DIPLOMA PLC

20 November 2017

Preliminary Announcement

Year ended 30 September 2017

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

28%
of revenues

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

Seals

43%
of revenues

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

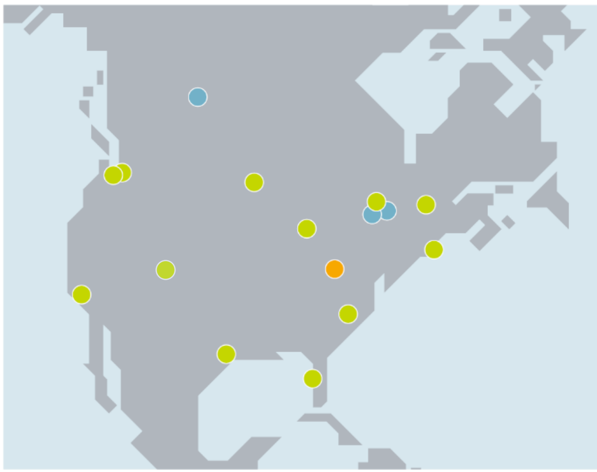
Controls

29%
of revenues

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

Group Overview

Well diversified by geography

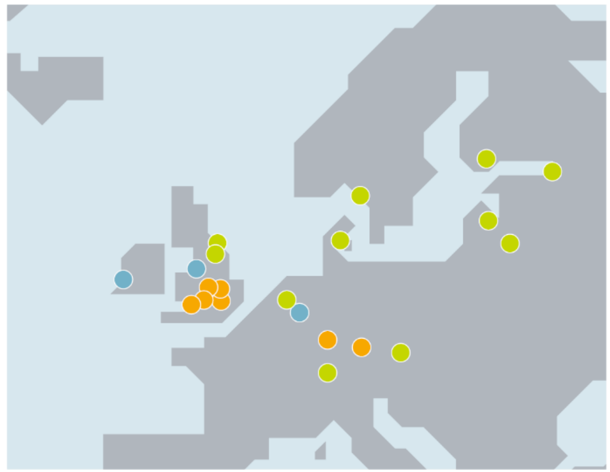


North America revenues (by destination) by sector

41% of revenues

23% US

18% Canada



European revenues (by destination) by sector

48% of revenues

22% UK

26% Continental Europe

Rest of World revenues (by destination) by sector

11% of revenues

● Life Sciences ● Seals ● Controls

The Diploma Investment Case

Clearly defined strategy, consistent track record

GDP plus underlying revenue growth

We focus on essential products and services, funded by customers' operating rather than capital budgets, giving resilience to revenues

Acquisitions to accelerate growth

Carefully selected, value enhancing acquisitions accelerate the organic growth and take us into related strategic markets

Attractive margins

Our attractive operating margins are sustained through the quality of customer service, the depth of technical support and value adding activities

Strong cash flow

An ungeared balance sheet and strong cash flow fund our growth strategy while providing healthy and growing dividends

Agile and responsive organisation

We encourage an entrepreneurial culture in our businesses through our decentralised organisation

Value creation

We aim to create value by consistently exceeding 20% ROATCE

Overview of 2017

Strong results with double-digit growth in revenue and earnings

- Revenue and adjusted operating profit increased by **18%** and **19%** respectively
- Robust underlying revenue growth of **7%**, with strong tailwind from currency and modest contribution from acquisitions
- Operating margins up by 10bps to **17.3%** with easing of transactional currency pressures in Healthcare and improved margins in acquired businesses
- Acquisition spend of **£20.1m** in the year; **£90m** over three years
- Strong free cash flow funded acquisitions and healthy dividend; cash funds of over **£20m** at end of year
- **19%** growth in Adjusted EPS; **24%** growth in TSR; **24%** ROATCE

DIPLOMA PLC

Financial Results

Overview of Results

Year ended 30 September

	2017	2016	
Revenue	**£451.9m**	£382.6m	*+18%*
Adjusted operating profit	**£78.2m**	£65.7m	*+19%*
Adjusted operating margin	**17.3%**	17.2%	*+10bps*
Adjusted profit before tax	**£77.5m**	£64.9m	*+19%*
Free cash flow	**£55.7m**	£59.0m	*-6%*
Acquisition spend	**£20.1m**	£32.7m	
Net cash funds	**£22.3m**	£10.6m	
Adjusted earnings per share	**49.8p**	41.9p	*+19%*
Total dividend per share	**23.0p**	20.0p	*+15%*

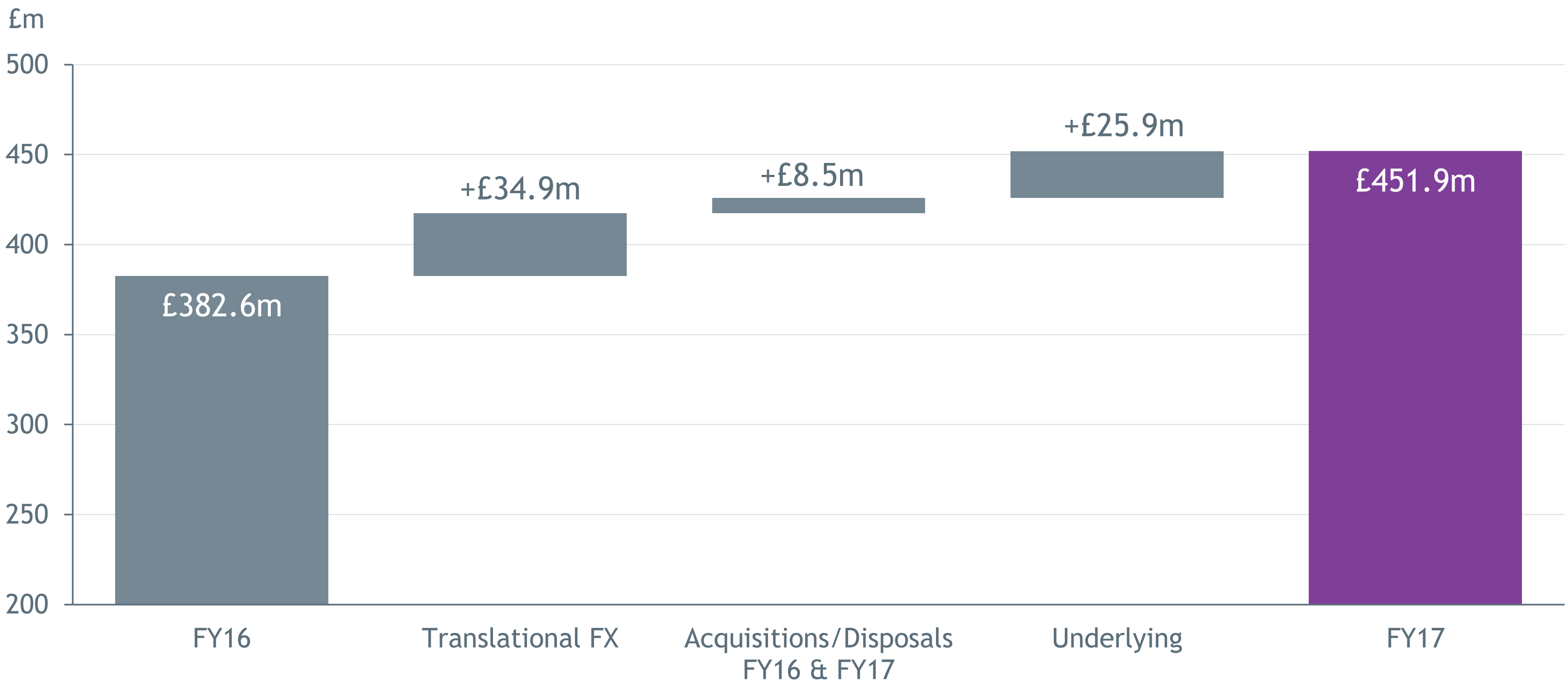
Financial Highlights

Strong performance against key financial metrics

- Revenue and adjusted operating profit increased by **18%** and **19%** respectively; adjusted EPS increased by **19%**
- Underlying revenues increased by **7%**; currency movements added 9%; net contribution of 2% from businesses acquired
- Adjusted operating margins improved slightly to **17.3%** as transactional currency effects in Healthcare eased and margins improved in acquired businesses
- Strong free cash flow of **£55.7m**; cash funds of **£22.3m** at year end
- Acquisition spend of **£20.1m**; acquisition environment more challenging over last 12 months
- Total dividend increased by **15%** reflecting strong results and free cash flow and robust balance sheet

Revenue Bridge

Robust underlying growth of 7%



Foreign Exchange

Large depreciation in UK sterling provided translation gains

GBP vs G10 currency basket securities

Profit Before Tax

Year ended 30 September

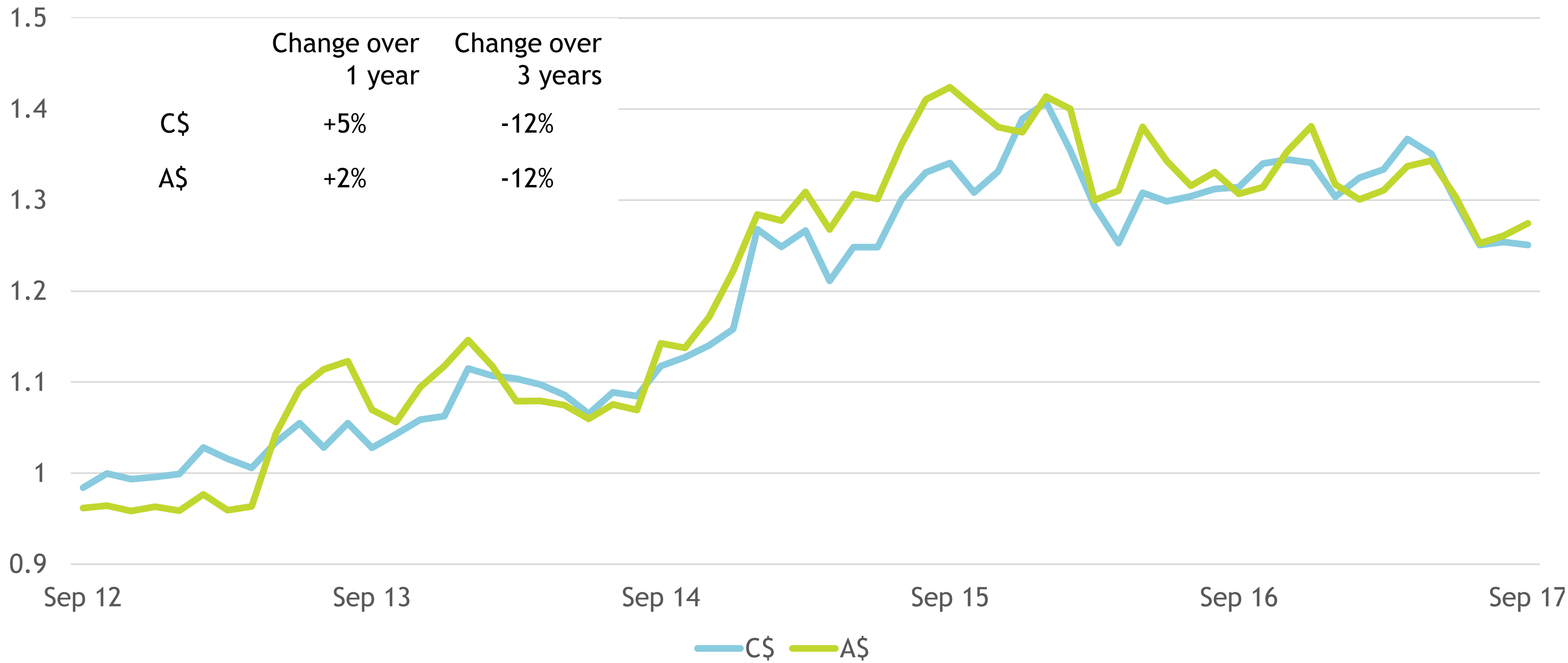
	2017 £m	2016 £m	
Revenue	**451.9**	382.6	*+18%*
Adjusted operating profit	**78.2**	65.7	*+19%*
Adjusted operating margin (%)	*17.3%*	*17.2%*	
Interest expense	(0.7)	(0.8)	
Adjusted profit before tax	**77.5**	64.9	*+19%*
Acquisition related charges	(9.7)	(10.3)	
Fair value remeasurements	(1.0)	(1.3)	
Gain on disposal of assets	-	0.7	
Reported profit before tax	**66.8**	54.0	*+24%*

Foreign Exchange

Easing of transactional currency pressures on Healthcare margins

Transactional impact-base currency (US$)

	Change over 1 year	Change over 3 years
C$	+5%	-12%
A$	+2%	-12%



Taxation and Earnings per Share

Year ended 30 September

	2017	2016	
Adjusted profit before tax (£m)	**77.5**	64.9	
Reported taxation	(18.6)	(14.9)	
Adjustments	(1.9)	(1.8)	
Adjusted tax	(20.5)	(16.7)	
Effective adjusted tax rate	*26.5%*	*25.7%*	
Earnings per share (pence)			
Adjusted	**49.8p**	41.9p	*+19%*
Basic (Reported)	**42.0p**	33.9p	*+24%*

Free Cash Flow

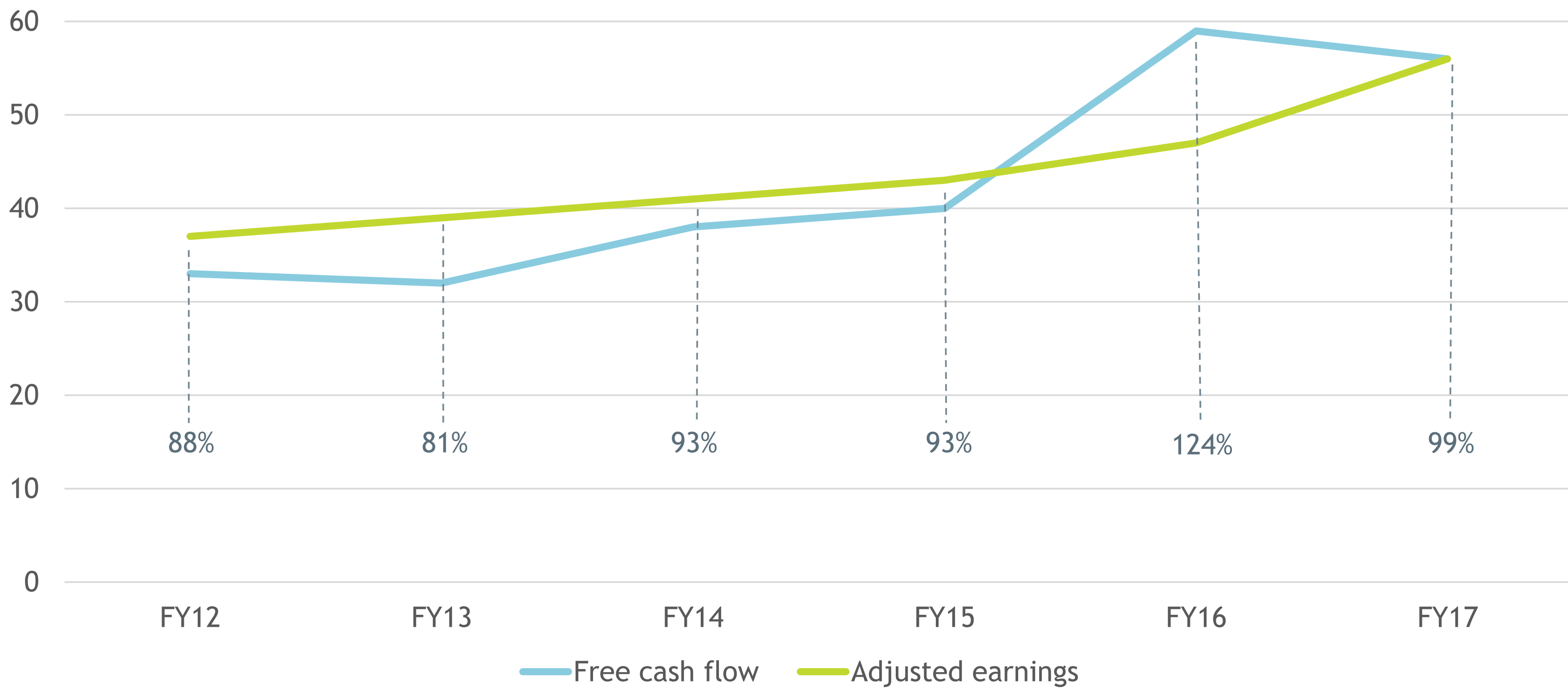
Year ended 30 September

	2017 £m	2016 £m	
Adjusted operating profit	**78.2**	65.7	
Depreciation	4.7	4.5	
Working capital	(4.0)	6.3	
Pension and share schemes, net	0.4	0.1	
Operating cash flow, before acquisition expenses	**79.3**	76.6	*+4%*
Interest paid, net	(0.4)	(0.6)	
Tax paid	(19.3)	(17.6)	
Capital expenditure	(3.3)	(3.7)	
Proceeds from sale of assets	0.1	4.6	
EBT – share scheme funding	(0.7)	(0.3)	
Free cash flow	**55.7**	59.0	*-6%*
Cash conversion	***99%***	*124%*	

Free Cash Flow Conversion

High quality of earnings

Free cash flow conversion (£m)



Net Cash

Year ended 30 September

	2017 £m	2016 £m
Free cash flow	**55.7**	59.0
Acquisition cash paid	(19.5)	(32.0)
Deferred consideration	(0.6)	(0.7)
Dividends	(23.7)	(21.4)
	11.9	4.9
Net cash brought forward	10.6	3.0
Exchange adjustments	(0.2)	2.7
Net cash funds at 30 September	**22.3**	**10.6**
Comprising:		
Cash balances	22.3	20.6
Borrowings	-	(10.0)

Acquisitions

Acquisition environment more challenging over last 12 months

- Acquisitions are an integral part of the Group's growth strategy
- **£20.1m** spent on acquisitions during the year (**£90m** over three years):
  - £15.0m on Abacus – adding critical mass to our Healthcare business in Australia and New Zealand;
  - £4.5m to acquire two small Seals distributors – Edco in the UK and PSP in the US;
  - £0.6m of deferred consideration
- After the year end, acquisition completed of Coast a small US specialty fastener distributor
- Acquisition pipeline still includes a number of good quality businesses which we are confident of completing when vendors are ready

Acquisitions

Building larger, broader-based businesses

	Life Sciences	Seals	Controls
Acquisition spend 2017 **£20.1m**	• Abacus - Australia & New Zealand	• PSP - US • Edco - UK	
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	

Shareholders' Funds and ROATCE

As at 30 September

	2017 £m	2016 £m
Tangible assets and investments	24.0	25.4
Goodwill and intangible assets	176.8	169.8
Net working capital	68.4	63.4
Trading capital employed - reported	**269.2**	**258.6**
Working capital (% of revenue)	***15.0%***	*16.6%*
ROATCE	***24.0%***	*21.1%*
Retirement benefit obligations	(9.9)	(17.2)
Acquisition liabilities	(6.6)	(6.8)
Net cash funds	22.3	10.6
Minority interests and deferred tax	(13.0)	(11.7)
Total shareholders' equity	**262.0**	233.5

DIPLOMA PLC

Business Review

Life Sciences

Segmentation

Healthcare (84% of revenues)

Clinical diagnostic instrumentation, consumables and services supplied to hospital pathology and life sciences laboratories for the testing of blood, tissue and other samples.

Surgical medical devices and related consumables and services supplied to hospital operating rooms, GI/Endoscopy suites and clinics.

Environmental (16% of revenues)

Environmental analysers, containment enclosures and emissions monitoring systems.

Primary growth drivers

- Public and private healthcare spending
- Population ageing and increasing life expectancy
- Health & Safety and Environmental regulation

Life Sciences

Operating Results

Year ended 30 Sept	2017	2016	
Revenue	**£125.9m**	£109.9m	*+15%*
Adjusted operating profit	**£23.3m**	£19.6m	*+19%*
Adjusted operating margin	**18.5%**	17.8%	*+70bps*

- Underlying revenues increased by 4% after adjusting for currency, the acquisition of Abacus and a small prior year disposal
- Sector adjusted operating margin improved by 70bps:
  - Stronger gross margins in Abacus
  - Reduced operating costs from combining AMT & Vantage
  - Easing of transactional currency pressures in Canada and Australia
  - Improved leverage from increased revenue in Environmental

Life Sciences

Sector Developments

- Underlying revenue growth of 4% in ***Healthcare*** businesses, despite continued pressure on budgets in both Canada and Australia
- In Canada, strong capital revenues as new technology introduced and delayed projects reactivated in laboratory diagnostics
- AMT and Vantage combined into single, more efficient surgical products business; exclusive distribution rights secured for premium range of endoscopes
- In Australia, steady growth in revenues; Abacus acquired and being integrated with DS
- TPD revenues broadly flat in Ireland and the UK with new suppliers and products replacing suppliers moving to direct supply model
- ***Environmental*** businesses increased underlying revenues by 3%, finishing the year with strong order books

Abacus acquisition

Adds critical mass to Healthcare in Australia and New Zealand

abacus dx

- Acquired Abacus in April 2017 for consideration of ca. £15m (A$25.0m)
- Leading supplier of diagnostics instrumentation and consumables to the Pathology and Life Sciences sectors
- Strengths in Immunology and Biochemistry testing, with niche specialty patient simulation business
- In process of integrating with DS to form “abacus dx” - adds critical mass and opens up new growth opportunities

Seals
Segmentation

North America – Aftermarket
(32% of revenues)

Next day delivery of seals, sealing products and cylinder components for the repair of heavy mobile machinery.

North America – Industrial OEM
(29% of revenues)

Sealing products, custom moulded and machined parts supplied to manufacturers of specialised industrial equipment

International (39% of revenues)

Sealing products and filters supplied outside North America to Aftermarket and Industrial OEM customers as well as to MRO operations.

Primary growth drivers

- General economic growth
- Activity and spending levels in Heavy Construction and Infrastructure
- Growth in industrial production
- MRO expenditure in Mining and process industries

Seals

Operating Results

Year ended 30 Sept	2017	2016	
Revenue	**£195.3m**	£166.6m	*+17%*
Adjusted operating profit	**£31.9m**	£28.2m	*+13%*
Adjusted operating margin	**16.3%**	16.9%	*-60bps*

- Underlying revenue growth of 4% after adjusting for acquisitions and currency
- Acquisitions of PSP and Edco added 1% to revenue; currency movements contributed a further 12%
- Adjusted operating margins reduced by 60bps
  - Product margins under pressure from supplier cost increases
  - Increase in other gross margin support costs
  - Partly mitigated by tight cost control and operating leverage

North American Seals

Sector Developments

- In North America, ***Aftermarket*** underlying revenues increased by 5% with good performance in core Hercules business and strong recovery in HKX
- Growth initiatives continued to gain traction and E-commerce delivered strong year on year growth
- ***Industrial OEM*** underlying revenues in North America increased by 7% with an improving trend through the year following the US election
- Senior leadership team established to manage cluster of Industrial OEM businesses in the US - key functions managed centrally will be Sales, Supply Chain, Technical and Finance
- Project initiated to implement new ERP system across the businesses to replace the disparate, legacy IT systems

International Seals

Sector Developments

- *International Seals* businesses outside North America increased underlying revenues by 1% with performances very dependent on market conditions
- FPE Seals and M Seals delivered strong underlying growth of 11% in core markets in the UK and Scandinavia and benefited from the recovery in demand from the Oil & Gas sector
- In June 2017, M Seals completed the acquisition of Edco, a small specialised UK distributor of seals, O-rings and gaskets
- Kentek in Finland and Russia increased revenues by 4% in Euro terms with slower growth in H2 as the Russian Rouble weakened
- Kubo and WCIS combined revenues reduced by 3% due to challenging market conditions in Switzerland and Australian Mining sector; but with return to modest growth in H2 as markets eased

Controls

Segmentation

Interconnect (59% of revenues)

Wiring, harness components and cable accessories used in specialised technical applications in Aerospace, Defence, Motorsport, Energy, Medical, Rail and Industrial.

Specialty Fasteners (18% of revenues)

Specialty aerospace-quality fasteners supplied to Civil Aerospace, Motorsport, Industrial and Defence markets.

Fluid Controls (23% of revenues)

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

Primary growth drivers

- General growth in the industrial economy
- Activity and spending levels in Aerospace, Defence, Motorsport, Energy, Medical and Rail
- Equipment installation and maintenance in Food, Beverage and Catering

Controls

Operating Results

Year ended 30 Sept	2017	2016	
Revenue	**£130.7m**	£106.1m	*+23%*
Adjusted operating profit	**£23.0m**	£17.9m	*+28%*
Adjusted operating margin	**17.6%**	16.9%	*+70bps*

- Underlying revenues increased by 14% after adjusting for currency and full year contributions from Cablecraft and Ascome
- Adjusted operating margins increased by 70bps:
  - Stronger gross margins in Cablecraft offset impact of weaker UK sterling on products purchased by other UK businesses
  - Improved leverage from increased revenue more than offset increased investment in sales resources

Controls

Sector developments

- The *Interconnect* businesses increased underlying revenues by 8%, benefiting from increased project work
  - In the UK, strong performances in the IS-Group and Cablecraft benefiting from stronger Industrial markets
  - In Germany, modest growth in IS-Sommer boosted by major project activity in Filcon
- Clarendon, the *Specialty Fasteners* business, increased revenues by over 30% with growth driven by increased customer demand in Civil Aerospace and Motorsport
- *Fluid Controls* businesses increased revenues by 14% with upturn in refrigeration equipment sales and increased export sales in Europe and the US

Cablecraft Acquisition

Extension of Interconnect activities

- Cablecraft was acquired by the Group in March 2016
- In only its second year as part of the Group, Cablecraft is already showing the benefits of investments made post-acquisition in:
  - Increased management and sales resources
  - Expanded e-commerce capabilities
  - Refurbished facilities
- Under the continued strong leadership of one of the former owners, Cablecraft has delivered:
  - Increase of 7% in revenues in 2017 on a like-for-like basis
  - Improved operating margins by ca. 300bps

CABLECRAFT
creative wiring solutions

DIPLOMA PLC

Outlook and Prospects

Current Trading and Outlook

- The Group delivered another strong performance in 2017, reporting strong double-digit growth in revenue and earnings
- The performance in 2017 provides confidence in the Group's prospects for solid underlying growth in the year ahead, enhanced by unlocking value-enhancing acquisition opportunities
- The Group has a proven business model, broad geographic spread of businesses, robust balance sheet and consistently strong cash flow
- The Board is confident that the Group will make further progress in the next financial year

DIPLOMA PLC

Appendix

Our Business Model

We want to make ourselves essential to our customers

Our Business Model is built on the three "Essentials" – essential products, solutions and values

Essential Products

= recurring income and stable revenue growth

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

Essential Solutions

= sustainable and attractive margins

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

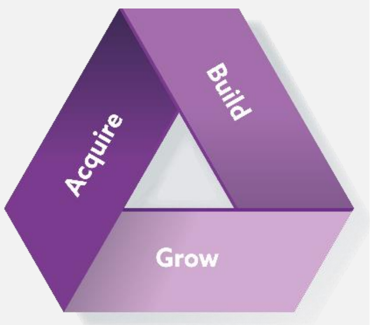
Essential Values

= agility and responsiveness

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

Our Growth Strategy

Compounding growth through value-enhancing acquisitions



Growth is accelerated by investing in value-enhancing acquisitions

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

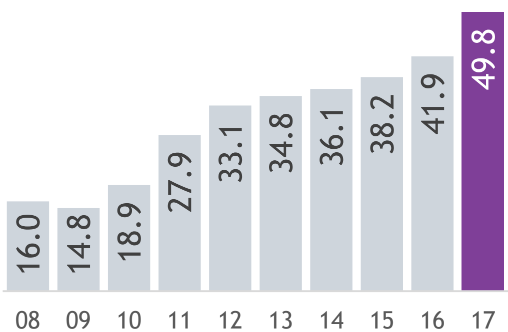
- Businesses maintain their distinct sales and marketing identity
- Synergies managed within business clusters:
  - Cross-selling
  - Joint purchasing
  - Shared back-office operations

Our Corporate Objectives

Track record of delivering strong returns for shareholders

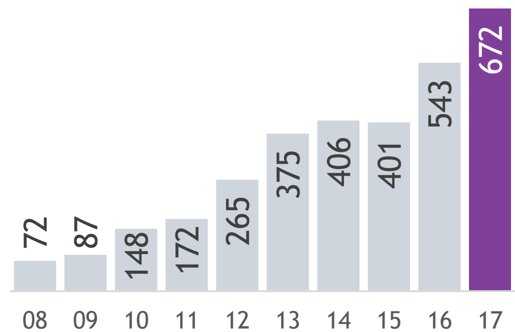
Adjusted EPS growth (pence)

+14%p.a.[1]



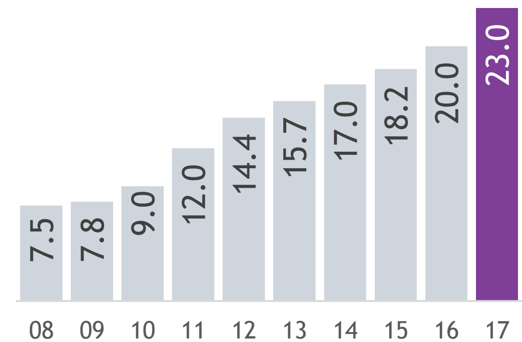
TSR growth (TSR index 2007 = 100)

+21%p.a.[1]



Dividend growth (pence)

+16%p.a.[1]



[1] Ten-year compound

Financial KPIs

Five Year Trends

	2013	2014	2015	2016	2017
Revenue	£285.5m	£305.8m	£333.8m	£382.6m	£451.9m
Total growth	*+10%*	*+7%*	*+9%*	*+15%*	*+18%*
Underlying growth	*+4%*	*+8%*	*+1%*	*+3%*	*+7%*
Operating margin	19.0%	18.5%	18.1%	17.2%	17.3%
Working capital (% revenues)	16.7%	17.2%	17.0%	16.6%	15.0%
Free cash flow	£31.6m	£37.8m	£40.3m	£59.0m	£55.7m
Cash conversion (%)	*81%*	*93%*	*93%*	*124%*	*99%*
ROATCE	25.8%	25.8%	23.9%	21.1%	24.0%

Average over five years:

CAGR revenue growth	Operating margins	ROATCE	Free cash flow conversion
12% p.a.	18%	24%	98%

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