

The logo features a dark blue, thick, curved swoosh that starts on the left and arcs over the top of the word. The word "Pace" is written in a bold, italicized, dark blue serif font, positioned centrally within the curve of the swoosh.

Pace



Pace plc

IMS summary

Thursday, 17th November 2011



Welcome and introduction

Neil Gaydon

Overview

Agenda	
IMS Update	<ul style="list-style-type: none">• 0930 – 0950 Neil Gaydon, Stuart Hall• 0950 – 1015 Q&A
Strategy Review	<ul style="list-style-type: none">• 1020 – 1120 Allan Leighton, Scott Sheldon, Neil Gaydon, Stuart Hall• 1120 – Q&A

“In common with the broader consumer electronics industry, the immediate impact to our business of the Thailand flooding is significant, requiring diligent management. Looking beyond this short term supply chain issue, the strategic review gives us a clear roadmap to increased operating profit and enhanced quality of earnings.”



IMS Update

Stuart Hall

Interim Management Statement

Trading and 2011 outlook

- With the exception of the HDD supply issue, volume and revenues in line with expectations
- Including the impact of HDD Supply issue:
 - Revenues expected to be c.\$2.3bn, Operating profit¹ expected to be c.\$141m
 - Impact of HDD supply issues c.\$9.5m in 2011
- Exceptional charge of c.\$12m for 2011, in relation to the consultation process on the proposed reorganisation of Pace Europe
- Current outlook for 2011 closing net debt c.\$320m-\$330m
 - Result of lost profit from HDD supply issue and increased working capital

¹ Operating profit is EBITA (after adding back amortisation of other intangibles), before exceptional items

Proposed Pace Europe Reorganisation

- As previously disclosed Pace Europe's performance has been lower than expectations
- Consultation process underway on proposed reorganisation of Pace Europe
 - Proposal to combine Pace Europe and Pace Enterprise to form Pace International
 - Target increased efficiency in product development
- Conclusion of consultation expected before the end of H1 2012; cash cost of reorganisation and beginning of proposed savings concurrent with this
- Corresponding exceptional charge of c.\$12m in 2011
- Targeted annualised savings of c.\$7m; c.50% of annualised savings in 2012

Outlook for 2012 (before impact of HDD supply issues)

Revenues expected to be broadly flat

Operating margin¹ expected to be c.7% in 2012, reflecting

- Increased pricing pressure, particularly in North America Cable, impacting group operating margin by c.1%
- Near term cost containment measures to improve operational efficiencies, benefiting group operating margin by c.1%

¹ Operating margin is EBITA (after adding back amortisation of other intangibles), before exceptional items

Impact of Thailand flooding on hard disk drive industry



Area flooded is c.40,000 square kilometres

- Consumer electronics HDD production concentrated with five suppliers
- Western Digital and Seagate account for c.60% of capacity. Supply will concentrate further through pending acquisitions¹
- Component suppliers to HDD industry also directly impacted, severely disrupting production outside Thailand
- Limited industry stocks have led to rapid pricing increase
- This is expected to be a multi-quarter issue
- HDD suppliers remain uncertain on capacity and pricing

¹ Seagate is in the process of acquiring Samsung's hard disk drive operations; Western Digital is in the process of acquiring Hitachi GST

Impact on Pace and mitigating actions

- We ship c.1 million PVR products per quarter at c.\$170 ASP at around company average gross margin

Impact	Pace mitigating actions
Volume	<ul style="list-style-type: none">• Working with our suppliers to manage HDD availability• Currently 70% of PVR products are dual-qualified, now qualifying third and fourth suppliers
Pricing	<ul style="list-style-type: none">• Industry HDD prices have risen c.50-100%+ in last quarter• Working with customers to manage pricing impact
Inventory	<ul style="list-style-type: none">• Working with wider supply chain to minimise impact of other component inventory costs

- Based on dialogue with our suppliers and customers, and our detailed analysis, our current 'working assumption' is a \$35m-\$50m operating profit¹ impact in 2012; majority expected in H1
- Taking account of the 2011 and 2012 outlook given, including our working assumption for the HDD supply issue, we will remain within our banking covenants

¹ Operating profit is EBITA (after adding back amortisation of other intangibles), before exceptional items



Q&A