

A large, abstract graphic on the left side of the slide. It features a central globe with a yellow and blue color scheme, surrounded by several large, 3D-style orange arrows that appear to be in motion. The background consists of overlapping light blue and purple circular shapes and wavy lines in shades of yellow and green.

Pace plc
Preliminary Financial Results for the year ended 31 December 2010

8 March 2011

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Agenda

Pace plc Preliminary Financial Results 2010

- Highlights Neil Gaydon
- Financial performance Stuart Hall
- Business update & outlook Neil Gaydon

2010 Highlights

- **Strong performance**

- Strong organic growth as market grew as anticipated and increased market share
- Further enhanced by a substantial move into the telecoms market
- Revenue growth 17.4% in the year
- Adjusted¹ EPS growth 23.8% in the year

- **Delivering on our strategy**

- Solutions now span all key stages of the market
 - Emerging, traditional, hybrid and convergence
- Completed three acquisitions: 2Wire, Bewan Systems and Latens Systems
 - Expanding addressable markets, technology assets and new revenue streams
 - Successfully integrated into the Pace organisation

- **Key achievements**

- Global number one in STB and US number one in telecoms residential gateways
- Cutting-edge technology provider to major US service operators: AT&T, Comcast & DirecTV
- Targeted wins in emerging markets: Latin America, India (Tata Sky)



Financial Performance

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Introduction 2010 full year results

- **Continuing growth and strong financial performance**
 - Revenue of £1,330.9m (up 17.4%)
 - Improvement in gross margin to 19.2% (up 1.6%)
 - EBITA before exceptionals¹ of £103.6m : (up 35.6%)
 - Adjusted² earnings per share 23.9p : growth 23.8% (up 4.6p)
 - Dividend 2.175p : growth 45% (up 0.675p)
- **Completed three acquisitions**
 - Bewan, 2Wire, Latens
 - Funded through debt of \$450m
 - Earnings enhancing
- **2011 currency to change to US Dollar**
 - Full integration of 2Wire to increase dollar denominated revenues and earnings
 - Presentation currency of the Group, functional currency of Pace plc

Three acquisitions in the year

- **Bewan Systems**

- Residential gateways and complimentary connected devices
- April 2010, £11.3m (£2.3m deferred)
- International Gateways CAT – Enterprise SBU

- **2Wire**

- Advanced telecoms residential gateways (US no.1), software and professional services
- October 2010, £283.4m
- Telco and Customer Care CATs – Americas SBU, International Gateways CAT – Enterprise SBU

- **Latens Systems**

- PayTV software specialist; software, cardless conditional access, systems integration
- November 2010, £28.8m (£10m deferred)
- Latens CAT - Enterprise SBU

- **Post-acquisition group structure**

- Three Strategic Business Units (SBUs) – Americas, Europe, Enterprise
- Planned closure of free-to-air retail operations in Europe

Summary of results - Organic

<i>£m</i>	<i>Pace 2009</i>	<i>Organic 2010</i>			<i>Organic variance</i>
Revenue	1,133.5	1,243.6			9.7%
Gross margin	199.5	230.1			15.3%
Gross margin %	17.6%	18.5%			0.9%
Overheads	123.6	135.8			9.9%
Adjusted ¹ EBITA	76.4	94.3			23.4%
Return on sales %	6.7%	7.6%			0.9%

Summary of results - Group

<i>£m</i>	<i>Pace 2009</i>	<i>Organic 2010</i>	<i>Acq'ns 2010</i>	<i>Pace 2010</i>	<i>Pace variance</i>
Revenue	1,133.5	1,243.6	87.3	1,330.9	17.4%
Gross margin	199.5	230.1	24.8	254.9	27.8%
Gross margin %	17.6%	18.5%	28.4%	19.2%	1.6%
Overheads	123.6	135.8	15.5	151.3	22.4%
Adjusted ¹ EBITA	76.4	94.3	9.3	103.6	35.6%
Return on sales %	6.7%	7.6%	10.7%	7.8%	1.1%
Exceptional items	-			(19.0)	-
Amortisation of other intangibles	(6.7)			(11.7)	74.6%
Interest	0.2			(1.8)	-
Tax	(18.5)			(21.2)	
Profit after tax	51.4			49.9	(2.9%)
Adjusted ² EPS p	19.3			23.9	23.8%
Dividend for the year p	1.5			2.175	45.0%

Balance sheet

<i>£m</i>	2009	2010	<i>Comment</i>
Fixed assets	19.6	34.0	
Goodwill	70.4	218.3	
Intangibles	14.0	176.6	
Development expenditure	28.7	28.8	
Inventories	87.1	143.7	
Trade and other receivables	211.7	279.9	
Trade and other payables	(262.6)	(349.4)	
Provisions	(33.8)	(56.0)	
Deferred tax	(8.3)	(24.9)	
Other	(4.0)	(12.3)	
Net (borrowings) / cash	73.5	(200.7)	
Net assets	196.3	238.0	

Acquisitions impact shape
 On the date of acquisition, we added

- £150.7m of goodwill
- £172.4m of intangibles
- £34m of inventory
- £50m of trade and other receivables
- £96m of trade and other payables
- £16m of provisions

Debt raised of \$450m (£290m)

- \$300m term loan
- \$150m revolving facility
- Net debt at 31 December of £200.7m

Cash flow

£m	2009	2010	Comment
Adjusted ¹ EBITA (before exceptionals)	76.4	103.6	
Non cash items	(0.3)	3.0	
Tax	(12.4)	(25.2)	
Working capital & provisions (ex. acqn.)	(21.8)	(36.0)	
Capital expenditure above depreciation	(4.5)	(9.0)	
Free cash flow	37.4	36.4	<p>Free cash flow</p> <ul style="list-style-type: none"> • 35% of adjusted EBITA • Tax - 2009 tax loss utilisation • Capex – facilities, development labs and Brazil and India support • Exceptionals - £8.1m payable 2011
Shares, dividends & interest	(2.0)	(8.9)	
Acquisitions incl. working capital	-	(290.8)	<p>Acquisitions</p> <ul style="list-style-type: none"> • Net cash invested £290.8m • Deferred considerations: <ul style="list-style-type: none"> • £2.3m (2011) • £10m (2012) • \$450m loan - \$75m repayments per year
Exceptional items paid	-	(10.9)	
Change in net debt in the year	35.4	(274.2)	
Movement in cash balances in the year	35.4	11.3	
Borrowings in the year net of fees	-	(285.5)	
Change in net debt in the year	35.4	(274.2)	
Cash / (net debt) at the end of the year	73.5	(200.7)	



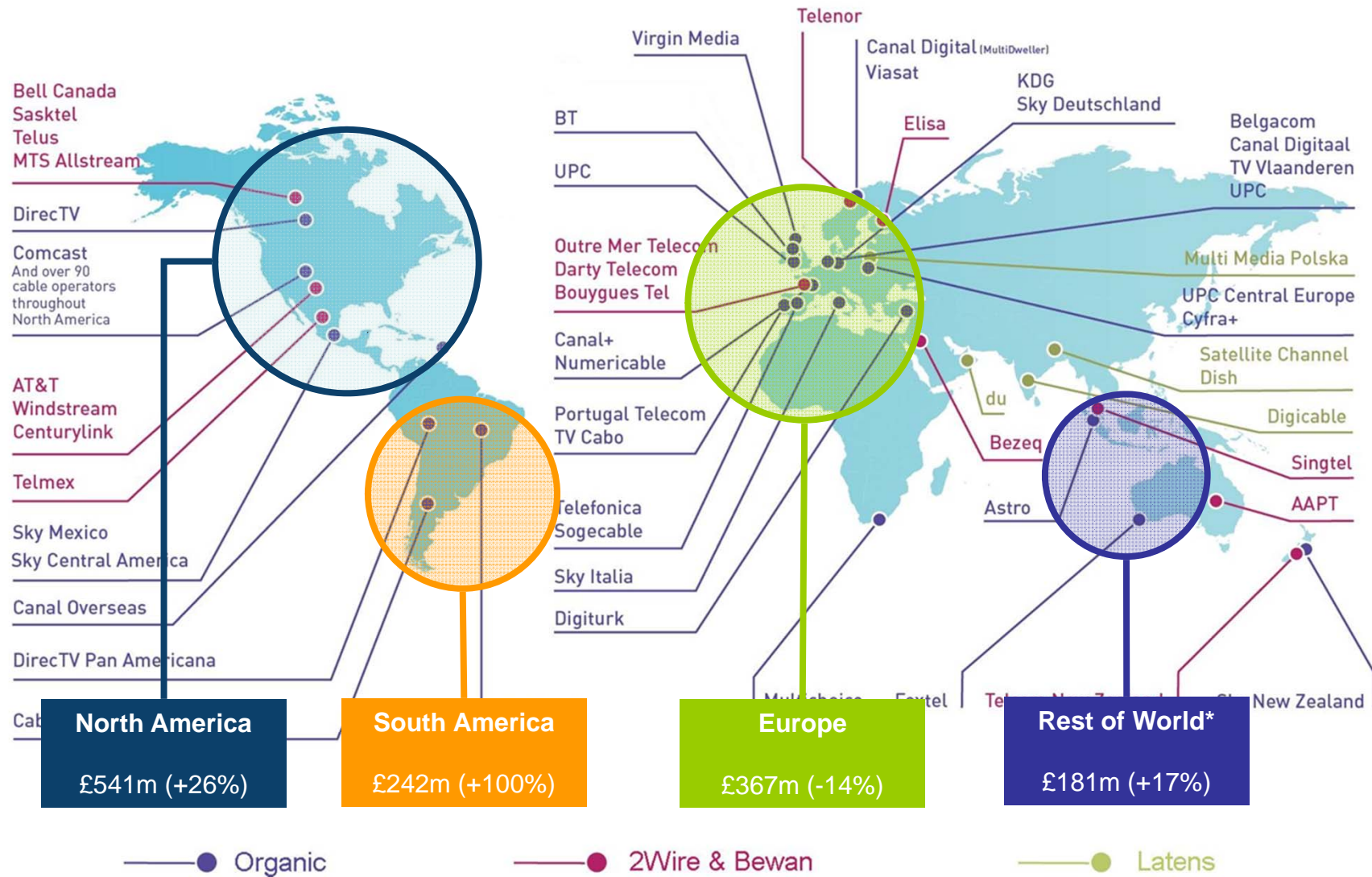
Business Update

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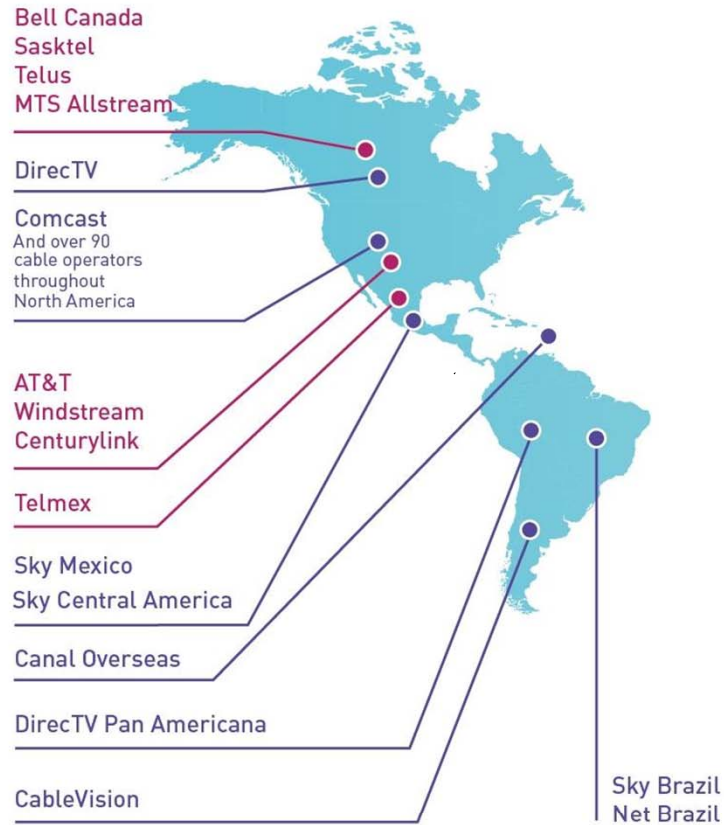
Overview of 2010

- **Subscription TV led innovation, as it...**
 - Continued its migration to HD
 - Embraced over-the-top
 - Let you watch (and pause, and record, ...) throughout your home
 - Made 3DTV a reality
- **This relentless evolution drove...**
 - Volume shipments including new gateway products of 22.2m (2009: 17.2m)
 - With underlying organic shipments growing 21% to 20.8m
 - HD mix increasing to 69% (2009: 49%)
 - Business in both emerging and advanced connected home environments
- **Pace well positioned for 2011**
 - 160 world leading operator customers that are at the cutting edge of content and distribution.
 - Scale as a world leader in set-top boxes and advanced residential gateways
 - Acquisitions provide a broader portfolio of products, technologies and services

Group customer base and revenue distribution



Pace Americas



Pace Americas		
Cable	Satellite	Telco
Comcast No.1 US Cable provider 22.8m TV subscribers ¹	DirecTV No.1 US Satellite provider 28.1m TV subscribers ²	AT&T No.1 US Fixed line provider 3.0m TV subscribers ³ 17.8m wired BB subs ⁴
Bresnan Mediacom Suddenlink Insight Shaw And over 90 more cable operators throughout North America Cablevision Argentina Net Brazil	Sky Mexico Sky Central America Sky Brazil DirecTV Pan Americana Canal Overseas	Bell Canada Qwest MTS Allstream Sasktel Telus Telmex Windstream Centurylink

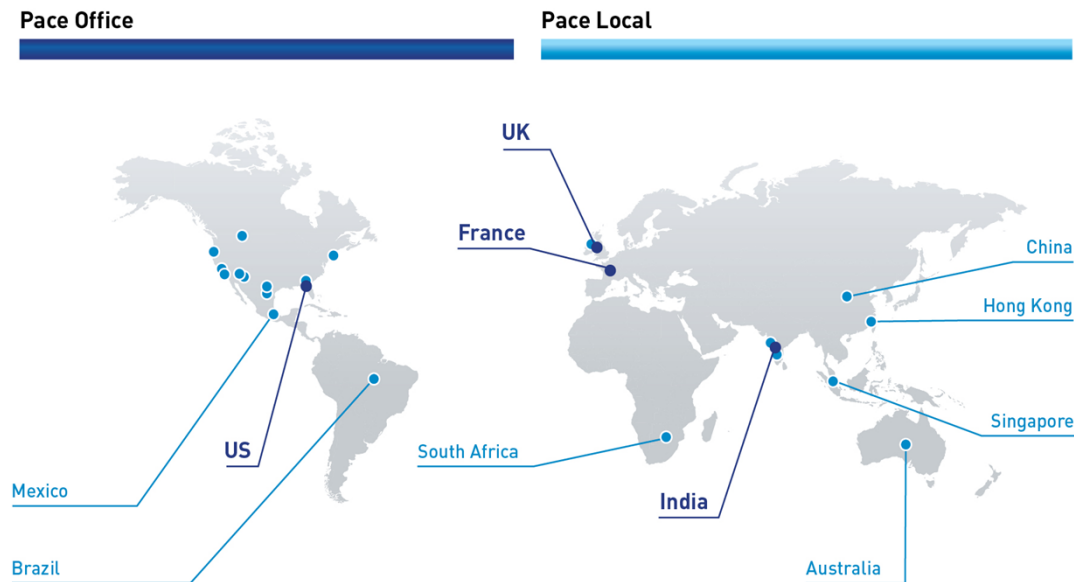
¹ Comcast (Q4 2010 report)

² DirecTV (Q4 2010 report)

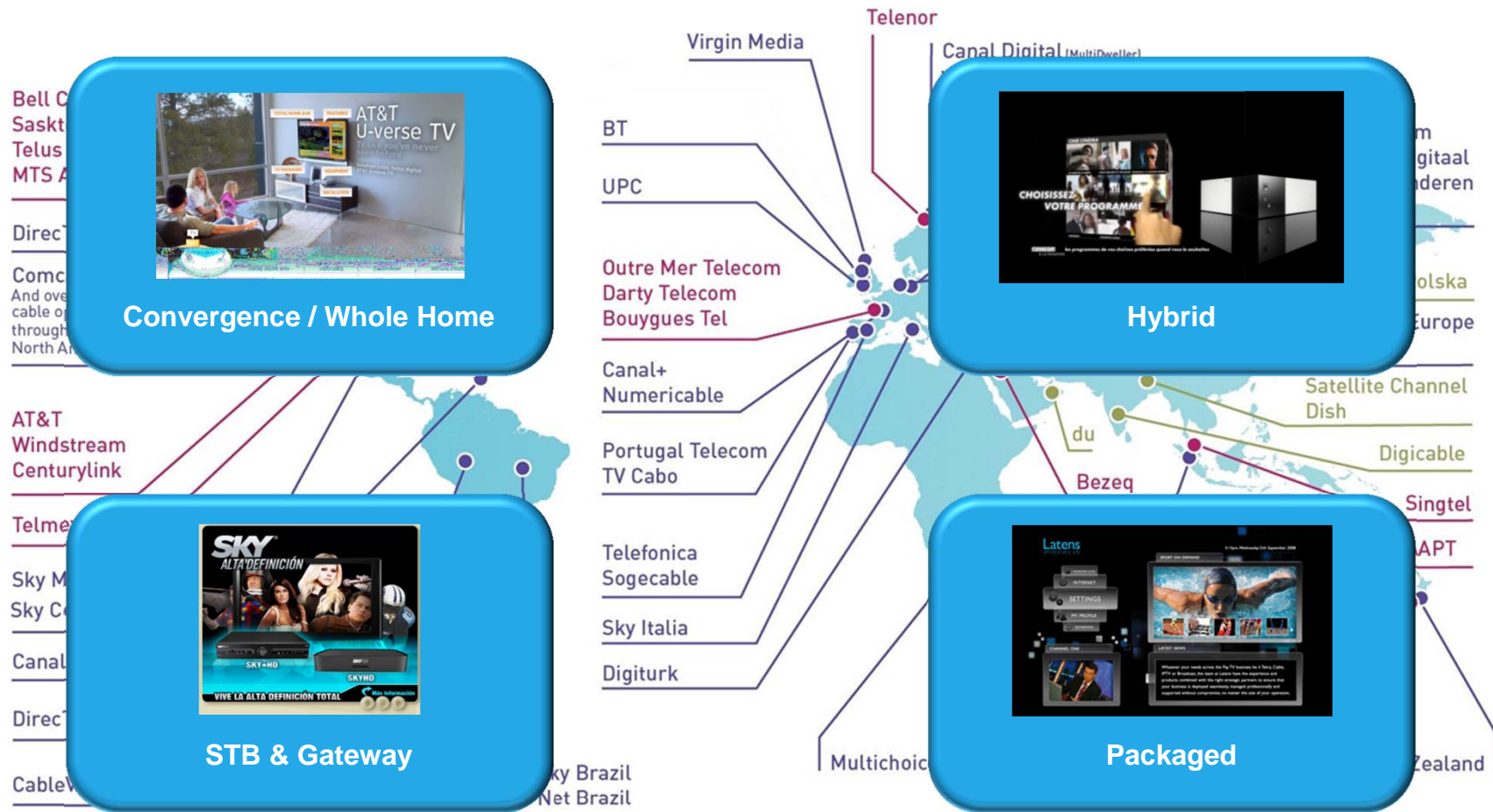
^{3,4} AT&T (Q4 2010 report) TV is U-verse subscribers only

The world is changing

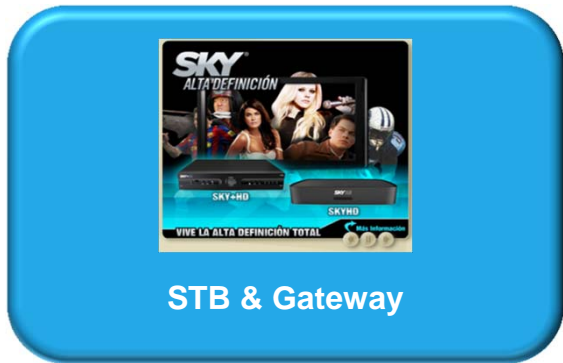
- ...at different rates
 - subscriber driven growth in Latam
 - service driven growth in US
- ...with different solutions
 - going digital in India
 - hybrid (+OTT) in Europe
- Over 160 customers provides a unique vantage point of this market
- And our decentralised structure is well matched to this market diversity



Market at different stages



Set-top box & Gateway



Managed Devices



DTA



HD PVR



HD Zapper



Wireless Gateways

Traditional Services

State-of-the-art 'traditional' STBs & Gateways

- Broadcast subscriptionTV: SD, HD, PVR
- Broadband internet access
- Innovative solutions, not just at the cutting-edge
- Targeted approach to emerging markets

Hybrid



Watching TV should be easy

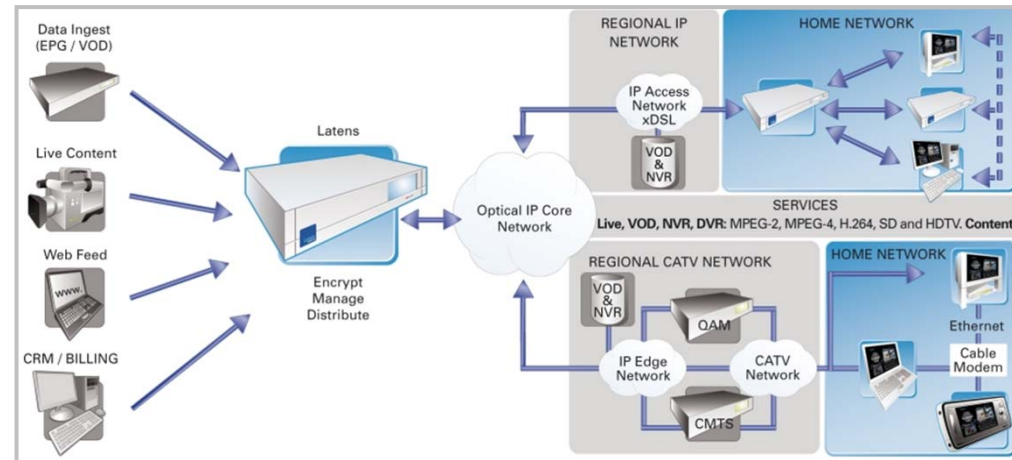
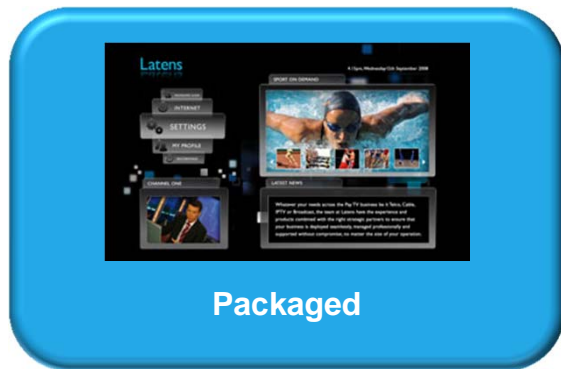


Hybrid (OTT & IPTV)

Over-the-top & IPTV enhancing their services

- Content on-demand
- Seamlessly delivered through the STB
- Watched on your TV

Packaged



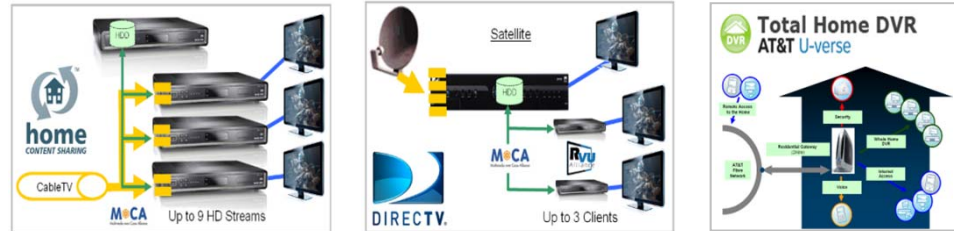
End-to-end solutions

- Well suited to tier two / tier three service providers
- Seeking a packaged or 'end-to-end' solution provider
- Cardless conditional access
- Middleware and applications
- Systems integration

Whole Home



Watching TV should be easy

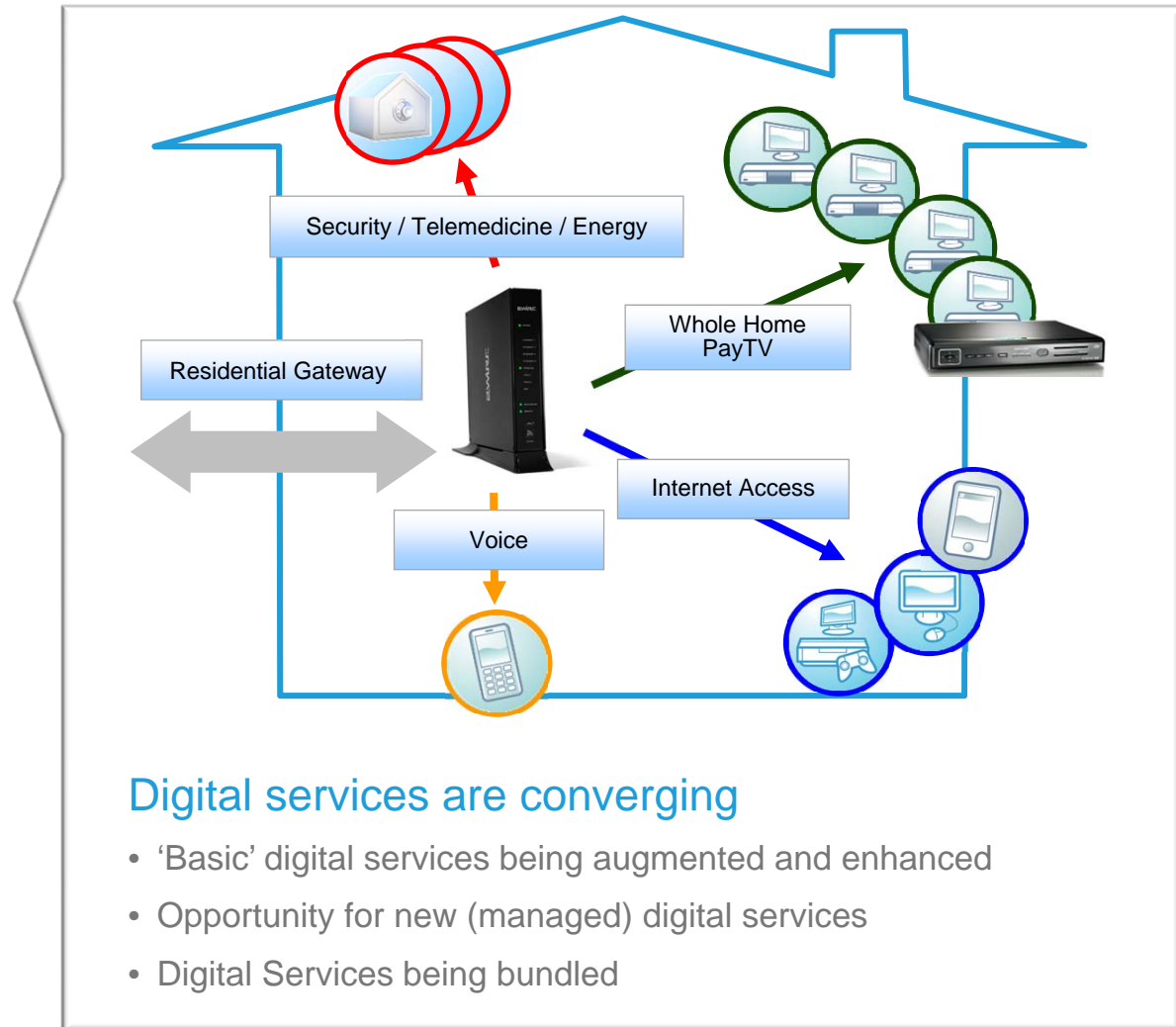
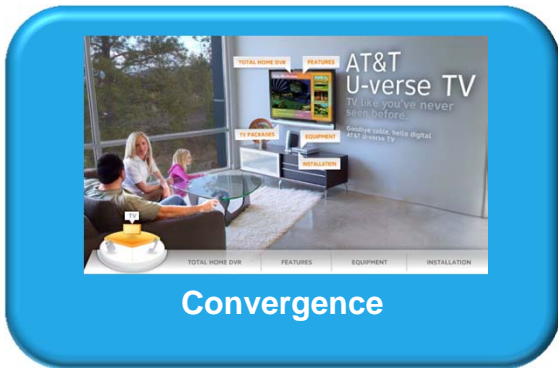


Whole Home

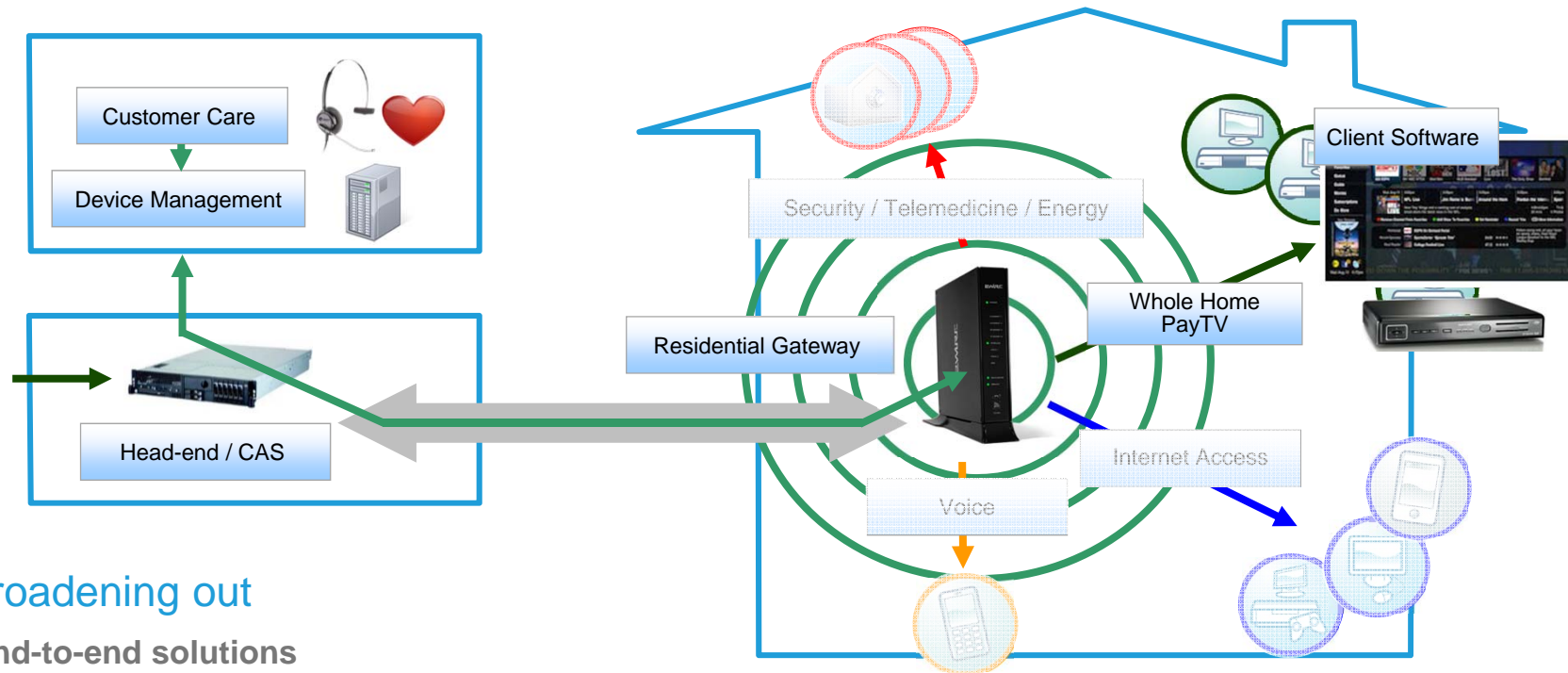
Developing and deploying advanced whole home solutions

- Intuitive, easy to use TV experience, throughout the home
- Sophisticated, interconnected devices, professionally managed

Convergence



Broadening out our capability



Broadening out

End-to-end solutions

- Headend & conditional access
- Middleware & applications

Digital service management solutions

- Control of in-home devices
- Linked into intelligent call centre support

Managed devices in the home

- Set-top box
- Residential gateway



Outlook

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Outlook

- Pace entered 2011 as a broader and strategically strengthened business with
 - Set-top box solutions that span sophisticated convergence through to emerging markets
 - Scale in the complimentary and strategically important gateway market
 - Additional revenue stream opportunities from software and services
- Positioned for growth
 - The Board expects 2011 revenue growth of a similar level to that achieved in 2010
 - The Group's new gateway, software and services businesses will represent over 20% of total sales
 - The Board expects further return on sales progress, as Pace develops its new business opportunities and further leverages its established and highly efficient operating model

Great
products
to our **customers,**
every time



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