DIPLOMA PLC

COMPOUNDING GROWTH

DIPLOMA PLC
ANNUAL REVIEW 2018

DIPLOMA PLC IS AN INTERNATIONAL GROUP OF BUSINESSES SUPPLYING SPECIALISED TECHNICAL PRODUCTS AND SERVICES

WE OPERATE GLOBALLY IN THREE DISTINCT SECTORS

LIFE SCIENCES

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

For more information
See pages 14–15

SEALS

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

For more information
See pages 16–17

CONTROLS

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

For more information
See pages 18–19

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FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

STRONG RESULTS WITH DOUBLE-DIGIT EARNINGS GROWTH

REVENUE
£485.1m
2017: £451.9m
+7%

STATUTORY OPERATING PROFIT
£73.2m
2017: £68.5m
+7%

STATUTORY PROFIT BEFORE TAX
£72.7m
2017: £66.8m
+9%

ADJUSTED OPERATING PROFIT[1]
£84.9m
2017: £78.2m
+9%

ADJUSTED OPERATING MARGIN[1]
17.5%
2017: 17.3%
+20bps

ADJUSTED PROFIT BEFORE TAX[1,2]
£84.8m
2017: £77.5m
+9%

FREE CASH FLOW[3]
£60.5m
2017: £55.7m
+9%

ACQUISITION SPEND
£20.4m
2017: £20.1m

ROATCE
24.5%
2017: 24.0%
+50bps

	2018 pence		2017 pence
Adjusted earnings per share[1,2]	**56.4**	+13%	49.8
Basic earnings per share	**47.5**	+13%	42.0
Total dividend per share	**25.5**	+11%	23.0
Free cash flow per share[3]	**53.5**	+9%	49.3

1 Before acquisition related charges and Chief Executive Officer transition costs
2 Before fair value remeasurements
3 Before cash payments on acquisitions and dividends

Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow, trading capital employed and return on adjusted trading capital employed ("ROATCE"). All references in this Annual Review to "underlying" revenues or operating profits refer to reported results on a constant currency basis and before any contributions from acquired or disposed businesses. The narrative in the Annual Review is based on these alternative measures and an explanation is set out in note 2 and 3 to the consolidated financial statements in the Annual Report & Accounts.

CHAIRMAN'S STATEMENT

JOHN NICHOLAS CHAIRMAN

RESILIENT BUSINESS, CONSISTENT DELIVERY, STRONG RESULTS

PRINCIPAL CORPORATE OBJECTIVES

ACHIEVE DOUBLE-DIGIT GROWTH IN ADJUSTED EPS OVER THE BUSINESS CYCLE

—

GENERATE TSR GROWTH IN THE UPPER QUARTILE OF THE FTSE 250

—

DELIVER PROGRESSIVE DIVIDEND GROWTH WITH TWO TIMES DIVIDEND COVER

Diploma's trading performance in 2018 was, once again, very strong. The Group delivered another year of double-digit growth in adjusted earnings per share and generated free cash flow of over £60m. The results demonstrate the resilience of the Group's businesses and the consistent delivery against the Group's strategy that have allowed Diploma to build a long track record of strong financial performance despite the vagaries of the macroeconomic environment during any period.

During the year the Board appointed a new Chief Executive Officer ("CEO") to succeed Bruce Thompson who retired from the Board after leading the Group for over 20 years. However, in August it was announced that Richard Ingram stepped down from his role as CEO and that I had agreed to take over as interim Executive Chairman until a new CEO is appointed. This process is under way and the Board is confident that we will find the right CEO to lead the Group to continued success. Over the course of this year, I have been consistently impressed by the capability and commitment of the Group's senior management team and I am grateful for their continued support and hard work during this period. My particular thanks are extended to our Group Finance Director, Nigel Lingwood, for the strength and leadership he has demonstrated throughout the year.

The Board has reviewed and reconfirmed its support for the Group's existing strategy that we believe continues to have excellent potential to create shareholder value in the years ahead. In addition to the underlying growth achieved this year, two acquisitions were completed during the year and a further small acquisition was also completed shortly after the year end.

RESULTS

Group revenues increased in 2018 by 7% to £485.1m (2017: £451.9m), despite a currency headwind of 3% from translating the results of the overseas businesses, following a small appreciation in UK sterling this year. After adjusting for the contribution from acquisitions completed both this year and last year, net of a small disposal this year and for these currency effects on translation, Group revenues also increased by 7% on an underlying basis. The Seals businesses delivered strong underlying revenue growth of 10% and both the Life Sciences and Controls businesses reported a 5% growth in underlying revenues.

Adjusted operating profit increased by 9% to £84.9m (2017: £78.2m) reflecting the strong growth in revenues and a modest increase of 20bps in adjusted operating margins to 17.5% (2017: 17.3%). Adjusted profit before tax also increased by 9% to £84.8m (2017: £77.5m) and adjusted earnings per share ("EPS") increased by 13% to 56.4p (2017: 49.8p), reflecting the benefit from the reduction in the US Federal corporate income tax rate during the year.

On a statutory basis, the Group's operating profit was 7% ahead of last year at £73.2m (2017: £68.5m) after £9.6m (2017: £9.7m) of acquisition related charges, largely comprising amortisation of acquired intangible assets and one-off charges of £2.1m with respect to the CEO change in the year. Statutory profit before tax increased by 9% to £72.7m

"THE GROUP HAS MAINTAINED ITS LONG TRACK RECORD OF CONSISTENT DELIVERY AGAINST ITS KEY PERFORMANCE METRICS"

(2017: £66.8m) and statutory EPS was 13% up on last year at 47.5p (2017: 42.0p).

The Group's free cash flow remained robust at £60.5m (2017: £55.7m), which included £4.0m from the sale of a small non-core US gasket business. The outflow of cash to support working capital increased again this year by £5.1m (2017: £4.0m) reflecting the much stronger trading environment across the Group. Capital expenditure increased this year to £6.6m (2017: £3.3m) with investment focused on new facilities and IT infrastructure and a large investment by the Healthcare businesses in field equipment in support of customer contracts.

As indicated in last year's Annual Report, the environment to complete acquisitions continued to be challenging as vendors postponed their exit plans in the face of the continuing favourable macroeconomic conditions. The Group invested £20.4m (2017: £20.1m) in acquisitions and there were tentative signs towards the end of the year that this environment was easing. The pipeline of acquisition opportunities remains healthy and we are confident that good quality businesses in our acquisition pipeline will be brought to market by their vendors.

The Group's balance sheet remains robust with cash funds at 30 September 2018 of £36.0m (2017: £22.3m), after investing £20.4m in acquisitions and making distributions to shareholders of £26.8m (2017: £23.5m). The Group also has unutilised committed bank facilities of £30m with an accordion option to extend these facilities up to £60m.

DIVIDENDS

The combination of strong results and free cash flow, supported by a robust balance sheet has led the Board to recommend an increase in the final dividend of 11% to 17.8p per share (2017: 16.0p). Subject to shareholder approval at the Annual General Meeting ("AGM"), this dividend will be paid on 23 January 2019 to shareholders on the register at 30 November 2018.

The total dividend per share for the year will be 25.5p (2017: 23.0p), which represents an 11% increase on 2017, with the level of dividend cover remaining unchanged at 2.2 times on an adjusted EPS basis.

GOVERNANCE

During the year, we completed an external evaluation of the Board. The results of the review were discussed by the Board and an action plan to implement suggested improvements has been prepared. The review included an in-depth analysis of the CEO recruitment process with specific lessons to learn for the new search. The Nomination and Remuneration Committees have been focused during the latter part of the year on the leadership change and search for a new CEO. The Audit Committee has overseen the transition of the audit to the new auditor, PricewaterhouseCoopers LLP.

EMPLOYEES

We continue to foster an entrepreneurial culture that encourages our employees to take responsibility for their own businesses. I would like to record my thanks to all our employees whose hard work and commitment has again been a driving force behind the Group's performance and the achievement of another year of strong financial results.

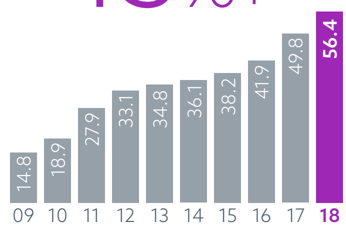
OUTLOOK

Diploma has a strong and resilient business model with a broad geographic spread of businesses supported by a robust balance sheet and consistently strong free cash flow. This model has delivered another strong result this year with double-digit growth in earnings per share, benefiting from favourable trading conditions in most of its major markets.

Despite the global macroeconomic uncertainty, the Board remains confident that the Group will continue to make further progress in the coming year from a combination of steady "GDP plus" underlying growth and from the Group's proven value-enhancing acquisition programme.

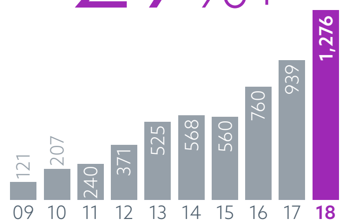
ADJUSTED EPS GROWTH (PENCE)

+13% p.a.[1]



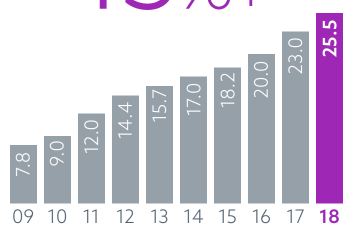
TSR GROWTH (TSR INDEX 2008 = 100)

+29% p.a.[1]



DIVIDEND GROWTH (PENCE)

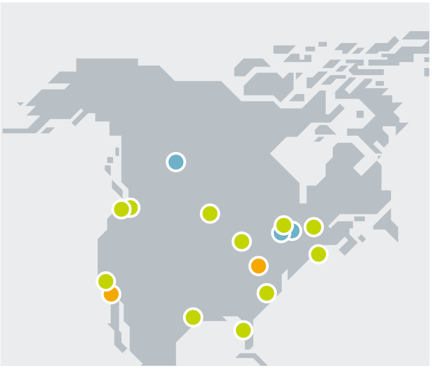
+13% p.a.[1]



1 Ten-year compound.

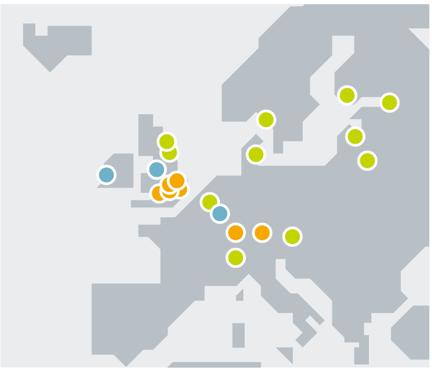
GROUP AT A GLANCE

WELL DIVERSIFIED BY GEOGRAPHY AND BUSINESS AREA



NORTH AMERICAN REVENUES
(BY DESTINATION) BY SECTOR

23% US 17% CANADA



EUROPEAN REVENUES
(BY DESTINATION) BY SECTOR

23% UK 25% EUROPE

REST OF WORLD REVENUES
(BY DESTINATION) BY SECTOR

LIFE SCIENCES SEALS CONTROLS

LIFE SCIENCES
See pages 14–15

SEALS
See pages 16–17

CONTROLS
See pages 18–19

Healthcare (85% 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 (15% of revenues)
Environmental analysers, containment enclosures and emissions monitoring systems.

GROUP REVENUE
28%

EMPLOYEES
426

PRIMARY GROWTH DRIVERS

Public and private healthcare spending

Population ageing and increasing life expectancy

Health & Safety and Environmental regulation

North America – Aftermarket (31% 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 (40% of revenues)
Sealing products and filters supplied outside North America to Aftermarket and Industrial OEM customers as well as to Maintenance, Repair and Overhaul ("MRO") operations.

GROUP REVENUE
43%

EMPLOYEES
821

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

Interconnect (59% of revenues)
Wiring, cable, harness components and cable accessories used in specialised technical applications in Aerospace, Defence, Motorsport, Energy, Medical, Rail and Industrial.

Specialty Fasteners (21% of revenues)
Specialty aerospace-quality fasteners supplied to Civil Aerospace, Motorsport, Industrial and Defence markets.

Fluid Controls (20% of revenues)
Temperature, pressure and fluid control products used in Food & Beverage and Catering industries.

GROUP REVENUE
29%

EMPLOYEES
542

PRIMARY GROWTH DRIVERS

General growth in the industrial economy

Activity and spending levels in Aerospace, Defence, Motorsport, Energy, Medical and Rail

Equipment installation & maintenance in Food & Beverage and Catering

OUR YEAR IN REVIEW

ANOTHER YEAR OF ROBUST GROWTH IN REVENUE AND EARNINGS

"THE GROUP'S STRATEGY, CONSISTENTLY APPLIED, DELIVERS STRONG GROWTH IN EARNINGS AND SHAREHOLDER VALUE"

FINANCIAL PERFORMANCE

In 2018, the Group delivered another year of robust growth in revenue and earnings benefiting from strong industrial economies in the US and Europe and from the reduction in the US Federal corporate income tax rate.

The Group's reported revenues increased by 7%, with currency headwinds decreasing revenues by 3% and acquisitions, net of a small disposal this year, contributing 3% to revenue growth. On an underlying basis, after adjusting for acquisitions, the disposal and for the currency effects on translation, Group revenues increased by 7%.

The Group's adjusted operating margins improved by 20bps to 17.5%, compared with 17.3% in the prior year and the first half of the current year. Gross margins remained unchanged from last year, despite pressures on supply chains in most Sectors leading to increases in product costs and other margin support costs. These pressures were mitigated during the second half of the year as selective price increases began to take effect and with increased availability of inventory. Adjusted operating costs as a percentage of revenue have reduced by 20bps with improved operating leverage from the increase in revenues and generally tight control of operating costs.

Working capital as a percentage of revenue was managed down through the second half of the year to 15.1%. The Group's free cash flow increased by 9% to £60.5m, reflecting very strong cash generation in the second half of the year and boosted by proceeds of £4.0m from the disposal of a small non-core US business.

SECTOR PERFORMANCE

In **Life Sciences**, underlying revenues increased by 5% after adjusting for currency movements and the prior year acquisition of Abacus ALS. The Healthcare businesses benefited from strong diagnostic consumable revenues and the introduction of new premium Surgical and Endoscopy products. The Environmental businesses had a mixed year with stronger revenues in Germany, offset by reduced UK revenues because of delays in placement of orders. Both Environmental businesses continued to benefit from stronger service revenues.

In **Seals**, underlying revenues increased by 10% after adjusting for currency movements, the prior year acquisitions of PSP and Edco and the disposal of the small non-core Bulldog business this year. In North America, both the Aftermarket and Industrial OEM business benefited from a buoyant US industrial economy. In the International Seals businesses, a strong improvement in industrial activity in the second half of the year provided good growth in European revenues. Solid growth in Australian revenues was more than offset by much weaker trading with a major customer in New Caledonia.

In **Controls**, underlying revenues increased by 5% after adjusting for currency movements and the acquisitions this year of FS Cables and Coast. The Interconnect revenues benefited from both broadening its customer base deeper into Europe and from stronger industrial markets. The Specialty Fasteners business also increased revenues from broadening its range of customers in the Civil Aerospace sector. The Fluid Controls businesses reported lower revenues reflecting the decision to focus on higher margin business and from the absence of a large one-off project delivered last year.

ACQUISITIONS AND DISPOSALS

Over the last five years, a total of ca. £128m has been invested in acquisitions and ca. £6m has been realised from divesting businesses.

During 2018, the acquisition spend was £20.4m of which £16.9m was invested in the acquisition of FS Cables, a supplier of specialist cable products to a range of industries and based in St Albans, UK. FS Cables fits well within the Controls Sector alongside Cablecraft, which was acquired in 2016 and provides growth opportunities through cross-selling to new and existing customers. The small non-core US business, Bulldog, was sold during 2018 for cash proceeds of £4.0m.

In addition, the Group completed two smaller bolt-on acquisitions in the Controls Sector: Coast, a small specialty fastener distributor based in California, US was acquired in October 2017 and Gremtek, a supplier of protective own-brand sleeving products, based in France was acquired after the year end in October 2018.

STRONG EXECUTIVE MANAGEMENT

The Executive Management Committee ("EMC") comprises the Executive Directors along with the Executive managers who are responsible for the major business clusters and key Group functions. The EMC members are a combination of internally developed senior managers and experienced senior managers who have been recruited externally.

The EMC has been strengthened this year with experienced senior management who will take responsibility for overseeing and coordinating additional Group functions, including IT and ERP projects carried out across the Group. A HR senior manager is also being recruited and will join the EMC in the new financial year.

The EMC provides the opportunity for members to broaden their perspective of the Group's activities in order to reinforce the key elements of the Group's culture and to identify best practices that are transferable across the Group. The EMC meets quarterly through a combination of full group meetings in London and sub-group meetings held in the major business locations.

During this year, the EMC has demonstrated its strength by providing a significant level of stability and support to the businesses in a period of uncertainty caused by the change in CEO. This has contributed to the strong results reported this year.

OUR BUSINESS MODEL

MAKING US ESSENTIAL TO OUR CUSTOMERS

OUR BUSINESS MODEL IS BUILT ON THE THREE "ESSENTIALS" – PRODUCTS, SOLUTIONS AND VALUES

WHAT WE PUT IN

ESSENTIAL PRODUCTS

Our businesses focus on supplying essential products and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments.

The majority of the Group's revenues are generated from consumable products. In many cases, the products will be used in repair and maintenance applications and refurbishment and upgrade programmes, rather than supplied to original equipment manufacturers.

ESSENTIAL SOLUTIONS

Our businesses design their individual business models to provide solutions that closely meet the requirements of their customers:

Highly responsive customer service, such as the next day delivery from stock of essential, but low value items.

Deep technical support, where we work closely with our customers in designing our products into their specific applications.

Added value services which, if we did not provide these services, customers would have to pay others to provide or would require investment in additional resources of their own.

ESSENTIAL VALUES

We encourage an entrepreneurial culture across our businesses, through a decentralised management structure.

We want our managers to feel that they have the freedom to run their own businesses, while being able to draw upon the support and resources of a larger group where this is beneficial.

Within our businesses we have strong, self-standing management teams who are committed to and rewarded according to the success of their businesses.

HOW WE'VE MADE PROGRESS

Performance is measured by the underlying growth in revenue, after adjusting for currency and acquisitions/disposals:

This year, the underlying growth has been 7%.

Over five years, the average underlying growth has been 5% p.a.

For more information
See page 13

Performance is measured by the level and stability over time of gross and operating margins:

Gross margins have remained broadly stable over many years, excluding shorter term currency effects.

This year, adjusted operating margin improved 20bps to 17.5%.

Over five years, the average adjusted operating margin has been 17.7%.

For more information
See page 13

Performance is more difficult to measure directly, but non-financial KPIs can give an indication of organisational stability and health. Over the last five years:

Average length of service for all employees has been ca. 7 years (ca. 11 years for the senior management cadre).

Number of working days lost to sickness has consistently been ca. 1% a year.

For more information
See page 13

WHAT WE GET OUT

RECURRING INCOME AND STABLE REVENUE GROWTH

Our focus on essential products and services contributes to the Group's record of stable revenue growth over the business cycle.

Our businesses target "GDP plus" levels of underlying revenue growth over the economic cycle, with higher growth rates achieved at the Group level, through carefully selected value enhancing acquisitions.

SUSTAINABLE AND ATTRACTIVE MARGINS

By supplying solutions, not just products, we build strong long term relationships with our customers and suppliers, supporting sustainable and attractive margins.

Our businesses achieve sustainable and attractive gross margins by offering strongly differentiated products and customer focused solutions within specialised market segments. By running efficient operations, these gross margins are converted into healthy operating margins.

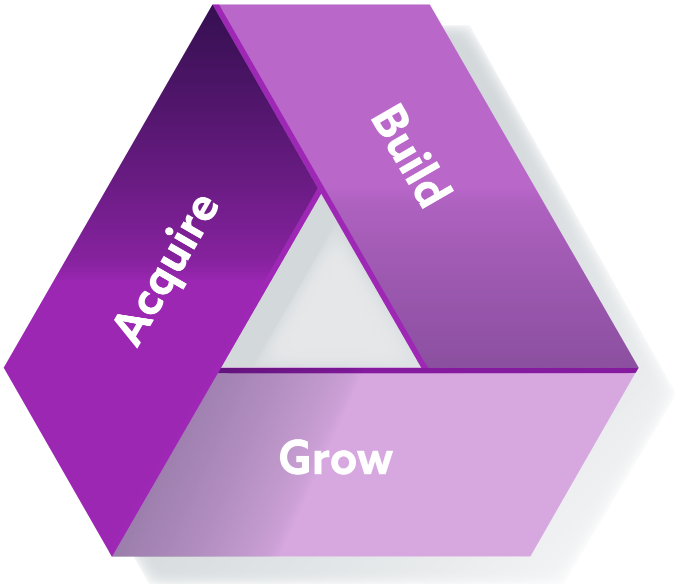
AGILITY AND RESPONSIVENESS

Our decentralised organisational model ensures that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

Agility and responsiveness in the businesses ensure close management of operating costs and working capital and deliver strong free cash flow.

GROWTH STRATEGY

COMPOUNDING GROWTH THROUGH ACQUISITIONS



GROWTH IS ACCELERATED BY INVESTING IN VALUE ENHANCING ACQUISITIONS

WHAT WE PUT IN

ACQUIRE

Clear business criteria have been established to guide the Group's acquisition programme:
- fit with the Group's business model;
- marketing led with strong customer relationships;
- secure supply of high quality, differentiated products; and
- capable management.

The principal financial criteria are:
- Track record of stable, profitable growth and cash generation.
- Exceed post-tax IRR threshold of 13% to ensure 20%+ pre-tax return on investment.

BUILD

The acquisitions we make are of businesses that are already successful and with a good track record. However, these businesses have typically reached the point where additional resources are needed to take them to the next level of growth.

Working with management, we provide the investment required to build a solid foundation to allow the business to move to a new level of growth. The investment we make in new acquisitions will normally be in new facilities and IT systems, increased but better managed working capital and additional management resource.

GROW

Once the acquisition is integrated into the Group, with a solid platform established, the focus is on delivering stable, profitable growth.

The results of the Acquire, Build, Grow strategy can be seen in the improving revenue growth and operating margins post-acquisition.

WHAT WE GET OUT

Acquisitions give entry into new but related markets and thereby extend the reach of the existing businesses and bring new growth opportunities.

The Group applies a consistent level of effort and resources to identifying and developing acquisition opportunities. However, the output in terms of acquisitions completed, ebbs and flows depending on the acquisition environment.

To achieve the Group's objective of strong double-digit growth, acquisition spend of at least £30m p.a. is targeted.

Except in the case of smaller bolt-on acquisitions, the acquired companies maintain their distinct sales and marketing identity and strong independent management teams.

Where there are opportunities for synergies with other Group businesses, these are managed in larger business clusters. Synergies typically include:

- Cross-selling between the businesses
- Joint purchasing between the businesses
- Shared operational infrastructure and shared back-office functions

By the third year post-acquisition, underlying revenue growth for the acquired businesses is typically higher than the Group average and operating margins have improved by 200–300bps on average.

These improvements in financial performance ensure that the Group creates value through its acquisition programme and maintains ROATCE above the 20% threshold.

HOW WE'VE MADE PROGRESS

COAST

In October 2017, Clarendon Specialty Fasteners acquired the business and assets of Coast Fabrication Inc, a small specialty fastener distributor based in California, US. Coast has a strong reputation in US Motorsport which complements Clarendon's strong Motorsport presence in Europe. Coast also provides a US base to expand Clarendon's existing aircraft interiors business in this large market and allows Clarendon to access the major US fasteners suppliers. Revenues of Clarendon, including Coast, grew by 25% in 2018.

For more information
See pages 18–19

ABACUS dx

Since being acquired in 2017, the business has been integrated with our existing DS business and has invested in expanded shared service facilities in Melbourne, Sydney and Brisbane, whilst cross-training technical and applications support personnel at both the global supplier and local level. As a result Abacus dx was able to sell and service over 90 diagnostic instrument placements in 2018 and benefit from the associated pull-through in consumable sales. Revenues of Abacus dx grew by 9% on a like-for-like basis in 2018.

For more information
See pages 14–15

US INDUSTRIAL OEM SEALS

After clustering these businesses under a single senior management team, an ERP system was implemented in 2018 to replace a number of legacy systems. This will allow the management team to consolidate back-office processes to improve visibility of customer activity, inventory and supplier information, and finance. Each location will continue to maintain its own distinct identity, but the ERP system will allow the business to service customers using shared knowledge and products that will increase the value to the customer. Revenues of this business cluster grew by 13% in 2018.

For more information
See pages 16–17

STRATEGIC PRIORITIES AND KPIs

STRATEGIC PRIORITY

GDP+ UNDERLYING 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.

AGILE AND RESPONSIVE ORGANISATION

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

ACQUISITIONS TO ACCELERATE GROWTH

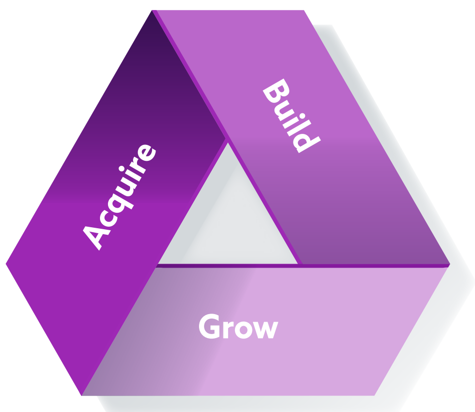
Carefully selected, value enhancing acquisitions accelerate the underlying growth and take us into related strategic markets.

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.

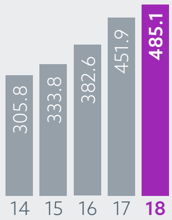


KEY PERFORMANCE INDICATORS

REVENUE GROWTH (£M)

+11%

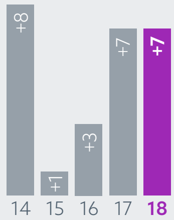
FIVE-YEAR COMPOUND



UNDERLYING REVENUE GROWTH (%)

+5%

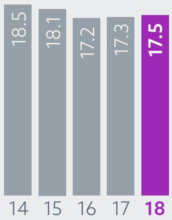
FIVE-YEAR AVERAGE



ADJUSTED OPERATING MARGIN (%)

18%

FIVE-YEAR AVERAGE



ADJUSTED OPERATING MARGIN (ΔBPS)

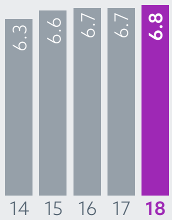
Improvement in adjusted operating margin of acquired businesses three years after acquisition

+200–300bps

LENGTH OF SERVICE (YEARS)

6.6 years

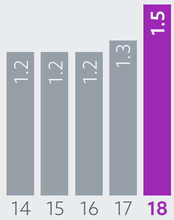
FIVE-YEAR AVERAGE



AVERAGE WORKING DAYS LOST TO SICKNESS (%)

1%

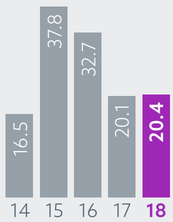
FIVE-YEAR AVERAGE



ACQUISITION SPEND (£M)

£25.5m

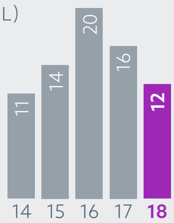
FIVE-YEAR AVERAGE



REVENUE FROM ACQUISITIONS (% OF TOTAL)

15%

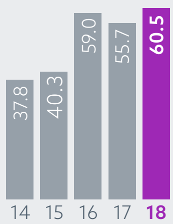
FIVE-YEAR AVERAGE



FREE CASH FLOW (£M)

£50.7m

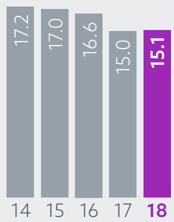
FIVE-YEAR AVERAGE



WORKING CAPITAL (% OF REVENUE)

16%

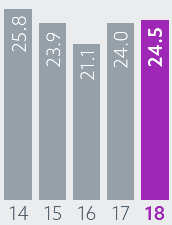
FIVE-YEAR AVERAGE



ROATCE (%)

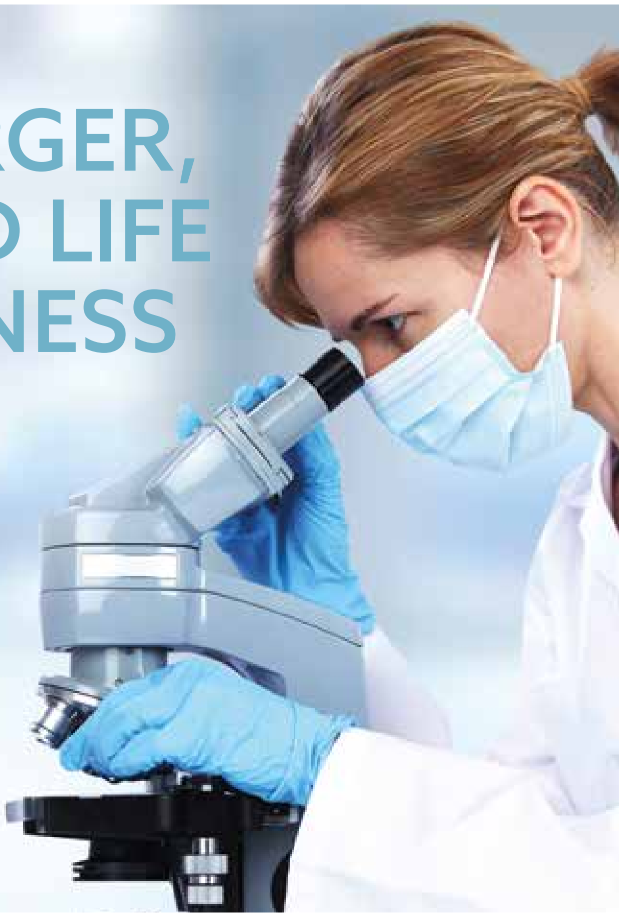
24%

FIVE-YEAR AVERAGE



LIFE SCIENCES

BUILDING A LARGER, BROADER-BASED LIFE SCIENCES BUSINESS



HIGHLIGHTS FROM THE YEAR

- Sector revenue growth of 7%; underlying growth of 5% after adjusting for currency and an acquisition completed last year
- In Canada, DHG underlying revenues increased by 8% with strong consumable revenues from its leading products; the Surgical and Endoscopy products lines at the Vantage business reported strong revenues from the introduction of new premium products
- In Australia and New Zealand, underlying revenues increased by 4%; Abacus ALS acquired in April 2017 reported strong growth across its portfolio of products, which more than offset reduced revenues in the Surgical Products business following the acquisition of a key supplier by a large industry player
- TPD revenues were broadly flat in Ireland and the UK with new suppliers and product segments replacing suppliers moving to a direct supply model
- The Environmental businesses reported unchanged underlying revenues with strong revenue growth in Germany, offset by reduced revenues in the UK from delays in order placement

SECTOR PERFORMANCE

Reported revenues of the Life Sciences Sector businesses increased by 7% to £134.7m. The acquisition of Abacus ALS, acquired in April 2017, incrementally added £6.4m or 5% to Sector revenues, which was partly offset by a headwind of 3% from currency movements on translation of the results from overseas businesses to UK sterling. After adjusting for currency effects and this acquisition, underlying revenues increased by 5%.

Adjusted operating margins reduced by 80bps to 17.7% largely reflecting the investment made during the year developing opportunities for the new endoscopes introduced in Canada. DHG margins were also diluted from a full year contribution, together with one-off integration costs, of the combined diagnostic businesses in Australia and New Zealand and weaker revenues following a loss of a supplier in BGS.

	2018	2017	
Revenue	£134.7m	£125.9m	+7%
Adjusted operating profit	£23.9m	£23.3m	+3%
Adjusted operating margin	17.7%	18.5%	–80bps
Free cash flow	£17.3m	£17.0m	+2%
ROATCE	19.1%	19.7%	–60bps

In addition, an increase in underlying costs in the Environmental businesses on unchanged revenues led to negative leverage. However gross margins improved reflecting a more favourable mix of revenues in both the Healthcare and Environmental business. Adjusted operating profits increased by 3% to £23.9m.

Free cash flow increased marginally to £17.3m, reflecting reduced cash flows into working capital, offset by higher capital investment.

Healthcare

The DHG businesses, which account for 85% of Life Sciences revenues, increased underlying revenues by 6% after adjusting for currency effects and the incremental revenue from the acquisition of Abacus ALS.

In Canada, underlying revenues increased by 8% against the background of continuing budget pressures throughout the Provincial healthcare systems, with Group Procurement Offices ("GPOs") continuing to restructure and amalgamate, both nationally and regionally.

Somagen's core Clinical Diagnostics business delivered an underlying increase of 2% in revenues, with steady growth in consumable and service revenues. Capital sales decreased reflecting the impact of laboratory centralisation and reduced spending after a "catch-up" in procurement last year, following the 2016 hospital spending freeze in some Provinces. Demand for diagnostic testing remained robust, particularly with a combination of strong growth and contract extensions for cancer screening tests and growth from new technology introduced in the areas of Autoimmunity.

AMT and Vantage, the Surgical and Endoscopy businesses in Canada, delivered strong growth in revenues, primarily driven by the successful introduction and rebranding of a premium range of rigid and flexible endoscopes and surgical instrument sets in Vantage. The introduction of a new series of endoscopes in early 2018 has also provided Vantage with opportunities to replace existing customer supply contracts in several Provinces. Strong growth was also achieved at AMT in the supply of specialised instruments used in laparoscopic and other minimally invasive surgical procedures.

In Australia, Diagnostic Solutions has been integrated into Abacus ALS to form Abacus dx, a larger broader-based Clinical Diagnostics, Life Science and Patient Simulation business. Abacus dx has delivered strong growth in revenues on a like-for-like basis, despite the continuing consolidation of testing within Clinical Diagnostics and expanded professional procurement in the fragmented Life Sciences market. BGS, the Surgical Products business, reported a reduction in revenues as it struggled with securing sales of new products introduced to replace electrosurgical products from a supplier that had been acquired by a larger industry player with its own channels to market.

The TPD business in Ireland and the UK reported revenues broadly flat in Euro terms, as it managed the transition of a number of suppliers who have moved from specialised distribution to a direct supply model. New suppliers have been secured that will help mitigate this transition, together with solid growth within the Clinical segment supplying clinical chemistry and serology control products.

Environmental

The a1-group of Environmental businesses in Europe, which account for 15% of Life Sciences revenues, saw revenues increase by 1% in UK sterling terms, but remained unchanged in constant currency terms.

The a1-envirosciences business based in Germany increased revenues by 7% in Euro terms driven by strong demand in Germany for high-end halogen analysers and increased sales of customised containment enclosures. The a1-CBISS business based in the UK reported an 8% decrease in revenues reflecting significant delays during the year in order placement for continuous emissions monitoring systems ("CEMS").

POTENTIAL FOR GROWTH

- Increase share of specialised segments of **Healthcare** markets in Canada, Australia and UK/Ireland
- Leverage DHG product portfolio across existing businesses and extend into other medical disciplines
- Pursue further **Healthcare** acquisition opportunities in Northern Europe and Asia-Pacific
- Continue to develop product and geographic spread of **Environmental** businesses

SEALS

BUILDING A LARGER, BROADER-BASED SEALS BUSINESS

HIGHLIGHTS FROM THE YEAR

- Sector revenue growth of 7%; underlying growth of 10% after adjusting for currency and the net impact from acquisitions and a disposal completed during the past two years
- In North America, Aftermarket underlying revenues increased by 9%, driven by strong markets in the core Hercules business and continued robust growth in the HKX business
- Industrial OEM underlying revenues in North America increased by 13% in a very strong US industrial market, supported by healthy manufacturing PMI data
- Implementation of a new ERP system in the Industrial OEM businesses in the US, following the establishment of a senior management team last year to manage this cluster of businesses
- International Seals businesses increased underlying revenues by 7% with stronger trading across all businesses in the second half of the year

SECTOR PERFORMANCE

Reported revenues of the Seals Sector businesses increased by 7% to £208.0m. The acquisitions of PSP and Edco completed in 2017, net of a small disposal this year, contributed £3.3m or 2% to Sector revenues, but this was more than offset by currency movements on translation of the results from overseas businesses to UK sterling, which reduced Sector revenues by 5%. After adjusting for the acquisitions and for currency effects, underlying revenues increased by 10%.

Adjusted operating margins for the Sector increased by 100bps to 17.3% with stronger revenues providing operating leverage. This more than offset a small reduction in gross margins arising from both a lag in the first half of the year in passing on supplier price increases and increased freight costs from expediting inventories. Adjusted operating profits increased by 13% to £36.0m.

The free cash flow generated in this Sector increased by £1.0m to £25.9m, with stronger operating cash flow being partly absorbed by higher working capital to support the strong trading environment.

	2018	2017	
Revenue	£208.0m	£195.3m	+7%
Adjusted operating profit	£36.0m	£31.9m	+13%
Adjusted operating margin	17.3%	16.3%	+100bps
Free cash flow	£25.9m	£24.9m	+4%
ROATCE	25.3%	22.8%	+250bps

North American Seals

The North American Seals businesses, which account for 60% of Seals revenues, reported revenues up 6% on the prior year. Underlying revenues increased by 11%, after adjusting for the strengthening of UK sterling against both the US and Canadian dollar, for the disposal of a small non-core business in June and the bolt-on acquisition of PSP completed last year.

The HFPG **Aftermarket** businesses increased revenues by 9% on a constant currency basis, driven by strong trading conditions in the core Hercules business in both the US and Canada and continued robust growth in the HKX attachment kit business that has continued to benefit from tight availability of OEM excavator equipment. In the domestic US market, Hercules revenues increased by 9% with the Repair and Distributor segments growing steadily through the year reflecting higher equipment levels. In Canada, revenues increased by 7% in local currency terms, supported by a robust Construction sector with increased residential housing starts driving growth in the repair market.

The core Hercules business in the US has made good progress in developing a major project to invest ca. US$10m in a second warehouse facility to provide capacity to meet the growing demand for a broader range of products, as well as gain greater access to expanded territories in the US.

The HFPG **Industrial OEM** businesses in North America increased revenues by 13% in a very strong US industrial market, supported by healthy Manufacturing PMI data. Good double-digit growth was achieved in its large key accounts across a range of specialised industrial applications through deeper and broader penetration to identify additional value-adding opportunities.

The Industrial OEM Seals businesses now comprise a cluster of businesses led by a single senior management team directing the key functions of Sales, Supply Chain, Technical and Finance, while maintaining the distinct identity of each business. This has provided the opportunity to realign sales resources and consolidate the supply chain and finance functions within one back office. A key and necessary part of this exercise was the implementation of a new ERP system to replace the disparate legacy IT systems in the businesses. The new ERP system, which went live shortly after the year end, will increase operational efficiency and improve business intelligence to allow field sales to focus on higher margin market segments and products.

International Seals

The International Seals businesses, which account for 40% of Seals revenues, reported a 7% increase in UK sterling terms, benefiting from substantially stronger revenues in the second half of the year. After adjusting for currency effects, the impact from the disposal of the Bulldog business on FPE revenues and the acquisition of Edco completed last year, underlying revenues were also up 7%.

The FPE Seals and M Seals businesses, with their principal operations in the UK, Scandinavia and the Netherlands, together delivered underlying growth of 6% in revenues on a constant currency basis and after adjustment for the acquisition of Edco and disposal of Bulldog.

Kubo, which operates in Switzerland and Austria, increased underlying revenues by 13%, benefiting from strong industrial production driven by increased exports and supported by the depreciation of the Swiss franc. Customers and suppliers reported full order books with production capacity at high levels.

The Kentek business, with principal operations in Finland and Russia, increased revenues by 1% in Euro terms, despite the significant impact on the region from the EU/US sanctions regime. Revenues generated in Russia, which account for ca. 65% of Kentek revenues, improved strongly in the second half of the year, after a weak first half, supported by stronger global Oil & Gas markets.

WCIS revenues were negatively impacted this year by cost reduction initiatives in the nickel mining and processing operations of its major customer in New Caledonia. This more than offset strong growth in Australian revenues as new contracts were gained in the Power Generation sector and as Mining activity continued to improve with repairs of customer assets.

POTENTIAL FOR GROWTH

- Continue to gain share in **Aftermarket Seals** in North America through superior marketing and new products
- Leverage E-commerce best practice from North America across **International Seals** businesses
- Build and expand the group of **Industrial OEM Seals** businesses in North America and leverage procurement activities with the **International Seals** businesses
- Explore opportunities more broadly in Industrial Distribution in North America
- Build larger, broader-based **International Seals** business in the EMEA and Asia-Pacific regions

CONTROLS

BUILDING A LARGER, BROADER-BASED CONTROLS BUSINESS

HIGHLIGHTS FROM THE YEAR

- Sector revenue growth of 9%; underlying growth of 5% after adjusting for currency and acquisitions completed this year
- The Interconnect businesses delivered underlying growth of 7%; the FS Cables acquisition brings a range of own-branded specialist wire and cable products
- Clarendon increased underlying revenues by over 8%, with growth driven by broadening its range of customers in Civil Aerospace; US market targeted through the acquisition of Coast
- Fluid Controls revenues reduced by 4% reflecting the decision to focus on higher margin business and the absence of a large one-off project

SECTOR PERFORMANCE

Reported revenues of the Controls Sector businesses increased by 9% to £142.4m. The acquisitions of Coast, acquired in October 2017 and FS Cables, acquired in August 2018, added £5.1m or 4% to Sector revenues. After adjusting for negligible currency movements on revenues from translation to UK sterling and for these acquisitions, underlying Sector revenues increased by 5%.

Adjusted operating margins were unchanged at 17.6%. Gross margins improved overall reflecting a stronger customer mix in Clarendon, the absence in Fluid Controls of a large low margin project last year, together with a focus away from lower margin air conditioning business. In Interconnect, stronger gross margins in the Cablecraft business offset the impact of strategic pricing used selectively by the IS-Group to penetrate new customers within the broader European region. Investment in sales resources to drive growth for Clarendon in the US and to enhance E-commerce at

	2018	2017	
Revenue	£142.4m	£130.7m	+9%
Adjusted operating profit	£25.0m	£23.0m	+9%
Adjusted operating margin	17.6%	17.6%	–
Free cash flow	£19.8m	£18.6m	+6%
ROATCE	29.8%	32.2%	–240bps

Cablecraft contributed to an increase in operating costs ahead of revenue. Adjusted operating profits increased by 9% to £25.0m.

Free cash flow increased by 6% to £19.8m reflecting stronger trading and the additional contribution from the acquisitions, partly offset by higher capital expenditure.

Interconnect

The Interconnect businesses account for 59% of Controls revenues and reported an increase in revenues of 9% in UK sterling terms. After adjusting for the FS Cables acquisition and for currency effects, underlying revenues increased by 7% with good growth in the IS-Group and Cablecraft, more than offsetting the absence of major project activity in Filcon.

The IS-Group's UK businesses reported a 18% increase in revenues reflecting good success achieved in broadening its customer base across the broader European region, through directly targeting cable harness houses, as well as supplying the traditional network of European sub-distributors. The IS-Group's German business, IS-Sommer, delivered 12% growth in revenues with particularly strong performances in the Aerospace, Defence and Industrial markets.

Cablecraft reported a 5% increase in revenues as it continued to target new end-user customers including panel builders, switchgear manufacturers, Industrial OEMs and Contractors. During the year the business also focused on substantially refreshing its brand offering and marketing strategy, to be supported by the launch of an enhanced E-commerce website in the first quarter of the new financial year to target a broader range of customers in both the UK and overseas.

In August 2018, the Group acquired FS Cables, an established and leading supplier of specialist cable products to installers, end-users and wholesalers for a range of industries. These products complement Cablecraft's range of cable accessory products and will provide cross-selling opportunities to both businesses.

After the year end, in October 2018, the IS-Group acquired Gremtek, a long established and leading supplier of own branded protective sleeving and cable identification products to a broad range of industrial markets principally in France, but also in Germany and elsewhere in Europe. Gremtek's principal location is in Paris, France, supported by a facility in Quickborn, Germany.

Specialty Fasteners

The Clarendon Specialty Fasteners business now accounts for 21% of Controls revenues. After adjusting for an acquisition this year, underlying revenues increased by 8% with growth driven principally from increased demand from customers in a buoyant Civil Aerospace sector. In this sector Clarendon continued to broaden its customer base of major aircraft seating and cabin interior manufacturers and their sub-contractors across Europe and Asia. Clarendon supports its major customers by supplying its product through its automatic inventory replenishment system ("Clarendon AIR"). During the year, the number of sites operating this system doubled, enabling Clarendon to better service these customers' requirements and providing opportunities for further growth.

In Clarendon's other major market of Motorsport, underlying revenue growth from Formula 1 customers was held back by the absence of any major rule changes in 2018.

The US business (rebranded Clarendon Specialty Fasteners Inc), acquired in October 2017 has made a good contribution, with particular success in the Space Technology sector. The US business also provides a base to build on the success Clarendon has achieved in the aircraft cabin interiors market in Europe by targeting the US based manufacturers and their subcontractors.

Fluid Controls

The Hawco Group of Fluid Controls businesses accounts for 20% of Controls revenues and supplies temperature, pressure and fluid control products, principally to the Food & Beverage industry. Revenues decreased by 4% against the prior year reflecting the absence of a large one-off project delivered last year and the decision to focus on higher margin products and pull-back from the highly price competitive air conditioning business.

POTENTIAL FOR GROWTH

- In **Interconnect**, create a broader-based European cable harnessing components business and extend product range with own-branded products
- In **Interconnect** develop cross-selling opportunities between Cablecraft and FS Cables to drive future growth
- In **Specialty Fasteners**, build on strong positions in Civil Aerospace and Motorsport, with a particular focus on the US and Asian markets
- In **Fluid Controls**, target the business to grow export markets in the Food & Beverage industry

FINANCE REVIEW

NIGEL LINGWOOD GROUP FINANCE DIRECTOR

MAINTAINING FINANCIAL DISCIPLINE

ADJUSTED OPERATING MARGIN

17.5%

FREE CASH FLOW

£60.5m

ROATCE

24.5%

REPORTED AND UNDERLYING RESULTS IN 2018

Reported revenues increased by 7% to £485.1m and adjusted operating profit increased by 9% to £84.9m, with each Sector benefiting from a favourable macroeconomic environment leading to robust customer demand in all geographies.

A recovery this year in UK sterling, particularly in the first half of the year, led to a currency headwind of 3% on the translation of the results of the overseas businesses, when compared with last year's average exchange rates. This currency headwind led to a reduction in revenues and adjusted operating profits of £13.1m and £2.4m, respectively. Acquisitions completed this year and last year, net of a small disposal this year, incrementally contributed £14.8m and £2.1m to revenue and adjusted operating profit, respectively.

The underlying results present the performance of the Group on a like-for-like basis by adjusting for the contribution from businesses acquired during the year (and from the incremental impact from those acquired last year) and for the impact on the translation of the results of the overseas businesses from the strengthening in the UK sterling exchange rate, against most of the currencies of the Group's overseas businesses. With the currency headwind being broadly offset by the incremental contribution from acquisitions (net of a small disposal), underlying revenues and underlying adjusted operating profits also increased by 7% and 9%, respectively.

ADJUSTED OPERATING MARGIN

The Group's adjusted operating margin improved by 20bps this year to 17.5% (2017: 17.3%) reflecting the benefit of operational leverage, with Group gross margins remaining unchanged from last year.

In Life Sciences, gross margins strengthened slightly, reflecting a more favourable product mix and a small net currency transactional benefit from movements in exchange rates. The Canadian and Australian exchange rates have generally remained more stable this year and the benefit of favourable currency hedge contracts made a positive contribution. In Seals, gross margins slightly weakened as buoyant markets led to supplier price increases and longer product lead times. These price increases were generally not passed through to customers until the second quarter of the financial year. Freight costs also increased to mitigate longer lead times and maintain service levels to customers. In Controls, gross margins improved reflecting the benefit from a favourable product mix, proactive and targeted price increases and a decision to pull back from lower margin sales opportunities.

ADJUSTED PROFIT BEFORE TAX AND ADJUSTED EPS

Adjusted profit before tax increased by 9% to £84.8m (2017: £77.5m). The interest expense this year was £0.1m (2017: £0.7m) and comprised the interest expense on the Group's net pension deficit, which had reduced from £0.3m last year, reflecting the smaller deficit in the fund at the beginning of this year.

Adjusted earnings per share ("EPS") increased by 13% to 56.4p, compared with 49.8p last year and statutory EPS increased by 13% to 47.5p (2017: 42.0p).

FREE CASH FLOW

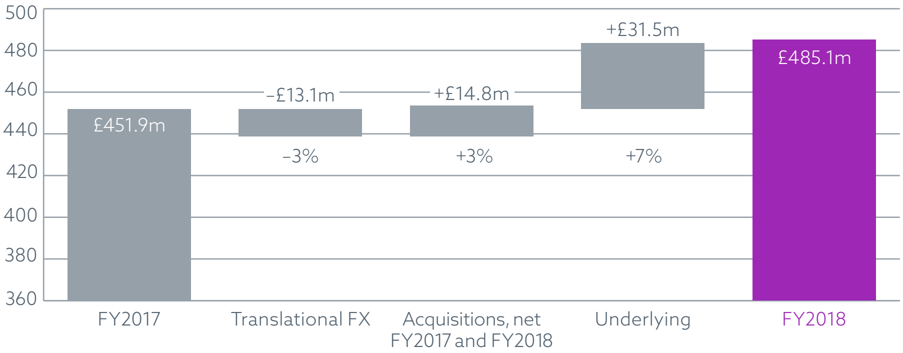
Free cash flow represents cash available to invest in acquisitions or return to shareholders. The Group again generated strong free cash flow this year of £60.5m (2017: £55.7m), which benefited from £4.0m received on the sale of the small non-core US business. The free cash flow conversion was 95% (2017: 99%) of adjusted earnings.

The Group's operating cash flow increased by £5.0m to £84.3m (2017: £79.3m) this year, broadly reflecting the increase in operating profit. The outflow of cash into working capital reduced substantially in the second half of the year to £5.1m (2017: £4.0m) from £11.2m at 31 March 2018. Inventories increased by £8.3m (2017: £5.1m) to meet the stronger trading environment, particularly in the Seals businesses. This was partly offset by an inflow of £3.2m (2017: £1.1m) from an increase in net payables at the year end. The Group's KPI metric of working capital to revenue at 30 September 2018 remained broadly unchanged from last year at 15.1% (2017: 15.0%), again reflecting the robust revenues over the previous rolling 12 months.

ACQUISITIONS COMPLETED DURING THE YEAR

The Group invested £18.1m on acquiring new businesses this year and paid a further £0.3m of deferred consideration on businesses acquired in prior years. In August 2018 the Group completed the acquisition of FS Cables, based in St Albans, UK, for £16.9m on a debt/cash free basis. A further £1.2m was spent in October 2017 to acquire

REVENUE BRIDGE – FY2018 (£m)



GBP VS G10 CURRENCY BASKET SECURITIES

Coast, a small specialty fastener distributor based in California, US.

Shortly after the year end, the IS-Group acquired Gremtek for £7.4m.

RETURN ON ADJUSTED TRADING CAPITAL EMPLOYED AND CAPITAL MANAGEMENT

A key metric used to measure the overall profitability of the Group and its success in creating value for shareholders is the return on adjusted trading capital employed ("ROATCE"). At a Group level, this is a pre-tax measure that is applied against the fixed and working capital of the Group, together with all gross intangible assets and goodwill, including goodwill previously written off against retained earnings. At 30 September 2018, the Group ROATCE remained comfortably ahead of our 20% benchmark and improved to 24.5% (2017: 24.0%), which reflects the strong increase in adjusted operating profit this year. Adjusted trading capital employed is defined in notes 2 and 3 to the consolidated financial statements in the Annual Report & Accounts.

The Group continues to maintain a strong balance sheet with cash funds of £36.0m at 30 September 2018, compared with £22.3m last year. This strong balance sheet and cash flow allows the Board to pursue a progressive dividend policy that aims to increase the dividend each year broadly in line with the growth in adjusted EPS. For 2018, the Board has recommended a final dividend of 17.8p per share (2017: 16.0p) making the proposed full year dividend 25.5p (2017: 23.0p). This represents an 11% increase in the proposed full year dividend with dividend cover remaining unchanged at 2.2 times.

POTENTIAL IMPACT OF BREXIT

At an operational level, the impact on the Group's businesses from the current uncertainty over the process and timing of the UK's exit from the European Union is not expected to be significant in terms of the Group's overall profitability. UK based revenues account for only 26% of the Group's overall revenues and the UK businesses, as well as those based in Continental Europe, are substantially "in country" industrial suppliers of goods with limited cross border sales activity.

The Board will continue to monitor closely developments in the Brexit plans on its UK businesses. A prolonged disruption at the UK's borders has the potential to impact the supply chain of the Group's UK businesses; however the businesses maintain a strong depth of inventories and have begun to build inventory levels of their faster moving product lines which would mitigate the impact on their activities from a significant disruption in cross border trade between the UK and Continental Europe.

BOARD OF DIRECTORS

JOHN NICHOLAS[3]
Chairman

Appointed
Joined the Board on 1 June 2013 and appointed Chairman on 21 January 2015. Following the departure of Richard Ingram as Chief Executive Officer on 28 August 2018, John Nicholas was appointed interim Executive Chairman.

Skills and experience
A Chartered Certified Accountant with a Masters degree in Business Administration from Kingston University, London. John has a wealth of business and commercial experience and spent much of his early career in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing.

He has been Group Finance Director of Kidde plc (on its demerger from Williams Holdings) and of Tate & Lyle PLC.

External appointments
John is non-Executive Chairman of Porvair plc.

NIGEL LINGWOOD
Group Finance Director

Appointed
Joined the Company in June 2001 and appointed Group Finance Director in July 2001.

Skills and experience
Prior to joining the Company, Nigel was the Group Financial Controller at Unigate PLC where he gained experience of working in a large multinational environment and on a number of large corporate transactions. Nigel qualified as a Chartered Accountant with Price Waterhouse, London.

External appointments
None.

CHARLES PACKSHAW[1,2,3]
Senior Independent Non-Executive Director

Appointed
Joined the Board on 1 June 2013 and appointed Senior Independent Director on 27 February 2015.

Skills and experience
Charles has over 30 years of City experience, including 15 years at HSBC where he was Head of UK Advisory and Managing Director in HSBC's global banking business. Prior to that, he was Head of Corporate Finance at Lazard in London. Charles has been a non-Executive Director of two listed companies and he is also a Chartered Engineer.

External appointments
Charles is Senior Independent non-Executive Director of BMT Group Limited, non-Executive Director at Fram Farmers Limited and Chair of Prostate Cancer UK.

EXECUTIVE MANAGEMENT COMMITTEE

JOHN NICHOLAS
Chairman

NIGEL LINGWOOD
Group Finance Director

STUART BELL

Joined the Group in May 2013 in the Group Finance department, became Group Financial Controller in June 2015 and appointed as Finance Director, International Seals in October 2018.

DAN BROWN

Joined the Group in October 2015 to take responsibility for the Group's Healthcare businesses across all international markets. Now responsible for the Life Sciences Sector.

DARIN CLAUSE

Joined the Group in November 2015 to take responsibility for the Seals businesses in North America and more broadly to develop new opportunities in US Industrial Distribution. Now responsible for the Seals Sector.

ANDY SMITH[1,2,3]
Non-Executive Director

Appointed
Joined the Board and appointed Chairman of the Remuneration Committee on 9 February 2015.

Skills and experience
Andy is Managing Director, Severn Trent Business Services with responsibility for the company's non-regulated businesses. He has many years of plc Board level experience having previously served on the Boards of The Boots Company PLC as Group HR Director and Severn Trent PLC as Water Services Director. Andy is a Mechanical Engineering graduate and has significant operational and HR experience. He has worked in the UK and overseas previously with global businesses including BP, Mars and Pepsi.

External appointments
None.

ANNE THORBURN[1,2,3]
Non-Executive Director

Appointed
Joined the Board on 7 September 2015 and appointed Chairman of the Audit Committee on 17 November 2015.

Skills and experience
Anne was Chief Financial Officer of Exova Group plc and has many years of experience at Board level in listed international groups. Anne was previously Group Finance Director at British Polythene Industries PLC. Anne is a member of the Institute of Chartered Accountants in Scotland.

External appointments
Anne is a non-Executive Director of BTG plc.

Director Changes During the Year

Bruce Thompson
Appointed Chief Executive Officer in 1996 and retired from the Board on 8 May 2018.

Richard Ingram
Joined the Board on 23 April 2018 and appointed Chief Executive Officer on 8 May 2018. Stood down as Chief Executive Officer and as Executive Director on 28 August 2018.

Committee membership
1 Remuneration Committee
2 Audit Committee
3 Nomination Committee

CAROLYNE DICK

Joined the Group in August 2003 in the Group Finance department. Appointed Group FP&A Director in June 2015 with responsibility for the Group's management reporting system and appointed as Group FP&IS Director in October 2018 responsible for the Group-wide Information Systems.

GUSTAV RÖBER

Joined the Group in September 2004 initially as Group Financial Controller and appointed Corporate Development Director in 2012. Now responsible for the Controls Sector.

NEIL YAZDANI

Neil is currently a Director at Deloitte LLP and will join the Group in January 2019 as Group Financial Controller.

FIVE YEAR RECORD

Year ended 30 September	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	**485.1**	451.9	382.6	333.8	305.8
Adjusted operating profit	**84.9**	78.2	65.7	60.3	56.7
Adjusted profit before tax	**84.8**	77.5	64.9	59.6	56.2
Fixed assets	**24.8**	23.3	24.7	24.0	13.9
Working capital	**75.2**	68.4	63.4	59.9	54.2
Goodwill and intangible assets	**182.1**	176.8	169.8	129.5	108.8
Investment	**0.7**	0.7	0.7	0.7	0.7
Reported trading capital employed	**282.8**	269.2	258.6	214.1	177.6
Net cash funds	**36.0**	22.3	10.6	3.0	21.3
Other assets/(liabilities), net	**(24.5)**	(24.7)	(31.4)	(22.3)	(11.6)
Net assets	**294.3**	266.8	237.8	194.8	187.3
Cash flow from operating activities	**84.3**	79.3	76.6	62.1	55.0
Free cash flow	**60.5**	55.7	59.0	40.3	37.8
Acquisition expenditure	**(20.4)**	(20.1)	(32.7)	(37.8)	(16.5)
	Pence	Pence	Pence	Pence	Pence
Adjusted earnings per share	**56.4**	49.8	41.9	38.2	36.1
Dividends per share	**25.5**	23.0	20.0	18.2	17.0
Net assets per share	**259.9**	235.6	210.0	172.0	165.4
	%	%	%	%	%
Adjusted operating margin	**17.5**	17.3	17.2	18.1	18.5
Working capital as percentage of revenue	**15.1**	15.0	16.6	17.0	17.2
Return on adjusted trading capital employed ("ROATCE")	**24.5**	24.0	21.1	23.9	25.8

The information above has been extracted from the audited Annual Report & Accounts of Diploma PLC and does not constitute statutory information. Diploma PLC uses alternative performance measures as key performance indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow, trading capital employed and ROATCE, as explained in note 2 and 3 to the consolidated financial statements in the Annual Report & Accounts.

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

Announcements (provisional dates)

First Quarter Statement released	16 January 2019
Annual General Meeting (2018)	16 January 2019
Second Quarter Statement released	27 March 2019
Half Year Results announced	13 May 2019
Third Quarter Statement released	28 August 2019
Preliminary Results announced	18 November 2019
Annual Report posted to shareholders	6 December 2019
Annual General Meeting (2019)	15 January 2020

Dividends (provisional dates)

Interim announced	13 May 2019
Paid	12 June 2019
Final announced	18 November 2019
Paid (if approved)	22 January 2020

Annual Report & Accounts
Copies can be obtained from the Group Company Secretary at the address shown above.

Share Registrar – Computershare Investor Services PLC
The Company's Registrar is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Telephone: 0370 7020010. Its website for shareholder enquiries is www.computershare.co.uk.

Shareholders' enquiries
If you have any enquiry about the Company's business or about something affecting you as a shareholder (other than questions dealt with by Computershare Investor Services PLC) you are invited to contact the Group Company Secretary at the address shown below.

Group Company Secretary and Registered Office
AJ Gallagher FCIS, Solicitor, 12 Charterhouse Square, London EC1M 6AX. Telephone: 020 7549 5700.
Registered in England and Wales, number 3899848.

Website
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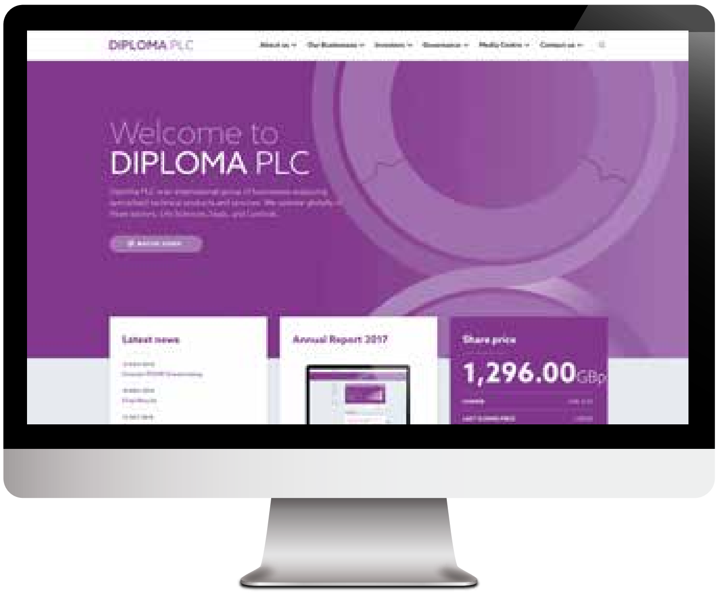

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