Pace plc

Preliminary financial results for the year ended 31 December 2011

06 March 2012

Pace preliminary results (for the period ended 31 December 2011)

- Overview
- Financial results
- Business update
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Overview

The PayTV market remains resilient

Challenging year operationally for Pace

- Group inventory management issues and reduced profitability in Pace Europe
- Two major natural disasters

Our results

- Group revenues were $2.31bn
- Group profit* $141.4m
- Group profit margin of 6.1%
- Acquisition-related synergies were achieved earlier and are greater than anticipated
- A comprehensive strategic review

* Profit is adjusted EBITA which is operating profit before exceptional costs and amortisation of other intangibles

Strategy

Our Strategic review concluded that growing a broader platform is the right strategy

- The markets for meeting the needs of PayTV operators are large, growing and profitable
- Our products and capabilities meet our customer needs for innovation
- Delivering these products will change the shape of our business and improve the quality of our earnings

Sharper focus required

- To achieve operational excellence to match our scale
- To accelerate the deployment of our acquired and developed software & services assets across our markets

Delivering our strategy

Device leadership

- Well established global customer relationships
- Expertise across a wide range of products
- Continued strong investment in R&D

Widening out

- Products
  - Customer care and system management products
  - Content protection
  - Advanced middleware & user interfaces
- Integrating our software & services capabilities with our devices
- These key assets will be managed with global rather than regional scope

Transforming our core economics

- Commercial excellence - in procurement & supply chain management
- End-to-end design - design for operational scale
- Operational expenditure - on-going focus

Summary financial results

Consolidated income statement (FY2011)

P&L $m	*Group 2010*	***Organic 2011***	***Acq'ns 2011***	***Group 2011***	*variance*
Revenue	2,062.9	**1,788.0**	**521.3**	**2,309.3**	12%
Gross margin	395.1	**291.5**	**151.8**	**443.3**	12%
Gross margin %	19.2%	**16.3%**	**29.1%**	**19.2%**	0
Overheads	234.5	**209.4**	**92.5**	**301.9**	29%
Adjusted* EBITA	160.6	**82.1**	**59.3**	**141.4**	(12%)
Adjusted* EBITA margin %	7.8%	**4.6%**	**11.4%**	**6.1%**	(1.7)
Amortisation of other intangibles	(18.1)			**(55.7)**	
Exceptionals	(29.5)			**(12.7)**	
Interest	(2.8)			**(18.3)**	
Tax	(32.9)			**(15.9)**	
Profit After Tax	77.3			**38.8**	
Adjusted* Basic EPS (cents)	37.1c			**29.7c**	
Dividends per share (cents)	3.37c			**3.75c**	

* Adjusted is before exceptional costs and amortisation of other intangibles

Revenue
- Up 12% due to acquisitions

Gross margin
- Improvements arising from the acquisitions' product mix have been offset by the margin issues in the organic business

Impact of HDD supply issues in FY2011
- Revenue $36m, profit $9m
- *HDD offset* adj.EBITA margin of 6.4%

Exceptionals
- Proposed Pace Europe reorganisation
- Change in CEO

Interest
- Interest charge reflects debt taken on to fund 2010 acquisitions

Tax
- After adjusting for utilisation of tax losses (c.$8m) and deferred tax on amortisation of intangibles (c.$20m)

Dividend
- Proposed final dividend of 2.50c

Organic

P&L $m	*Organic 2010*	***Organic 2011***	*variance*
Revenue	1,923.8	**1,788.0**	(7.1%)
Gross Margin	357.4	**291.5**	(18%)
Gross Margin %	18.6%	**16.3%**	(2.3)
Overheads	210.9	**209.4**	(0.7%)
Adjusted EBITA	146.5	**82.1**	(44%)
Adjusted EBITA margin %	7.6%	**4.6%**	(3.0)
*HDD offset** adj.EBITA margin %		**5.0%**	(2.6)

Revenue

- Down 7.1%
  - 1.9ppt HDD supply impact
  - Customer driven variations in product mix
  - Ceased retail sales and exited low margin business in Europe
  - Normalisation of our leadership position in certain customer specific products

Gross margin

- Recovery underway in H2 following H1 operational issues
- *HDD offset** H2 gross margin at 17.3% (15.6% H1.2011)

Overheads

- Include a $2.2m IAS38 net credit ($2.4m credit in FY2010)
- Organic R&D expenditure increased by c.$1m

* After offsetting the impact of HDD supply issues

Acquisitions (pro forma* comparator)

P&L $m	*Proforma acq'ns 2010*	***Acq'ns 2011***	*variance*
Revenue	539.9	**521.3**	(3.4%)
Gross Margin	146.9	**151.8**	3.3%
Gross Margin %	27.2%	**29.1%**	1.9
Overheads	125.2	**92.5**	(26%)
Adjusted EBITA	21.7	**59.3**	174%
Adjusted EBITA margin %	4.0%	**11.4%**	7.4

Revenue

- 2011 reflects the impact of the pull forward of c.$35m of ADSL shipments in H2.2010
- Offsetting for this, underlying revenue up 10%

Gross margin

- 1.9 ppt improvement reflects
  - 0.6 ppt non-recurring, release of deferred revenue in H1.2011
  - 1.3 ppt net CoGs synergies, c.$7m

Overheads

- Include an IAS38 credit of $7.1m as acquisition R&D is capitalised inline with group policy
- Synergies were achieved in H1 ahead of and in excess of the plan announced at the time of the 2Wire acquisition

* Pro forma is an unaudited illustration of 2010 trading by acquisitions

Balance sheet

Balance sheet $m (Group)	*31 Dec 2010*	***31 Dec 2011***
Property, Plant & Equipment	52.7	**63.0**
Goodwill	335.6	**335.6**
Intangibles	273.7	**218.0**
Development expenditure	44.6	**53.9**
Inventories	222.7	**150.0**
Trade and other receivables	433.4	**402.3**
Trade and other payables	(531.4)	**(370.2)**
Net working capital **	124.7	**182.1**
Current and deferred tax	(44.3)	**(33.5)**
Provisions	(60.1)	**(56.6)**
Other *	(33.9)	**(33.7)**
Net (debt) / cash	(311.1)	**(321.7)**
Net assets	375.9	**407.1**

* Creditors for exceptional costs have been reclassified from the presentation format in the statutory Balance Sheet and into Other

Property, Plant & Equipment

- IT infrastructure upgrade (c.$3m)
- Investment in refurbishment of premises in UK, France, US (c.$12m)

Development expenditure

- Lightly capitalised R&D amortized quickly, including acquisitions

Net Working Capital

- Inventory controls strengthened. Inventories low at Dec 2011 due to HDD shortages. Normal level c.$180m
- Movement in payables reflects inventory movements (high inventory Dec 2010 - low Dec 2011) expected to normalise in H1 2012
- Overall net working capital benefit expected in 2012

Provisions

- Amounts for royalties under negotiation and future warranty claims

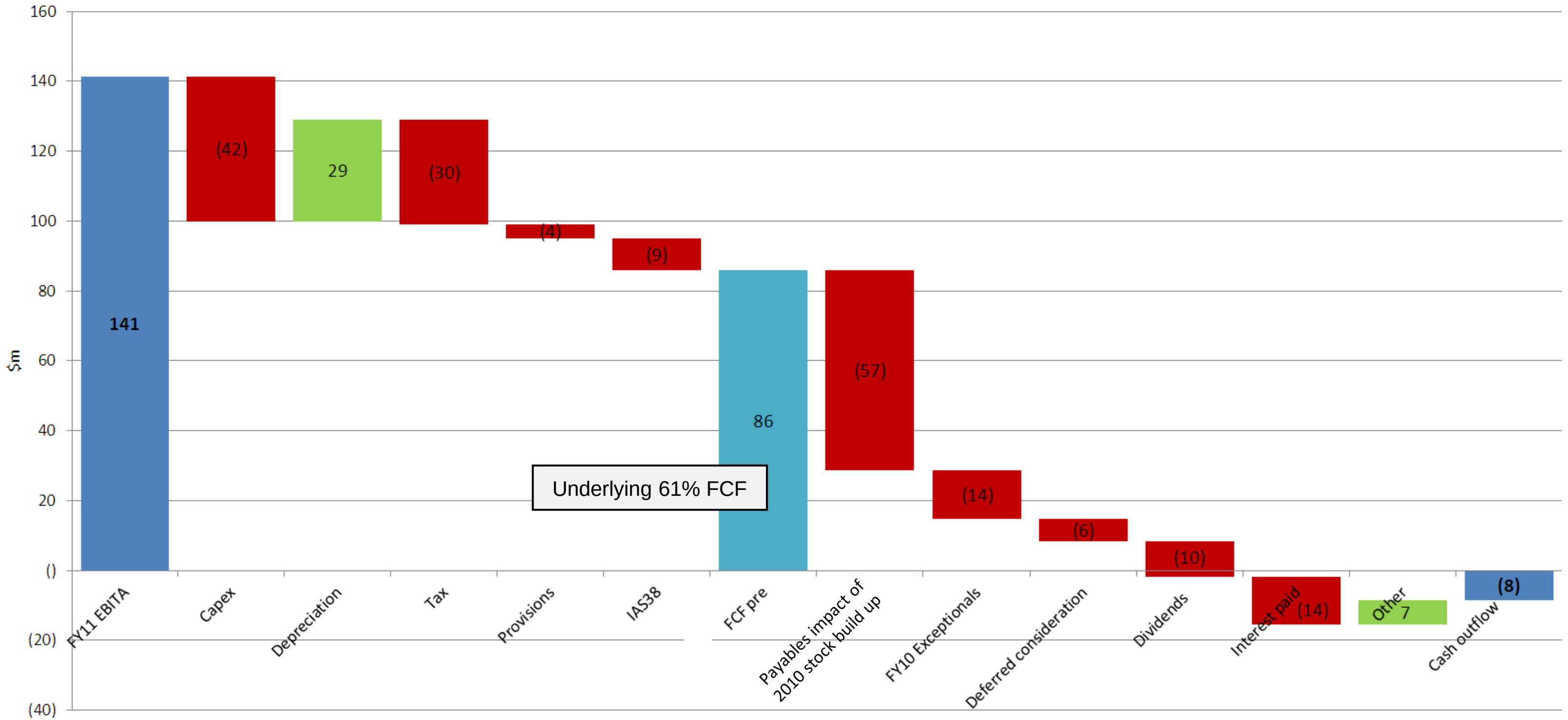
Other

- Represents Latens acquisition deferred consideration ($15.5m), restructuring of Pace France ($10.5m) and other exceptional costs

Net debt

- Increased by $10.6m
- Two $37.5m loan repayments were made

Cash flow



Notes: Term loan repayments in year of $75m not shown as there is an offsetting movement between net debt & cash
Cash flow does not reflect additional $2.8m non-cash movement in net debt resulting from amortisation of capitalised facility arrangement fees

Update on hard disk drive industry impact on Pace

Previous working assumption was a $35m - $50m EBITA impact in 2012

- Based on dialogue with our suppliers & customers and our detailed analysis of the potential impact on volume, pricing and associated other component inventory costs

Focused action undertaken to manage this risk

- Success in cross qualifying HDDs across other suppliers
- Increased certainty following recent commercial negotiations

Revised estimate is a $25m - $35m EBITA impact in 2012

- Majority of the impact to fall in H1 from lost shipments

Business Performance

Overview

Market trend

- Demand for PayTV services continues, despite emergence of over-the-top delivered video services
  - Worldwide digital PayTV subscriber numbers expected to grow c.10% CAGR 2011-2015*
- PayTV embracing IP & internet delivery with innovative platforms
  - Next generation “IP fluent” devices became a market reality
  - Wi-Fi and MoCA home networking increasingly important
  - Strong emergence of TV Everywhere
- Emerging markets continue greenfield growth and conversion to digital

Group sales

Set-top boxes

- Revenue $1,775m : 77%
- Volume 21.8m

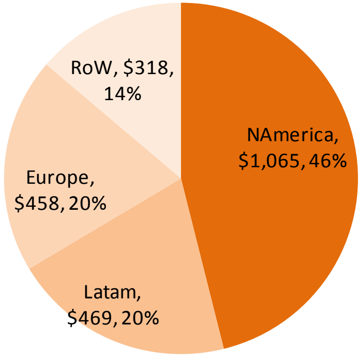
Residential gateways

- Revenue $434m : 19%
- Volume 5.2m

Software & Services

- Revenue $100m : 4%

Pace reported revenue ($m)
FY2011



- Source: IHS Screen Digest February 2012

North America

Market trend

- Most technologically advanced market with services driving higher speeds
  - Whole home and home media server STBs
  - Significant transition to VDSL residential gateways
- Characterised by strong competing service providers
- Embracing IP delivery and home network distribution
- Emergence of cloud based systems to provide a seamless multiscreen experience

North American sales

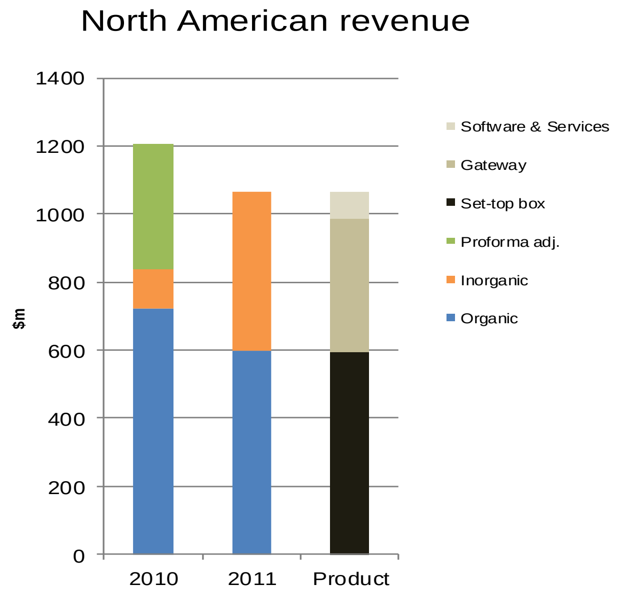
- Organic down due to PVR sales and normalisation of our leadership position on certain customer specific products
- Acquisitions show underlying growth after offsetting pulled forward ADSL product

Software & Services

- $78m (primarily customer care, system management products & professional services)

STB mix

- Strong DTA sales continued
- Next generation PVRs launched



STB mix (by volume)	2010	2011
HDPVR	7%	4%
HD	36%	31%
SD including SDPVR	14%	7%
DTA	43%	58%

Latin America

Market trend

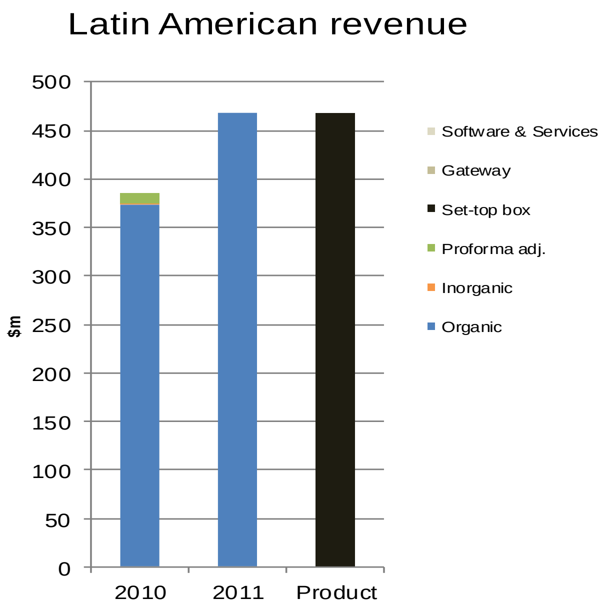
- Strong subscriber growth and on-going conversion to digital
- A growing market with a strong appetite for HD products, heavily influenced by the US
- Market growth driven by strong economic activity; Brazil GDP growth 7.5% 2010, 2.9% forecast 2011*

Latam sales

- Growth across both cable & satellite reflecting our customers growth

STB mix

- HD & PVR diluted by growth in shipments of SD STBs



STB mix (by volume)	2010	2011
HDPVR	16%	12%
HD	13%	10%
SD including SD PVR	71%	78%

- Source: World Bank, January 2012

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Europe

Market trend

- Western Europe dominated by conversion to HD with the addition of hybrid services
- Home networking increasingly important to advanced customers
- A diverse and highly customer specific territory
- Eastern Europe growth through conversion to digital

European sales

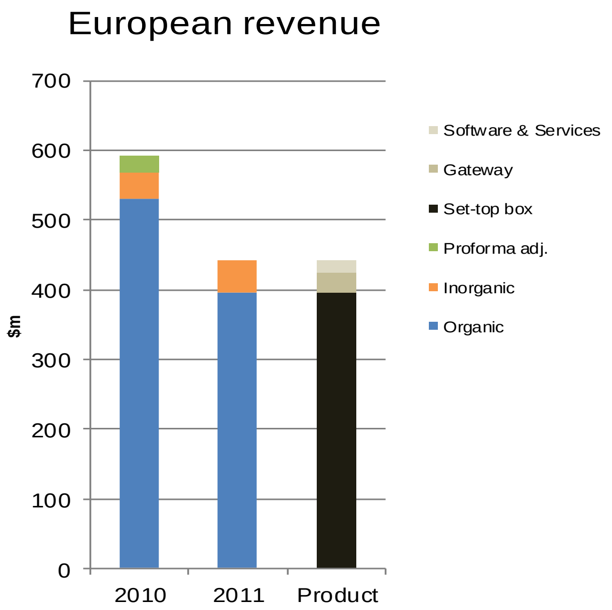
- Organic revenue down due to our exit from retail and a decrease in low margin sales in Italy

Software & Services

- $18m (comprising conditional access and device software)

STB mix

- High proportion of HD shipments representative of Western European market
- PVR includes devices that use an external HDD



STB mix (by volume)	2010	2011
HDPVR	29%	35%
HD	64%	61%
SD includes SDPVR	8%	4%

RoW*

Market trend

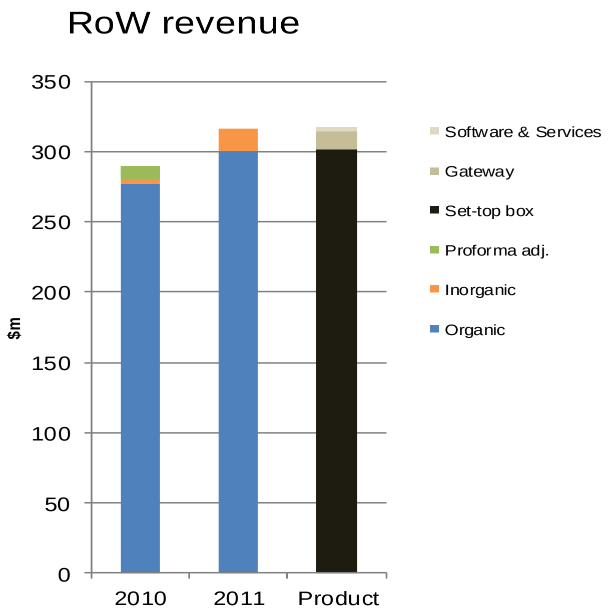
- Traditional, well established service providers focused on HD-PVR & ‘IP enabled’ service evolution with modest subscriber growth
- Value driven emerging markets comprising new PayTV opportunities and conversion from analogue to digital

RoW sales

- Growth in organic sales driven by selective customer wins in India and Sub-Saharan Africa
- Broadly flat in the traditional markets

STB mix

- High proportion of HD & HD PVR from traditional service providers
- SD remains relevant in emerging markets



STB mix (by volume)	2010	2011
HDPVR	47%	62%
HD	28%	16%
SD includes SDPVR	25%	22%

* Pace RoW is APAC + MEA, markets currently not addressed by Pace include China, Korea, Japan

Outlook

- The markets for meeting the needs of PayTV operators are large, growing and profitable
- Broadly flat revenues before the impact of HDD supply issues
    - Revised estimated impact of $25m - $35m EBITA following improved certainty
- Efficiency improvements secured to support c.7% underlying EBITA margin
    - Short term focus is on tight operational management, without compromising our strategic investments
- Strong cash flow delivery targeted
- Leveraging our technology assets across our markets key to enhancing our quality of earnings

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