DIPLOMA PLC

# Annual Review 2012

# Essential to our Customers

# Our Sectors



Audited financial statements are set out in the Annual Report & Accounts 2012.

"Diploma PLC is an international group of businesses supplying specialised technical products and services."

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

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

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

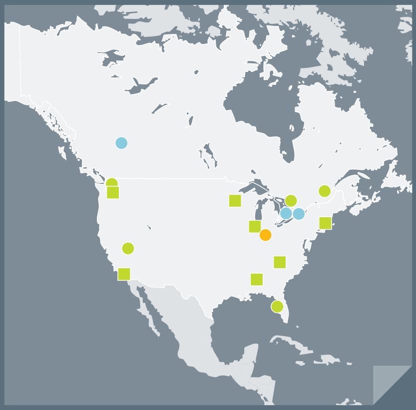
# Group
# at a Glance

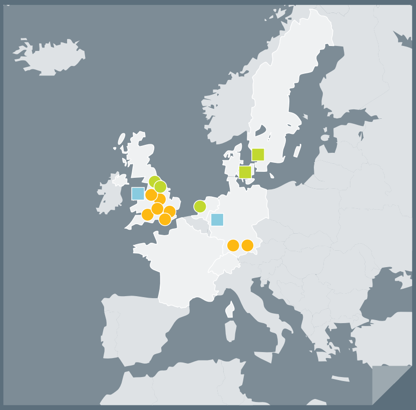
The Group is well diversified by geographic and business area.

**Life Sciences**
- Healthcare
- Environmental

**Seals**
- Aftermarket
- Industrial OEM

**Controls**
- Controls





## Geography

**North America**

54%

of revenues[1]

27% US
27% Canada

**Europe**

39%

of revenues[1]

22% UK
17% Continental Europe

**Rest of World**

7%

of revenues[1]

- **Life Sciences**
- **Seals**
- **Controls**

North American revenue by sector

European revenue by sector

ROW revenue by sector

1 By destination

We focus on essential products and services funded by customers' operating rather than capital budgets, giving recurring income and stable revenue growth.

## Life Sciences

**Healthcare (80% of revenues)**
Medical devices and related consumables and services supplied to Pathology laboratories, Operating Rooms and GI Endoscopy suites and clinics

**Environmental (20% of revenues)**
Environmental analysers, containment enclosures and emissions monitoring systems

30%
of revenues[1]

270
employees worldwide

## Seals

**Aftermarket (60% of revenues)**
Next day delivery of seals, sealing products and cylinder components for the repair of heavy mobile machinery

**Industrial OEMs (40% of revenues)**
Sealing products and custom moulded and machined parts supplied to manufacturers of specialised industrial equipment

38%
of revenues[1]

489
employees worldwide

## Controls

**Interconnect (70% of revenues)**
Wiring, harness components and fasteners used in specialised applications in Aerospace, Defence, Motorsport, Energy, Medical and Industrial

**Fluid Controls (30% of revenues)**
Temperature, pressure and fluid control products used in food, beverage and catering industries

32%
of revenues[1]

292
employees worldwide

# Another year of strong growth

## Financial Highlights

### Year ended 30 September

| | **2012 £m** | 2011 £m | |
|---|---|---|---|
| Revenue | **260.2** | 230.6 | 13% |
| Adjusted operating profit[1] | **52.8** | 45.2 | 17% |
| Adjusted operating margin[1] | **20.3%** | 19.6% | |
| Adjusted profit before tax[1,2] | **52.6** | 44.9 | 17% |
| Profit before tax | **46.0** | 39.2 | 17% |
| Free cash flow | **32.7** | 25.0 | 31% |
| | **Pence** | Pence | |
| Adjusted earnings per share[1,2] | **33.1** | 27.9 | 19% |
| Basic earnings per share | **27.9** | 24.0 | 16% |
| Total dividends per share | **14.4** | 12.0 | 20% |
| Free cash flow per share | **28.9** | 22.1 | 31% |

1 Before acquisition related charges.
2 Before fair value remeasurements.

Note:
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 and free cash flow. The narrative in the Annual Review is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements included in the Annual Report & Accounts.

# Chairman's Statement

**John Rennocks**
Chairman

"The Group has delivered another year of strong double-digit growth in earnings and dividends."

## Investing for Growth

Over the last five years, against a backdrop of uncertain global markets, the Group has achieved 20% pa compound growth in earnings by a combination of good organic growth and selective, value-enhancing acquisitions. Market capitalisation has more than doubled over the five year period and early in the financial year, the Group entered the FTSE 250 index.

I am pleased to report that the Group has made further progress during this financial year and has delivered substantial value to shareholders with another year of strong double-digit growth in earnings and dividends.

The ability of the Group to continue to deliver these strong returns to shareholders over the next five year period, requires a commitment to invest strongly in establishing a firm foundation for growth. As I indicated last year, the Board has approved significant investment across the Group's businesses, designed to ensure that the Group will continue to deliver strong growth.

By the end of the 2013 financial year, the Group will have invested ca. £3m in new and enlarged facilities for several businesses in the Group. Substantial investment has also now commenced on large ERP IT projects in three businesses and another project is planned to commence later in 2013 with an aggregate investment of ca. £2m. We have also invested in broadening the skill base across the Group, through a combination of recruiting additional senior management and new training programmes, at an additional annual cost of ca. £1m.

The Board is confident that with these investments and with further value-enhancing acquisitions, the momentum of growth in the Group will be sustained over the next five years.

## Performance

Group revenue increased in 2012 by 13% to £260.2m (2011: £230.6m) with the continued strong performance in the Seals businesses being the main driver to growth and with good contributions from the Life Sciences and the Controls businesses.

Adjusted operating margins increased further during the year to 20.3% (2011: 19.6%) reflecting the operational leverage in the North American Seals businesses and as a result, adjusted operating profit increased by 17% to £52.8m (2011: £45.2m).

Underlying Group revenues and adjusted operating profit increased by 6% and 11% respectively, after adjusting for the impact from acquisitions, the divestment of a small business in Switzerland and currency movements on the translation of overseas results.

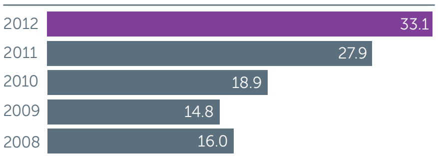
Adjusted profit before tax increased by 17% to £52.6m (2011: £44.9m) and adjusted earnings per share, helped by the purchase of minority interests last year, increased by 19% to 33.1p (2011: 27.9p).

The Group's continuing ability to generate excellent cash flow was demonstrated by an increase in free cash flow of over 30% to £32.7m (2011: £25.0m). This was after increasing capital investment to £3.5m (2011: £1.7m) which included £1.3m to upgrade facilities and other infrastructure assets.

# Five Year Performance

EPS growth

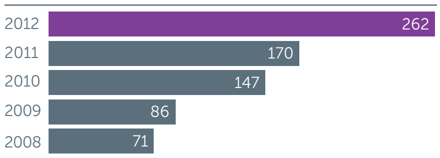
## +20% p.a.




Adjusted EPS in pence

TSR growth

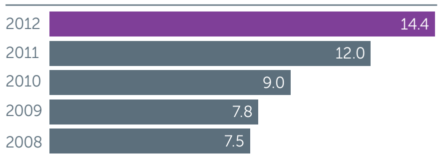
## +21% p.a.




TSR index, end September 2007 = 100

Dividend growth

## +22% p.a.




Dividends in pence per share

After investing £22.3m on acquiring businesses and making dividend distributions to shareholders of £14.2m, the Group had net cash funds of £7.9m at 30 September 2012. This demonstrates the continuing strength of the Group's balance sheet and provides confidence in the Group's ability to continue to invest strongly for future growth.

### Acquisitions

The Board's strategy to accelerate growth through carefully selected, value enhancing acquisitions remains a key factor in providing outstanding returns to shareholders. Once acquisitions are completed, the Group looks to make appropriate investment in the newly acquired businesses to build a solid platform for future growth.

The Board has continued to pursue this growth strategy during the year by investing over £22m in acquiring new businesses, with all three sectors of the Group benefiting from this investment. Each of these acquisitions has provided our existing businesses with opportunities to expand into new and related product and geographic markets.

We will continue to invest sensibly in broadening our businesses through a combination of organic investment and by acquisition. We have made good progress during the year in adding experienced resources which are designed to accelerate and broaden the acquisition programme over the coming years.

### Dividends

With another year of good progress and in light of the strong balance sheet and free cash flow, the Board is recommending an increase in the final dividend of 20% to 10.2p per share (2011: 8.5p) which, subject to shareholder approval at the Annual General Meeting, will be paid on 23 January 2013 to shareholders on the register at 30 November 2012.

The total dividend per share for the year will be 14.4p which also represents a 20% increase on 2011. This is well covered by Adjusted EPS at 2.3 times and remains in line with our objective of targeting towards a 2 times cover.

### Governance

I am delighted to welcome Marie-Louise Clayton to the Board following her appointment as a non-Executive Director on 13 November 2012. As I indicated last year, this appointment represents the initial stage of developing the Board to meet the higher governance standards required of larger companies and we look forward to advancing this process over the next year with a further new addition. We have also made good progress during the year with updating our Board processes and policies to meet the UK Corporate Governance Code requirements. In September 2012, the Board separated the role of Company Secretary from the Group Finance Director with the appointment of Anthony Gallagher as Group Company Secretary.

### Employees

We have continued to invest this year in developing our management group through the appointment of external resource and through new internal promotions across the Group. We continue to foster an entrepreneurial culture within our businesses which encourages all our staff to take responsibility for their own businesses. I wish to send my sincere thanks to everyone in the Group, whose exceptional efforts and dedication to deliver outstanding value to our customers, has allowed the Group to continue to make further progress.

### Current Trading

The Life Sciences businesses have begun the year well, benefiting from the investments made last year in consolidating the Healthcare businesses in Canada and from expanding further in Australia. The Seals businesses are continuing to enjoy robust underlying growth in their key markets in North America. The Controls businesses are benefiting from the acquisitions completed in the UK last year, but Continental European markets continue to show little sign of underlying growth.

The Group has a resilient business model with a good geographic spread of businesses which are supported by a strong Group balance sheet and robust cash flow. The investments made this year will provide a platform to drive underlying growth and intensify the search for good quality acquisitions. These factors provide the Board with confidence that, despite the background of weak global economic market conditions, the Group is well placed to make further progress in the new financial year.

**John Rennocks**
**Chairman**
19 November 2012

# Our Business Model

The Group comprises a number of high quality, specialised businesses which design their individual business models to make them essential to their customers.

The Group's business model, supplying essential products and solutions to specialised market segments, supports steady organic revenue growth and sustainable attractive margins.

We encourage an entrepreneurial culture through a decentralised organisation structure; these essential values ensure that the businesses are agile and responsive to market changes.

## Essential Products
= recurring income and stable revenue growth

**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.

These characteristics all contribute to the Group's record of stable revenue growth over the business cycle.

"Our business model is designed to make us essential to our customers."

## Essential Solutions
= sustainable and attractive margins

**Our businesses design their individual business models to provide solutions which closely meet the requirements of their customers.**

The solutions can be in the form of:

- 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 them or would require them to invest in additional resources of their own.

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

## Essential Values
= agility and responsiveness

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

We want the 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. This 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.

# Our Growth Strategy

The Group's strategy is designed to deliver strong, double-digit growth by building larger, broader-based businesses in the three Group sectors – Life Sciences, Seals and Controls.

The Group comprises a number of high quality, specialised businesses which, through their focus on essential products, solutions and values, generate stable "GDP plus" levels of organic revenue growth (5–6% p.a.) over the business cycle.

To complement the organic growth strategy, the Group has an ongoing acquisition programme, designed to accelerate growth and to facilitate entry into related strategic markets.

Post acquisition, the Group provides the investment required by the acquired business to build a solid foundation to deliver stable, profitable growth.

## Acquire

Clear business criteria have been established to guide the Group's acquisition programme:

- Fit with the Group's business model of essential products, solutions and values;
- Marketing led with strong customer relationships;
- Secure supply of high quality, differentiated products;
- Capable management.

The principal financial criteria are:

- Track record of stable, profitable growth and cash generation;
- Exceed IRR threshold of 13% to ensure 20%+ pre-tax ROI.

## Build

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

The acquisitions we make are of companies which 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 the management, we provide the investment required to build a solid foundation to allow the company to move to a new level of growth. The investment 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.

Except in the case of smaller, bolt-on acquisitions, the acquisitions will maintain their distinct sales and marketing identity and will be managed as independent business units. However, where there are opportunities for synergies with other Group businesses, these will be managed within larger business clusters.

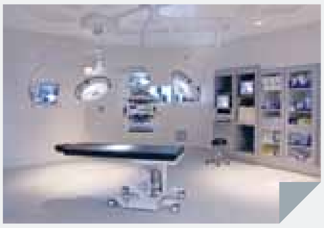
Typically synergies come in the following areas:

- Cross-selling between the businesses;
- Joint purchasing between the businesses;
- Common back-office functions for finance and administration.

"Our Acquire, Build, Grow strategy can be seen in action in the three sectors."

See page 14
See page 16
See page 18






**Acquisition spend**

2012
£22.3m

2011
£28.2m

2010
£11.0m

2009
£12.2m

2008
£7.9m

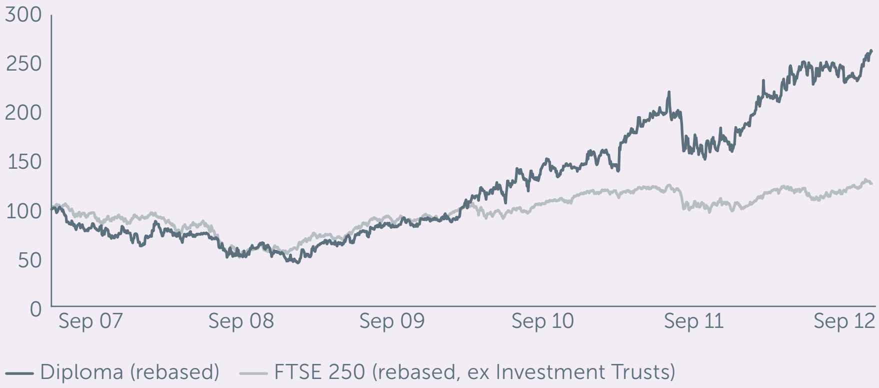
2007
£31.6m

# Chief Executive's Review

Bruce Thompson
Chief Executive Officer

"In 2012 the Group has continued the growth trend with Adjusted EPS increasing by 19% and TSR by over 50%."

Growth in the value of a hypothetical £100 holding over five years




## Principal corporate objectives

### Achieve double digit growth in adjusted EPS over the business cycle

Adjusted earnings per share ("EPS"), measured over the business cycle, provides an absolute benchmark of the Company's performance. Over the last five years, adjusted EPS has grown at a compound growth rate of 20% p.a. through a combination of steady organic growth and carefully targeted acquisitions.

### Generate TSR growth in the upper quartile of the FTSE 250

Total shareholder return ("TSR") is the growth in value of a share plus the value of dividends re-invested in the Company's shares on the day on which they are paid. This is measured against the TSR growth of the FTSE mid-250 index (excluding investment trusts) ("FTSE 250"). The last five years have seen a compound TSR growth for Diploma of 21% p.a., which represents upper quartile performance as compared with the FTSE 250, where median TSR growth has been 5% p.a.

### Deliver progressive dividend growth with two times dividend cover

Diploma follows a progressive dividend policy with a target cover of two times on an adjusted EPS basis. Over the last five years, dividends have steadily grown at the rate of 22% p.a. and this continues the trend of increasing dividends in each of the last 13 years.

"Continuing strong performance delivers long term value to shareholders."

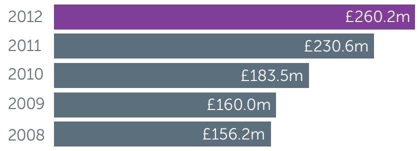
## Next level objectives

## Key performance indicators

**Generate stable "GDP plus" organic revenue growth over the business cycle**
The businesses target organic revenue growth, over the economic cycle, at a rate of 5–6% p.a. ("GDP plus" growth), with higher growth rates achieved at the Group level through carefully selected value enhancing acquisitions.

Total revenue growth: % p.a.

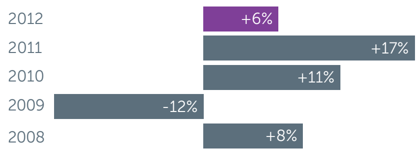
**16% p.a.** compound



Total revenue £m

Underlying organic revenue growth: % p.a.

**+6% p.a.** average



Underlying organic revenue growth % p.a.

**Maintain stable attractive margins**
Operating margin is an important measure of the success of the businesses in achieving superior margins by offering strongly differentiated products and customer focused solutions, as well as by running efficient operations.

Operating margins: % of revenue

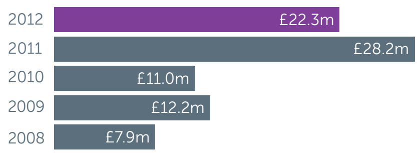
**18%** average

Operating margin as % of revenue

**Accelerate growth through carefully selected value enhancing acquisitions**
To complement the Group's organic growth strategy, the Group has an ongoing acquisition programme, designed to accelerate growth and to facilitate entry into related strategic markets.

Acquisition spend: £m

**>20% ROI**

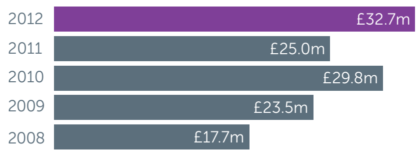


Acquisition spend £m

**Generate consistently strong cash flow to fund growth strategy and dividends**
Free cash flow is defined as the cash flow generated after tax, but before acquisitions and dividends. This measures the success of the Group and its businesses in turning profit into cash through the careful management of working capital and investments in fixed assets.

Free cash flow: £m

**£26m p.a.** average



Free cash flow £m

Working capital as % of revenue

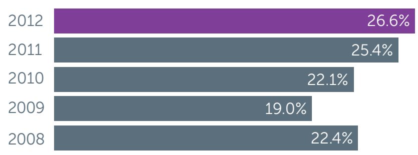
**16-17%** average

Working capital as % of revenue

**Create value by consistently exceeding 20% ROTCE**
Return on trading capital employed ("ROTCE") is defined as adjusted operating profit as a percentage of trading capital employed ("TCE"). TCE excludes net cash and non-operating assets and liabilities, but includes all goodwill and acquired intangible assets.

ROTCE: %

**23%** average



ROTCE %

# 2012 Year in Review

## Proven Strategy for Growth

The Group's strategy is designed to generate strong, double-digit growth in earnings and value over the business cycle, by building larger, broader-based businesses in the three Diploma sectors of Life Sciences, Seals and Controls. Over the last five years, adjusted earnings per share ("EPS") and total shareholder return ("TSR") have grown at compound growth rates of 20% pa and 21% pa, respectively.

In 2012, the Group has continued this growth trend, with adjusted EPS growing by 19% and TSR by over 50%. In addition, the Group has made significant progress in making the investments needed to lay the robust foundation for continued growth in the next five year period.

## Good Operating Performance

In 2012, revenues increased by 13% to £260.2m (2011: £230.6m) with underlying growth of 6% after adjusting for currency effects, acquisitions and a small divestment. Adjusted operating margins for the year have increased to 20.3% of revenue (2011: 19.6%), though margins have reduced from the record high of 20.8% at the Half Year mainly due to the investment programmes which have been initiated during the year.

Significant progress has been made since the Half Year with the planned investments designed to support the future growth of the business. Two of the Industrial OEM Seals businesses in the US, RT Dygert and All Seals, both completed moves to larger new facilities. IS-Rayfast, the UK Controls business and Vantage, the Canadian Healthcare business, have also completed major facility moves in the first quarter of the new financial year. Three new IT projects have been started in the businesses, with further projects planned for later in the year. Finally, investment has been made in additional management resource within the major businesses and in the Diploma corporate group. In total, £2.1m of the planned £6.0m cash investment was made in the second half of the year, leading to additional operating costs of ca. £1.0m being added this year to support future growth.

Even after these additional investments, free cash flow in 2012 has again been strong at £32.7m (2011: £25.0m), with working capital as a percentage of revenue at 16.5%, in line with the longer term average of 16–17%.

During the year, £20.8m was invested in the acquisition of DSL in Life Sciences, J Royal in Seals and Abbeychart and Amfast in Controls and a 10% minority interest in JRPP purchased for £0.7m. Return on trading capital employed ("ROTCE") has increased to 26.6% (2011: 25.4%) driven by the growth in profits and strong management of working capital across the businesses.

## Resilient Business Model

The Group comprises a number of high quality, specialised businesses which design their individual business models to make them essential to their customers. Our businesses are focused on supplying ***essential products*** and services which are funded by the customers' operating rather than their capital budgets, providing recurring income and stable revenue growth. By supplying ***essential solutions***, not just products, we build strong long term relationships with our customers and suppliers, which support sustainable and attractive margins. Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure and these ***essential values*** ensure 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.

## Acquire, Build, Grow Strategy to Drive Double Digit Growth

Our businesses target organic revenue growth over the business cycle at the rate of 5–6% pa ("GDP plus" growth). Growth is then accelerated through carefully selected, value-enhancing acquisitions which fit the business model and offer entry into new strategic markets. These acquisitions form an integral part of our sector growth strategies, designed to deliver strong double digit growth.

In general, when we ***acquire*** businesses, the acquisitions we make are of companies which fit our business model and which are already successful, with a good track record. They will be marketing led with strong customer relationships and will have a secure supply of high quality, differentiated products. They will have capable management and a track record of stable, profitable growth and cash generation. The objective is to generate a pre-tax return on investment ("ROI") of at least 20% on each acquisition and hence support our Group objective of consistently exceeding 20% ROTCE.

The acquired businesses have often 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 firm foundation to allow the business to move to a new level of growth. The investment will normally be in new facilities and IT systems, increased but carefully managed working capital and additional management resource.

Once the acquisition is integrated into the Group and a solid platform has been established, the priority is to ***grow*** the business. The acquired companies (other than small bolt-on acquisitions) maintain their distinct sales and marketing identity and are managed as independent business units. Where there are

# "The Group made good progress in executing the Acquire, Build, Grow strategy in each of the three sectors"

opportunities for real synergies, typically in cross-selling, purchasing and back office operations, the businesses are managed within larger business clusters.

## Sector Developments

Good progress was made during the year in executing the Acquire, Build, Grow strategy in each of the three sectors and the key developments and results this year are summarised below.

### Life Sciences

| | 2012 £m | 2011 £m | |
|---|---|---|---|
| Revenue | **78.4** | 74.4 | +5% |
| Adjusted operating profit | **18.0** | 17.1 | +5% |
| Adjusted operating margin | **23.0%** | 23.0% | |

- Underlying revenue growth of 5%.
- Investment in newly formed Vantage business – integrated sales team, strengthened service and operations management, new facility.
- Investment in new Minimally Invasive Surgery business within AMT.
- Acquisition of DSL business in Australia – major new supplier added shortly after acquisition.

The Life Sciences businesses increased revenues in 2012 by 5% on a UK sterling basis, with a similar level of growth on a constant currency basis. Sector revenues benefited from the contribution from the DSL business in Australia, acquired in June 2012 and a full year contribution from the CMI business, acquired in December 2010. In May 2012, the small Environmental operation in Switzerland was sold to its management thus reducing revenues. After adjusting for these acquisitions and the divestment, for minor currency effects and for the exceptional sale of face shields in the prior year, underlying sector revenues increased by 5%.

The Group's ***Healthcare*** businesses in Canada and Australia ("Diploma Healthcare Group" or "DHG") account for over 80% of the Life Sciences sector revenues. The DHG business model is built on the supply, on an exclusive basis, of high quality, manufacturer branded products secured by long term distribution agreements. Strong customer relationships are forged through high levels of customer service with highly qualified and experienced technical sales and product application staff working closely with the surgeons, Operating Room ("OR") nurses and laboratory technologists. A large proportion (over 60%) of DHG's revenues are secured under multi-year customer contracts.

In Canada, DHG comprises three similar sized businesses focused on Electrosurgery (AMT), GI Endoscopy (Vantage) and Clinical Diagnostics (Somagen), each with good growth potential. During the year, the main investment has been in the new Vantage business, which from the start of the year brought together CMI, acquired in 2010, with AMT's Endoscopy division. Vantage now operates under a single management team and offers a complete product range, taken to market by an integrated, fully trained sales team. Investment has been made in strengthening the management of the operational and service teams and shortly after the year end, the business relocated to a new larger facility close to the existing location in Markham, Ontario. After a year of consolidation, Vantage is now well positioned, with a strong management team, a solid operational foundation and a complete product range, to exploit opportunities for growth in the GI Endoscopy market.

Investment has also been made during the year in building a new Surgical business to supply specialised surgical instruments and devices used in laparoscopic and other minimally invasive surgical procedures. Exclusive distribution agreements have been signed with a number of leading suppliers in this area and several new suppliers are in the process of being added. This business will be developed as a distinct division within AMT, but using the existing infrastructure. As with AMT's former GI Endoscopy division, this division has the potential of growing into a separate business when it has achieved critical mass through organic growth and/or acquisition.

The DHG business extended geographically in 2010 into Australia with the acquisition of BGS, a smaller version of the AMT business in Canada. In June 2012, DHG expanded its presence in Australia through the acquisition of 80% of DSL, which supplies in-vitro diagnostic products to hospitals and private laboratories and shares a number of common suppliers with Somagen. DSL and BGS serve different customer segments and will be managed as separate business units with their own distinct sales and marketing identities. There will however be good opportunities for efficiencies between the businesses in the areas of operations and back office functions.

The remaining ca. 15% of sector revenues are generated by the Group's ***Environmental*** businesses in Europe, which supply a range of products used in Environmental Testing and Health & Safety applications. CBISS has experienced another strong year of trading, supplying continuous emissions monitoring systems and gas detection instruments. a1-envirosciences has fully consolidated its operations in Dusseldorf, Germany following the sale to management of the small operation in Switzerland. Northern European markets outside Germany are serviced by local sales and service resources.

# 2012
# Year in Review
continued

## Seals

| | 2012 £m | 2011 £m | |
|---|---|---|---|
| Revenue | **99.9** | 80.0 | +25% |
| Adjusted operating profit | **20.4** | 14.9 | +37% |
| Adjusted operating margin | **20.4%** | 18.6% | |

- Underlying revenue growth of 13%; particularly strong in North American Aftermarket.
- Acquisition of J Royal in the US and minority interest in JRPP, a related supplier in China.
- Investment in new modern facilities for RT Dygert and All Seals.
- New IT system in development at M Seals – to go live in 2013.

The Seals sector revenues increased, in UK sterling terms, by 25% to £99.9m which included a contribution from J Royal, acquired in December 2011. After adjusting for this acquisition and for modest currency translation effects, underlying sector revenues increased by 13%, reflecting particularly strong growth in the North American Aftermarket businesses. Adjusted operating profits increased by 37% with adjusted operating margins increasing by 180bps to 20.4%, driven by operational leverage from the strong increase in revenues.

Currently, just under 60% of Seals sector revenues are generated from the ***Aftermarket*** seals businesses of HFPG (Hercules, Bulldog and HKX) and FPE. The core Aftermarket business in North America supplies own-brand sealing products (often sourced from the same seal manufacturers who supply to the OEMs) across a broad range of mobile machinery applications. The key to success in this business is the ability to provide a next day delivery service from inventory, for seals and seal kits used in a broad range of different manufacturers' machinery and different applications. Typically the first three years of equipment life is controlled by the OEMs through product warranty and lease terms. However, after the equipment is sold into the pre-used market or moves out of warranty, we have a very compelling offering to customers by providing a responsive, next day delivery service for these time critical items.

Over a number of business cycles, the Aftermarket seals businesses have demonstrated their resilience, but have also delivered strong underlying growth by taking market share. This has been achieved by maintaining high levels of customer service and product availability and continuing investment in IT systems and warehouse automation. The steady revenue growth over many years has delivered increased operational gearing with operating margins increasing substantially to the current levels, which are well in excess of 20% of revenues.

During the year, the Aftermarket businesses continued to benefit from investments made in earlier years and succeeded in growing revenues by 14% on an underlying basis. This growth was achieved through a combination of new product introductions (new kits and metric seals in HFPG, broader range of cylinder parts in FPE) and various segment specific marketing initiatives. Selective price increases were also introduced to cover supplier cost increases and maintain margins. HKX in particular had an exceptional year, benefiting from the strong rebound in the excavator market in North America and making good progress in penetrating international markets.

The ***Industrial OEM*** businesses now account for just over 40% of Seal sector revenues. These businesses supply seals, O-rings and custom moulded and machined parts to a range of specialised Industrial OEM customers. Our businesses work closely with customers to select the best seal manufacturer for the application, remain close at hand during the product development process and provide the logistics capabilities to support from inventory, small to medium sized production runs.

During the year, significant investment was made in the US businesses to establish a solid foundation for future growth. RT Dygert consolidated its Minneapolis and Chicago operations into a single, modern facility in Minneapolis, while retaining a sales office in Chicago. All Seals invested in new sales resource and improved quality and purchasing processes. All Seals also moved into a more appropriate modern facility just before the end of the financial year.

The acquisition of J Royal was completed in December 2011 and this has proved a very complementary business to RT Dygert and All Seals. J Royal's strength in the Eastern United States fits well with RT Dygert (strong in the North and North West) and All Seals (strong in the West and South West). J Royal also brings its specialist experience in selling metal and glass components and assemblies that complement the more traditional sealing products. The investment in a 10% shareholding in JRPP, a key supplier to J Royal and based in China, reinforced this position.

With the investment this year in new facilities and strengthened management resources and with clear regional sales territories now agreed, these three Industrial OEM businesses in the US will now focus on delivering growth in the new financial year. M Seals in Denmark is also focused on growth with a fast developing business in Sweden and the operation in China having delivered a solid first year. The Industrial OEM

# "The Group's investment programme will provide the solid foundation to support strong growth over the next five years."

seal businesses will be managed independently by their management teams, but they will continue to look for synergies by cross-selling (taking advantage of different product and end-user specialisations) and through coordinated purchasing.

## Controls

| | 2012 £m | 2011 £m | |
|---|---|---|---|
| Revenue | **81.9** | 76.2 | +7% |
| Adjusted operating profit | **14.4** | 13.2 | +9% |
| Adjusted operating margin | **17.6%** | 17.3% | |

- Underlying revenue growth of 2% driven by Aerospace & Defence, Motorsport, Energy and Industrial sectors; reduced activity in Continental Europe and Food & Beverage.
- Acquisition of Amfast extends Motorsport fastener business into Aerospace.
- Acquisition of Abbeychart extends involvement in Food & Beverage sector.
- New Swindon facility will be central management and operational hub for IS-Group businesses in the UK.

The Controls businesses increased revenues in 2012 by 7% on a UK sterling basis. After adjusting for currency effects and for the acquisitions of Amfast and Abbeychart, underlying growth was 2%. Adjusted operating profits increased by 9% to £14.4m with operating margins remaining stable at 17.6%.

The major end-use segments served by the IS-Group and Filcon businesses (together ca. 70% of sector revenues) are Aerospace & Defence, Motorsport, Energy, Medical and Industrial. The businesses supply a range of high performance products used in technically demanding applications often in harsh environments. Here the business model is focused on providing product for refurbishment, upgrade and maintenance programmes for equipment in service. Support to major new build programmes is mostly limited to prototype and initial build stages and niche OEM markets. The businesses offer high quality, manufacturer branded products sourced under the terms of long term exclusive distribution agreements. Strong customer relationships are based on ex-stock availability of product, responsiveness, technical advice on product applications and a range of value added services.

Plans were finalised during the year, for the relocation of the IS-Rayfast business into a new modern facility close to the existing location in Swindon; the move was successfully completed in early November of the new financial year. This facility will accommodate the core IS-Rayfast business and will also act as the central management and operational hub for the IS-Group businesses in the UK.

Investment was also made in the acquisition in May 2012 of Amfast, a specialist distributor of fasteners supplied to the manufacturers of passenger seats, galleys and other interior cabin equipment for civil aircraft. Amfast shares a number of suppliers with Clarendon, which supplies similar fastener products into Motorsport applications. Clarendon and Amfast will be managed together by a single management team and plans will be developed this year to integrate operational and back office functions. In early November 2012, after the year end, Sommer completed the acquisition of the assets and goodwill of Rayquick, a small distributor of specialist wiring components supplied to the electricity distribution sector in Germany. Sommer will integrate this business within its main operations in Stuttgart.

The Hawco Group accounts for ca. 30% of sector revenues and supplies products principally to the Food & Beverage industry. Hawco supplies a range of control devices used in the sensing, measurement and control of temperature and pressure in applications such as chilled cabinets in food retail chains, bars and restaurants. In March 2012, the Hawco Group extended its involvement in the sector by investing in the acquisition of Abbeychart. This business is a specialised component distributor supplying to applications including hot drinks and vending machines, pure water and water cooling systems, soft drinks dispensing equipment and catering equipment. Abbeychart's broad range of specialised components are used by both the original equipment manufacturers and by contractors and operators for the subsequent repair and maintenance of the equipment.

## Summary and Outlook

The Group's resilient business model, supplying essential products and solutions to specialised market segments, supports steady organic growth in revenues and sustainable attractive margins. With a good geographic and end-use spread of activities, agile and responsive management and a strong balance sheet, the Group is well placed to withstand the effects of the general economic uncertainty. This has been demonstrated over the last five year business cycle with a resilient performance during the downturn, followed by strong growth in the recent period of slow recovery.

The investments made during the past financial year, along with the new investment programme in the years ahead, are key to the Acquire, Build, Grow strategy in our major businesses. These investments are designed to provide the solid foundation for the growth of the Group over the next five year period.

**Bruce Thompson**
**Chief Executive Officer**
19 November 2012

# Acquire, Build, Grow
## Case Study – Healthcare

Over the last five years, the Healthcare businesses have increased revenues from £15m in 2007 to £65m in 2012; Healthcare now represents over 80% of Life Sciences sector revenues.

Five years ago, the larger part of the Life Sciences sector revenues were generated in Europe from products sold to Life Sciences research laboratories and to Environmental testing laboratories. Faced with declining growth and margins in these markets, the diversification into Healthcare had started with the acquisition of Somagen in 2004 and AMT in 2007; by the end of the 2007 financial year, Healthcare accounted for ca. 35% of revenues.

Over the last five years, the Diploma Healthcare Group ("DHG") has grown revenues through a combination of organic growth and acquisitions at a compound rate of more than 30% p.a. to a total of £65m in 2012. Over the same period, the Group has exited the UK Research business (Anachem) and simplified the Environmental businesses. Healthcare now accounts for over 80% of Life Sciences sector revenues.

In Canada, DHG now comprises three ca. C$30m revenue businesses, focused on Electrosurgery & Minimally Invasive ("MI") Surgery (AMT), GI Endoscopy (Vantage) and Clinical Diagnostics (Somagen). DHG has also extended into Australia and New Zealand with the acquisitions of BGS and DSL, which are smaller versions of AMT and Somagen respectively.

### Healthcare acquisitions

**2012**
DSL (80%)
AUSTRALIA

**2011**
CMI
CANADA
AMT (25%)
CANADA

**2010**
BGS (80%)
AUSTRALIA

**2009**
Meditech
CANADA

**2007**
AMT (75%)
CANADA

## Electrosurgery & MI Surgery

### AMT
TORONTO, CANADA
ca. C$30m

### BGS
SYDNEY, AUSTRALIA
ca. A$6m

**Acquire**
Entry into the Healthcare business was first made in 2004 through the acquisition of Somagen, a supplier of clinical diagnostics products to hospital pathology laboratories across Canada. The acquisition of AMT in August 2007 extended the business into the Operating Rooms of the same hospitals and the Meditech acquisition in 2009, established a leadership position in the ART/ IVF clinics.

Within the AMT business, a division had been formed to supply products to the GI Endoscopy suites in hospitals and private clinics ("AMT Endoscopy"). In 2011, Carsen Medical was acquired which offered a very complementary range of products to those supplied by AMT Endoscopy. At the end of the 2011 financial year, AMT Endoscopy was combined with CMI to form a new company, Vantage Endoscopy.

In 2010, DHG extended its business into Australia and New Zealand with the acquisition of BGS, a smaller version of AMT's Electrosurgery business. In 2012, the acquisition was completed of DSL, which is a close equivalent to Somagen in Canada and shares several common suppliers.

## GI Endoscopy

### Vantage
TORONTO, CANADA
ca. C$30m

**Build**
The new Vantage business is an excellent example of the Build stage of the growth strategy in action. Having created the company at the end of the 2011 financial year, by bringing together AMT Endoscopy and CMI, the priority was to make the investments needed to make this a fully integrated company.

During the 2012 financial year, the two sales teams were integrated and extensive training was carried out to ensure all sales staff could sell the full product range. In addition, investment was made in strengthening the management of the operations and service functions, which are critical to the success of this business. Finally, plans were developed to relocate Vantage to a new modern facility and this move was completed in October 2012.

Vantage is now well positioned to supply and support the complete range of products for the growing GI Endoscopy market.

## Clinical Diagnostics

### Somagen
EDMONTON, CANADA
ca. C$30m

### DSL
MELBOURNE, AUSTRALIA
ca. A$10m

**Grow**
In Canada, DHG now has three well established businesses operating in growing segments of the Healthcare market and each with significant opportunities for growth by increasing market share and adding new products.

A new initiative to build a fourth "market silo" has been started with the formation of the Minimally Invasive Surgery division within AMT. As with AMT's former Endoscopy division, this new division has the potential of growing into a separate business when it has achieved critical mass through organic growth and/or acquisition.

In Australia, BGS and DSL will draw on the experience and resources of AMT and Somagen respectively to grow their businesses. There should also be good synergy opportunities in the areas of operations and back office functions.

While the main focus currently is on growing the business in Canada and Australia, building on the investments already made, longer term DHG will look to build further by expanding into new markets and extending into new geographies on a step-by-step basis.

# Acquire, Build, Grow
## Case Study – Industrial OEM Seals

**Over five years, a group of Industrial OEM seal businesses has been built with revenues of over £40m in 2012 and now representing 40% of total Seals sector revenues.**

Five years ago, the Seals sector was principally focused on the core Aftermarket Seal businesses in North America, providing next day delivery service for seals, seal kits and cylinders used in a range of heavy mobile equipment applications.

Over the last five years, the Seals sector businesses have grown revenues at a compound rate of 22% p.a. to a total of £100m in 2012. The core Aftermarket businesses have made a strong contribution, growing revenues at a compound rate of 12% p.a. and extending their leadership positions through providing very high levels of customer service and seal availability.

The principal driver for Seals sector growth in recent years however has been the creation of a sub-group of Industrial OEM Seals businesses with total revenues of over £40m in 2012 and now representing 40% of total sector revenues. These businesses supply seals, O-rings and custom moulded and machined parts to OEMs manufacturing a range of specialised industrial equipment.

**Seals acquisitions**

2012
J Royal
US
JRPP (10%)
CHINA

2010
All Seals
US

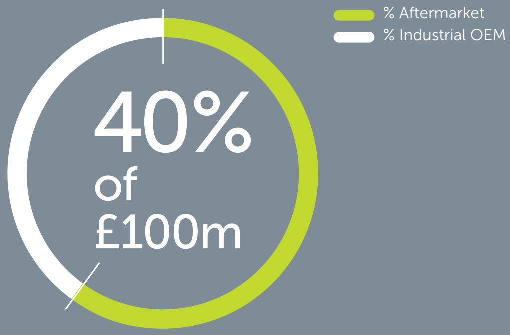
2009
RT Dygert
US

2008
Snijders
HOLLAND

2007
M Seals
DENMARK

### 2008 Total revenues


### 2012 Total revenues




## Acquire

Entry into the Industrial OEM Seals business was first made through the acquisition, in August 2007, of M Seals based in Denmark, with a satellite operation in Sweden.

The success of M Seals in Europe prompted a search for similar businesses in the US and in January 2009, the acquisition was completed of RT Dygert. With its principal operations in Minneapolis and Chicago, RT Dygert had a solid reputation in the sector and a strong established position in the Mid-Western US States.

The acquisition of RT Dygert was followed by the acquisition of All Seals in September 2010 and of J Royal in December 2011. All Seals is based in Orange County, California and sells ca. 75% of its product in the South Western States. J Royal is based in North Carolina and is strong in the Eastern States.

In April 2012, the Group also acquired a 10% shareholding in JRPP, a related Chinese supplier to J Royal, manufacturing a range of products and assemblies that are complementary to J Royal's sealing products.

## Build

All of these acquisitions were of companies that were already successful and with a good track record of profitable growth. Since acquisition, we have been able to build them into stronger businesses by working with the management teams to make the investments required to take them to the next level of growth.

In Europe, M Seals has invested in its rapidly growing operation in Sweden and in May 2011, M Seals established an operation in China building on its expertise in large diameter seals for turbine bearings. A new IT system is also in development at M Seals which is due to go live in 2013.

In North America, significant investment has been made this year in facilities to support the future growth of the businesses. RT Dygert has consolidated its operations into a modern, high quality facility in Minneapolis while retaining a sales office in Chicago. All Seals has also completed its relocation to a higher quality facility. Investment has also been made across the businesses in strengthening the management teams and adding resources particularly in the areas of sales and quality management.

## Grow

With a strong foundation established through the investments made in the last two years, strong growth has already been achieved and the focus now is on exploiting the substantial further growth opportunities across the businesses.

In North America, the three Industrial OEM Seals businesses are already very complementary with strengths in different geographic regions. The businesses are managed independently by their management teams, but they will continue to look for synergies by cross-selling, taking advantage of their different product and end-user specialisations. There are also good opportunities in procurement, by consolidating the purchasing of common products.

In Europe, M Seals will continue to grow revenues in its operations in Northern Europe and China and will look for opportunities to extend into other European countries.

Acquisition opportunities will be sought to further supplement the organic growth from the existing businesses. These acquisitions may be complementary businesses in the North American and European markets or businesses in new geographic markets, in particular in Asia Pacific.

# Acquire, Build, Grow
## Case Study – Controls

**Over five years, the Controls sector businesses have completed a series of acquisitions which have strengthened market positions in target segments and increased sector revenues to over £80m.**

The Controls sector businesses generate over 90% of revenues from the UK and Northern Continental European markets. The businesses supply a range of high performance interconnect and fluid controls products used in technically demanding applications, often in harsh environments. The principal end-use segments are Aerospace & Defence, Motorsport, Energy, Industrial and Food & Beverage.

Over the last five years, the Controls sector businesses, against the challenging economic and market backdrop in the major markets of the UK and Germany, have grown revenues from £60m in 2007 to over £80m in 2012.

Over the period, this growth has been achieved by supplementing hard-won organic growth with a series of smaller acquisitions. These have expanded the product ranges offered and strengthened the competitive position in selected market segments.

**Controls acquisitions**

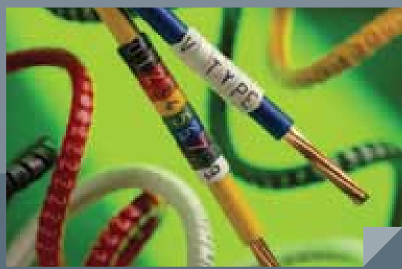
2012
Amfast
UK
Abbeychart
UK

2010
ET Fisher
GERMANY

2008
Hitek
UK

2007
Cabletec
UK

| Acquisition | Markets: Aerospace & Defence | Motor sport | Energy | Industrial | Food & Beverage |
|---|---|---|---|---|---|
| Abbeychart | | | | ○○ | ○○○ |
| Amfast | ○○○ | | | ○ | |
| ET Fisher | | | ○○○ | | |
| Hitek | | | | ○○ | |
| Cabletec | ○○○ | ○ | ○○○ | ○○ | |



## Acquire

The Controls sector acquisitions over the last several years have all been closely related acquisitions designed to extend and strengthen the businesses in related product and market segments. The acquisitions have added a total of ca. £18m to sector revenues.

The acquisition of Cabletec in 2007 added a range of manufactured products, including braids, connectors and multi-core cables and earth bonding products, strengthening the position in Aerospace and Defence. In addition, Cabletec's earth bonding and shunt products extended the business in the Energy and Industrial sectors. Hitek (acquired in 2008) added calibration services to the UK business and ET Fisher (acquired in 2010) strengthened Sommer's position in the German Energy market.

In 2012, the acquisition of Amfast has extended the Clarendon Motorsport fastener business into the Civil Aerospace sector. The acquisition of Abbeychart has extended the Hawco Group Fluid Controls business further into other segments of the Food & Beverage market including hot drinks and vending machines, pure water and cooling systems, soft drinks dispensing and catering equipment.

## Build

The Build stage of the growth strategy has been demonstrated well by the development of the IS-Group over the last several years. The IS-Group comprises a number of businesses which retain their own sales and marketing identities and investment has been made in each of these businesses to strengthen the sales resources.

Investment has also been made in a uniform IT system which has been implemented across the businesses and will be extended in the current financial year to Amfast, the latest acquisition by the IS-Group. The unified system enables us to invest in increased but better managed inventory and the consolidated purchasing of common parts.

In November 2012, the core IS-Rayfast business in the UK re-located to a modern new facility in Swindon; this will become the central management and operational hub for the IS-Group businesses in the UK.

## Grow

The Controls sector businesses, with the bolt-on acquisitions completed, have a good coverage of their product and market segments in the principal markets in the UK and Northern Continental Europe. The main priority now is to implement sales and marketing initiatives to generate growth and increase market share.

The recent acquisitions have added significantly to the growth potential in the sector. The Amfast acquisition has extended the IS-Group's fastener business into the attractive Civil Aerospace sector, with good growth opportunities in seats and cabin interiors. The addition of Abbeychart to the Hawco Group also opens up good opportunities for cross-selling to the highly complementary UK customer base; Hawco can also make use of the Abbeychart sales resources in the US to establish a position in the market.

The Controls sector businesses will continue to look for opportunities to make further bolt-on acquisitions to strengthen market positions in selected niche markets and to expand outside Europe.

# Directors
# and Advisors

**John Rennocks (67) [1, 3]**
**Non-Executive Chairman**

**Appointed:** Joined the Board in July 2002 and appointed Chairman in January 2004.

**Skills and experience:** John is a Chartered Accountant with over 40 years of experience in commerce and industry, including nearly 20 years as the Finance Director of FTSE 100 companies. He has been a Non-Executive Director of many companies in the past 17 years, including as Chairman of six other public or private companies across several industrial or support service sectors.

**External appointments:** John is currently a Non-Executive Director of Intelligent Energy PLC and Deputy Chairman of Inmarsat PLC.

**Bruce Thompson (57)**
**Chief Executive Officer**

**Appointed:** Joined the Board in 1994 as a Group Director and appointed Chief Executive Officer in 1996.

**Skills and experience:**
Bruce started his career in the automotive industry, first as a design engineer and then in product marketing. He then spent three years in international marketing with a construction materials company, developing new markets in Europe, the Middle East and North Africa. Prior to joining Diploma, he was a Director with Arthur D Little Inc., the technology and management consulting firm, initially in the UK and then as Director of the firm's Technology Management Practice based in Cambridge, Massachusetts.

**External appointments:**
None.

**Marie-Louise Clayton (52) [2]**
**Non-Executive Director**

**Appointed:** Joined the Board in November 2012.

**Skills and experience:**
Marie-Louise is a Chartered Certified Accountant who has held senior positions in Alstom (formerly, Alsthom GEC) and was previously Group Finance Director of Venture Production PLC. She has also been a Non-Executive Director of Forth Ports PLC and Ocean Rig ASA.

**External appointments:**
Marie-Louise is a Non-Executive Director of Zotefoams plc and of two private companies.

**Nigel Lingwood (53)**
**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 multi-national environment and on a number of large corporate transactions. Nigel qualified as a Chartered Accountant with Price Waterhouse, London.

**External appointments:**
None.

Member of:
1 the Remuneration Committee
2 the Audit Committee
3 the Nomination Committee

**Auditor**
Deloitte LLP
2 New Street Square
London EC4A 3BZ

**Solicitors**
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

**Bankers**
Barclays Bank PLC
1 Churchill Place
London E14 5HP

HSBC Bank plc
City Corporate Banking Centre
60 Queen Victoria Street
London EC4N 4TR

**Investment Bankers**
Lazard
50 Stratton Street
London W1J 8LL

**Corporate Stockbrokers**
Numis Securities
10 Paternoster Square
London EC4M 7LT

**Ian Grice (59)** [1,2,3]
**Non-Executive Director**

**Appointed:** Joined the Board in January 2007.

**Skills and experience:** A Chartered Engineer with over 35 years' experience in the Support Services and Construction sectors, in the UK and International markets. Ian held senior roles in several industrial groups before joining the board of Alfred McAlpine plc in 1995 where he was Chief Executive Officer from 2003 to 2008.

**External appointments:** Ian is currently a member of the Supervisory Board of Arcadis NV, and a Non-Executive Director of three private companies.

**Iain Henderson (56)**
**Chief Operating Officer**

**Appointed:** Joined the Board as a Director in 1998 and appointed Chief Operating Officer in 2005.

**Skills and experience:** Iain qualified as a Chartered Management Accountant and began his career in the food industry, progressing to be an operations general manager with H J Heinz. Since 1988, Iain has specialised in the acquisition and development of small to medium sized enterprises within group structures. This was firstly within the privately owned Bricom MBO, where he ran ANC Holdings and from 1994 in a public company environment as a Director of Glenchewton plc.

**External appointments:** None.

**John Matthews (68)** [1,2,3]
**Non-Executive Director**

**Appointed:** Joined the Board in 2003.

**Skills and experience:** John is a Chartered Accountant and a former Managing Director and Head of Corporate Finance at County NatWest. Subsequent to this he was Deputy Chairman and Deputy Chief Executive at Beazer plc, an international civil engineering, construction, house building and aggregates group. He has also been Chairman of Crest Nicholson plc and Regus plc and a non-Executive Director of a number of listed and private companies.

**External appointments:** John is currently a member of the Board of Aurelian Oil & Gas plc and an advisor to the Board of SDL plc and Chairman of two private companies.

# Sector Overview

## Life Sciences

30%
of revenues

**Geography[1]**

| | |
|---|---|
| 75% | Canada |
| 17% | Europe |
| 8% | ROW |

**Customers**

| | |
|---|---|
| 82% | Clinical |
| 10% | Utilities |
| 5% | Chemical & Petrochemical |
| 2% | Life Sciences Research |
| 1% | Other Life Sciences |

**Products**

| | |
|---|---|
| 68% | Consumables |
| 23% | Instrumentation |
| 9% | Service |

**270 employees worldwide**

## Seals

38%
of revenues

**Geography[1]**

| | |
|---|---|
| 76% | North America |
| 12% | Europe |
| 12% | ROW |

**Customers**

| | |
|---|---|
| 43% | Industrial OEMs |
| 38% | Heavy Construction |
| 10% | Other Industrial |
| 4% | Industrial Aftermarket |
| 4% | Dump & Refuse trucks |
| 1% | Logging & Agriculture |

**Products**

| | |
|---|---|
| 62% | Seals & Seal Kits |
| 12% | O-rings |
| 11% | Attachment Kits |
| 9% | Gaskets |
| 6% | Cylinders & Other |

**489 employees worldwide**

## Controls

32%
of revenues

**Geography[1]**

| | |
|---|---|
| 58% | UK |
| 35% | Continental Europe |
| 7% | ROW |

**Customers**

| | |
|---|---|
| 29% | Industrial |
| 28% | Aerospace & Defence |
| 19% | Food & Beverage |
| 15% | Motorsport |
| 6% | Energy & Utilities |
| 3% | Medical & Scientific |

**Products**

| | |
|---|---|
| 44% | Wire & Cable |
| 14% | Connectors |
| 14% | Control Devices |
| 12% | Equipment & Components |
| 10% | Fasteners |
| 6% | Other Controls |

**292 employees worldwide**

1 By destination.

# Geography[1]

## Europe

39%

| | |
|---|---|
| 22% | UK |
| 17% | Continental Europe |

## North America

54%

| | |
|---|---|
| 27% | US |
| 27% | Canada |

## Rest of World

7%

1 By destination.

# Five Year Record

| Year ended 30 September | 2012 £m | 2011 £m | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|---|---|
| **Revenue** | **260.2** | 230.6 | 183.5 | 160.0 | 156.2 |
| Adjusted operating profit | **52.8** | 45.2 | 32.1 | 25.6 | 26.6 |
| **Adjusted profit before tax** | **52.6** | 44.9 | 32.2 | 25.5 | 26.8 |
| Fixed assets | **13.0** | 11.4 | 11.7 | 12.4 | 12.8 |
| Working capital | **43.8** | 36.0 | 27.2 | 29.4 | 27.5 |
| **Trading capital employed** | **56.8** | 47.4 | 38.9 | 41.8 | 40.3 |
| Goodwill and intangible assets | **101.9** | 92.8 | 83.4 | 74.3 | 64.2 |
| Investment | **0.7** | – | – | – | – |
| **Trading capital employed (inc. goodwill)** | **159.4** | 140.2 | 122.3 | 116.1 | 104.5 |
| **Net cash funds** | **7.9** | 12.2 | 30.1 | 21.3 | 15.7 |
| Other liabilities, net | **(0.1)** | (0.5) | (13.2) | (13.3) | (10.2) |
| **Net assets** | **167.2** | 151.9 | 139.2 | 124.1 | 110.0 |
| Cash flow from operating activities | **50.2** | 40.3 | 34.3 | 34.2 | 27.8 |
| **Free cash flow** | **32.7** | 25.0 | 29.8 | 23.5 | 17.7 |
| Acquisition expenditure | **(22.3)** | (28.2) | (11.0) | (12.2) | (7.9) |

| | Pence | Pence | Pence | Pence | Pence |
|---|---|---|---|---|---|
| Adjusted earnings per share | **33.1** | 27.9 | 18.9 | 14.8 | 16.0 |
| Dividends per share | **14.4** | 12.0 | 9.0 | 7.8 | 7.5 |
| Net assets per share | **147.7** | 145.4 | 122.9 | 109.6 | 97.1 |

| | % | % | % | % | % |
|---|---|---|---|---|---|
| Operating margin | **20.3** | 19.6 | 17.5 | 16.0 | 17.0 |
| Working capital as % of revenue | **16.5** | 16.1 | 15.4 | 17.6 | 17.2 |
| Return on trading capital employed | **26.6** | 25.4 | 22.1 | 19.0 | 22.4 |

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 and free cash flow, as explained in note 2 to the consolidated financial statements in the Annual Report & Accounts.

# Financial Calendar and Shareholder Information

**Announcements (provisional dates):**

| | |
|---|---|
| First Interim Management Statement released | 16 January 2013 |
| Second Interim Management Statement released | 30 July 2013 |
| Half Year Results announced | 13 May 2013 |
| Preliminary Results announced | 18 November 2013 |
| Annual Report posted to shareholders | 2 December 2013 |
| Annual General Meeting (2012) | 16 January 2013 |
| Annual General Meeting (2013) | 15 January 2014 |
| Dividends (provisional dates) | |
| Interim announced | 13 May 2013 |
| Paid | 19 June 2013 |
| Final announced | 18 November 2013 |
| Paid (if approved) | 22 January 2014 |

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

**Share Registrar – Computershare Investor Services PLC:**
The Company's Registrar is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ.
Telephone: 0870 7020010. Their 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.

**Secretary and Registered Office:**
AJ Gallagher FCIS, Solicitor, 12 Charterhouse Square, London EC1M 6AX. Telephone: 020 7549 5700. Fax: 020 7549 5715.
Registered in England and Wales, number 3899848.

**Website:**
Diploma's website is www.diplomaplc.com

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