DIPLOMA PLC

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This announcement contains inside information

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

Strong first half, upgrading full year guidance

	HY 2023	HY 2022	Y/y change
Revenue	**£582.8m**	£448.5m	**+30%**
Organic revenue growth **(1)**	***10%***	*16%*	
Adjusted operating profit (2)	**£109.7m**	£82.5m	**+33%**
Adjusted operating margin (2)	**18.8%**	18.4%	**+40bps**
Statutory operating profit	**£92.5m**	£58.2m	**+59%**
Free cash flow (3)	**£51.8m**	£37.7m	**+37%**
Free cash flow conversion (3)	**70%**	64%	
Adjusted earnings per share (2)	**59.1p**	47.0p	**+26%**
Basic earnings per share	**47.3p**	28.6p	**+65%**
Leverage	**0.7x**	1.2x	
Interim dividend per share	**16.5p**	15.0p	**+10%**
ROATCE	**17.8%**	17.5%	

(1) Adjusted for acquisition and disposal contribution and currency effects; (2) Before acquisition related and other charges and acquisition related finance charges; (3) Before cash flows on acquisitions, disposals and dividends. All alternative performance measures are defined in note 13 to the condensed consolidated financial statements.

Strong half year financial performance

- Continued strong organic revenue growth of 10%, mainly volume driven by our revenue diversification activity.
- Reported revenue growth of 30% with a 12% contribution from acquisitions and positive FX benefit of 8%.
- Very strong adjusted operating margin: up 40 bps to 18.8%, reflecting our value-add proposition, and benefiting from operational leverage net of continued scaling investments.
- Free cash flow conversion of 70%, ahead of last year.
- ROATCE improved to 17.8%, after an investment of £66m in acquisitions, net of disposals, during the period.
- 26% growth in adjusted EPS, continuing our long term track record of double-digit growth.
- Leverage reduced to 0.7x following the recent placing.

Revenue diversification driving organic growth, building scale and increasing resilience

- **Controls +13%**: Sustained double-digit growth at Windy City Wire ("WCW") and excellent International Controls momentum. International Controls benefiting from structural tailwinds and market share gains in civil aerospace, defence and energy markets.
- **Seals +8%**: Double-digit growth in International Seals led by a great contribution from R&G. In North America, Aftermarket again delivered very strong geographical market share gains.
- **Life Sciences +4%**: Momentum accelerating as hospital staffing and surgical procedures continue to recover and we benefit from normalising clinical diagnostics investment post-pandemic.

Targeted acquisitions accelerate organic growth

- Acquired Tennessee Industrial Electronics ("TIE") for £76m, entering the strategically important Industrial Automation end market in the US. Strong organic growth potential at accretive operating margins.
- Small bolt-ons to our core business lines. Completed seven for total consideration of £23m (one of which was completed in April 2023); average EBIT multiple under 5x; £24m of annual revenue; accretive EBIT margins; and 20% year one ROATCE.

- Continued portfolio management discipline: disposed of a non-core, lower margin heating control business in March, for total consideration of £23m.
- Strong near-term M&A pipeline with c.£1bn of active opportunities; we remain disciplined.

Strong cash flow and balance sheet provides further capacity for growth

- Low capital intensity, cash-generative business model delivering strong free cash flow with conversion of 70%, ahead of last year.
- Working capital as a percentage of revenue reduced by 60 bps to 17.1% as inventory levels reduce.
- Net debt reduced to £154m and Leverage to 0.7x following £233m of cash generated from the recent capital raise.

Scaling effectively for sustainable growth

- In the businesses: developing target operating models to deliver customer proposition at scale, supported by investments in talent, management systems and new facilities in a number of businesses.
- As a Group: evolving our structure, capability and culture to support the development of an expanding Group.
- Submitted net zero targets for SBTi validation.

Increasing full year guidance

- We have delivered a strong first half and the second half has started positively.
- As we enter the second half we face a very strong comparative performance period, particularly Q3.
- Our continued strong growth and increasing resilience, however, give us the confidence to increase our guidance for the full year:
  - We expect organic revenue growth of c.7% for the full year, and a further c.7% growth from acquisitions, net of disposals.
  - We expect operating margin to be at the top of our previously guided range, c.19%.
  - Free cash flow conversion of c.90% which would drive year end leverage to less than 0.4x before any future acquisition investment.

Commenting, Johnny Thomson, Diploma's Chief Executive said:

"I thank all my brilliant Diploma colleagues for their dedication to consistently improving our businesses and to delivering great service to our customers. We have had an excellent first half. The strong performance, with volume-led growth, encouraging margin progress and +26% EPS, builds on Diploma's long term compounding track record. Our upgrade for the full year underscores our increasing resilience as well as the strength of the business model.

Strategically, we focus on building high quality scalable businesses for sustainable organic growth. And we have made great progress, continuing to diversify our organic growth through exciting end market exposures, penetrating core geographies, and expanding addressable market with product extension.

We also welcomed eight great new businesses which will help drive that future organic growth, while incrementally investing in scaling the businesses and our Group. Our very significant potential for growth, as we strengthen our business model and margins, gives us confidence in delivering further resilient quality compounding in the future. We remain very positive about our short and long term prospects."

Investor Seminar 2023

On 27th June 2023 Diploma will host an Investor Seminar for analysts and institutional investors in Central London. The event will provide an opportunity to hear from members of the senior management team who will provide insight into Diploma's differentiated value-add business model, why they are excited about the Group's organic growth potential, and how they scale their businesses and the Group to ensure sustainable long-term delivery. The event will be broadcast live at www.diplomaplc.com from 14:00 BST. Those wishing to attend in person are requested to email ava.jarman@teneo.com for further details.

Notes:

1. *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, leverage and ROATCE. All references in this Announcement to "organic" revenues refer to reported results on a constant currency basis, and after adjusting for any contribution from acquired or disposed businesses. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 13 to the condensed consolidated financial statements in this Announcement.*

2. *Certain statements contained in this Announcement constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Diploma PLC, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, general economic conditions and the business environment.*

There will be a presentation of the results to analysts and investors at 9:00 BST this morning via audio conference call and webcast. Conference call dial in details:

- Dial in: +44 (0) 33 0551 0200 (UK-Wide)
- Confirmation code: Diploma Half Year Results

Register your attendance for the webcast at: https://brrmedia.news/diploma_plc_hyresults

This presentation will be available after the conference call at:
https://www.diplomaplc.com/investors/financial-presentations/.
A replay of the audio will be available on the same link after the event.

For further information please contact:

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NOTE TO EDITORS:

Diploma PLC is a decentralised, value-add distribution Group. Our businesses deliver practical and innovative solutions that keep key industries moving – from energy and infrastructure to healthcare.

We are a distribution group with a difference. Our businesses have the technical expertise, specialist knowledge, and long-term relationships required to deliver value-add products and services that make our customers' lives easier. These value-add solutions drive customer loyalty, market share growth and strong margins.

Our decentralised model means our specialist businesses are agile and empowered to deliver the right solutions for their customers, in their own way. As part of Diploma, our businesses can also leverage the additional resources, opportunities and expertise of a large, international and diversified Group to benefit their customers, colleagues, suppliers and communities.

We employ c.3,000 colleagues across our three Sectors of Controls, Seals and Life Sciences. Our principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last fifteen years, the Group has grown adjusted earnings per share (EPS) at an average of c.15% p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of c.£3.6bn.

Further information on Diploma PLC can be found at www.diplomaplc.com

The person responsible for releasing this Announcement is John Morrison, Company Secretary.
LEI: 2138008OGI7VYG8FGR19

HALF YEAR REVIEW TO 31 MARCH 2023

Strong half year performance

The Group has once again delivered a successful six months, reflecting the benefits of our strategy, value-add proposition and decentralised model. These, underpinned by the commitment of our colleagues to deliver excellent customer service, have enabled us again to deliver double-digit organic growth at high teens margins.

Revenue in the first half of 2023 was up 30% to £582.8m (2022: £448.5m). Organic growth was 10%, mainly volume, driven by our revenue diversification initiatives. Acquisitions, net of a small disposal, contributed 12% to reported revenue while foreign exchange translation added a further 8%.

Positive operational leverage, strong pricing and cost management have enabled us to invest in scaling our businesses, while still increasing adjusted operating margin to a strong 18.8% (2022: 18.4%). Our adjusted operating profit increased by 33% to £109.7m (2022: £82.5m). Statutory operating profit rose 59% to £92.5m (2022: £58.2m).

Adjusted EPS grew by 26%, continuing our long-term compounding track record (15% CAGR EPS over 15 years).

Our cash-generative business model supported strong first half free cash flow conversion of 70% (2022: 64%). Together with the recent equity raise, this led to net debt of £154.0m or 0.7x leverage at 31 March 2023 (31 March 2022: £209.5m and 1.2x). Returns on capital are a central underpin of our compounding financial model and we were pleased to report another strong period with ROATCE of 17.8% (2022: 17.5%).

In light of the strong H1 performance and our confidence in the Group's prospects, we have declared a 10% increase in the interim dividend to 16.5p per share (2022: 15.0p). The dividend is payable on 9 June 2023 to shareholders on the register on 26 May 2023 with a corresponding ex-dividend date of 25 May 2023.

Revenue diversification strategy driving organic growth

The Group's strategy is to build high quality, scalable businesses for organic growth. All of our businesses drive this growth in three ways: capitalising on structurally growing end markets; increasing penetration of core geographies; and expanding addressable markets through product range extension. The collective success of our businesses' growth initiatives drove organic growth of 10%, with strong trading momentum sustained throughout the first half.

	Revenue £m			**Organic growth**	
	H1 23	**H1 22**	**Change**	**H1 23**	**H1 22**
Controls	**278.8**	224.0	+24%	+13%	+28%
Seals	**198.4**	137.4	+44%	+8%	+15%
Life Sciences	**105.6**	87.1	+21%	+4%	(7)%
Group	**582.8**	448.5	+30%	+10%	+16%

Some examples of how our businesses are delivering organic growth are set out below, with further detail provided in the Sector reviews on pages 8 to 12.

Positioning to take advantage of structurally growing end markets. Across the Group we have continued to drive growth through expansion in structurally growing end markets. A number of businesses in our Controls sector are gaining share in aerospace, energy and telecoms markets as well as penetrating the wider electrification ecosystem. Across our Seals businesses, we are well exposed to US infrastructure spend and we have diversified into exciting growing markets such as water treatment and renewable energy. In Life Sciences, in addition to benefiting from the recovery of surgical procedures to c.90% of pre-pandemic levels, our businesses are continuing to diversify, in particular across diagnostic areas such as molecular testing, allergy and auto-immune testing, haematology and cancer screening.

Penetration of core developed economies. Over the last six months we have made progress developing our US and European exposure. In Controls, for example, we continue to win market share in the German energy market delivering very strong double-digit growth. In Seals, we are winning market share in the western and mid-west states of the US, leveraging the investment in the facility in Louisville. R&G has enjoyed a very strong first year in the Group, building out our UK regional position and product offerings to drive excellent organic growth. In Life Sciences, we now have a scaled European platform following the integration of Accuscience, which better positions us for recovering healthcare markets.

Product range extension. New product development forms an ongoing component of all our businesses' organic growth strategies.

- **Controls** has delivered outstanding growth from speciality adhesives having entered that segment through the acquisition of Techsil in 2021, and Windy City Wire continues to innovate products to diversify into new markets, leveraging its scaled business model and strong customer relationships.

- Following the acquisition of R&G last year, **Seals** continues to diversify into wider fluid power products from its traditional strength across seals and gaskets.

- Product development is an intrinsic component of our **Life Sciences** businesses. The Canadian businesses saw significant growth through the introduction of new technology in the gastrointestinal and surgical segments. The European businesses saw similar new product successes with the single use endoscope in the Urology segment, the introduction of new ultrasound technology and new product introductions in the lab and pharmaceutical testing environments.

Strategically important acquisitions to accelerate growth

Acquisitions are an integral part of our growth strategy. We are disciplined and selective in our acquisition strategy and will only consider opportunities that display the following core characteristics:

- differentiated value-add customer proposition generating sustainable high gross margins;
- strong organic growth and scale potential; and
- capable management teams we can back.

Since 30 September 2022, we have acquired eight high quality businesses for a total of £98m (one of which was completed in April 2023).

In March, we acquired Tennessee Industrial Electronics ("TIE") for £76m, entering the strategically important Industrial Automation end market in the US. TIE is a high growth, market leading value-add distributor of aftermarket parts and repair services for robotics and CNC machines. It differentiates through speed to market and superior technical support, driving a strong organic growth track record and strong margins. The business is growth, margins and earnings accretive in the first year.

Since 30 September 2022, we have also completed seven bolt-on acquisitions for a total consideration of £23m (one of which was completed in April 2023), at an average EBIT multiple of under 5x EBIT. These will add £24m of annual revenue to the group at accretive EBIT margins, driving ROATCE of over 20% from their first full year.

Continuing our disciplined approach to portfolio management, we disposed of the lower growth, lower margin Hawco business (heating controls within the Controls Sector) in March, for a total consideration of £23m.

The Group's acquisition pipeline is very strong and reflects the Group's focus in recent years to take a more strategic and structured approach to developing a pipeline across our businesses. This pipeline is made up of small and mid-sized opportunities totalling c.£1bn in value and with an average target size of c.£20m. In fragmented markets, the pipeline is well diversified by sector and geography. We remain committed to disciplined investment of capital and are excited about the opportunities in this pipeline, which will support the Group's future organic growth, and deliver compounding earnings growth at high returns over the long term.

Scaling the Businesses and the Group

To deliver our strategy of building high quality businesses for sustainable organic growth requires that we scale the businesses, developing their operating models to continue to deliver great customer propositions at scale; and at the same time, develop the Group, optimising structures and practices to support this growth.

Scaling the Businesses

We have a framework which allows our businesses to make the journey towards their future stated target operating model. We have a common set of core competencies (supply chain, operational excellence, commercial discipline, value-add and route to market) which underpin their model. We engage leaders from around the Group in a bespoke development programme – leadership at scale – where they benefit from best practice sharing in each of these competency areas.

As well as developing core competencies, scaling our businesses requires selective investment in capability, in the form of talent, technology, and facilities. Incrementally reinvesting some of the benefits we gain from operational leverage and performance improvement as we grow is a critical aspect of our financial model. During the period, we have invested in functional leadership across a number of our businesses, creating or upgrading roles in areas such as supply chain management, operations, route to market and support functions. Across each of our Sectors, we are integrating smaller businesses to create scale platforms such as an integrated Australian Life Sciences business or an integrated UK Wire & Cable business. From a technology perspective, we have ERP upgrade projects underway across a number of businesses as well as automated warehouse system upgrades in a number of Seals and Controls businesses. In terms of facilities, we have upgrades and relocations underway in each of our three Sectors to drive efficiency and improved customer service as those businesses continue to grow.

Scaling the Group

Portfolio discipline is key to ensuring the Group scales sustainably. The right acquisitions, effective integration, and selective disposals have meant that while the Group has doubled in size in the last four years, our business unit verticals have reduced from 20 to 16.

We have clear Group-wide strategic and performance frameworks which allows us to align through the Sectors and business units. With a lean, upskilled Executive, Head Office and Senior Leadership Team, this allows effective execution of our objectives as the Group scales.

We have brilliant people. We operate the Group through a decentralised culture, empowering our management teams to own their people, service, culture and strategic/performance delivery. Increasingly we complement this with the benefits of the Diploma Group. This provides access to a network, to a body of best practice, to leadership development, all of which together continuously improve our business.

Delivering Value Responsibly

We are making good progress across our businesses with Delivering Value Responsibly ("DVR"), our Environmental, Social, and Governance (ESG) programme. During the period we have hired an experienced Group Sustainability Director and submitted our net zero targets for validation from the Science Based Targets initiative (SBTi).

DVR is focused on five core areas.

- We have strong levels of **Colleague Engagement** at 79%. We have engagement plans in each of our businesses.
- Potential hazard reporting and training are enhancing our **Health & Safety** culture.
- Workshops and listening groups are also helping to further our **Diversity, Equity & Inclusion** agenda. Over the last four years our gender diversity has improved, with females now representing 28% of our senior team (20% in 2019).
- Our businesses are stepping up engagement with their **Supply Chains** on our Supplier Code.
- Further focus on the **Environment**, including energy workshops, has seen our businesses diverting waste from landfill and putting new actions in place across facilities to reduce

emissions such as LED lighting and efficiency initiatives. We have started to implement solar solutions on our facilities and expect to progress this further in the coming year.

We are also focused on the positive impact that our Group has on society and the environment by delivering innovative and life-saving healthcare solutions, playing a role in renewable energy generation or contributing to a circular business model both in the way we partner externally with our customers and suppliers as well as the way we operate internally.

Increasing full year guidance

We have delivered a strong first half and the second half has started positively. As we enter the second half we face a very strong comparative performance period, particularly Q3. Our continued strong growth and increasing resilience, however, give us the confidence to increase our guidance for the full year:

- We expect organic revenue growth of c.7% for the full year, and a further c.7% growth from acquisitions, net of disposals.
- We expect operating margin to be at the top of our previously guided range, c.19%.
- Free cash flow conversion of c.90% which would drive year end leverage to less than 0.4x before any future acquisition investment.

SECTOR REVIEW: CONTROLS

The Controls Sector businesses supply specialised wiring, cable, connectors, fasteners, control devices and adhesives for a range of technically demanding applications.

	Half Year 2023	2022	Change
Revenue	**£278.8m**	£224.0m	+24%
Organic revenue growth	**+13%**	+28%	
Statutory operating profit	**£57.7m**	£33.8m	+71%
Adjusted operating profit	**£64.3m**	£47.0m	+37%
Adjusted operating margin	**23.1%**	21.0%	+210bps

H1 2023 highlights

- Very strong performance in International Controls with organic revenue growth of 15%.
- Windy City Wire ("WCW") delivered organic growth of 10%, building on a very strong comparative period in H1 FY22.
- Adjusted operating profit increased significantly, 37% higher at £64.3m (2022: £47.0m) with a 210bps year-on-year increase in adjusted operating margin to 23.1% (2022: 21.0%). Both WCW and International Controls contributed to margin expansion driven by positive operating leverage and mix into higher margin products.
- Strategic acquisition of TIE builds scale and gives access to the important Industrial Automation end market.

International Controls (51% of Controls Sector revenue) delivered 15% organic growth in the half, benefiting from market share gains in recovering civil aerospace markets and structural tailwinds in UK defence and German energy markets as investment in these areas remains a critical focus for governments.

Windy City Wire (49% of Controls Sector revenue) continues to perform strongly, with organic revenue growth of 10% in the period, following a very strong comparative period of 42% organic growth. This was driven by a favourable mix of higher value products.

Revenue diversification driving organic growth

The Sector continues to diversify its end markets, gaining share in Space and Telecoms and benefiting from the wider move to electrification and green energy as it continues to deliver growth in the electric vehicles ("EV") and renewable energy end markets.

Interconnect continues to win market share in structurally growing end markets across the UK and Europe such as energy, defence and automotive which are all benefiting from increased investment and easing supply chain constraints.

The Sector's Fasteners business continues to win market share and benefit from strong customer demand in the recovering civil aerospace market in both the UK and US. The business also secured key contract wins in seats and cabin hardware and has also seen further diversification of its end markets with good momentum into space and unmanned aerial vehicles ("UAVs").

Adhesives delivered strong double-digit growth in the period in its key automotive end markets as well as continued share gains in the telecommunications and EV markets.

Targeted acquisitions to accelerate growth

During the period, the Sector completed the acquisition of TIE for £76m providing it with access to the important Industrial Automation end market, which has been a strategic target end market for some time. TIE also drives product extension (robotics and CNC machines) as well as deepening geographic penetration in the key US market.

Two smaller bolt-on acquisitions were completed in the period, with Eurobond further broadening our product offering in the Adhesives sector and Shrinktek expanding the sector's offering into the UK Wire and Cable markets.

Building scale
Significant investment in technology and facilities is underway as the sector seeks to combine two of its UK Wire and Cable locations into one state-of-the-art facility and a common ERP platform.

Sales resource has been added to the European Fasteners business as part of the strategy to expand in the civil aerospace market and capitalise on the ongoing strong recovery. Focused investments in sales resources are also being made into the adhesives market to capitalise on long-term aerospace and defence opportunities.

SECTOR REVIEW: SEALS

The Seals Sector businesses supply a range of seals, gaskets, cylinders, components and kits used in heavy mobile machinery and a diverse range of fluid power products with OEM, Aftermarket and MRO applications.

	Half Year		
	2023	**2022**	**Change**
Revenue	**£198.4m**	£137.4m	+44%
Organic revenue growth	**+8%**	+15%	
Statutory operating profit	**£29.3m**	£17.1m	+71%
Adjusted operating profit	**£35.7m**	£25.8m	+38%
Adjusted operating margin	**18.0%**	18.8%	-80bps

H1 2023 highlights

- Very strong International Seals performance with strong organic growth from R&G following acquisition.
- Robust performance in North American Seals, benefiting from returns on the investment into the Aftermarket facility in Louisville; and very strong performance in our MRO business.
- Adjusted operating profit increased by 38% to £35.7m (2022: £25.8m).
- Invested in scaling projects focusing on automation and supply chain efficiencies through facilities upgrades.

International Seals (48% of Sector revenue) delivered very strong organic growth of 12%, principally driven by an excellent trading performance from R&G in the UK and strong recovery of capital projects in Australia.

North American Seals (52% of Sector revenue) delivered robust organic growth of 4% against a very strong comparator (2022: +19%) with strong growth in our North American Aftermarket and MRO businesses partly offset by some destocking in industrial OEM end markets.

Revenue diversification driving organic growth

In International Seals, our UK businesses benefited from initiatives to diversify into product adjacencies and new end markets such as wastewater treatment and potash mining. R&G has made a significant contribution to the organic growth of the sector since acquisition, driven by strong sales into capital projects particularly in the pneumatics and industrial markets, underpinned by solid MRO volumes. Our Australian pump businesses delivered strong growth fuelled by investments in infrastructure such as tunnels and wastewater. Anti-Corrosion Technology ("ACT"), which was acquired in late FY22, has doubled since acquisition, capitalising on asset protection projects in the oil and gas industry.

North American Aftermarket delivered strong growth in the repair segment, driven by increased infrastructure spending. The investment in our Aftermarket facility in Louisville, Kentucky is continuing to deliver accelerated growth and market share gains, particularly in western states, and this is supported by positive demand in the US infrastructure sector. Our MRO business delivered strong double-digit growth with the introduction of new value added products focused on late cycle opportunities in the transportation sector.

Targeted acquisitions to accelerate growth

In International Seals, three bolt-on acquisitions were added into the R&G Group. Hedley Hydraulics and Fluid Power Services bring complementary products, capabilities and geographical expansion to R&G's Hydraulics sector. Valves Online will complement and strengthen R&G's capabilities in the online route to market.

In North American Seals, Hercules OEM completed the bolt-on acquisition of ITG, a distributor of seals and adhesives for use in electrical connectors, valves, medical devices and industrial equipment. ITG is highly complementary and presents the opportunity to capitalise on operational synergies.

Building scale
The Sector is selectively integrating smaller businesses to form better scaled platforms and during the period completed the integration of TotalSeal into FITT Resources in Australia.

Further scaling investments in facilities to establish national hubs are being made, with examples including a national distribution hub for R&G and the construction of a new M Seals facility in Denmark that will become the Nordic hub for the Sector.

In North American Seals, we have focused on improving the supply chain; investing in facilities, talent and processes to improve supply-demand planning and optimise inventory. The Sector continues to make major investments in warehouse automation and is currently progressing work to expand the Autostore in Louisville.

SECTOR REVIEW: LIFE SCIENCES

The Life Sciences Sector businesses supply a range of equipment, consumables, instrumentation and related services to the Healthcare industry.

	Half Year 2023	2022	Change
Revenue	**£105.6m**	£87.1m	+21%
Organic revenue growth	**4%**	(7)%	
Statutory operating profit	**£16.7m**	£17.2m	(3)%
Adjusted operating profit	**£20.9m**	£19.6m	+7%
Adjusted operating margin	**19.8%**	22.5%	(270)bps

H1 2023 highlights

- Organic revenue +4% (2022:(7%)): The Sector has returned to growth, with momentum accelerating, driven by the recovery of surgical and operating room procedures to c.90% of pre-Covid levels.
- Exciting outlook as governments act to address the surgical/diagnostics backlogs and increase funding of capital projects.
- As expected, the operating margin for the Sector has declined, primarily due to the acquisition of Accuscience which has a lower margin with lower capital intensity, plus scaling investments.
- Continued investments being made to build scale in the facilities and systems in Canada and Europe following the successful completion of the scaling project in Australasia.

Revenue diversification driving organic growth

The Sector's mid to longer-term prospects are exciting. All businesses in the sector have successfully diversified revenue streams to capitalise on the recovery of surgical and operating room procedures; as well as the increased funding for capital projects. During the period, we have secured contracts across Canada, the Nordics and Australia as governments and hospitals increase capacity to clear the surgical backlogs and reinvest in new medical research laboratories. Growth opportunities remain positive with a good trajectory of surgical and operating room procedures fully recovering towards pre-Covid levels as capacity constraints and staffing shortages in hospitals continue to ease.

It is also pleasing to see an increasing number of projects won in early diagnostics and intervention. This was a trend that was identified early on by the Sector and is now coming to fruition, as healthcare systems increasingly recognise the importance of testing and diagnostics capabilities and continually increase investment into areas such as molecular infectious disease testing and molecular oncology diagnostics. The Canadian businesses saw significant growth through the introduction of new technology in the gastrointestinal and surgical segments. The European businesses saw similar new product successes with the single use endoscope in the Urology segment, the introduction of new ultrasound technology and new product introductions in the lab and pharmaceutical testing environments.

Looking forward to the product pipeline for H2 and beyond, the Canadian businesses expect to benefit from the introduction of pathology automation technology that will bring positive impacts to laboratory workflow. There is an equally exciting product pipeline for the European businesses with the entry into a new segment in Haematology testing and further growth in diagnostic technologies.

Building scale

In Australia, we have successfully combined the operations of our two businesses to generate operational efficiencies such as warehouse process improvements and freight consolidation. Similar projects are underway in the Canadian and European businesses, focusing on facilities and ERP systems. Together, these projects will build three scaled platform businesses to enable the Sector to capitalise on future growth opportunities.

FINANCE

Summary income statement

	Six months to 31 March 2023			Six months to 31 March 2022		
	Adjusted[(1)]	**Adjustments[(1)]**	**Total**	Adjusted[(1)]	Adjustments[(1)]	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**582.8**	**-**	**582.8**	448.5	-	448.5
Operating expenses	**(473.1)**	**(17.2)**	**(490.3)**	(366.0)	(24.3)	(390.3)
Operating profit	**109.7**	**(17.2)**	**92.5**	82.5	(24.3)	58.2
Financial expense, net	**(11.0)**	**(2.8)**	**(13.8)**	(3.9)	(2.0)	(5.9)
Profit before tax	**98.7**	**(20.0)**	**78.7**	78.6	(26.3)	52.3
Tax expense	**(24.2)**	**5.2**	**(19.0)**	(19.8)	3.4	(16.4)
Profit for the period	**74.5**	**(14.8)**	**59.7**	58.8	(22.9)	35.9
Earnings per share (p)						
Adjusted/Basic	**59.1p**	**(11.8p)**	**47.3p**	47.0p	(18.4p)	28.6p

(1) The Group reports under International Financial Reporting Standards (IFRS) and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, IFRS measures. These are detailed in note 13 to the Condensed Consolidated Financial Statements.

Reported revenue increased by 30% to £582.8m (2022: £448.5m), consisting of organic growth of 10%, a 12% net contribution from acquisitions and disposals, and an 8% benefit from foreign exchange translation.

Adjusted operating profit increased by 33% to £109.7m (2022: £82.5m) as the operational leverage from the increased revenue, net of continued investment in scaling projects across the Group, drove a 40bps year-on-year improvement in the adjusted operating margin to 18.8% (2022: 18.4%). Statutory operating profit increased 59% to £92.5m (2022: £58.2m), benefiting from a £12.2m profit on disposal of Hawco at the end of the period, compared with a small loss of £1.6m in the prior year relating to the disposal of Kentek.

Adjusted profit before tax increased 26% to £98.7m (2022: £78.6m). Net adjusted interest expense increased to £11.0m (2022: £3.9m), driven both by increased average gross debt, as borrowings increased to finance acquisitions prior to the share placing in March, and higher interest rates. The all-in, blended cost of bank debt increased to 5.5% (2022: 2.1%). Statutory profit before tax was 50% higher year-on-year at £78.7m (2022: £52.3m).

The Group's adjusted effective rate of tax on adjusted profit before tax was 24.5% (September 2022: 25.0%) marginally reduced from the year ended 30 September 2022.

Adjusted earnings per share increased by 26% to 59.1p (2022: 47.0p). Basic earnings per share increased by 65% to 47.3p (2022: 28.6p). An equity placing was completed in March 2023, resulting in a 7.5% increase (9,350,965 new shares) in the issued ordinary share capital. As at 31 March 2023, the average number of ordinary shares (which includes any potentially dilutive shares) was 125,927,286 (2022: 124,932,661) and the weighted average number of ordinary shares in issue was 125,360,523 (2022: 124,520,917).

Cash management

Free cash flow increased by 37% to £51.8m (2022:£37.7m). Statutory cash flow from operating activities increased by 53% to £98.1m (2022: £64.0m).

Funds flow	**Six months ended 31 March 2023 £m**	Six months ended 31 March 2022 £m
Adjusted operating profit	**109.7**	82.5
Depreciation and other non-cash items	**15.2**	10.6
Working capital movement	**(22.8)**	(27.3)
Interest paid, net (excluding borrowing fees)	**(9.8)**	(2.7)
Tax paid	**(22.2)**	(19.9)
Capital expenditure, net of disposal proceeds	**(9.5)**	3.6
Lease repayments	**(6.9)**	(6.3)
Notional purchase of own shares on exercise of options	**(1.9)**	(2.8)
Free cash flow	**51.8**	37.7
Acquisition and disposals (net of cash acquired/disposed) including acquisition expenses and deferred consideration	**(75.9)**	(24.9)
Proceeds from issue of share capital (net of fees)	**232.5**	-
Dividends paid to shareholders and minority interests	**(48.6)**	(37.7)
Foreign exchange	**15.1**	(3.2)
Net funds flow	**174.9**	(28.1)
Net debt	**(154.0)**	(209.5)

Working capital increased by £22.8m, driven by an increase in inventories of £11.5m and an increase in receivables of £17.8m, both reflective of the revenue growth during the period.

Depreciation and other non-cash items includes £13.4m (2022: £10.9m) of depreciation and amortisation of tangible, intangible and right of use assets and £1.8m (2022: deduction of £0.3m) of non-cash items, primarily share-based payments expense.

Interest payments increased by £7.1m to £9.8m (2022: £2.7m) in line with increased interest charges. Tax payments in the first half of the year increased by £2.3m to £22.2m (2022: £19.9m) with the cash tax rate reducing marginally to 22% (2022: 23%).

Capital expenditure increased by £4.5m, largely driven by facility investments in Shoal Group and Hercules Aftermarket. The prior period benefited from £9.3m of proceeds from disposal of property, plant and equipment. The Group funded the Company's Employee Benefit Trust with £1.9m (2022: £2.8m) in connection with the Company's long term incentive plan.

The Group generated free cash flow of £51.8m (2022: £37.7m) a very strong 37% increase on the prior year, resulting in free cash flow conversion of 70% (2022: 64%).

Net total acquisition expenditure of £75.9m (2022: £24.9m) comprises the cash spend for TIE (£75.1m), the cash spend for other acquisitions (£10.3m), acquisition fees (£4.0m), and payments in respect of acquisitions completed in prior periods (£8.0m) partially offset by the proceeds received, net of cash disposed, in respect of the disposal of Hawco (£21.5m).

The Group received net proceeds of £232.5m from the equity placing completed in March 2023. Dividends of £48.6m (2022: £37.7m) were paid to ordinary and minority interest shareholders.

Net debt

The Group has a debt facility agreement ("SFA") originally entered into on 13 October 2020. At 31 March 2023, the SFA comprises a committed multi-currency revolving facility for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £89.3m ($110.5m), a bullet term loan for an aggregate principal amount of £53.3m ($66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA was recently extended until December 2025.

The Group continues to maintain a robust balance sheet with net debt (excluding IFRS 16 liabilities) of £154.0m (2022: £209.5m) comprised of borrowings of £226.1m (2022: £342.0m), less cash funds of £72.1m (2022: £132.5m). The equity placing completed in March 2023 drove the reduction in the Group's borrowings.

At 31 March 2023, net debt of £154.0m (2022: £209.5m) represented leverage of 0.7x (2022: 1.2x) against a banking covenant of 3.0x. The Group maintains strong liquidity, with period end headroom (comprised of undrawn committed facilities and cash funds) of £390m (2022: £199m).

The table below outlines the composition of the Group's net debt at 31 March 2023:

Type	Currency	Amount	GBP equivalent	Interest rate exposure
Term loan	USD	$176.5m	£142.6m	SOFR fixed at 3%
RCF	USD	$29.0m	£23.4m	
Term loan	GBP		£45.3m	Floating
RCF	EUR	€21.0m	£18.5m	Floating
Capitalised debt fees net of accrued interest			£(3.7)m	
Gross debt drawn at 31 March 2023			**£226.1m**	
Cash & equivalents at period end			£(72.1)m	
Net debt at 31 March 2023			**£154.0m**	

Defined Benefit Pension
The Group maintains a legacy closed defined benefit pension scheme in the UK. In the period, the Group funded this scheme with cash contributions of £0.3m (2022: £0.2m) which increases annually on 1 October by 2%.

In Switzerland, local law requires our Kubo business to provide a contribution-based pension for all employees, which is funded by employer and employee contributions. The cash contribution to the scheme was £0.2m (2022: £0.2m).

Both the UK defined benefit scheme and the Kubo contribution scheme are accounted for in accordance with IAS 19 (revised). At 31 March 2023, the aggregate accounting pension surplus in these two schemes was £8.8m, compared to a £6.4m surplus as at 30 September 2022, reflecting higher returns on the Scheme's assets, partly offset by a fall in corporate bond yields over the period. The next formal triennial funding valuation of the UK scheme is expected to be completed in the second half of FY2023.

Exchange rates
A significant proportion of the Group's revenues (c.75%) are derived from businesses located outside the UK, principally in the US, Canada, Australia and Northern Europe. Since 30 September 2022, Sterling has strengthened against some of the major currencies in which the Group operates, in particular the US, Canadian, and Australian dollar, whilst weakening marginally against the Euro and Danish krone. Compared with the first half of last year, the average Sterling exchange rate is weaker against all of the major currencies in which the Group operates. The impact from translating the results of the Group's overseas businesses into UK sterling has led to an increase in Group revenues of £32.7m; an increase in the Group's adjusted operating profit of £7.3m; and an increase in net debt of £9.9m, compared with the same period last year.

Going concern
The Directors have assessed the relevant factors surrounding going concern.

The Group continues to operate against a backdrop of macroeconomic disruption, including widespread global inflation and rising interest rates. Accordingly, the Directors have again considered a comprehensive going concern view. The Group has carried out an assessment of its projected trading for the 18-month period through to the year ending 30 September 2024. This assessment incorporated a downside scenario which demonstrates that the Group has sufficient liquidity, resources and covenant headroom to continue in operation for the foreseeable future.

The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and sectors, often secured with longer term agreements. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors confirm there are no material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and these condensed consolidated financial statements have therefore been prepared on a going concern basis.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as those described in detail in pages 82-88 of the 2022 Annual Report & Accounts. In summary these are:

- **Downturn/instability in major markets**: adverse changes in the major markets that the businesses operate in could result in slowing revenue growth due to reduced or delayed demand for products and services, or margin pressures due to increased competition.
- **Supply Chain**: the risk that existing distribution agreements are cancelled, therefore losing access to key distribution channels; a supplier taking away exclusivity; lead times increasing as a result of supply chain shortages.
- **Inflationary environment**: significant or unexpected cost increases by suppliers due to the pass through of higher commodity prices or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if businesses are unable to pass on such cost increases to customers.
- **Unsuccessful acquisition**: the Group may overpay for a target; the acquired business may experience limited growth post-acquisition; loss of key customers or suppliers post integration; potential cultural misfit.
- **Geopolitical disruptions**: interruption of trade agreements; tariffs; change of trade relationships amongst countries in which we operate; Government budget spending; political elections.
- **Health & safety**: our businesses are exposed to health & safety risks in the environment in which their employees, contractors, customers, and suppliers operate.
- **Technology & cyber**: any disruption or denial of service may delay or impact decision-making if reliable data is unavailable; poor information handling or interruption of business may also lead to reduced service to customers; unintended actions of employees caused by a cyber-attack may also lead to disruption, including fraud.
- **Talent & diversity**: the loss of key personnel can have an impact on performance for a limited time period; not having the right talent or diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance.
- **Product liability**: products supplied by a Group business may fail in service, which could lead to a claim (notwithstanding the fact that the Group has liability insurance in place providing cover for each business).
- **Foreign currency**: transactional foreign exchange risk arises principally with respect to the Group's Canadian and Australian businesses, where a large proportion of purchases are denominated in US dollars and Euros.
- **Non-compliance with laws**: the Group's businesses are affected by various statutes, regulations and standards in the countries and markets in which they operate. Diploma PLC itself is a listed entity subject to regulation and governance requirements.

The Directors confirm that the principal risks and uncertainties and the processes for managing them have not changed materially since the publication of the 2022 Annual Report & Accounts and that they remain relevant for the second half of the financial year.

Chris Davies
Chief Financial Officer 15 May 2023

Responsibility Statement of the Directors in respect of the Half Year Report 2023

The directors confirm that Condensed Consolidated Financial Statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2022 and on the Company's website at *www.diplomaplc.com*.

By Order of the Board

JD Thomson	**C Davies**
Chief Executive Officer	Chief Financial Officer
15 May 2023	15 May 2023

Independent review report to Diploma PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Diploma PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report 2023 of Diploma PLC for the 6 month period ended 31 March 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 March 2023;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report 2023 of Diploma PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Report 2023 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report 2023, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Report 2023 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Report 2023, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report 2023 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
15 May 2023

Condensed Consolidated Income Statement
For the six months ended 31 March 2023

		Unaudited			Unaudited			Audited
		Six months to 31 March 2023			Six months to 31 March 2022			Year to 30 Sept 2022
		Adjusted[1]	**Adjust-ments[1]**	**Total**	Adjusted[1]	Adjust-ments[1]	Total	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m
Revenue	3	**582.8**	**-**	**582.8**	448.5	-	448.5	1,012.8
Operating expenses	2	**(473.1)**	**(17.2)**	**(490.3)**	(366.0)	(24.3)	(390.3)	(868.5)
Operating profit		**109.7**	**(17.2)**	**92.5**	82.5	(24.3)	58.2	144.3
Financial expense, net	4	**(11.0)**	**(2.8)**	**(13.8)**	(3.9)	(2.0)	(5.9)	(14.8)
Profit before tax		**98.7**	**(20.0)**	**78.7**	78.6	(26.3)	52.3	129.5
Tax expense	5	**(24.2)**	**5.2**	**(19.0)**	(19.8)	3.4	(16.4)	(34.1)
Profit for the period		**74.5**	**(14.8)**	**59.7**	58.8	(22.9)	35.9	95.4
Attributable to:								
Shareholders of the Company	6	**74.1**	**(14.8)**	**59.3**	58.5	(22.9)	35.6	94.7
Minority interests		**0.4**	**-**	**0.4**	0.3	-	0.3	0.7
		74.5	**(14.8)**	**59.7**	58.8	(22.9)	35.9	95.4
Earnings per share (p)								
Adjusted / Basic	6	**59.1p**	**(11.8p)**	**47.3p**	47.0p	(18.4p)	28.6p	76.1p
Adjusted / Diluted		**58.8p**	**(11.7p)**	**47.1p**	46.9p	(18.4p)	28.5p	75.9p

[1] Adjusted figures exclude certain items as set out and explained in the Financial Review and as detailed in Notes 2, 3, 4, 5 and 6. All amounts relate to continuing operations.

The Group has re-presented the Condensed Consolidated Income Statement to reflect the analysis of expenses based on their nature. Together with note 2, this provides more information that is relevant to the users of the financial statements and better aligns to how management information is reported internally.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2023

	Unaudited 31 March 2023 £m	Unaudited 31 March 2022 £m	Audited 30 Sept 2022 £m
Profit for the period	**59.7**	35.9	95.4
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial gains in the defined benefit pension scheme	**2.0**	-	10.6
Deferred tax on items that will not be reclassified	**(0.6)**	-	(2.8)
	1.4	-	7.8
Items that may be reclassified to the Consolidated Income Statement			
Exchange rate (losses)/gains on foreign currency net investments	**(49.2)**	13.7	76.8
(Losses)/gains on fair value of cash flow hedges	**(0.3)**	(0.5)	4.5
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	**(0.7)**	-	(0.4)
Deferred tax on items that may be reclassified	**0.2**	0.2	(1.1)
	(50.0)	13.4	79.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**11.1**	49.3	183.0
Attributable to:			
Shareholders of the Company	**10.7**	49.1	182.2
Minority interests	**0.4**	0.2	0.8
	11.1	49.3	183.0

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 March 2023

	Share capital	Share premium	Transl-ation reserve	Hedging reserve	Retained earnings	Share-holders' equity	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2021 (audited)	**6.3**	**188.6**	**12.1**	**0.2**	**329.1**	**536.3**	**4.7**	**541.0**
Total comprehensive income	-	-	13.8	(0.3)	35.6	**49.1**	0.2	**49.3**
Share-based payments	-	-	-	-	1.4	**1.4**	-	**1.4**
Notional purchase of own shares	-	-	-	-	(2.8)	**(2.8)**	-	**(2.8)**
Disposal of business	-	-	-	-	-	**-**	(1.3)	**(1.3)**
Minority interest put option disposal	-	-	-	-	1.2	**1.2**	-	**1.2**
Dividends	-	-	-	-	(37.5)	**(37.5)**	(0.2)	**(37.7)**
At 31 March 2022 (unaudited)	**6.3**	**188.6**	**25.9**	**(0.1)**	**327.0**	**547.7**	**3.4**	**551.1**
Total comprehensive income	-	-	62.9	3.3	66.9	**133.1**	0.6	**133.7**
Share-based payments	-	-	-	-	1.4	**1.4**	-	**1.4**
Tax on items recognised directly in equity	-	-	-	-	0.4	**0.4**	-	**0.4**
Acquisition of business	-	-	-	-	-	**-**	2.5	**2.5**
Minority interest put option on acquisition	-	-	-	-	(1.9)	**(1.9)**	-	**(1.9)**
Minority interest acquired	-	-	-	-	-	**-**	(0.3)	**(0.3)**
Dividends	-	-	-	-	(18.7)	**(18.7)**	-	**(18.7)**
At 30 September 2022 (audited)	**6.3**	**188.6**	**88.8**	**3.2**	**375.1**	**662.0**	**6.2**	**668.2**
Total comprehensive income	-	-	(49.2)	(0.8)	60.7	**10.7**	0.4	**11.1**
Issue of share capital (note 6)	0.5	231.6	-	-	-	**232.1**	-	**232.1**
Share-based payments	-	-	-	-	2.1	**2.1**	-	**2.1**
Notional purchase of own shares	-	-	-	-	(1.9)	**(1.9)**	-	**(1.9)**
Dividends	-	-	-	-	(48.3)	**(48.3)**	(0.3)	**(48.6)**
At 31 March 2023 (unaudited)	**6.8**	**420.2**	**39.6**	**2.4**	**387.7**	**856.7**	**6.3**	**863.0**

Condensed Consolidated Statement of Financial Position
As at 31 March 2023

	Note	**Unaudited 31 March 2023 £m**	Unaudited 31 March 2022 £m	Audited 30 Sept 2022 £m
Non-current assets				
Goodwill	9	**374.6**	269.9	372.3
Acquisition intangible assets	9	**451.5**	342.2	455.0
Other intangible assets		**4.1**	3.5	4.1
Property, plant and equipment		**49.3**	36.4	49.6
Leases - right of use of assets		**54.6**	53.8	62.4
Retirement benefit assets		**8.8**	-	6.4
Deferred tax assets		**0.4**	0.3	0.2
		943.3	706.1	950.0
Current assets				
Inventories		**216.3**	165.1	217.4
Trade and other receivables		**173.7**	135.4	169.9
Assets held for sale		**-**	2.9	-
Cash and cash equivalents	8	**72.1**	132.5	41.7
		462.1	435.9	429.0
Current liabilities				
Borrowings	8	**(29.1)**	(21.4)	(30.5)
Trade and other payables		**(180.2)**	(138.0)	(189.5)
Current tax liabilities		**(11.6)**	(9.1)	(11.8)
Other liabilities		**(14.4)**	(5.6)	(19.0)
Lease liabilities		**(12.3)**	(10.1)	(12.7)
		(247.6)	(184.2)	(263.5)
Net current assets		**214.5**	251.7	165.5
Total assets less current liabilities		**1,157.8**	957.8	1,115.5
Non-current liabilities				
Retirement benefit obligations		**-**	(4.9)	-
Borrowings	8	**(197.0)**	(320.6)	(340.1)
Lease liabilities		**(49.3)**	(50.2)	(56.4)
Other liabilities		**(11.4)**	(12.1)	(12.4)
Deferred tax liabilities		**(37.1)**	(18.9)	(38.4)
Net assets		**863.0**	551.1	668.2
Equity				
Share capital		**6.8**	6.3	6.3
Share premium		**420.2**	188.6	188.6
Translation reserve		**39.6**	25.9	88.8
Hedging reserve		**2.4**	(0.1)	3.2
Retained earnings		**387.7**	327.0	375.1
Total shareholders' equity		**856.7**	547.7	662.0
Minority interests		**6.3**	3.4	6.2
Total equity		**863.0**	551.1	668.2

Condensed Consolidated Cash Flow Statement
For the six months ended 31 March 2023

	Note	**Unaudited 31 March 2023 £m**	Unaudited 31 March 2022 £m	Audited 30 Sept 2022 £m
Cash flow from operating activities	7	**98.1**	64.0	180.6
Interest paid, net (including borrowing fees)		**(11.3)**	(2.7)	(15.0)
Tax paid		**(22.2)**	(19.9)	(40.6)
Net cash from operating activities		**64.6**	41.4	125.0
Cash flow from investing activities				
Acquisition of businesses (net of cash acquired)		**(85.4)**	(21.9)	(173.0)
Deferred consideration paid		**(8.0)**	(5.4)	(7.1)
Proceeds from sale of business (net of cash disposed)		**21.5**	4.2	13.7
Purchase of property, plant and equipment		**(9.4)**	(5.2)	(14.3)
Purchase of other intangible assets		**(0.8)**	(0.5)	(1.1)
Proceeds from sale of property, plant and equipment		**0.7**	9.3	9.9
Net cash used in investing activities		**(81.4)**	(19.5)	(171.9)
Cash flow from financing activities				
Proceeds from issue of share capital		**236.1**	-	-
Share issue costs		**(3.6)**	-	-
Dividends paid to shareholders	11	**(48.3)**	(37.5)	(56.2)
Dividends paid to minority interests		**(0.3)**	(0.2)	(0.2)
Acquisition of minority interests		**-**	-	(0.3)
Lease repayments		**(6.9)**	(6.3)	(10.9)
Notional purchase of own shares on exercise of options		**(1.9)**	(2.8)	(2.8)
Proceeds from borrowings	8	**45.3**	141.7	154.8
Repayment of borrowings	8	**(171.6)**	(9.7)	(20.0)
Net cash from financing activities		**48.8**	85.2	64.4
Net increase in cash and cash equivalents	8	**32.0**	107.1	17.5
Cash and cash equivalents at beginning of period		**41.7**	24.8	24.8
Effect of exchange rates on cash and cash equivalents		**(1.6)**	0.6	(0.6)
Cash and cash equivalents at end of period		**72.1**	132.5	41.7

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2023

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a public limited company registered and domiciled in England and Wales. The condensed set of consolidated financial statements (the "financial statements") for the six months ended 31 March 2023 comprise the Company and its subsidiaries (together referred to as "the Group").

The condensed information presented for the financial year ended 30 September 2022 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. Those statutory accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Except where otherwise stated, the figures for the six months ended 31 March 2022 were extracted from the 2022 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2022 are available on the Company's website (*www.diplomaplc.com*) or upon request from the Company's registered office at Diploma PLC, 10-11 Charterhouse Square, London, EC1M 6EE.

1.1 Statement of compliance
The financial statements included in this Half Year Announcement for the six months ended 31 March 2023 have been prepared on a going concern basis and in accordance with UK-adopted International Accounting Standard 34, *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 September 2022.

The Half Year financial statements were approved by the Board of Directors on 15 May 2023; they have not been audited by the Company's auditor.

1.2 Significant accounting policies
The accounting policies applied by the Group in this set of financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 30 September 2022, except for the amount included in the Half Year Report in respect of taxation.

As in previous Half Year Announcements, taxation has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. In the audited consolidated financial statements for the full year, the taxation balances are based on draft tax computations prepared for each business within the Group.

1.3 Risk management
The Group's overall management of financial risks is carried out by a central team under policies and procedures which are reviewed by the Board. The financial risks to which the Group is exposed are those of credit, liquidity, foreign currency, interest rate and capital management. An explanation of each of these risks and how the Group manages them is included in the Annual Report & Accounts for the year ended 30 September 2022. Further explanation of the Group's principal risks and uncertainties and Going Concern are set out in the narrative of this Half Year Report.

There is no material difference between the book value and fair value of the Group's financial assets and financial liabilities as at 31 March 2023. The basis for determining the fair value is as follows:

- *Derivatives:* Forward contracts and interest rate swaps are designated as level 2 assets (in the fair value hierarchy) and fair-valued at 31 March 2023 with the gains and losses taken to equity. The fair value of the forward contracts and interest rate swaps as at 31 March 2023 amounts to a £3.5m asset (30 September 2022: £4.4m).
- *Trade and other receivables:* As the majority of the trade and other receivables have a remaining life of less than 12 months, the book value is deemed to be reflective of the fair value.
- *Lease and other liabilities:* The carrying amount represents the discounted value of the expected liability which is deemed to reflect the fair value.

1.4 Estimates and judgements
The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The accounting estimates and judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts included within these consolidated financial statements, were the same as those that applied to the Group's audited consolidated financial statements for the year ended 30 September 2022 as set out on page 175 of the 2022 Annual Report & Accounts.

2. ANALYSIS OF OPERATING EXPENSES / INCOME

	Unaudited			Unaudited			Audited
	Six months to 31 March 2023			Six months to 31 March 2022			Year to 30 Sept 2022
	Adjusted[1]	**Adjust-ments[1]**	**Total**	Adjusted[1]	Adjust-ments[1]	Total	Total
	£m	**£m**	**£m**	£m	£m	£m	£m
Cost of goods sold	**(319.4)**	**-**	**(319.4)**	(247.8)	-	(247.8)	(561.3)
Employee costs	**(102.0)**	**(1.9)**	**(103.9)**	(77.7)	(1.9)	(79.6)	(177.5)
Depreciation of property, plant and equipment	**(6.3)**	**-**	**(6.3)**	(4.6)	-	(4.6)	(10.4)
Depreciation of right-of-use assets	**(6.7)**	**-**	**(6.7)**	(6.0)	-	(6.0)	(12.7)
Amortisation	**(0.4)**	**(25.3)**	**(25.7)**	(0.3)	(18.8)	(19.1)	(42.8)
Acquisition and other related items	**-**	**10.0**	**10.0**	-	(3.6)	(3.6)	(4.5)
Net impairment (losses)/reversals on trade receivables	**(1.1)**	**-**	**(1.1)**	(0.1)	-	(0.1)	(3.4)
Other operating expenses	**(37.2)**	**-**	**(37.2)**	(29.5)	-	(29.5)	(55.9)
Operating (expenses) / income	**(473.1)**	**(17.2)**	**(490.3)**	(366.0)	(24.3)	(390.3)	(868.5)

[1]The adjustments to operating expenses are made in relation to acquisition related and other charges totalling £17.2m (2022: £24.3m) and comprise £25.3m (2022: £18.8m) of amortisation of acquisition intangible assets, £4.1m (2022: £3.9m) of acquisition expenses, of which £1.9m (2022:£1.9m) relates to WCW deferred remuneration, offset by a £12.2m (2022: £1.6m net charge) gain on the disposal of businesses, which is set out in note 10.

3. BUSINESS SECTOR ANALYSIS

The Chief Operating Decision Maker ("CODM") for the purposes of IFRS 8 is the Chief Executive Officer. The financial performance of the Sectors is reported to the CODM monthly and this information is used to allocate resources on an appropriate basis.

Sector information is presented in this Half Year Announcement in respect of the Group's business Sectors. The business Sector reporting format reflects the Group's management and internal reporting structure. The geographic sector reporting represents results by origin. The Group's financial results have not, historically, been subject to significant seasonal trends. In the year ended 30 September 2022, the Group earned 44.3% of its annual revenues and 43.1% of its annual adjusted operating profits in the first six months of the year. This phasing between the first and second half was partly impacted by the timing of acquisitions which favoured the second half of the year.

Sector revenue represents revenue from external customers; there is no inter-Sector revenue. Sector results, assets and liabilities include items directly attributable to a Sector.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2023

3. BUSINESS SECTOR ANALYSIS (continued)

£m	Revenue			Adjusted operating profit			Operating profit		
	6 mths 31 Mar 2023	6 mths 31 Mar 2022	12 mths 30 Sept 2022	**6 mths 31 Mar 2023**	6 mths 31 Mar 2022	12 mths 30 Sept 2022	**6mths 31 Mar 2023**	6 mths 31 Mar 2022	12 mths 30 Sept 2022
By Sector									
Life Sciences	**105.6**	87.1	188.6	**20.9**	19.6	41.0	**16.7**	17.2	42.5
Seals	**198.4**	137.4	331.4	**35.7**	25.8	62.6	**29.3**	17.1	46.0
Controls	**278.8**	224.0	492.8	**64.3**	47.0	105.8	**57.7**	33.8	75.3
Corporate	**-**	-	-	**(11.2)**	(9.9)	(18.2)	**(11.2)**	(9.9)	(19.5)
	582.8	448.5	1,012.8	**109.7**	82.5	191.2	**92.5**	58.2	144.3
By Geographic Area									
United Kingdom	**137.2**	84.0	209.7	**14.4**	5.6	21.0			
Rest of Europe	**97.7**	79.8	166.7	**15.3**	15.4	29.3			
North America	**308.6**	250.3	561.0	**73.6**	56.0	129.5			
Rest of World	**39.3**	34.4	75.4	**6.4**	5.5	11.4			
	582.8	448.5	1,012.8	**109.7**	82.5	191.2			

£m	Total assets			Total liabilities			Net assets		
	31 Mar 2023	31 Mar 2022	30 Sept 2022	**31 Mar 2023**	31 Mar 2022	30 Sept 2022	**31 Mar 2023**	31 Mar 2022	30 Sept 2022
By Sector									
Life Sciences	**245.9**	187.2	255.1	**(45.9)**	(31.7)	(41.7)	**200.0**	155.5	213.4
Seals	**423.3**	250.8	432.9	**(96.5)**	(69.2)	(103.3)	**326.8**	181.6	329.6
Controls	**643.1**	579.1	632.3	**(79.7)**	(78.7)	(92.6)	**563.4**	500.4	539.7
Corporate assets/(liabilities)	**93.1**	124.9	58.7	**(320.3)**	(411.3)	(473.2)	**(227.2)**	(286.4)	(414.5)
	1,405.4	1,142.0	1,379.0	**(542.4)**	(590.9)	(710.8)	**863.0**	551.1	668.2

Sector assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business Sector. Sector liabilities exclude bank borrowings, retirement benefit obligations, deferred tax liabilities, acquisition liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business Sector. These items that cannot be allocated on a reasonable basis to a business Sector are shown collectively as "corporate assets/(liabilities)".

£m	Capital expenditure			Depreciation		
	31 Mar 2023	31 Mar 2022	30 Sept 2022	**31 Mar 2023**	31 Mar 2022	30 Sept 2022
By Sector						
Life Sciences	**3.5**	2.9	8.0	**1.9**	1.3	2.9
Seals	**3.8**	1.1	3.7	**2.3**	1.3	3.5
Controls	**2.7**	0.8	2.7	**2.4**	2.2	4.6
Corporate	**0.2**	0.9	0.9	**0.1**	0.1	0.2
	10.2	5.7	15.3	**6.7**	4.9	11.2

A further £6.7m (2022: £6.0m) of depreciation was incurred on right of use assets (note 2). Depreciation also includes amortisation of other intangible assets, largely software.

4. FINANCIAL EXPENSE, NET

	31 March 2023 £m	31 March 2022 £m	30 Sept 2022 £m
Interest expense and similar charges			
- bank facility and commitment fees	**(0.7)**	(0.4)	(1.0)
- interest income on short term deposits	**0.2**	-	0.1
- interest expense on bank borrowings	**(9.2)**	(2.1)	(7.9)
- notional interest income/(expense) on the defined benefit pension scheme	**0.2**	(0.2)	-
- amortisation of capitalised borrowing fees	**(0.1)**	(0.1)	(0.2)
- interest on lease liabilities	**(1.4)**	(1.1)	(2.6)
Net interest expense and similar charges	**(11.0)**	(3.9)	(11.6)
- acquisition related finance charges	**(2.8)**	(2.0)	(3.2)
Financial expense, net	**(13.8)**	(5.9)	(14.8)

Acquisition related finance charges includes fair value remeasurements of put options for future minority purchases (£1.4m (2022: £1.0m)), unwind of discount on and remeasurement of acquisition liabilities (£0.9m (2022: £0.4m)) and the amortisation of capitalised borrowing fees on acquisition related borrowings (£0.9m (2022: £0.6m)), net of interest income on deferred receivables from disposals (£0.4m (2022: nil)).

5. TAXATION

	31 March 2023 £m	31 March 2022 £m	30 Sept 2022 £m
UK tax	**7.2**	1.2	6.7
Overseas tax	**11.8**	15.2	27.4
Total tax on profit for the period	**19.0**	16.4	34.1

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. The Group's adjusted effective rate of tax on adjusted profit before tax is 24.5% (September 2022: 25.0%).

6. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the period of 125,360,523 (2022: 124,520,917) and the profit for the period attributable to shareholders of £59.3m (2022: £35.6m). Basic earnings per share is 47.3p (2022: 28.6p). Diluted earnings per share is 47.1p (2022: 28.5p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 125,927,286 (2022: 124,932,661). An equity placing was completed in March 2023, resulting in the issuance of 9,350,965 (7.5% increase) of 5p ordinary shares at a share price of 2,525 pence per placing share, with corresponding fees of £4.2m.

Adjusted earnings per share

Adjusted earnings per share, defined in note 13, is calculated as follows:

	31 Mar 2023 pence per share	31 Mar 2022 pence per share	30 Sept 2022 pence per share	31 Mar 2023 £m	31 Mar 2022 £m	30 Sept 2022 £m
Profit before tax				**78.7**	52.3	129.5
Tax expense				**(19.0)**	(16.4)	(34.1)
Minority interests				**(0.4)**	(0.3)	(0.7)
Earnings for the period attributable to shareholders of the Company	**47.3**	28.6	76.1	**59.3**	35.6	94.7
Acquisition related and other charges and acquisition related finance charges, net of tax	**11.8**	18.4	31.4	**14.8**	22.9	39.2
Adjusted earnings (Note 13.4)	**59.1**	47.0	107.5	**74.1**	58.5	133.9

7. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2023 £m	31 March 2022 £m	30 Sept 2022 £m
Operating profit	**92.5**	58.2	144.3
Acquisition related and other charges (note 2)	**17.2**	24.3	46.9
Adjusted operating profit	**109.7**	82.5	191.2
Depreciation/amortisation of tangible, other intangible assets and right of use assets	**13.4**	10.9	23.9
Share-based payments expense	**2.1**	1.4	2.8
Defined benefit scheme expense	**(0.3)**	(0.2)	(0.6)
Profit on disposal of assets	**-**	(1.5)	(1.6)
Acquisition expenses paid	**(4.0)**	(1.8)	(6.5)
Other non-cash movements	**-**	-	0.1
Non-cash items and other	**11.2**	8.8	18.1
Increase in inventories	**(11.5)**	(19.2)	(35.6)
Increase in trade and other receivables	**(17.8)**	(16.3)	(10.6)
Increase in trade and other payables	**6.5**	8.2	17.5
Increase in working capital	**(22.8)**	(27.3)	(28.7)
Cash flow from operating activities	**98.1**	64.0	180.6

8. NET DEBT

The movement in net debt during the period is as follows:

	31 March 2023 £m	31 March 2022 £m	30 Sept 2022 £m
Net increase in cash and cash equivalents	**32.0**	107.1	17.5
Decrease /(Increase) in bank borrowings	**127.8**	(132.0)	(131.3)
	159.8	(24.9)	(113.8)
Effect of exchange rates and other non-cash movements	**15.1**	(3.2)	(33.7)
Decrease/(increase) in net debt	**174.9**	(28.1)	(147.5)
Net debt at beginning of period	**(328.9)**	(181.4)	(181.4)
Net debt at end of period	**(154.0)**	(209.5)	(328.9)
Comprising:			
Cash and cash equivalents	**72.1**	132.5	41.7
Bank borrowings:			
- Revolving credit facility, including accrued interest	**(41.9)**	(188.8)	(201.0)
- Term loan, including accrued interest	**(189.0)**	(157.1)	(174.3)
- Capitalised debt fees	**4.8**	3.9	4.7
	(226.1)	(342.0)	(370.6)
Net debt at end of period	**(154.0)**	(209.5)	(328.9)
Analysed as:			
Repayable within one year	**29.1**	21.4	30.5
Repayable after one year	**197.0**	320.6	340.1

8. NET DEBT (continued)

The Group has a debt facility agreement ("SFA") originally entered into on 13 October 2020. At 31 March 2023, the SFA comprises a committed multi-currency revolving facility for an aggregate principal amount of £359.7m, an amortising term loan for an aggregate principal amount of £89.3m ($110.5m), a bullet term loan for an aggregate principal amount of £53.3m ($66.0m) and a further bullet term loan for an aggregate principal amount of £45.3m. The SFA was recently extended until December 2025. Interest on the SFA is payable between 125–275bps above the applicable interbank or risk-free rate, depending on the ratio of net debt to EBITDA.

At 31 March 2023, the Group had utilised £41.9m of the RCF (2022: £188.8m), comprising £23.4m ($29.0m) of US dollars and £18.5m (€21.0m) of Euros.

Total debt is £215.6m (2022: £269.8m) comprising net debt of £154.0m (2022: £209.5m) which excludes lease liabilities of £61.6m (2022: £60.3m). Bank covenants are tested against net debt, as defined in Note 13.5.

9. GOODWILL AND ACQUISITION INTANGIBLE ASSETS

	Goodwill £m	Acquisition intangible assets £m
At 1 October 2021	260.7	344.9
Acquisitions	4.2	9.7
Amortisation charge	-	(18.8)
Exchange adjustments	5.0	6.4
At 31 March 2022	269.9	342.2
Acquisitions	76.8	86.2
Amortisation charge	-	(19.6)
Exchange adjustments	25.6	46.2
At 30 September 2022	372.3	455.0
Acquisitions	25.7	51.9
Disposals	(4.3)	-
Amortisation charge	-	(25.3)
Exchange adjustments	(19.1)	(30.1)
At 31 March 2023	**374.6**	**451.5**

Goodwill represents the amount paid for future sales growth from both new customers and new products, operating cost synergies and employee know-how. The acquisition intangible assets primarily relate to supplier relationships, customer relationships, brands and patents and these assets will be amortised over five to fifteen years.

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisition of Tennessee Industrial Electronics LLC
On 6 March 2023, the Group acquired 100% of the share capital of Tennessee Industrial Electronics LLC ("TIE"), a distributor of aftermarket parts and repair services into the US industrial automation end market for an enterprise value of £76m on a debt free cash free basis. The total investment, net of cash acquired was £75.1m ($90.3m).

The provisional fair value of TIE's net assets acquired excluding acquisition intangibles, related deferred tax and cash is £9.3m following fair value adjustments of £2.7m. The principal fair value adjustments relate to reductions in inventory (£1.7m) and trade receivables (£0.2m), recognition of previously unrecognised liabilities (£0.7m) and write down of property plant and equipment (£0.1m). From the date of acquisition to 31 March 2023, TIE contributed £2.4m to revenue and £0.6m to adjusted operating profit. If it had been acquired at the beginning of the financial year, it would have contributed on a pro-forma basis £14.4m to revenue and £3.4m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if TIE had been completed at the beginning of the year.

Other acquisitions
The Group completed a further six other acquisitions in the period. This comprised the trade and assets of Shrinktek Polymers International Limited ("Shrinktek") (11 January 2023), Eurobond Adhesives Limited ("Eurobond") (23 March 2023) and International Technologies Group LLC ("ITG") (30 March 2023); 100% of the share capital of Fluid Power Products Limited ("FPS") (3 October 2022), Hedley DMB Limited ("Hedley") (4 October 2022) and Valves Online Limited ("Valves Online") (14 March 2023). The combined initial consideration for these acquisitions was £10.3m, net of cash acquired of £1.8m. Deferred consideration of up to £2.6m is payable based largely on the performance of the businesses in the period subsequent to their acquisitions. The provisional fair value of the total net assets acquired excluding intangibles, related deferred tax and cash is £2.2m.

Acquisition expenses
Acquisition expenses of £2.7m have been recognised in respect of the acquisitions completed in the period.

Fair value of net assets acquired
The fair values of net assets acquired during the period, including the allocation of the surplus over the fair value of the net assets acquired are provisional, subject to reviews up to the end of the measurement period of each acquisition.

	TIE		Others		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Acquisition intangible assets[1]	-	44.7	-	7.2	-	51.9
Deferred tax	-	-	-	(1.1)	-	(1.1)
Property, plant and equipment	0.9	0.8	0.2	0.2	1.1	1.0
Inventories	11.2	9.5	1.1	1.1	12.3	10.6
Trade and other receivables	4.3	4.1	2.4	2.4	6.7	6.5
Trade and other payables	(4.4)	(5.1)	(1.5)	(1.5)	(5.9)	(6.6)
Net assets acquired	12.0	54.0	2.2	8.3	14.2	62.3
Goodwill	–	21.1	–	4.6	–	25.7
Minority interests	–	–	–	–	–	–
Cash paid		79.6		12.1		91.7
Cash acquired		(4.5)		(1.8)		(6.3)
		75.1		10.3		85.4
Deferred consideration		–		2.6		2.6
Total investment		**75.1**[2]		**12.9**		**88.0**

[1] On the acquisitions completed in the current year, acquired intangibles relate primarily to customer relationships.

[2] Diploma acquired TIE on a cash free/debt free basis. The total investment amounts to £75.1m (being cash paid net of cash acquired). Of the initial cash paid, the vendor directed the funds in escrow to settle outstanding debt of £11.7m.

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

Acquisitions revenue and adjusted operating profit

From the date of acquisition to 31 March 2023, each acquired business contributed the following to Group revenue and adjusted operating profit:

	Acquisition date	Revenue £m	Adj.[1] £m	Pro forma revenue £m	Adjusted operating profit £m	Adj.[1] £m	Pro forma adjusted operating profit £m
FPS	3 Oct 2022	1.4	-	1.4	0.3	-	0.3
Hedley	4 Oct 2022	1.9	-	1.9	0.3	-	0.3
Shrinktek	11 Jan 2023	0.3	0.4	0.7	0.1	0.2	0.3
TIE	6 Mar 2023	2.4	12.0	14.4	0.6	2.8	3.4
Valves Online	14 Mar 2023	-	1.7	1.7	-	0.3	0.3
Eurobond	23 Mar 2023	-	0.7	0.7	-	0.1	0.1
ITG	30 Mar 2023	-	0.7	0.7	-	0.2	0.2
		6.0	15.5	21.5	1.3	3.6	4.9

1 Pro forma revenue and adjusted operating profit has been extrapolated (as prescribed under IFRS) from the results reported since acquisition to indicate what these businesses would have contributed if they had been acquired at the beginning of the period on 1 October 2022. These amounts should not be viewed as confirmation of the results of these businesses that would have occurred if these acquisitions had been completed at the beginning of the year.

Disposal of Hawco

On 31 March 2023, the Group disposed of its 100% interest in Hawco Limited ("Hawco") for total proceeds of £24.5m. Cash of £21.5m was received, net of cash disposed of £2.0m with a further £1.0m deferred for 12 months.

11. DIVIDENDS

	31 Mar 2023 pence per share	31 Mar 2022 pence per share	30 Sept 2022 pence per share	**31 Mar 2023 £m**	31 Mar 2022 £m	30 Sept 2022 £m
Final dividend of the prior year, paid in January	**38.8**	30.1	30.1	**48.3**	37.5	37.5
Interim dividend, paid in June	**16.5**	15.0	15.0	**22.1**	18.7	18.7
	55.3	45.1	45.1	**70.4**	56.2	56.2

Subsequent to the period end, the Directors have declared an interim dividend of 16.5 per share (2022: 15.0p) which will be paid on 9 June 2023 to shareholders on the register on 26 May 2023. The total value of the dividend will be £22.1m (2022: £18.7m). No liability has been recognised on the balance sheet at 31 March 2023 in respect of the interim dividend (2022: same). During the period, the Directors became aware that approximately £2.5m of the FY21 interim dividend declared on 17 May 2021 was paid other than in accordance with the technical requirements of the Companies Act 2006. This was because interim accounts had not been filed at Companies house prior to the declaration of the dividend. It is intended that this technical issue, which has no impact on the Company's financial position, be ratified by a shareholders' resolution to be proposed in due course.

12. EXCHANGE RATES

The exchange rates used to translate the results of the overseas businesses were as follows:

	Average			**Closing**		
	31 March 2023	31 March 2022	30 Sept 2022	**31 March 2023**	31 March 2022	30 Sept 2022
US dollar (US$)	**1.20**	1.34	1.27	**1.24**	1.32	1.12
Canadian dollar (C$)	**1.63**	1.69	1.63	**1.68**	1.64	1.53
Euro (€)	**1.14**	1.19	1.18	**1.13**	1.18	1.14
Swiss franc (CHF)	**1.13**	1.23	1.20	**1.13**	1.21	1.10
Australian dollar (A$)	**1.79**	1.84	1.79	**1.85**	1.75	1.74

13. ALTERNATIVE PERFORMANCE MEASURES

The Group reports under International Financial Reporting Standards (IFRS) and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, IFRS measures.

13.1 Revenue Growth

As we are a multi-national Group of companies who trade in a large number of currencies and also acquire and sometimes dispose of companies, we also refer to organic performance measures throughout the Annual Report. These strip out the effects of the movement in exchange rates and of acquisitions and disposals. The Board believe that this allows users of the accounts to gain a better understanding of how the Group has performed.

A reconciliation of the movement in revenue compared to the prior period is given below.

	£m	%
March 2022 Reported revenue	**448.5**	
Organic	47.8	10%
Acquisitions and Disposals	53.8	12%
Exchange	32.7	8%
March 2023 Reported revenue	**582.8**	**30%**

The Organic revenue growth percentage is the incremental revenue generated under Diploma's ownership compared to the revenue in the same period prior to acquisition, at prior period exchange rates.

The impact of acquisitions on growth is the revenue of the acquiree prior to the acquisition by Diploma for the comparable period at prior period exchange rates. The impact of disposals on growth is the removal of the revenue of the disposed entity in the comparable post disposal period at prior period exchange rates. The Acquisitions and Disposals growth percentage is calculated as the impact of acquisition and disposals divided by the reported revenue in the prior period.

Exchange translation movements are assessed by re-translating current period reported values to prior period exchange rates.

13.2 Adjusted operating profit and adjusted operating margin

"Adjusted operating profit" is the operating profit before adjusting items that would otherwise distort operating profit, currently and more recently being amortisation of acquisition intangible assets or goodwill, acquisition expenses, post-acquisition related remuneration costs and adjustments to deferred consideration, the costs of a significant restructuring or rationalisation and the profit or loss relating to the sale of businesses. These are treated as adjusting items as they are considered to be significant in nature and/or quantum and where treatment as an adjusting item provides all our stakeholders with additional useful information to assess the period-on-period trading performance of the Group on a like-for-like basis. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's reported revenue.

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below:

	Note	**31 Mar 2023 £m**	31 Mar 2022 £m	30 Sep 2022 £m
Revenue		**582.8**	448.5	1,012.8
Operating profit as reported under IFRS		**92.5**	58.2	144.3
Add: Acquisition related and other charges		**17.2**	24.3	46.9
Adjusted operating profit	2,3	**109.7**	82.5	191.2
Adjusted operating margin	2,3	**18.8%**	18.4%	18.9%

13.3 Adjusted earnings per share

"Adjusted earnings per share" ("adjusted EPS") is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit/(loss) attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the period of 125,360,523 (2022: 124,520,917), as set out in Note 6. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

13.4 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities, less net capital expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before expenditure on business combinations/investments (including any pre-acquisition debt like items such as pensions or tax settled post-acquisition) and proceeds from business disposals, borrowings received to fund acquisitions and dividends paid to both minority shareholders and the Company's shareholders. "Free cash flow conversion" reflects free cash flow as a percentage of adjusted earnings. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

	Note	**31 Mar 2023 £m**	31 Mar 2022 £m	30 Sep 2022 £m
Net increase in cash and cash equivalents		**32.0**	107.1	17.5
Add: Dividends paid to shareholders and minority interests		**48.6**	37.7	56.4
Acquisition of minority interests		**-**	**-**	0.3
Acquisition/disposal of businesses (including net expenses)		**67.9**	19.5	170.4
Deferred consideration paid		**8.0**	5.4	7.1
Proceeds from issue of share capital (net of fees)		**(232.5)**	-	-
Net repayment of/(proceeds from) borrowings (including borrowing fees)		**127.8**	(132.0)	(131.3)
Free cash flow		**51.8**	37.7	120.4
Adjusted earnings[1]	6	**74.1**	58.5	133.9
Free cash flow conversion		**70%**	64%	90%

[1] Adjusted earnings is shown on the face of the condensed consolidated income statement as profit for the period attributable to shareholders of the company.

13.5 Leverage

Leverage is net debt, defined as cash and cash equivalents and borrowings translated at average exchange rates for the reporting period, divided by EBITDA as defined in the Group's external facility covenants, which is the Group's adjusted operating profit adjusting for depreciation and amortisation of tangible and other intangible assets, the share of adjusted operating profit attributable to minority interests and the annualisation of EBITDA for acquisitions and disposals made during the financial year, excluding the impact of IFRS 16 (Leases). The Directors consider this metric to be an important measure of the Group's financial position.

	Note	**31 Mar 2023 £m**	31 Mar 2022 £m	30 Sep 2022 £m
Cash and cash equivalents	8	**72.1**	132.5	41.7
Borrowings	8	**(226.1)**	(342.0)	(370.6)
Re-translation at average exchange rates		**(4.0)**	-	23.1
Net debt at average exchange rates		**(158.0)**	(209.5)	(305.8)
Adjusted operating profit	13.2	**109.7**	82.5	191.2
Depreciation and amortisation of tangible and other intangible assets	2	**6.7**	4.9	11.2
IFRS 16 impact		**(0.8)**	(0.6)	1.2
Minority interest share of adjusted operating profit		**(0.6)**	(0.4)	(1.1)
Pro forma adjustments[1]		**121.3**	91.3	10.2
EBITDA		**236.3**	177.7	212.7
Leverage		**0.7x**	1.2x	1.4x

[1]Annualisation of adjusted EBITDA, including that of acquisitions and disposals in the period.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2023

13.6 Trading Capital Employed and ROATCE
Trading capital employed is defined as net assets less cash and cash equivalents (cash funds) after adding back borrowings (other than lease liabilities), retirement benefit obligations, deferred tax, acquisition liabilities in respect of future purchases of minority interests and deferred consideration. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously charged to the income statement (net of deferred tax on acquisition intangible assets) and re-translated at the average exchange rates for the reporting period. Return on Adjusted Trading Capital Employed (ROATCE) is defined as the pro forma adjusted operating profit, divided by adjusted trading capital employed, where pro forma adjusted operating profit is the annualised adjusted operating profit including that of acquisitions and disposals in the period. The Directors believe that ROATCE is an important measure of the profitability of the Group.

	Note	**31 Mar 2023 £m**	31 Mar 2022 £m	30 Sep 2022 £m
Net assets as reported under IFRS		**863.0**	551.1	668.2
Add/(deduct):				
– Deferred tax, net		**36.7**	18.6	38.2
– Retirement benefit (assets)/obligations		**(8.8)**	4.9	(6.4)
– Net acquisition related liabilities/assets (net)		**23.1**	17.7	29.6
– Net debt	8	**154.0**	209.5	328.9
Trading capital employed		**1,068.0**	801.8	1,058.5
– Historic goodwill and acquisition related charges, net of deferred tax and currency movements		**193.4**	153.2	99.6
Adjusted trading capital employed		**1,261.4**	955.0	1,158.1
Adjusted operating profit	13.2	**109.7**	82.5	191.2
Pro forma adjustments[1]		**115.3**	84.8	9.7
Pro forma adjusted operating profit		**225.0**	167.3	200.9
ROATCE		**17.8%**	17.5%	17.3%

[1] Annualisation of adjusted operating profit, including that of acquisitions and disposals in the period.

13.7 Alternative performance measures

Measure	**Closest IFRS measure**	**Definition and reconciliation**	**Purpose**
Organic Growth	Reported Revenue Increase	Organic Growth strips out the effects of the movement in exchange rates and of acquisitions and disposals.	Allows users of the accounts to gain understanding of how the Group has performed on a like-for-like basis, excluding the effects of exchange rates and of acquisitions and disposals.
Adjusted Operating Profit	Operating profit	Statutory operating profit excluding separately disclosed items and can be found on the face of the Group Income Statement in the Adjusted column.	Adjusted Operating Profit is a key performance measure for the Executive Directors' annual bonus structure and management remuneration. It also provides all stakeholders with additional useful information to assess the period-on-period trading performance of the Group.
Adjusted Operating Margin	Operating profit divided by revenue	Adjusted operating profit/(loss) divided by revenue.	Adjusted Operating Margin is a measure used to assess and compare profitability. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.

Adjusted earnings per share	Basic earnings per share	Adjusted Earnings (being adjusted profit after tax attributable to equity shareholders) for the period attributable to shareholders of the Company divided by the weighted average number of shares in issue, excluding those held in the Employee benefit trust which are treated as cancelled. A reconciliation of statutory profit to adjusted profit for the purpose of this calculation is provided within note 6 of the financial statements.	Adjusted earnings per share is widely used by external stakeholders, particularly in the investment community.
Return on Adjusted Total Capital Employed (ROATCE)	Operating profit and net assets	Pro-forma Adjusted Operating Profit (being the annualised adjusted operating profit including that of acquisitions and disposals) divided by Adjusted Trading Capital Employed. Adjusted Trading Capital Employed is reported as being trading capital employed plus goodwill and acquisition related charges previously written off (net of deferred tax on acquisition intangible assets) and re-translated at the average exchange rates for the reporting period.	ROATCE gives an indication of the Group's capital efficiency and is an element of a performance measure for the Executive Directors' remuneration.
Free cash flow	Net cash generated from operating activities	The cash flow equivalent of Adjusted Profit After Tax. A reconciliation of cash and cash equivalents to free cash flow is set out in note 13.4.	Free cash flow allows us and external parties to evaluate the cash generated by the Group's operations and is also a key performance measure for the Executive Directors' annual bonus structure and management remuneration.
Net Debt	Borrowings less cash	Cash and cash equivalents (cash overnight deposits, other short-term deposits) offset by borrowings which compose of bank loans, excluding lease liabilities.	Net Debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.
Earnings Before Interest and Tax plus Depreciation and Amortisation ("EBITDA")	Operating profit	EBITDA is calculated by taking Adjusted Operating Profit and adding back depreciation and amortisation.	EBITDA is used as a key measure to understand profit and cash generation before the impact of investments (such as capital expenditure and working capital). It is also used to derive the Group's gearing ratio.
Leverage	No direct equivalent	The ratio of Net Debt to EBITDA over the last 12 months, after making the following adjustments to EBITDA: including any annualised EBITDA for businesses acquired by the Group during that period; the reversal of IFRS 16 accounting; the exclusion of any EBITDA businesses disposed by the Group during that period; and the exclusion of the profit or loss attributable to minority interest.	The leverage ratio is considered a key measure of balance sheet strength and financial stability by which the Group and interested stakeholders assesses its financial position.

14. RELATED PARTY TRANSACTIONS

There have been no changes to the related party arrangements or transactions as reported in the 2022 Annual Report & Accounts.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which qualify to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in this Half Year Report, but will be disclosed in the Group's next Annual Report & Accounts; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed within the Consolidated Cash Flow Statement.