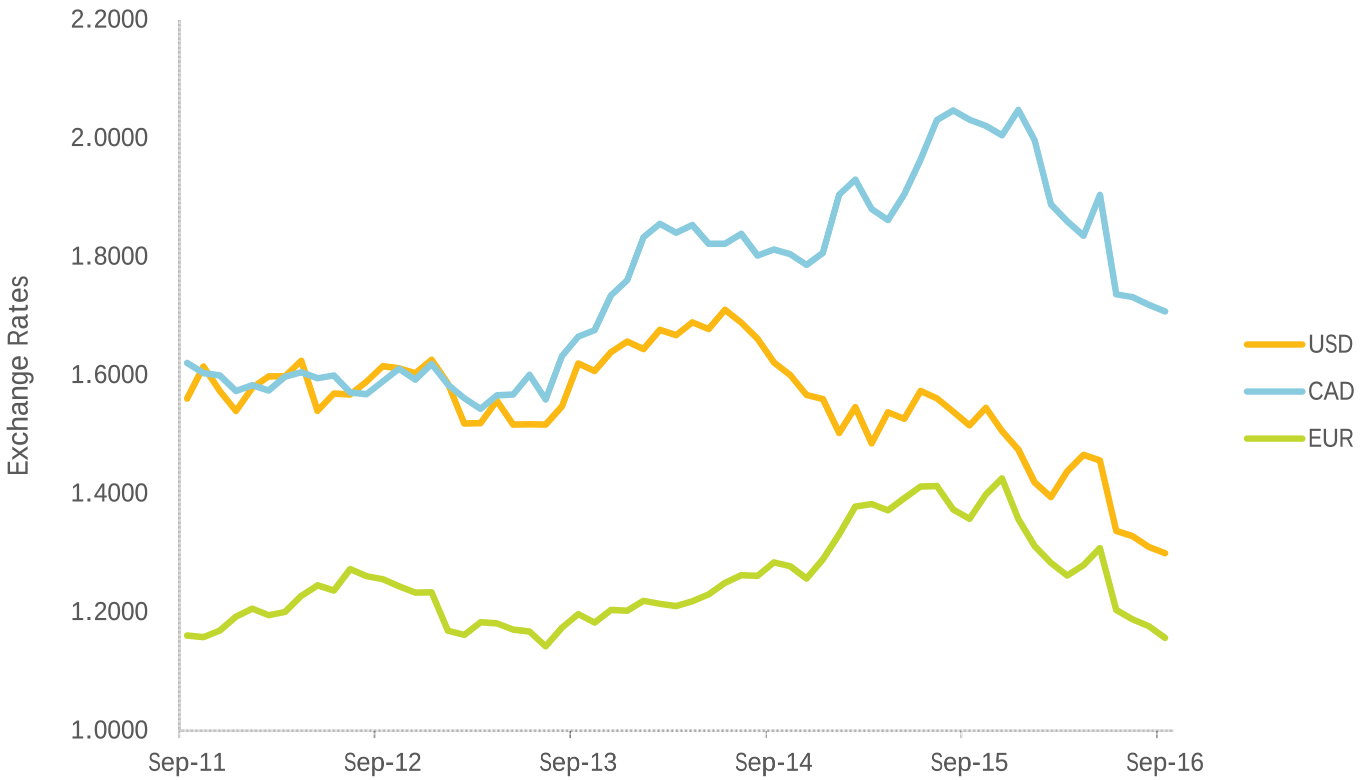
CAGR revenue growth	Operating margins	ROATCE	Free cash flow conversion
11% p.a.	18–19%	25%	96%

Foreign Exchange

Weaker UK£ in final quarter improves results on translation

Translational Impact (base currency GBP)

	Change over 1 year	Change over 3 years
USD	14.2%	19.8%
CAD	15.9%	-2.6%
EUR	14.8%	3.4%

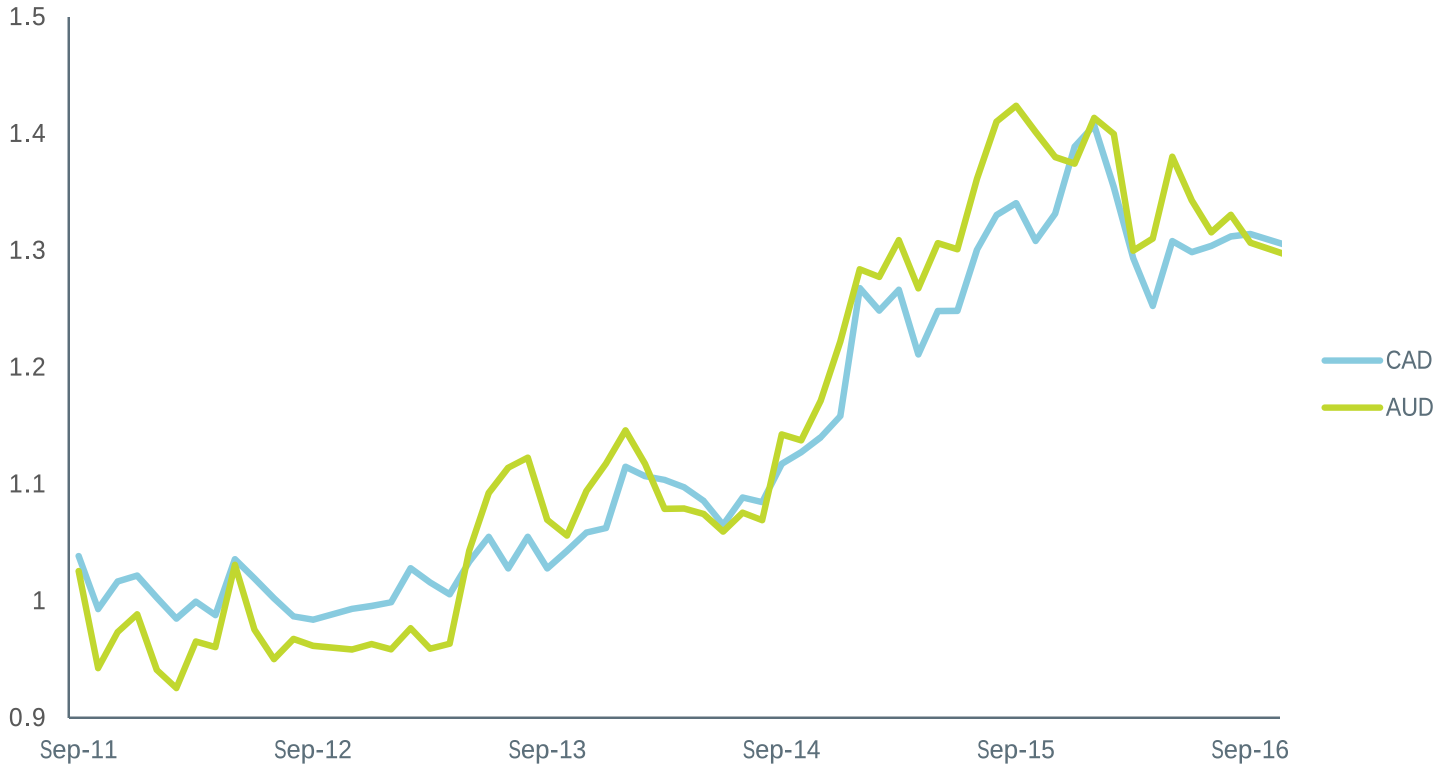


Foreign Exchange

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

Transactional Impact (base currency USD)

	Change over 1 year	Change over 4 years
CAD	2%	-34%
AUD	8%	-36%



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