

| 26 November 2007

Preliminary Announcement
Year ended 30 September 2007

DIPLOMA PLC

DIPLOMA PLC |

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I Overview of Results

Overview of Results

Year ended 30 September

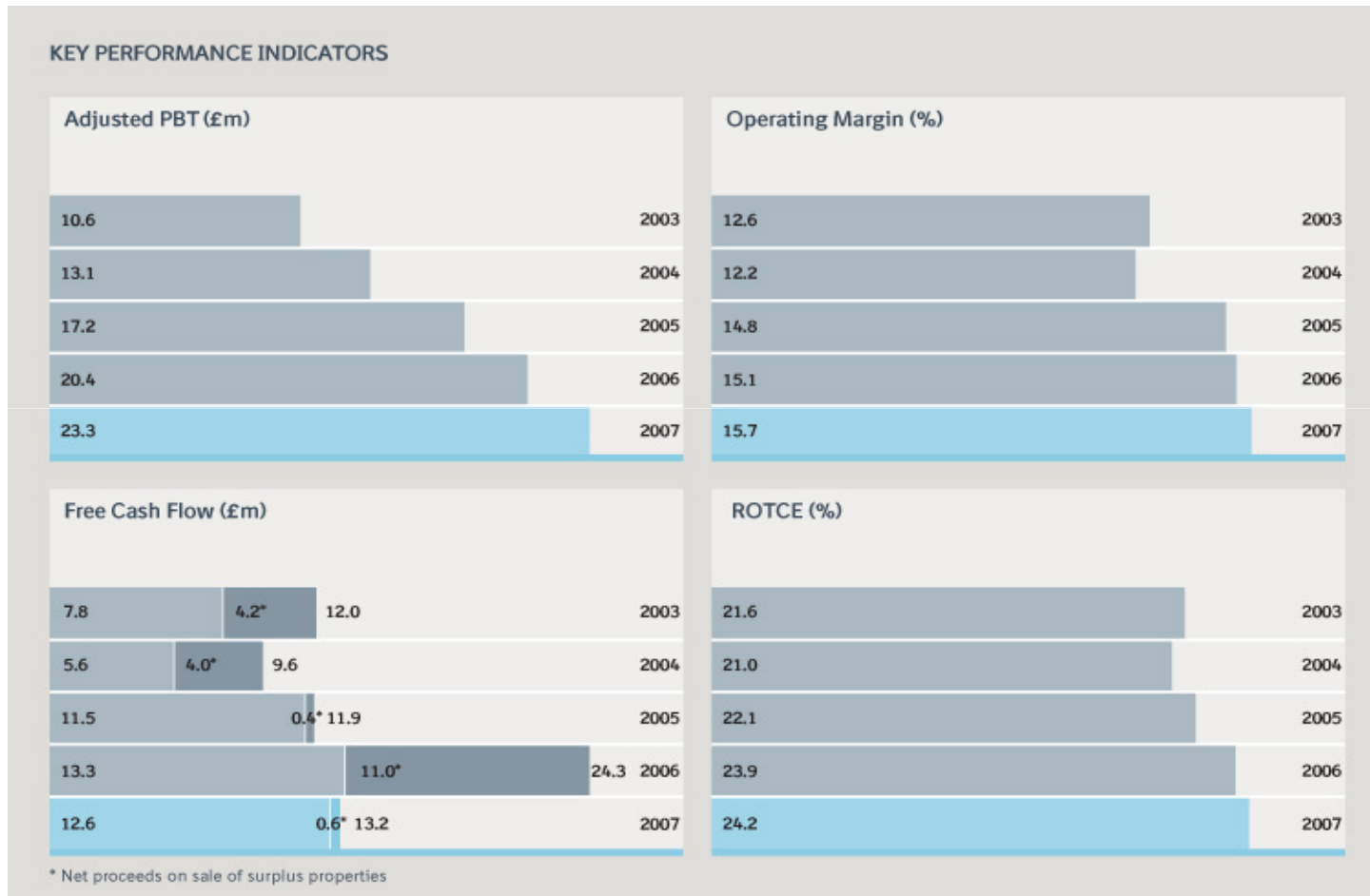
	2007	2006	
Revenue	£140.7m	£128.2m	+10%
Operating profit	£22.1m	£19.4m	+14%
Profit before tax	£22.3m	£31.2m*	- 29%
Adjusted profit before tax	£23.3m	£20.4m	+14%
Free cash flow	£13.2m	£24.3m*	- 46%
Adjusted earnings per share	69.8p	62.8p	+11%
Total dividends per share	27.0p	23.0p	+17%

* includes property profit/cash proceeds of ca. £11m

Overview of Results

- Another year of double digit profit growth and strong free cash flow
- Underlying **organic** growth in revenue and operating profit of 7% and 14% respectively:
 - Strong performance from Controls businesses
 - Improved Group operating margin of 15.7% (2006: 15.1%)
 - Contributions from acquisitions offset by adverse currency effects on translation
- Strong **free cash flow** of £13.2m
- Four **acquisitions** completed for total cash investment of £31.6m; three of these completed in August with full impact to be seen in 2008

Key Financial Performance Measures



II Review of Operations

Sector Overview

Sector Overview

Life Sciences	Seals	Controls
Revenue £44.7m 2006: £39.2m	Revenue £36.0m 2006: £35.9m	Revenue £60.0m 2006: £53.1m
Operating Profit £6.6m 2006: £6.1m	Operating Profit £5.8m 2006: £5.5m	Operating Profit £9.7m 2006: £7.8m
Suppliers of consumables, instrumentation and related services for research, environmental and clinical applications	Suppliers of hydraulic seals, kits and components for heavy mobile machinery	Suppliers of specialised wiring, connectors and control devices for technically demanding applications

Life Sciences – Results

Suppliers of consumables, instrumentation and related services for research, environmental and clinical applications

Year ended 30 September	2007	2006	
Revenue	£44.7m	£39.2m	+14%
Operating profit	£6.6m	£6.1m	+8%
Operating margin	14.8%	15.6%	
ROTCE	22.6%	28.4%	

Life Sciences – Highlights

- Modest underlying growth in sales and operating profit from continuing businesses
- Results boosted by acquisition of CBISS in October 2006 and AMT in August 2007
- Contribution from acquisitions more than offset adverse effects on translation due to C\$ depreciation during the year
- a1-envirosciences business separated from Anachem and integrated with CBISS
- New ERP IT systems at both Anachem and the expanded a1-envirosciences group
- Investment in growth initiatives led to modest reduction in operating margins

Life Sciences – CBISS acquisition



Life Sciences
CBISS Ltd

Supplier of equipment and services for environmental monitoring and control

Acquisition date: 10 October 2006	Location: Tranmere (nr. Liverpool)
Sales: £6.2m*	Net assets: £1.0m†
Employees: 54	Consideration: Maximum £6.0m for 100% of CBISS

* Sales in last reported 12 month period
† Net book value at completion

Life Sciences – AMT acquisition



Life Sciences AMT Vantage Holdings Inc

Supplier of specialty electrosurgery and endoscopy equipment and related consumables to hospitals across Canada

Acquisition date:
28 August 2007

Location:
Kitchener (nr. Toronto, Canada)

Sales:
£8.6m (C\$17.9m)*

Net assets:
£1.9m (C\$4.0m)†

Employees:
32

Consideration:
Maximum of £14.3m (C\$30.0m) for 75%

* Sales in last reported 12 month period

† Net book value at completion

Seals – Results

Suppliers of hydraulic seals, kits and components for heavy mobile machinery

Year ended 30 September	2007	2006	
Revenue	£36.0m	£35.9m	0%
Operating profit	£5.8m	£5.5m	+5%
Operating margin	16.1%	15.3%	
ROTCE	29.3%	26.8%	

Seals – Highlights

- Stronger second half performance from HFPG in uncertain US economy
- Underlying growth of 5% in sales and 10% in operating profit for the year
- Resilient performance comes from focus on Aftermarket and Heavy Construction
- Negative impact of weaker US\$; minor contribution in the year from acquisition of M Seals
- Increase in operating margin to 16.1% (2006: 15.3%):
 - integration of purchasing and planning
 - investment in warehouse equipment
 - scale effects in general

Seals – M Seals acquisition



Seals
M Seals A/S

Supplier of industrial seals, O rings and moulded parts to OEMs in Denmark, Sweden and China

Acquisition date: 22 August 2007	Locations: Espergaerde (nr Copenhagen); Halmstad, Sweden
Sales: £4.9m (DKK 53.4m)*	Net assets: £0.8m (DKK9.0m)†
Employees: 28	Consideration: Maximum of £6.2m (DKK67.5m) for 90%

* Sales in last reported 12 month period
† Net book value at completion

Controls – Results

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

Year ended 30 September	2007	2006	
Revenue	£60.0m	£53.1m	+13%
Operating profit	£9.7m	£7.8m	+24%
Operating margin	16.2%	14.7%	
ROTCE	46.0%	38.6%	

Controls – Highlights

- Outstanding performance with sales up by 13% and operating profits up by 24%
- Growth has been largely organic with stable € : £ exchange rate and Cabletec acquisition too late in the year to have significant impact
- Major contract successes in Filcon:
 - Military: Eurofighter Tranche 2, Tornado up-grade, Tiger, NH90
 - Non-military: Transrapid train and Motorsport
- Sommer and IS-Group continued to experience firm demand in their specialised markets:
 - Defence, Aerospace, Motorsport, Rail, Power, Medical
- Initiatives at Hawco to respond to challenging market conditions
- Operating margins increased to 16.2% (2006: 14.7%) with increased scale

Controls – Cabletec acquisition



Controls
Cabletec ICS Ltd

Supplier of wiring and connector products to the aerospace, defence and electronics industries

Acquisition date: 3 August 2007	Location: Weston-super-Mare (nr. Bristol)
Sales: £6.5m*	Net assets: £2.3m†
Employees: 65	Consideration: Maximum £6.7m for 100% of Cabletec

* Sales in last reported 12 month period
† Net book value at completion

III Financial Highlights

Profit Before Tax

	Year ended 30 September		
	2007 £m	2006 £m	
Revenue	140.7	128.2	+10%
Operating profit	22.1	19.4	+14%
<i>Operating margin</i>	15.7%	15.1%	
Finance income	1.2	1.0	
Adjusted profit before tax	23.3	20.4	+14%
Amortisation of acquisition intangibles	(1.0)	(0.3)	
Profit on sale of property	-	11.1	
Profit before tax	22.3	31.2	- 29%

Profit After Tax

	Year ended 30 September		
	2007 £m	2006 £m	
Profit before tax	22.3	31.2	
Taxation			
- on operations	(7.5)	(6.1)	
- on property	-	(0.9)	
Profit after tax	14.8	24.2	
Effective tax rate on operations	32.2%	29.9%	
Earnings per share			
Adjusted	69.8p	62.8p	+11%
Basic	63.6p	105.5p	-40%

Free Cash Flow

	Year ended 30 September	
	2007 £m	2006 £m
Operating profit	22.1	19.4
Depreciation	1.8	1.6
Working capital	(1.1)	(0.3)
Pension and share schemes, net	0.2	0.2
Operating cash flow	23.0	20.9
Interest	1.1	1.0
Taxation	(8.0)	(7.1)
Capital expenditure	(2.2)	(1.4)
Property proceeds	0.6	11.0
Purchase of own shares	(1.3)	(0.1)
Free cash flow	13.2	24.3

Cash Funds

	Year ended 30 September	
	2007	2006
	£m	£m
Free cash flow	13.2	24.3
Acquisition cash paid	(31.1)	(7.0)
Deferred consideration paid	(0.5)	(1.0)
Dividends	(5.7)	(5.0)
	(24.1)	11.3
Cash funds brought forward	36.7	25.7
Exchange movement	(0.2)	(0.3)
Cash funds	12.4	36.7

Shareholders' Funds

As at 30 September	2007	2006
	£m	£m
Goodwill	42.7	28.0
Other intangible assets	21.1	2.6
Tangible assets	11.7	9.5
	75.5	40.1
Net working capital	21.6	19.0
Trading capital employed	97.1	59.1
Retirement benefit obligations	(1.6)	(4.7)
Deferred tax, net	(3.6)	3.4
Future purchase of minorities	(11.8)	-
Cash funds	12.4	36.7
	92.5	94.5
less: Minority interests	(1.8)	(1.6)
Total shareholders' equity	90.7	92.9

IV Outlook and Prospects

Outlook and Prospects

- New financial year has started positively in each of the Group's core business sectors
- Demand has remained firm in Europe and Canada in the specialised markets in which the businesses operate
- Resilient performance from US businesses against uncertain economic background
- Four acquisitions completed in 2007 (three late in the year); expected to make a strong contribution to further growth in 2008