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Pace plc Interim Results for the 6 months ended 30 June 2012

Saltaire, UK, 24 July 2012: Pace plc, a leading global developer of technologies and products for PayTV and broadband service providers, today announces its results for the 6 months ended 30 June 2012.

Full Year earnings guidance increased: greater than 7% underlying operating margin on flat revenue and reduced HDD impact. Interim dividend up 15%.

Financial highlights

- Revenue $1,006.5m (H1 2011: $1,187.1m) in line with management expectations:
  - Impact of Hard Disk Drive (HDD) supply disruption $76.8m in H1.
  - H2 revenue underpinned by next generation hardware rollouts.
- Gross margin 18.6% (H1 2011: 19.0%). Underlying[1] gross margin 19.4% before $23.1m HDD impact in H1.
- Adjusted EBITA[2] $61.6m, operating margin[3] of 6.1% (H1 2011: $68.4m, operating margin 5.8%). Underlying operating margin of 7.8% before $23.1m HDD impact in H1.
- Profit before tax $21.4m (H1 2011: $29.4m) after exceptional costs of $4.4m (H1 2011: nil).
- Basic EPS 5.1c (H1 2011: 7.1c) with adjusted basic EPS[4] 12.8c (H1 2011: 14.2c).
- Interim dividend increased by 15% to 1.44c (H1 2011: 1.25c).
- Closing net debt[5] $243.3m (31 December 2011: $321.7m), a $78.4m reduction (H1 2011: reduction of $17.9m).

Operating highlights

- Improving operating performance; recovery well underway.
- Core economics of the business being transformed:
  - Pace is becoming a more profitable and efficient company; operating expenses reduced by $20.9m (13.5%) in H1 (pre-IAS38 adjustments[6]).
  - Inventory controls strengthened, stock turn improved by 19.5% from H1 2011.
  - Strong cash generation in H1; free cash flow[7] $94.6m (H1 2011: $25.2m), reflecting improvements to working capital management and lower capital expenditure.
  - HDD supply disruption stabilised with EBITA impact in H1 $23.1m. c.$4m EBITA impact estimated in H2.
- Leadership position in PayTV hardware maintained:
  - Next generation Media Server products launched in USA; increased volumes underpin forecast growth in revenue in H2.
  - New business secured in developed and emerging markets.
  - Reconfirmed market leader; global No.1 in STB[8] and No. 2 in Residential Gateways[9].
- Widening out into software, services and integrated solutions gaining momentum:
  - Integrated solutions successfully deployed, a number of key wins achieved and a strong pipeline developing.
  - Investment in software increased to address growing customer opportunities for Pace.

[1] Underlying revenue, gross margin and operating margin are values prior to the impact of HDD supply disruption
[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.
[3] Operating margin is Adjusted EBITA as a percentage of revenue
[4] Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and the amortisation of other intangibles.
[5] Net debt is borrowings net of cash and cash equivalents.
[6] IAS38 adjustments reflect the net of capitalisation and amortisation of development expenditure in the period
[7] Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment/draw down
[8] IMS Research The World Market for Digital Set-top Boxes & iDTVs – 2011 Edition
[9] Infonetics Broadband CPE and Subscribers Report 4Q2011

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Outlook

The outlook for the remainder of the year has improved; better operating performance and increased volumes plus new business wins underpin the Board's confidence that operating margin will be greater than 7% from flat revenue against 2011 (both before impact of HDD supply disruption).

The HDD supply disruption impact on 2012 EBITA is forecast at c.$27m (H1: $23.1m, H2 c.$4m); at the lower end of full year guidance.

The Board is confident the strong cash flow generation will continue throughout 2012.

Commenting on the results, Mike Pulli, Chief Executive Officer said:

> "Pace has had an encouraging start to 2012; recovery is underway and we are becoming a more profitable, cash generative company.
>
> We have a clear strategy and are making good progress in implementing our plans. We are leading the market in the evolution to next generation Media Servers and our widening out into software and services is gaining momentum. Our focus on operational improvement and efficiency has delivered material benefits in the first 6 months of the year; additional cost saving opportunities are being pursued which will contribute further to profitability this year and beyond 2012.
>
> The increased interim dividend reflects the Board's confidence in the outlook and the future prospects for Pace.
>
> We have clear visibility on revenues in H2 and remain firmly focused on execution and continuing to create a leaner, more profitable business."

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Pace's Half Year Results Presentation to Analysts will be held at the offices of Jefferies International Ltd at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, commencing at 11:00 am BST.

This Presentation will also be available via live audio webcast, commencing at 11:00 am BST. To register for this audio webcast, please go to: http://www.pace.com/ir

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Pace plc Interim Results for the 6 months ended 30 June 2012

Results Overview

2012 is a year of transition and recovery for Pace, with the Company resolving the operational challenges of 2011 and starting to deliver against the Strategic Plan laid out in November 2011. An encouraging start to the year has been made; revenue for H1 is in line with management expectations while operating margin for the period is above expectations, as Pace evolves into a leaner, more profitable business. Confidence for the second half has increased, resulting in the Board raising its guidance to greater than 7% operating margin on flat revenue against 2011 (both prior to the impact of HDD supply disruption).

In the first half, Pace generated Revenues of $1,006.5m (H1 2011: $1,187.1m), a reduction of 15.2% due to lost revenue from the HDD supply disruption, reduction in low-end product volume in Latin America (Latam), and reduced shipments ahead of next generation product launches in the USA. In line with full year guidance, the Group expects revenue to increase significantly in H2 2012 as these factors tail off and we anticipate strong growth in customer demand when compared with the equivalent period in the prior year.

HDD supply disruption has now stabilised and the adverse financial impact for H1 was confined to $76.8m in revenue and $23.1m in EBITA. The equilibrium price for HDDs is likely to remain above pre-flood levels for the foreseeable future and we expect the EBITA impact for the remainder of the year to be c.$4m, with no further revenue impact.

The new Executive Management team is working effectively together across the global Pace business. A robust management process has brought increased rigour, challenge and accountability to operating plans and resourcing. A significant focus has been on self-help initiatives that drive the recovery in operating performance, and substantial yet sustainable savings have been achieved in operating costs and working capital in the first half of the financial year.

Further opportunities have been identified to improve the supply chain, procurement and end-to-end design of products consistent with the Group's goal of transforming the core economics of the business. These self-help initiatives underpin our plans for the next 18 months. We are confident that the operating margin will improve beyond 2012.

Technology is being shared across business units, as Pace starts to leverage its developed and acquired technologies in hardware, software and services. This has enabled cross-selling across our territories and new business wins. This process has just started but the progress made has been encouraging.

In the last quarter of 2011, Pace started to combine the Europe, Enterprise and India business units into a single business unit; Pace International; this process concluded in Q1 2012. The new Pace International Strategic Business Unit ("SBU") structure enables Pace to sell, deliver and support the entire Pace product portfolio from a single business unit as was already the case in the Pace Americas SBU. Improving profitability is a key focus for the Pace International SBU and operating margin has already increased by 2.0ppts to 6.3% from H1 2011.

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Business Unit Revenue Split

	H1 2012 $m	Restated[10] H1 2011 $m	Restated FY 2011 $m
Americas	**567.9**	715.1	1,350.6
International	**435.0**	469.0	953.1
Unallocated	**3.6**	3.0	5.6
Total	**1,006.5**	1,187.1	2,309.3

H1 2012 revenue was split across the business units as follows; Americas SBU 56.4% (Restated H1 2011: 60.2%), International Business Unit 43.2% (Restated H1 2011: 39.5%), Unallocated 0.4% (Restated H1 2011: 0.3%).

Product Type Revenue Split

	H1 2012 $m	H1 2011 $m	FY 2011 $m
STB[11] and Media Server	**708.0**	933.3	1,775.4
Gateways	**247.2**	204.4	433.5
Software and Services	**51.3**	49.4	100.4
Total	**1,006.5**	1,187.1	2,309.3

As set out in the Strategic Plan, Pace is building on its leadership in hardware whilst also widening out into Software, Services and Solutions. The split in revenue across the various product categories reflects the progress that has been made: 70.3% STB and Media Servers (H1 2011: 78.6%), 24.6% Gateways (H1 2011: 17.2%) and 5.1% Software and Services (H1 2011: 4.2%).

The 24% reduction in STB and Media Server revenue in the period is due to the HDD supply disruption across all regions, a reduction in low-end product volume in Latam and the reduced shipments of STBs in North America ahead of increased demand for next generation Media Server products.

Gateway products from the 2Wire and Bewan acquisitions continue to perform well with 21% revenue growth in H1 2012 and new wins with Latam and Rest of World customers which will commence shipment in late 2012.

Revenue from Software and Services, generated from both the acquisitions made in 2010 and internally developed assets, is up 3.8% and with improved outlook based on new wins and deployments in the period. We anticipate this growth will accelerate in H2.

[10] During the period the Group consolidated Pace Europe, Pace Enterprise and certain other immaterial operating segments into a new SBU named Pace International. This was done in order to reflect the management structure of those operating segments, which changed in the period.
[11] Set-top box

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Regional Revenue Split

	H1 2012 $m	H1 2011 $m	Pre-HDD Impact H1 2011 to H1 2012 Variance	FY 2011 $m
North America	**517.6**	545.1	1%	1,065.1
Latin America	**160.4**	265.2	-31%	469.0
Europe	**189.5**	220.0	-10%	457.7
Rest of World	**139.0**	156.8	-1%	317.5
Total	**1,006.5**	1,187.1	-9%	2,309.3

Pace continues to have a globally diverse customer base and strong customer relationships from which to develop the business: in H1 2012 revenues split: 51.4% North America (H1 2011: 45.9%), 16.0% Latam (H1 2011: 22.3%), 18.8% Europe (H1 2011: 18.6%), and Rest of World 13.8% (H1 2011: 13.2%).

North America

North America is the largest, most advanced and most profitable market for digital TV and broadband technology in the world, with over 100 million PayTV subscribers and close to 100 million broadband subscribers. Pace is the only vendor to the largest operators in the cable, satellite and telco markets; serving Comcast, DirecTV and AT&T respectively; in each case Pace supplies their most advanced in-home technology. In addition, Pace also serves a large number of Tier 2 cable and telco operators in both the USA and Canada.

As the market evolves to a more sophisticated digital device in the home, the Media Server, Pace is uniquely placed to support this evolution. A Media Server combines the functionality of the STB and the Gateway, enabling video content to be distributed around the home; a key component of the move to "TV Everywhere". This product category will evolve to become the main hub of the home, enabling any data connectivity (Video, broadband, home automation etc.) around the home with both operator provided and consumer purchased devices.

The acquisition of 2Wire provided a strong and profitable revenue stream in both Gateways, and Software and Services. Revenues from Gateways in North America increased 29.6% to $236.2m in H1 2012 from H1 2011. In addition, the market leading home networking technology and products from 2Wire combined with the existing Pace STB expertise and portfolio, positioned Pace at the leading edge of the evolution to Media Servers. Pace has developed Media Server products for Comcast and DirecTV that have recently been launched.

In the period, revenues in North America were down by 5.0% to $517.6m (H1 2011: $545.1m). North America revenues were up slightly pre-HDD impact. Within this, STB revenues were lower ahead of the switch to the next generation Media Server products.

H2 will see strong growth in revenue in North America, as the Company continues to build on its leadership position and the Media Server products are supported by promotional drives by satellite and cable operators.

Latin America

The Latam market is a large and fast growing market, within which Pace serves satellite, cable and hybrid operators across the region; with Brazil, Mexico and Argentina the key markets. Despite the underlying demand for PayTV in the region continuing to increase, Pace revenues in Latam were down by 31% (pre-HDD) to $160.4m (H1 2011: $265.2m). This is mainly due to a reduction in low-end product volume, following a significantly strong spike year in 2011, as our customers dual sourced low-end hardware products.

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HDD supply disruption has also had a significant impact in Latam ($22m revenue impact in H1) as operators were unable to bear the higher input costs.

The overall market remains buoyant due to factors such as deregulation in Brazil and a number of growing PayTV operators in the region. Demand for PayTV is strong at all levels of technology; Standard Definition (SD) to support analogue to digital transition, High Definition (HD) continues to grow to meet growing consumer expectations and operators are starting to develop high-end STB and Media Servers for rollout in 2013 and beyond. In addition, Gateways and integrated solutions (STB and Elements software platform) are planned for introduction to customers in H2. The Company remains confident that Latam offers strong long-term revenues and profitability for Pace.

Europe

Europe remains a fragmented and highly customer specific territory for Pace. Revenues in Europe were down by 13.9% to $189.5m (H1 2011: $220.0m). HDD supply disruption had an impact in this region, but the decrease was mainly due to a reduced win rate of new products in 2011, which has adversely affected revenue in 2012. Sales outlook has improved in H1 2012 with key wins in new and existing customers that will deliver in 2013.

The underlying market within Europe is broadly flat; however, we expect significant growth in the Media Server segment of the market as operators in Europe follow the innovation of North American operators. Pace has recently been awarded the Media Server business for Telenet, the largest cable operator in Belgium to be deployed in 2013. In addition, the Group is seeing increasing demand for integrated solutions from operators that can be quickly deployed and that enable the operator to differentiate in highly competitive markets.

Rest of World

Rest of World covers a diverse range of markets which are developing at different rates; the highly developed markets in Australia and New Zealand and South East Asia, the “fast following” markets in Middle East and Africa, and the fast growing Indian market. Revenues in Rest of World are down by 11.4% to $139.0m (H1 2011: $156.8m). This decrease is primarily due to HDD supply chain disruption as a number of operators delayed large marketing campaigns until H2.

Australia and New Zealand is traditionally a strong market for Pace and in June, the Company launched its first advanced integrated solution with Sky New Zealand. This solution combines Pace’s market leading STB hardware with the Elements software platform along with the system integration services required to deploy the platform. In addition, Pace has been confirmed as the supplier of next generation Media Server hardware to Foxtel.

India is a key growth market for Pace as the country experiences large PayTV subscriber growth and the transition from analogue to digital progresses in the cable sector. During H1, the Company secured deals with a number of operators for its integrated solution for cable which combines STB hardware, Elements software platform and Latens conditional access.

The Company remains confident that these markets will provide significant growth opportunities.

Board changes

On 6 January 2012, David McKinney retired from the Board when the role of Chief Operating Officer was made redundant.

On 25 February 2012, Roddy Murray was appointed to the Board and became Chief Financial Officer on 6 March 2012, replacing Stuart Hall who retired from the Board on this date.

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Financial Review

Group Trading Results

	H1 2012 $m	H1 2011 $m	FY 2011 $m
Revenue	**1,006.5**	1,187.1	2,309.3
Gross Profit	**187.6**	225.6	443.3
Gross Margin %	***18.6%***	*19.0%*	*19.2%*
Administrative expenses*	**(126.0)**	(157.2)	(301.9)
Adjusted EBITA	**61.6**	68.4	141.4
Operating Margin	***6.1%***	*5.8%*	*6.1%*
Gross Margin % (Pre-HDD)	***19.4%***	*19.0%*	*19.3%*
Adjusted Operating Margin (Pre-HDD)	***7.8%***	*5.8%*	*6.4%*

* Administrative expenses pre-exceptional costs and amortisation of other intangibles

Group Revenue of $1,006.5m (H1 2011: $1,187.1m) decreased by 15.2%; $76.8m of which was due to the impact of HDD supply disruption caused by flooding in Thailand. Revenue in the first half was in line with plan and we are confident of revenue growth in the second half based on orders received and new business won.

Gross profit of $187.6m (H1 2011: $225.6m) is down 16.9%. HDD supply disruption cost $23.1m in H1. Gross margin percentage during the period, prior to HDD supply disruption, was 19.4%, an underlying increase of 0.4ppt on H1 2011.

Some progress has been made in leveraging procurement and the supply chain which has contributed to the underlying improvement in gross margin in the first half.

Administrative expenses pre-exceptional costs and amortisation of other intangibles decreased by $31.2m (19.8%) to $126.0m, the underlying decrease, excluding the impact of IAS38 accounting adjustments, is a decrease of $20.9m (13.5%) to $133.6m (H1 2011: $154.5m). Considerable progress has been made in improving operating efficiency across the Company in the first half of the year; the cost saving reflects a scaling down of Corporate resources and a re-organisation of the Americas and International business units.

Adjusted EBITA was $61.6m (H1 2011: $68.4m); an operating margin of 6.1% against 5.8% in 2011.

Exceptional costs of $4.4m (H1 2011: Nil) relate to the change of Directors ($1.4m) plus redundancy costs in the Americas and International SBUs and Corporate.

Amortisation of other intangibles, primarily reflecting the half year charge for intangible assets acquired in 2010, was $27.1m (H1 2011: $29.1m).

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Segmental analysis
The Group now operates through two SBUs; Pace Americas and Pace International. The SBUs are deemed by the Board to represent operating segments under IFRS 8, with revenues and EBITA as follows:

	H1 2012 $m	Restated H1 2011 $m	Restated FY 2011 $m
Revenue			
Pace Americas	**567.9**	715.1	1,350.6
Pace International	**435.0**	469.0	953.1
Unallocated	**3.6**	3.0	5.6
Total Revenue	**1,006.5**	1,187.1	2,309.3
EBITA			
Pace Americas	**62.3**	84.3	157.9
Pace International	**27.5**	20.4	60.3
Unallocated	**(28.2)**	(36.3)	(76.8)
Total EBITA	**61.6**	68.4	141.4

Movements in revenue are described in the Results Overview on pages 3 to 6. Although not wholly consistent, revenues in North America belong primarily to the Americas SBU, revenues in Europe and Rest of World belong largely to the International SBU, and revenues in Latam belong to both the Americas and International SBUs.

The performance of Pace International improved with revenue down $34.0m (7.2%), mostly due to HDD supply chain disruption, but operating margin improved from 4.3% to 6.3%. Pace Americas' revenue reduced by $147.2m (20.6%) in H1, and operating margin declined from 11.8% to 11.0%.

Unallocated amounts include central and unallocated revenue, costs and other immaterial SBUs, which are operating segments that are allowed to be aggregated under IFRS 8.

The reductions in unallocated costs of $8.1m (22%) relates to Corporate restructure.

Finance costs
Net financing costs of $8.7m (H1 2011: $9.9m) reflect a reduction in average net debt during the period.

Profit before tax
Profit before tax was $21.4m; a reduction of $8.0m (27.2%) on the first half of 2011.

Taxation
The tax charge of $6.1m (H1 2011: charge $8.5m) results from applying the expected full year effective tax rate of 28.1% (H1 2011: 28.9%).

The rate reduction reflects lower corporate taxes in the UK.

Earnings per share and retained profit
Basic earnings per share was 5.1c (H1 2011: 7.1c). Adjusted basic EPS, which removes the tax affected impact of the exceptional costs and amortisation of other intangibles to reflect underlying performance, is 12.8c (H1 2011: 14.2c).

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Balance sheet

Intangible development expenditure assets increased by $7.2m (H1 2011: $2.7m decrease) due to continued investment in product development and a reduction in the amortisation charge reflecting the timing of product launches. It is anticipated that this increase will start to unwind in the first half of 2013.

Tangible fixed assets decreased in the period as depreciation of $14.0m was higher than capital expenditure of $9.8m. The $9.8m capital expenditure reflected a reduction of $14.5m from H1 2011 and is a more normal level for the Company.

A final payment of $15.7m was made in the period as deferred consideration for Latens.

Working capital

Net working capital was reduced by $58.5m (32.7%) in the period as commercial terms with suppliers were re-aligned to match Pace's working capital cycle, inventory control processes strengthened and a more focused approach was taken to cash collection from our customers.

Inventory increased by $10.5m to $160.5m in the six months from December 2011; however, the mix of stock has significantly improved, with component stock reduced and faster turning finished goods increased. Average stock turn in the half was 4.4 times against 3.7 times in the first half of last year.

Debtor days were reduced by 6 days to 56 days at the end of the half; this contributed c.$30m to first half cash flow.

Creditor days were increased from 74 days to 76 days in the half contributing a one-off benefit to cash flow of c.$10m.

Debt

Net debt of $243.3m (31 December 2011: $321.7m) reduced by $78.4m (24%) in the six months to 30 June 2012.

A key target for the Group is to reduce the balance sheet leverage (calculated as net debt divided by adjusted EBITDA over the preceding 12 months). At 30 June 2012 this was 1.71 times, an improvement of 14.5% from the position at 31 December 2011.

Cash flow

The Board remains confident that the Company will be strongly cash positive throughout 2012.

A key performance measure for the Group is free cash flow, which was $94.6m (H1 2011: $25.2m) and represented 128% of adjusted EBITDA (H1 2011: 29%). Cash outflows from interest payable were $7.3m (H1 2011: $7.2m). Cash invested in acquisitions in the form of deferred consideration paid was $15.7m (H1 2011: $5.6m). Cash spent on exceptional costs was $8.7m (H1 2011: $10.8m).

Foreign currency

In the period approximately 72% of the Group's revenues were denominated in USD, 12% in Euros, 13% in Brazilian Real and 3% in Sterling.

The impact of non-USD revenues, costs and overheads continues to be addressed through Pace's foreign exchange hedging strategy. The Group is fully hedged for the remainder of 2012 through a series of forward contracts.

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Dividend

The Board has declared an interim dividend of 1.44c per share (H1 2011: 1.25c per share), an increase of 15% in line with the progressive dividend policy introduced in 2009 (one-third, two-thirds split between interim and final dividends). The increase reflects the Board's confidence in the outlook for the Company and its improving financial position.

Dividends will be paid in sterling, equivalent to 0.928 pence per share. This is based on an exchange rate of £ = $1.551, being the closing rate applicable on 23 July 2012, the date on which the Board resolved to pay the interim dividend. The dividend will be payable on 7 December 2012 to shareholders on the register on 9 November 2012.

Risks and uncertainties

Save as referred to above, the principal risks and uncertainties facing the Group have not changed from those set out in the Annual Report and Accounts for the year ended 31 December 2011. They included: customer and market risks, product liability claims, credit risks, royalties, regulatory risks and currency risks. The full Annual Report and Accounts are available at www.pace.com.

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Responsibility statement of the directors in respect of the half-yearly financial report

The directors confirm that, to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Anthony J Dixon
Company Secretary
24 July 2012

The directors, who, with the exception of Roddy Murray, all served throughout the period, are:

- Allan Leighton – Chairman
- Mike Pulli – Chief Executive Officer
- Roddy Murray – Chief Financial Officer*
- Patricia Chapman-Pincher – Non-executive director
- John Grant – Non-executive director
- Mike Inglis – Non-executive director

*Appointed as executive director on 25 February 2012, appointed as Chief Financial Officer on 6 March 2012.

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Condensed Consolidated Interim Income Statement
for the six months ended 30 June 2012

	Notes	**Unaudited 6 months ended 30 June 2012 $m**	Unaudited 6 months ended 30 June 2011 $m	Audited Year ended 31 December 2011 $m
Revenue	2	**1,006.5**	1,187.1	2,309.3
Cost of sales		**(818.9)**	(961.5)	(1,866.0)
Gross profit		**187.6**	225.6	443.3
Administrative expenses:				
Research and development expenditure		**(69.8)**	(87.2)	(160.6)
Other administrative expenses				
Before exceptional costs		**(56.2)**	(70.0)	(141.3)
Exceptional costs	4	**(4.4)**	-	(12.7)
Amortisation of intangibles		**(27.1)**	(29.1)	(55.7)
Total administrative expenses		**(157.5)**	(186.3)	(370.3)
Operating profit		**30.1**	39.3	73.0
Finance income – interest receivable		**0.1**	0.1	0.2
Finance expenses – interest payable		**(8.8)**	(10.0)	(18.5)
Profit before tax		**21.4**	29.4	54.7
Tax charge	3	**(6.1)**	(8.5)	(15.9)
Profit after tax	2	**15.3**	20.9	38.8
Attributable to:				
Equity holders of the Company		**15.3**	20.9	38.8
Basic earnings per ordinary share (cents)		**5.1**	7.1	13.2
Diluted earnings per ordinary share (cents)		**4.9**	6.8	12.5

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Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2012

	Unaudited 6 months ended 30 June 2012 $m	Unaudited 6 months ended 30 June 2011 $m	Audited Year ended 31 December 2011 $m
Profit for the period	**15.3**	20.9	38.8
Other comprehensive income:			
Exchange differences on translating foreign operations	**(10.1)**	12.8	(8.1)
Net change in fair value of cash flow hedges transferred to profit or loss gross of tax	**(4.9)**	7.1	15.0
Deferred tax adjustment on above	**1.4**	(2.1)	(4.0)
Effective portion of changes in fair value of cash flow hedges gross of tax	**4.7**	(19.7)	(8.1)
Deferred tax adjustment on above	**(1.3)**	5.9	2.2
Other comprehensive income for the period, net of tax	**(10.2)**	4.0	(3.0)
Total comprehensive income for the period	**5.1**	24.9	35.8
Attributable to:			
Equity holders of the Company	**5.1**	24.9	35.8

The notes on the following pages are an integral part of the condensed consolidated interim financial statements.

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Condensed Consolidated Interim Balance Sheet at 30 June 2012

	Notes	**Unaudited 30 June 2012 $m**	Unaudited 30 June 2011 $m	Audited 31 December 2011 $m
ASSETS				
Non-Current Assets				
Property, plant and equipment		**58.7**	63.6	63.0
Intangible assets – goodwill		**331.3**	344.4	335.6
Intangible assets – other intangibles		**191.2**	244.1	218.0
Intangible assets – development expenditure		**61.1**	43.1	53.9
Deferred tax assets		**56.2**	55.6	67.2
Total Non-Current Assets		**698.5**	750.8	737.7
Current Assets				
Inventories	6	**160.5**	222.2	150.0
Trade and other receivables	7	**414.7**	391.6	402.3
Cash and cash equivalents		**78.4**	113.9	48.7
Current tax assets		**-**	-	4.6
Total Current Assets		**653.6**	727.7	605.6
Total Assets		**1,352.1**	1,478.5	1,343.3
EQUITY				
Issued capital		**28.4**	28.3	28.3
Share premium		**73.8**	73.0	73.1
Merger reserve		**109.9**	109.9	109.9
Hedging reserve		**2.8**	(11.0)	2.9
Translation reserve		**(62.2)**	(31.2)	(52.1)
Retained earnings		**262.4**	228.8	245.0
Total Equity		**415.1**	397.8	407.1
LIABILITIES				
Non-Current Liabilities				
Other payables		**-**	0.2	-
Deferred tax liabilities		**86.0**	91.0	95.7
Provisions	9	**47.0**	49.0	41.6
Borrowings	10	**111.5**	184.0	147.3
Total Non-Current Liabilities		**244.5**	324.2	284.6
Current Liabilities				
Trade and other payables	8	**454.9**	495.4	373.5
Current tax liabilities		**4.4**	1.6	9.6
Provisions	9	**23.0**	36.4	45.4
Borrowings	10	**210.2**	223.1	223.1
Total Current Liabilities		**692.5**	756.5	651.6
Total Liabilities		**937.0**	1,080.7	936.2
Total Equity and Liabilities		**1,352.1**	1,478.5	1,343.3

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Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Share capital $m	Share premium $m	Merger reserve $m	Hedging Reserve $m	Translation reserve $m	Retained earnings $m	Total equity $m
Balance at January 2011	**28.2**	**72.6**	**109.9**	**(2.2)**	**(44.0)**	**211.4**	**375.9**
Profit for the period	-	-	-	-	-	20.9	20.9
Other comprehensive income	-	-	-	(8.8)	12.8	-	4.0
Total comprehensive income for the period ended June 2011	**-**	**-**	**-**	**(8.8)**	**12.8**	**20.9**	**24.9**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	(1.0)	(1.0)
Dividends to equity shareholders	-	-	-	-	-	(5.8)	(5.8)
Employee share incentive charges	-	-	-	-	-	3.3	3.3
Issue of shares	0.1	0.4	-	-	-	-	0.5
Balance at June 2011	**28.3**	**73.0**	**109.9**	**(11.0)**	**(31.2)**	**228.8**	**397.8**
Profit for the period	-	-	-	-	-	17.9	17.9
Other comprehensive income	-	-	-	13.9	(20.9)	-	(7.0)
Total comprehensive income for the period ended December 2011	**-**	**-**	**-**	**13.9**	**(20.9)**	**17.9**	**10.9**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	(1.9)	(1.9)
Dividends to equity shareholders	-	-	-	-	-	(4.3)	(4.3)
Employee share incentive charges	-	-	-	-	-	4.5	4.5
Issue of shares	-	0.1	-	-	-	-	0.1
Balance at December 2011	**28.3**	**73.1**	**109.9**	**2.9**	**(52.1)**	**245.0**	**407.1**
Profit for the period	-	-	-	-	-	15.3	15.3
Other comprehensive income	-	-	-	(0.1)	(10.1)	-	(10.2)
Total comprehensive income for the period ended June 2012	**-**	**-**	**-**	**(0.1)**	**(10.1)**	**15.3**	**5.1**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	(0.7)	(0.7)
Employee share incentive charges	-	-	-	-	-	2.8	2.8
Issue of shares	0.1	0.7	-	-	-	-	0.8
Balance at June 2012	**28.4**	**73.8**	**109.9**	**2.8**	**(62.2)**	**262.4**	**415.1**

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Condensed Consolidated Interim Cash Flow Statement
for the six months ended 30 June 2012

	Unaudited 6 months ended 30 June 2012 $m	Unaudited 6 months ended 30 June 2011 $m	Audited Year ended 31 December 2011 $m
Cash flows from operating activities			
Profit before tax	**21.4**	29.4	54.7
Adjustments for:			
Share based payments charge	**2.8**	3.3	7.8
Depreciation of property, plant and equipment	**14.0**	14.3	29.0
Amortisation of development expenditure	**21.8**	34.9	47.9
Amortisation of other intangibles	**27.1**	29.1	55.7
Loss on sale of property, plant and equipment	**-**	-	1.6
Net finance expense	**8.7**	9.9	18.3
Movement in trade and other receivables	**(15.0)**	40.3	30.3
Movement in trade and other payables	**79.1**	(57.5)	(170.2)
Movement in inventories	**(11.5)**	(0.5)	72.2
Movement in provisions	**(1.7)**	3.7	2.7
Cash generated from operations	**146.7**	106.9	150.0
Interest paid	**(7.3)**	(7.2)	(13.8)
Tax paid	**(5.7)**	(17.1)	(29.7)
Net cash generated from operating activities	**133.7**	82.6	106.5
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	**(15.7)**	(5.6)	(6.4)
Purchase of property, plant and equipment	**(9.8)**	(24.3)	(41.5)
Development expenditure	**(29.4)**	(33.2)	(57.0)
Interest received	**0.1**	0.1	0.2
Net cash used in investing activities	**(54.8)**	(63.0)	(104.7)
Cash flows from financing activities			
Repayment of long-term debt	**(50.0)**	(37.5)	(75.0)
Proceeds from issue of share capital	**0.8**	0.4	0.6
Dividend paid	**-**	-	(10.1)
Net cash used in financing activities	**(49.2)**	(37.1)	(84.5)
Net change in cash and cash equivalents	**29.7**	(17.5)	(82.7)
Cash and cash equivalents at the start of the period	**48.7**	131.4	131.4
Cash and cash equivalents at the end of the period	**78.4**	113.9	48.7

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Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2012

1. BASIS OF PREPARATION AND GENERAL INFORMATION

General information

Pace plc (the 'Company') is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Victoria Road, Saltaire, BD18 3LF.

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial statements for the six months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

This consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

The consolidated interim financial information do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2011 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Board's assessment of the Group's ability to continue as a going concern has taken into account the effect of the current economic climate, current market position and the level of borrowings in the year. The principal risks that the Group is challenged with, and which have not changed at 30 June 2012, were set out in the Risks and Uncertainties section of the 2011 Annual Report along with how the directors intend to mitigate those risks.

The Board has prepared a financial and working capital forecast upon trading assumptions and other medium term plans and has concluded that the Group will continue to meet its financial performance covenants and will have adequate working capital available to continue in operational existence for the foreseeable future.

This consolidated interim financial information has been reviewed, not audited. The auditors review report for the six month period ended 30 June 2012 is set out on page 24.

Significant judgements, key assumptions and estimation uncertainty

The preparation of interim statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Key sources of estimation uncertainty and critical accounting judgements are as follows:

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Warranties
Pace provides product warranties for its set-top boxes. It is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of a product before field deployment data is available. These estimates improve during the lifetime of the product in the field.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The level of warranty provision required is reviewed on a product by product basis and provisions adjusted accordingly in the light of actual performance.

Royalties
Pace's products incorporate third party technology, usually under licence. Inadvertent actions may expose Pace to the risk of infringing third party intellectual property rights. Potential claims can still be submitted many years after a product has been deployed. Any such claims are always vigorously defended.

A provision for royalties is recognised where the owners of patents covering technology allegedly used by the Group have indicated claims for royalties relating to the Group's use (including past usage) of that technology. Having taken legal advice, the Board considers that there are defences available that should mitigate the amounts being sought. The Group will vigorously negotiate or defend all claims but, in the absence of agreement, the amounts provided may prove to be different from the amounts at which the potential liabilities are finally settled. The provision is based on the latest information available.

Operating segments
The Board of Directors has determined that, based on its current internal reporting framework and management structure, it has two reportable segments. Such determination is necessarily judgmental in its nature and has been determined for the preparation of the Half Year Financial Information. The level of disclosure of segmental and other information is determined by such assessment.

Intangible assets
The Group business includes a significant element of research and development activity. Under accounting standards, principally IAS 38 "Intangible Assets", there is a requirement to capitalise and amortise development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalised costs, together with the selection of amortisation periods appropriate to the life of the associated revenues from the product.

Such considerations made by management are a key judgement in preparation of the financial statements.

Accounting policies
The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the weighted average tax rate based on the tax rates expected to be applicable to expected annual earnings.

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2012 that would be expected to have a material impact on the Group

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2. SEGMENTAL REPORTING

In accordance with IFRS 8 "Operating Segments", the chief operating decision-maker ("CODM") has been identified as the Board of Directors which reviews internal monthly management reports, budget and forecast information to evaluate the performance of the business and make decisions.

The Group determines operating segments on the basis of SBU areas, being the basis on which the Group manages its worldwide interests.

During the period the Group consolidated Pace Europe, Pace Enterprise and certain other immaterial operating segments into a new SBU named Pace International. This was done in order to reflect the management structure of those operating segments, which changed in the period.

The Group has the following reportable segments:

- Pace Americas
- Pace International
- Unallocated

Unallocated amounts include central and unallocated revenue, costs and other immaterial SBUs, which are operating segments that are allowed to be aggregated under IFRS 8.

Reconciliations between Pace Americas and Pace International and the geographical revenue disclosure given are not possible, due to the different revenue streams which sit under each reportable segment.

Performance is measured based on segmental EBITA before exceptional items, as included in the internal management information which is reviewed by the CODM. EBITA before exceptional items is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments, relative to other entities that operate within these industries.

Revenues disclosed below materially represent revenues to external customers and where appropriate, pricing is determined on an arm's length basis. There are no material inter-segment transactions.

The tables below present segmental information on the revised basis, with prior periods amended to conform to the current period presentation.

6 months ended 30 June 2012	**Pace Americas $m**	**Pace International $m**	**Unallocated $m**	**Total $m**
Segmental income statement				
Revenues	567.9	435.0	3.6	1,006.5
EBITA before exceptional items	62.3	27.5	(28.2)	61.6
Exceptional items				(4.4)
Amortisation				(27.1)
Interest				(8.7)
Tax				(6.1)
Profit for the period				15.3

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6 months ended 30 June 2011 (restated)	**Pace Americas $m**	**Pace International $m**	**Unallocated $m**	**Total $m**
Segmental income statement				
Revenues	715.1	469.0	3.0	1,187.1
EBITA before exceptional items	84.3	20.4	(36.3)	68.4
Exceptional items				-
Amortisation				(29.1)
Interest				(9.9)
Tax				(8.5)
Profit for the year				20.9

Year ended 31 December 2011 (restated)	**Pace Americas $m**	**Pace International $m**	**Unallocated $m**	**Total $m**
Segmental income statement				
Revenues	1,350.6	953.1	5.6	2,309.3
EBITA before exceptional items	157.9	60.3	(76.8)	141.4
Exceptional items				(12.7)
Amortisation				(55.7)
Interest				(18.3)
Tax				(15.9)
Profit for the year				38.8

Geographical analysis

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers

Revenue by destination	**6 months ended 30 June 2012 $m**	6 months ended 30 June 2011 $m	Year ended 31 December 2011 $m
Europe	**189.5**	220.0	457.7
North America	**517.6**	545.1	1,065.1
Latin America	**160.4**	265.2	469.0
Rest of World	**139.0**	156.8	317.5
	1,006.5	1,187.1	2,309.3

The Group has three main revenue streams, being STBs, Gateways, and Software and Services. These revenue streams arise in each operating segment and are not defined by geographical locations.

The following table provides an analysis of the Group's revenue streams according to those classifications.

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year ended 31 December 2011 $m
Set-top boxes	**708.0**	933.3	1,775.4
Gateways	**247.2**	204.4	433.5
Software & Services	**51.3**	49.4	100.4
	1,006.5	1,187.1	2,309.3

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3. TAX CHARGE

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year ended 31 December 2011 $m
Total current tax charge	**(3.4)**	(12.8)	(27.5)
Total deferred tax (charge) / credit	**(2.7)**	4.3	11.6
Tax charge	**(6.1)**	(8.5)	(15.9)

The tax charge is recognised using the best estimate of the weighted average annual effective tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2012 is 28.1%.

4. EXCEPTIONAL ITEMS

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year ended 31 December 2011 $m
Restructuring and reorganisation costs	**3.0**	-	11.1
Directors' loss of office	**1.4**	-	1.6
	4.4	-	12.7

Restructuring and reorganisation costs in the current period relate to restructuring programmes within the Group, which were announced in the first quarter of 2012 and represents the costs of redundancy and associated professional fees.

5. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share have been calculated by using profit after taxation, and the average number of qualifying ordinary shares in issue of 297,293,987 (30 June 2011: 293,365,917).

Diluted earnings per ordinary share vary from basic earnings per ordinary share due to the effect of the notional exercise of outstanding share options. The diluted earnings are the same as basic earnings. The diluted number of qualifying ordinary shares was 309,853,496 (30 June 2011: 309,468,050).

To better reflect underlying performance, adjusted earnings per share is also calculated (adjusting profit after tax to remove amortisation of other intangibles and exceptional items, post tax) as below:

	6 months ended 30 June 2012	6 months ended 30 June 2011	Year ended 31 December 2011
Adjusted basic earnings per ordinary share (cents)	**12.8**	14.2	29.7
Adjusted diluted earnings per ordinary share (cents)	**12.2**	13.4	28.1

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6. INVENTORY

	As at 30 June 2012 $m	As at 30 June 2011 $m	As at 31 December 2011 $m
Raw materials and consumable stores	**30.8**	51.6	38.9
Finished goods	**129.7**	170.6	111.1
	160.5	222.2	150.0

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 $m	As at 30 June 2011 $m	As at 31 December 2011 $m
Trade receivables	**381.5**	368.9	369.8
Other receivables	**25.2**	16.0	22.8
Prepayments and accrued income	**8.0**	6.7	9.7
	414.7	391.6	402.3

8. TRADE AND OTHER PAYABLES

	As at 30 June 2012 $m	As at 30 June 2011 $m	As at 31 December 2011 $m
Trade payables	**387.0**	401.3	287.9
Social security and other taxes	**4.0**	4.6	3.9
Other payables	**16.6**	19.0	24.4
Accruals	**47.3**	70.5	57.3
	454.9	495.4	373.5

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9. PROVISIONS

	Royalties under negotiation $m	Warranties $m	Other $m	Total $m
At 31 December 2011	20.8	35.8	30.4	87.0
Charge for the period	4.4	3.3	-	7.7
Utilised	(1.1)	(4.4)	(18.8)	(24.3)
Exchange adjustments	0.4	(0.8)	-	(0.4)
At 30 June 2012	**24.5**	**33.9**	**11.6**	**70.0**
Due within one year	-	17.0	6.0	23.0
Due after more than one year	24.5	16.9	5.6	47.0

Other provisions relate to retirement and exceptional restructuring provisions within Pace France.

During the period payments of $15.7m were made against the December 2011 Latens deferred consideration provision, as full and final settlement.

In addition, $3.1m had been paid against the retirement and restructuring provisions within Pace France.

10. BORROWINGS

The carrying value of the year end borrowings position is as follows:

	As at 30 June 2012 $m	As at 30 June 2011 $m	As at 31 December 2011 $m
Non-current liabilities			
Bank term loans	**111.5**	184.0	147.3
Total	**111.5**	184.0	147.3
Current liabilities			
Bank term loans	**72.7**	73.1	73.1
Bank revolving credit facility	**137.5**	150.0	150.0
Total	**210.2**	223.1	223.1

The face value of the borrowings is $112.5m (31 December 2011: $150m) in respect of bank term loans within non-current liabilities, $75m (31 December 2011: $75m) in respect of bank terms loans within current liabilities and $137.5m (31 December 2011: $150m) in respect of bank revolving credit facility.

The difference between the face value amounts and the amounts in the above table is $1.0m (31 December 2011: $2.7m) in non-current liabilities and $2.3m (31 December 2011: $1.9m) in current liabilities which represents facility arrangement fees and interest costs.

INDEPENDENT REVIEW REPORT TO PACE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in shareholders' equity, the condensed consolidated interim cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mike Barradell
For and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds
24 July 2012