Pace plc

Interim financial results for the period ended 30 June 2013

30 July 2013

Pace interim results (for the period ended 30 June 2013)

Overview

Financial results

Strategic Plan and business performance update

Outlook

Questions

Overview

Strong first half of the year, continuing momentum from 2012

PayTV markets continue to perform well and demand for Pace's products and services remains strong

Significant further progress made against the Strategic Plan laid out in November 2011

Strong financial results in the half:

- Group revenue $1,318.4m, 31.0% increase (H1 2012: $1,006.5m)
- Group adjusted EBITA* $96.7m, 57.0% increase (H1 2012: $61.6m)
- Group adjusted operating margin* of 7.3% (H1 2012: 6.1%)
- Net debt reduction of $95.1m (H1 2012: $78.4m) to $68.2m (58.2% reduction), free cash flow of $92.0m (H1 2012: $94.6m)

Interim dividend 1.83c per share, a 27.1% increase on H1 2012 (H1 2012: 1.44c)

Full year profit guidance increased:

- Revenues for FY2013 expected to be broadly in-line with 2012;
- Operating margin for FY2013 is expected to be greater than 7.5%; and
- Strong cash flow to continue and Pace expects to report a net cash position at the end of 2013.

* Adjusted is before exceptional costs and amortisation of other intangibles

Financial results summary

Consolidated income statement (H1 2013)

P&L $m	*Group H1 2012*	***Group H1 2013***	*variance*
Revenue	1,006.5	**1,318.4**	31.0%
Gross margin	187.6	**233.1**	24.3%
Gross margin %	18.6%	***17.7%***	(0.9)ppt
Overheads	126.0	**136.4**	8.3%
Adjusted* EBITA	61.6	**96.7**	57.0%
Adjusted* EBITA margin %	6.1%	***7.3%***	1.2ppt
Exceptional costs	(4.4)	**(1.3)**	(70.5)%
Amortisation of other intangibles	(27.1)	**(22.4)**	(17.3)%
Interest	(8.7)	**(4.4)**	(49.4)%
Profit before tax	21.4	**68.6**	220.6%
Tax	(6.1)	**(17.9)**	(193.4)%
Profit after tax	15.3	**50.7**	231.4%
Basic EPS (cents)	5.1c	**16.4c**	221.6%
Adjusted* basic EPS (cents)	12.8c	**22.1c**	72.7%
Dividend per share (cents)	1.44c	**1.83c**	27.1%

Revenue
- Continuing strong demand for Media Servers

Gross margin
- In-line with H2 2012 reflecting similar revenue mix

Overheads
- Underlying expenses, excluding IAS 38, bonus accruals and one-off EMS transition costs, decreased by $5.1m (3.8%)
- $0.1m IAS38 debit versus $7.6m IAS 38 credit in H1 2012
- Significant ongoing investment in Software and Services

Adjusted EBITA
- Strong growth reflecting trading improvement

Exceptional costs
- Restructuring costs in Corporate and SBUs

Interest
- Decreased due to reduction in net debt during the year

Tax
- Effective tax rate of 26.1% (H1 2012: 28.1%)

Earnings per share
- Strong growth reflecting trading and operational improvement

Dividend
- 27.1% increase to reflect cash generation, confidence in outlook and ongoing progressive dividend policy

* Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and the amortisation of other intangibles.

Pace

Balance sheet (H1 2013)

Balance sheet $m (Group)	*31 Dec 2012*	***30 Jun 2013***
Property, Plant & Equipment	62.8	**62.9**
Goodwill	337.9	**335.4**
Intangibles	166.2	**143.4**
Development expenditure	56.3	**53.5**
Inventories	182.1	**188.3**
Trade and other receivables	558.7	**485.7**
Trade and other payables	(629.7)	**(581.0)**
Net working capital	111.1	**93.0**
Current and deferred tax	(31.6)	**(36.5)**
Provisions	(67.5)	**(71.2)**
Other *	(11.8)	**(2.7)**
Net (debt) / cash	(163.3)	**(68.2)**
Net assets	460.1	**509.5**

Property, Plant & Equipment

- Capital expenditure includes equipment to support EMS transition. Total capex broadly matches rate of depreciation

Development expenditure

- Lightly capitalised R&D amortized quickly and closely aligned to margin projections

Net Working Capital

- Increased inventory driven by EMS transition
- Receivables controls further improved; debtor days increased by 1 day to 54 days, mainly due to customer mix
- Reduction in payables driven by phasing of activity. Payment terms for key suppliers now aligned; creditor days increased by 3 days to 86 days

Provisions

- Amounts for royalties and future warranty claims

Other

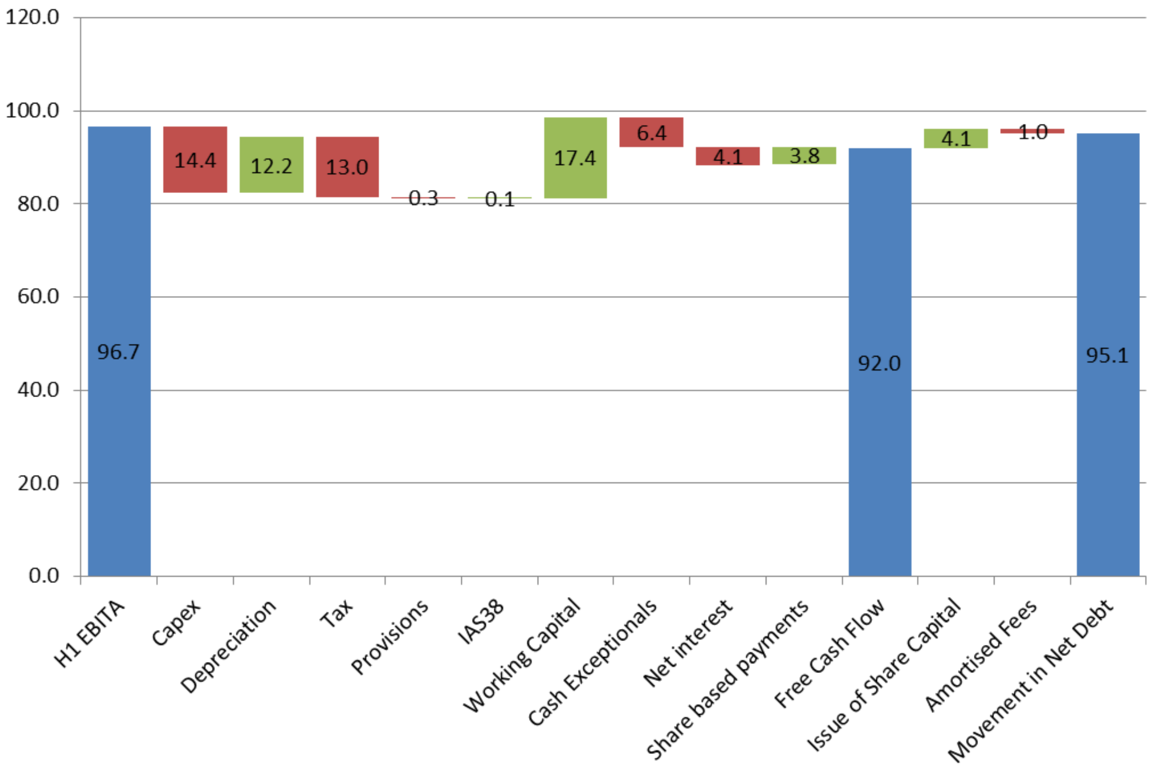
- Reduced following settlement of exceptional costs incurred in 2012

Net debt

- Decreased 58.2%; 0.91x to 0.32x Net debt / LTM Adjusted EBITDA
- $75m term loan repayments made in year

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

Cash flow (H1 2013)



Notes: Term loan repayments in period of $75m not shown as there is an offsetting movement between net debt & cash.
Cash movement in working capital and provisions excludes re-translation of items denominated in foreign currencies.
*Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.

Strategic Plan and business performance update

Transform core economics

Opex efficiency improvement	• Underlying operating expenses[1] reduced whilst continuing to invest in Software and Services R&D • Continued focus on opportunities for further efficiencies across the business
COGS improvement	• Electronics Manufacturing Services (“EMS”) footprint consolidation progressing well – 85% of volume with core partners and transition expected to be completed by end of Q3 2013 • Expanded Hong Kong office, positioning our procurement operations closer to the majority of our supply base • Implemented single Product Lifecycle Management system and related engineering and design processes to improve the speed and efficiency of design • Continued reduction and improvement of Approved Vendor List (“AVL”); reduced no. of vendors by more than 18% since H1 2012 and leveraging EMS partner relationships
Balance sheet and working capital improvement	• Strong cash flow generation (95.1% conversion of adjusted EBITA to free cash flow) reflecting well planned inventory management during the complex EMS transition and focused working capital and tax management

1. Operating expenses excluding IAS38 accounting, bonus accrual and one-off EMS transition costs

Build on position as a world leader in payTV hardware

Set-top boxes	Media servers	Gateways
Global #1 in 2012 by volume[1]	Global #1 in 2012 by volume[2]	Global #1 in 2012 for DSL GWs by value[3]

Set-top boxes

Global #1 in 2012 by volume[1]

Updates

Customers

Amongst over 160 of the worlds leading PayTV operators.

Media servers

Global #1 in 2012 by volume[2]

Updates

Customers

Amongst over 10 of the worlds leading PayTV operators.

Gateways

Global #1 in 2012 for DSL GWs by value[3]

Updates

Customers

Amongst over 25 of the worlds leading ISPs.

1. By volume (2012): IHS Set-Top Box Market Monitor report for H1 2013.
2. By volume (2012): IHS Multimedia Home Gateways: The future of the digital home.
3. By value (2012): Infonetics-4Q12-BB-CPE-Subs-Mkt-Fcst.

Widen out into software, services and integrated solutions

Elements software platform	ECO service management & next gen customer care	Latens content protection
Over 3 million devices supported	Over 25 million devices managed	Over 3 million devices supported

Elements software platform

Over 3 million devices supported

Updates

vivo

Customers

elisa, FOXTEL, SingTel, MultiChoice, Bouygues Telecom, SKY

India Cable including:

DDC, KCL Digital, F Digital

ECO service management & next gen customer care

Over 25 million devices managed

Updates

TELMEX, columbus communications

Customers

sky, at&t, Bell, Telstra, CenturyLink, SaskTel

Latens content protection

Over 3 million devices supported

Updates

Over 65% growth in LTM

Key wins in emerging markets

Customers

telenet, altibox, multimedia, DigiCable

50 NA IOCs including:

windstream

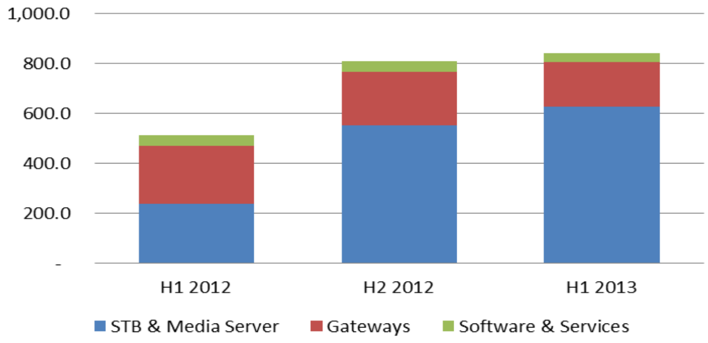
India Cable including:

DDC, KCL Digital, F Digital

Pace

Regional performance – North America and Latin America

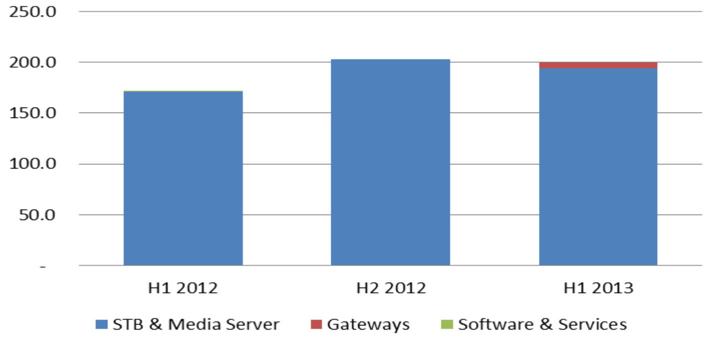
North America



STB & Media Server mix (by volume)	H1 2012	H1 2013
Media Server	4%	27%
Client	0%	45%
HD including HDPVR	33%	23%
SD including SDPVR	0%	0%
DTA	63%	5%

- Growth driven largely by Media Server demand from major customers
- Gateway revenues impacted by dual-sourcing at major customer

Latin America

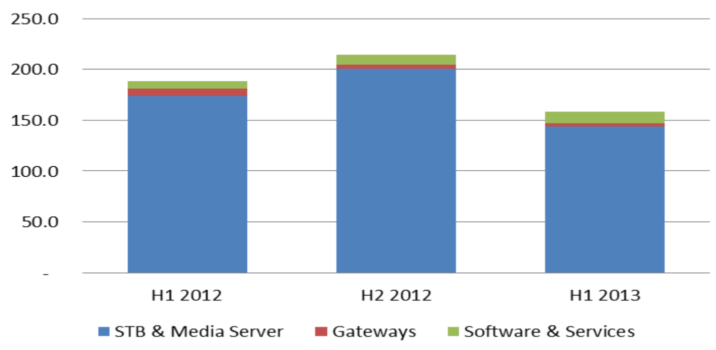


STB & Media Server mix (by volume)	H1 2012	H1 2013
HDPVR	17%	11%
HD	42%	48%
SD including SDPVR	41%	41%

- Serving 8 of the top 10 operators in the region
- Key wins in the period in all product areas; STB, Gateways and Elements

Regional performance – Europe and RoW

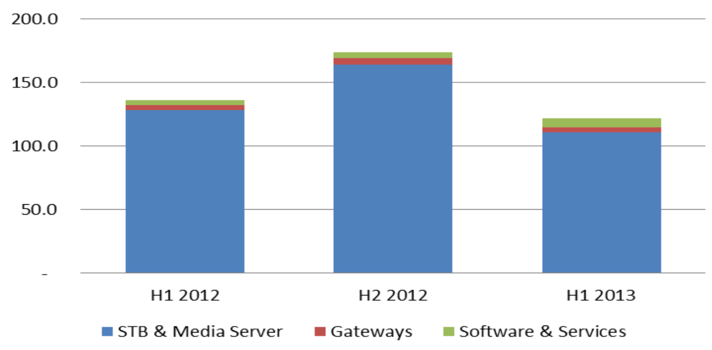
Europe



STB & Media Server mix (by volume)	H1 2012	H1 2013
Media Server	0%	1%
HDPVR	34%	32%
HD	64%	66%
SD including SDPVR	2%	1%

- Profit growth despite revenue down due to customer phasing
- Continue to be impacted by lower win rate of new products in 2011
- Key wins in the period at new and existing customers

RoW



STB & Media Server mix (by volume)	H1 2012	H1 2013
HDPVR	50%	48%
HD	40%	24%
SD including SDPVR	10%	28%

- Profit growth despite revenue down
- Reduced demand in major customers ahead of new product launches in H2 2013 and 2014
- Key wins in the period with long term customers

Outlook

Outlook for 2013

The outlook for the remainder of the year has improved and as a result full year guidance is increased:

- Revenues for 2013 expected to be broadly in-line with 2012;
- Operating margin for 2013 is expected to be greater than 7.5%; and
- Strong cash flow will continue and Pace expects to be in a positive cash position at the end of 2013.

Pace