

The Manager
Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

COMMENCEMENT OF NON-BINDING, INDICATIVE DISCUSSIONS REGARDING POTENTIAL ACQUISITION

Diploma advises that it has commenced non-binding, indicative discussions with, a number of Diploma's substantial shareholders being Wandina Holdings Pty Ltd, UP Investments Pty Ltd, Healthy Holdings Pty Ltd and ND Properties Pty Ltd (**Substantial Shareholders**) which may lead to a proposal being put in relation to the acquisition of all remaining Diploma securities not currently held by those parties. Managing Director and Chief Executive Office Mr Nick Di Latte controls ND Properties Pty Ltd.

It is anticipated that a transaction involving the acquisition of Diploma securities may take place by way of a scheme of arrangement by a special purpose bid-company that will be jointly owned by the Substantial Shareholders.

The specific nature and structure of such a transaction is still, at this stage, inherently uncertain. In order for these discussions to progress, the Substantial Shareholders have advised that it is necessary to finalise the arrangements between themselves regarding the implementation of a scheme for the purposes of Item 7 of s611 of the Corporations Act 2001 (Cth).

A committee comprising Diploma's independent directors has been appointed to consider the transaction.

Notwithstanding these preliminary discussions will take place, the independent directors of Diploma wish to emphasise to shareholders that there is no guarantee that any transaction will proceed.

If circumstances arise where there is a degree of certainty regarding the transaction, the independent directors of Diploma will establish appropriate protocols to consider and review such a proposal. Given the degree of uncertainty, the independent directors of Diploma make no recommendation to shareholders other than Diploma shareholders do not need to do anything in relation to these discussions.

Diploma is mindful of its continuous disclosure obligations and will continue to comply with those obligations.

SIMON OATEN
Company Secretary
Diploma Group Limited