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Pace Micro Technology plc

Results

For the period ended 30 November 2002

13 January 2003



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SALIENT POINTS

Market difficulties impact revenues

Overhead run rate reduced almost 30%

Strong cash position as inventories are reduced

Successful technology innovation



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SUMMARY FINANCIAL PERFORMANCE

	£m 2002/03 H1	£m 2001/02 H2	% change
Revenue	83.4	215.8	(61)
Gross Profit	10.6	55.0	(81)
Overheads	(26.3)	(33.0)	(20)
(Loss)/profit pre amortisation and interest	(15.7)	22.0	
Goodwill	(0.5)	(1.3)	
Interest	(0.2)	0.2	
(Loss)/profit before Tax	(16.4)	20.9	

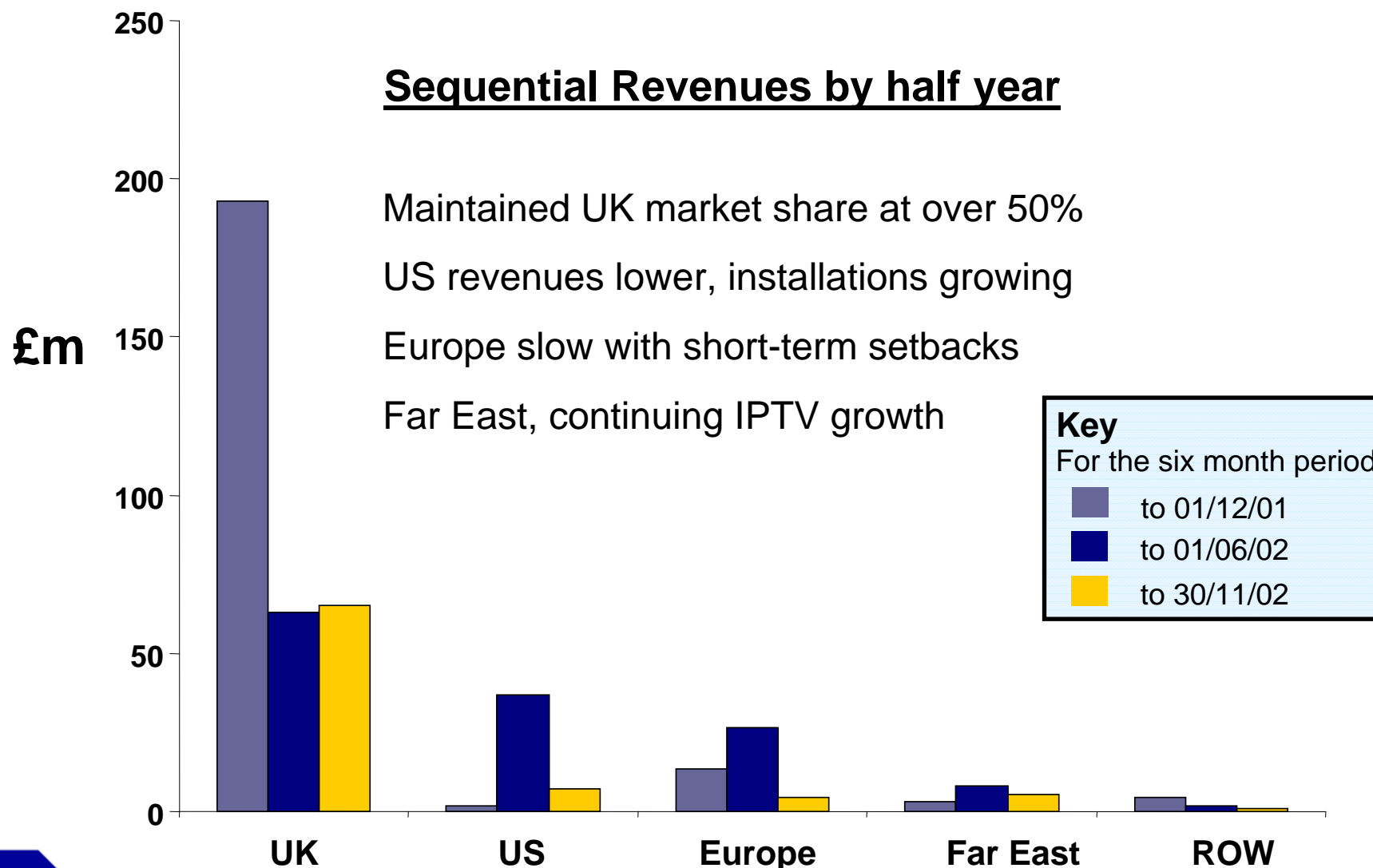
BALANCE SHEET

	£m	£m
	30 Nov 02	1 Jun 02
Fixed assets		
Intangible	30.6	35.8
Tangible	13.4	15.3
Investments	4.0	4.0
Stocks	25.1	46.7
Debtors	52.8	80.6
Net cash/(borrowings)	15.3	(19.1)
Creditors (excl borrowings)	(32.2)	(43.4)
Provisions	(26.4)	(18.3)
Net assets	82.7	101.6

CASH FLOW

	£m 2002/03 H1	£m 2001/02 H1
Net operating cash inflow	28.9	8.7
Returns on investments	(0.6)	0.3
Taxation	9.1	(3.3)
Capital expenditure	(1.4)	(6.1)
Dividends and financing	(1.6)	(1.6)
Increase/(decrease) in cash	34.4	(2.0)

REVENUE BY GEOGRAPHIC MARKET

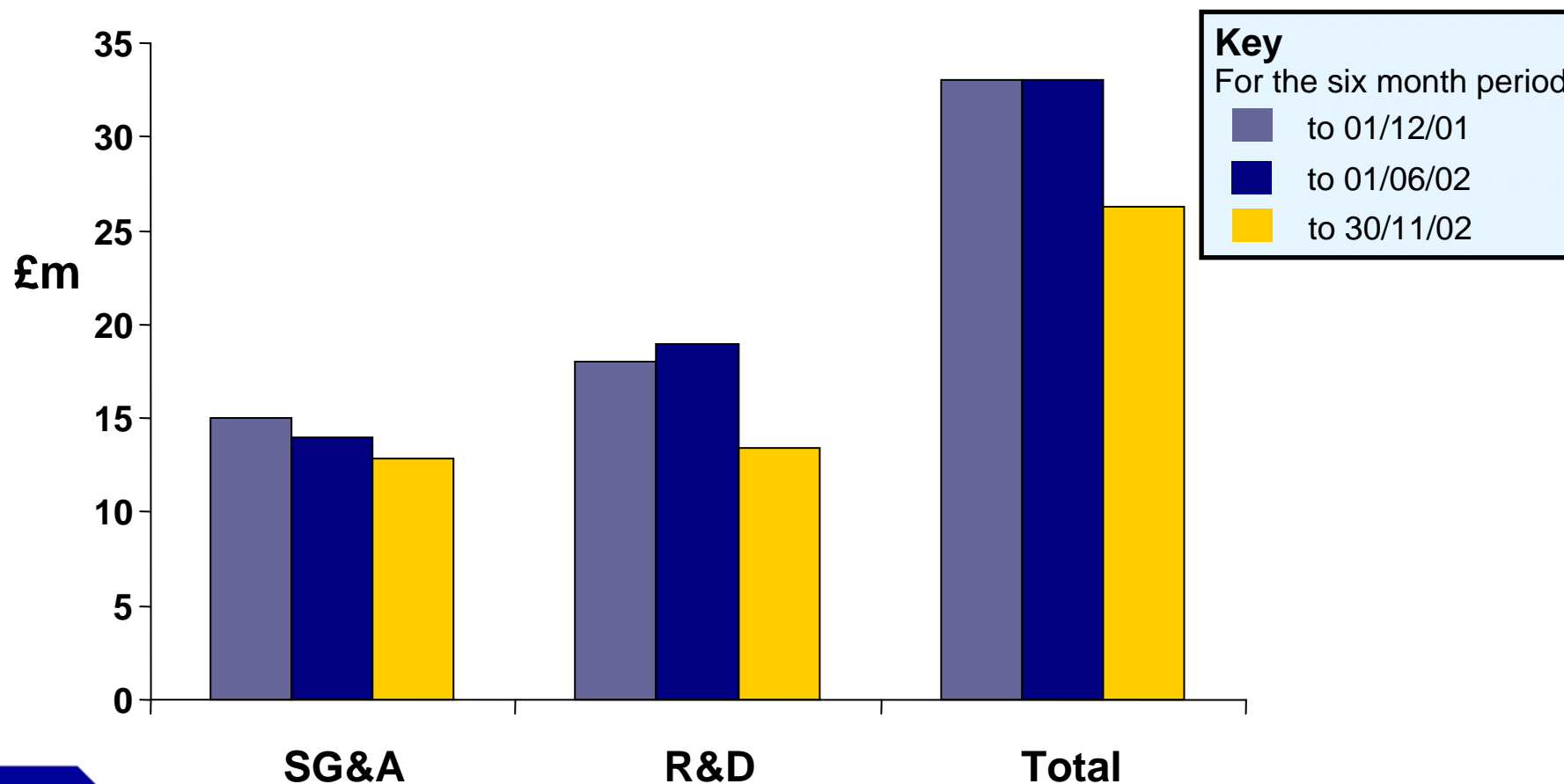


GROSS MARGIN

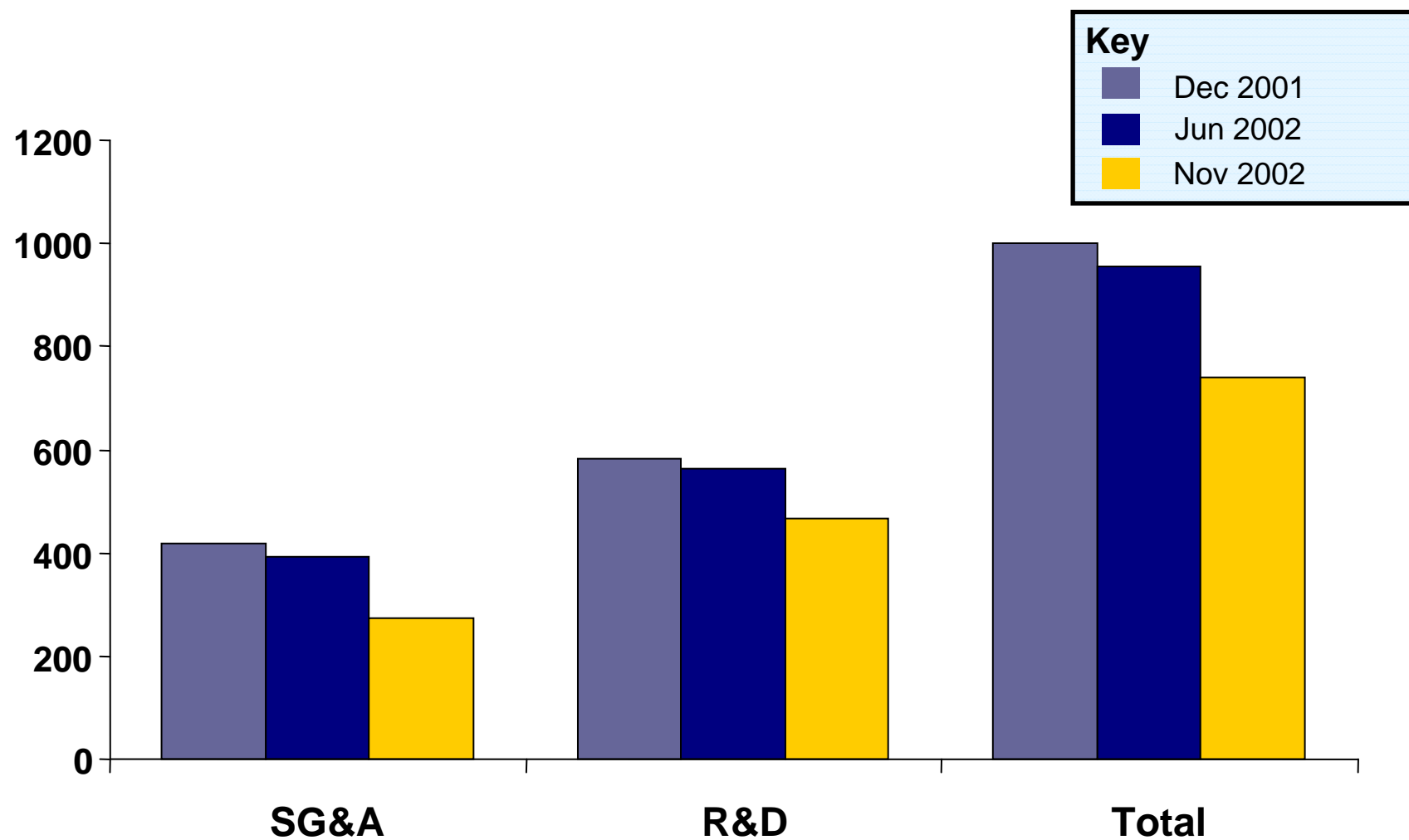
	2002/03 H1	2001/02 H1	2001/02 FY
Units (m)	0.7	1.2	2.2
Turnover (£m)	83.4	215.8	351.8
Gross Profit (£m)	10.6	55.0	80.0
Gross Margin %	12.7	25.5	22.7
Gross Margin% excluding Sky+	19.1		

OVERHEADS £m

Sequential SG&A, R&D and total overheads by half-year period



HEADCOUNT





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Business Review



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MARKET OVERVIEW

Market contraction has continued

Many operators still facing financial uncertainties

Pace restructured to match current trading environment

Continuing industry leading development

Personal Video Recorder (PVR) products

Leading new low-cost and DTT markets

Extending US product range with high-definition

Creating new IPTV opportunities

UNITED KINGDOM AND IRELAND

Pace's most successful market

high penetration, high market share
but lower revenues as market matures

Shipments recommenced to ntl

Sky+ volumes growing

New Sky digital products

next generation Digibox

new Minibox

Freeview launch



NORTH AMERICA

Cable market size: 10m units predicted* for 2003

Positive customer response

shipments commenced to Comcast Communications

Time Warner Cable rolling out existing inventory

Continuing start-up losses

insufficient product margin on initial shipments

establishing customer support

investment in next generation products



Aim to grow market share through existing customers

the world's two largest cable operators

Pace will be first competitor to Motorola on its cable networks

Additionally shipping to IPTV customer: Sasktel in Canada

* Pace Analysis of market information

EUROPE & ASIA

Continued slow operator growth

European retail market has contracted

Penetration to date low - only 15% switched to digital



However, momentum to digital still strong

Long-term significant markets across all platforms

Markets will develop differently to UK and US



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New Product Developments

SATELLITE DEVELOPMENTS

Improvements made to Sky digital range

Benefits of Pace engineering

innovation

performance enhancements

cost-reduction

Next generation Digibox launched

New Minibox launched

Sky+ PVR successful deployment



EXTENDING CABLE OPTIONS

Time Warner products

successful deployment of DC510

next generation already underway

HDTV gateway in trials

Comcast Communications products

taken delivery of DC510

second product about to go into trials



Pace's digital cable range most successful in Europe

Developing PVR capabilities

DRIVING FREE TO VIEW

DTVA launched

Pace has led UK market

leveraging Pace trade brand in retail

will be leveraged in Europe

Developing range of products

First stage: Twin Digital TV Recorder

Freeview personal video recorder

another Pace first

Expect to extend range further in 2003



INTERNET PROTOCOL TELEVISION (IPTV)

New product range launched September 2002

Enhancing internet technology to deliver TV using Internet Protocol (IP) DSL lines

Addressing new customer market: telcos and broadband IP

Advancing IPTV opportunities through

new, highly cost-effective designs

support for advanced downloadable soft low bit rate codecs

First IP400 customer in Far East





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OUTLOOK

Performance recovery expected in second half

revenues

margins

overheads

Pace technology and relationships continue to be strong

Progress dependent on

customer ability to rollout products

highly competitive environment

Ongoing transition to digital: market long-term prospect good