

Inspiration Innovation Intelligence



Bringing Technology Home



Pace Micro Technology plc



Neil Gaydon
Chief Executive Officer

Stuart Hall
Chief Financial Officer

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Strategic rationale



- Creates a world leading set top box company with an unmatched global customer portfolio
 - Share a 20 year STB heritage and engineering focus
 - Builds on Pace's strong position as a specialist digital TV company
 - Creates substantial scale – 2006 pro-forma revenues of over US\$1.0bn and 8.5m set top boxes
 - On 2006 global shipments the combined group will be global number three
 - Expands geographic reach and opens up new markets
 - Complementary customer base
 - Strong technology fit
 - Use of Philip's established retail brand across agreed product range for up to three years

About the acquisition



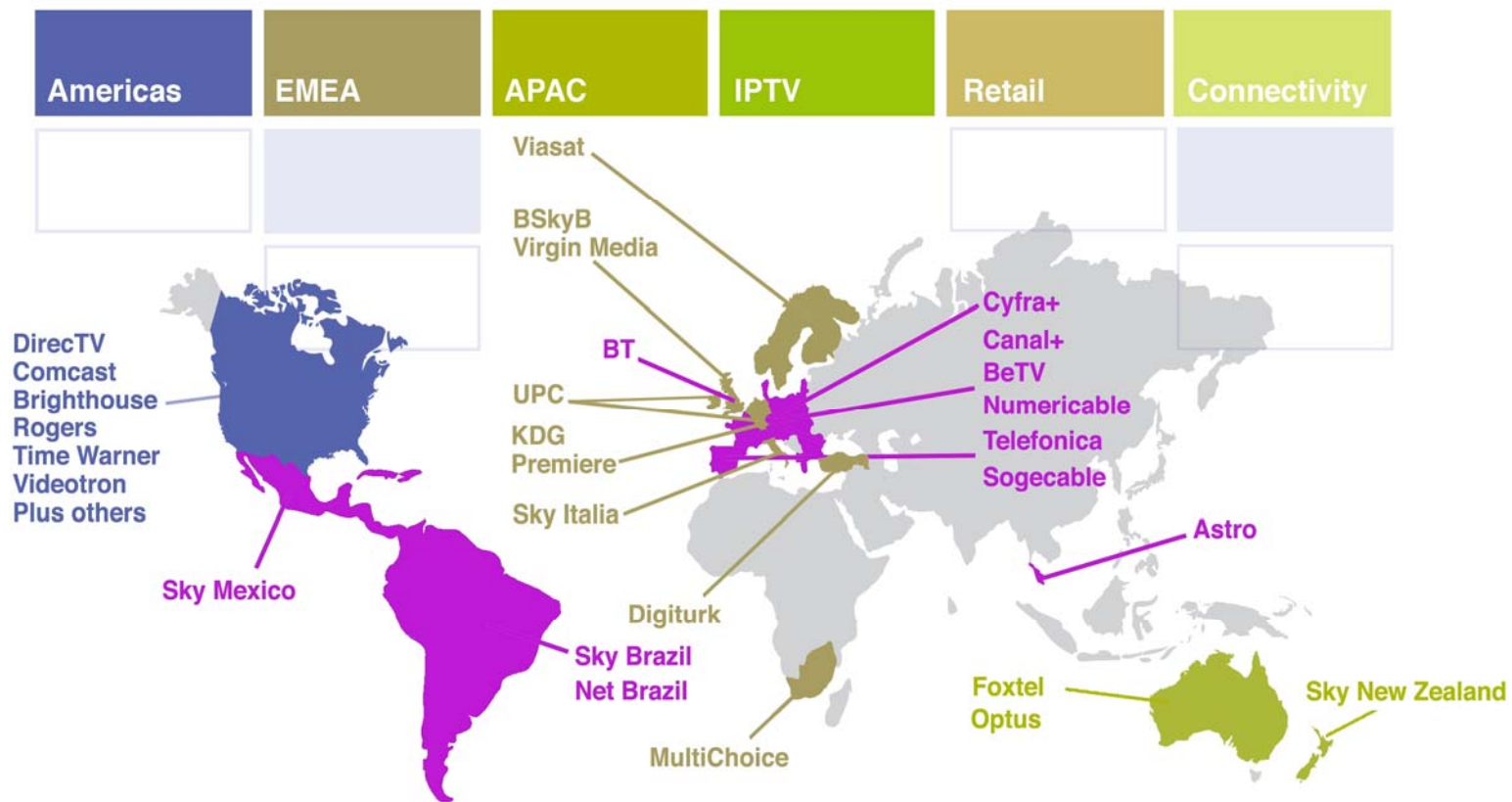
- Pace has entered into a conditional agreement to acquire the set-top box (STB) & connectivity solutions (CS) business of Royal Philips Electronics
- HQ in France, over 330 employees
- Global no.5 in terms of STB shipments in 2006*
- The Philips STB and CS business
 - B2B sales to large payTV operators worldwide
 - Growing retail STB sales in Europe and Latin America
 - Connectivity solutions

Customer fit



- There is minimal customer overlap:
 - Pace is a leader in the UK, Europe, US and Australasian markets
 - Philips STB & CS is a market leader in mainland Europe and strong in Latin America and the US
 - Philips STB & CS has a retail brand and distribution in Europe and Latin America – Pace will utilise the Philips brand for an agreed range of products over three years
 - Where customers overlap different products are supplied

Geographic fit



Creating a leading global STB business

Product and technology fit



- Pace and Philips STB & CS have world leading expertise in digital TV technology and specialist engineering teams
- The combined group will have an enhanced technological position:
 - Pace & Philips STB & CS both have strong positions in satellite and cable
 - Philips STB & CS adds IPTV, DTT and connectivity solutions
 - Pace is developing new products based on advanced networking and broadcast broadband convergence technologies

Business opportunities



- Potential for improved efficiencies and growth
 - Pace's successful operating model and business structure can be applied to Philips STB & CS with substantial potential benefits
 - The increased scale of an enlarged group and broader reach will lead to a better balance of activities and improved visibility
- Pace and Philips STB & CS share a view that consolidation is the future of the global set top box industry – Pace is leading the way

Transaction information



- Conditional agreement to acquire Philips STB & CS, valuing the business at up to €95m
- Consideration of 68.0m Pace shares, making Philips STB & CS a 23% shareholder, and up to a further 1.9m shares shortly after completion and €5m over three years
- Classified by the UKLA as a reverse takeover due to its size
- Pace shares suspended until publication of the prospectus and posting of the circular, unlikely to be before late February 2008
- Transaction conditional upon
 - Philips STB & CS consultation with their Works Council
 - Anti-trust approvals
 - Approval of transaction by Pace shareholders at EGM in March 2008
 - Readmission of Pace shares to the Official List

In conclusion



**This is a logical deal with strong strategic and
financial rationale**