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PRESENTATION

Bill Burns *- Spirent Communications plc - CEO*

Good morning, everyone. I'm Bill Burns. With me today is Eric Hutchinson, our Chief Financial Officer. The agenda for today's presentation; first, if we ask you to take a read through the safe harbor statement before we get started.

Agenda today we'll cover the highlights -- or I'll cover the highlights from 2012. Eric will cover the financial results, in detail. And then I'll come back and talk a bit about the market and outlook for 2013.

2012 highlights; we made strategic progress throughout the year investing organically in our product development to enhance our Solutions portfolio. We focused our efforts in acquisitions, really around expanding our served markets into security and the wireless device test inside the live market. And we divested our non-core systems business throughout the year.

Key growth drivers through 2012 are really wireless 4G/LTE high-speed Ethernet and data center, we'll talk more about that as we get into the presentation and how they'll continue to be key fundamental drivers for us in the industry moving forward.

Macro-economic conditions, as we've talked about through the year, especially in EMEA and China, along with the reduced spending by the US Government impacted our customer's confidence through the year, and resulted in a weaker order intake for us through 2012. And as we get into the presentation we'll talk a bit about where that came from and what areas we saw that orders decline, and then also how that impacts 2013.

Performance Analysis delivered a robust performance when you consider that we've maintained operating profit in over $115 million through the year. So we had a good year from a profitability perspective, we expect that certainly to continue into 2013 and beyond. And again, as we get into the presentation later on and the outlook, we'll talk a bit about that.

We re-established profitability through the year in Service Assurance, as we saw the first quarter decline in the legacy systems being purchased in that division and took quick action to reduce the cost base inside that division, and return it to profitability through the year.

And we delivered strong cash generation and returned a lot of cash to shareholders through 2012 and over the last several years, as we'll talk more about in the presentation as well.

From a financial perspective, book-to-bill ratio for the Group was 97 for the year. Last year, it was 103. So you can see the impact bookings have had on the business through the year. Revenue is flat at $472 million for the year; operating profit at almost $120 million, up 2% for the year. Return on sales at 25.3% compared to 24.8%. Free cash flow was $84 million generate through the year. And adjusted EPS, in 2012, was $0.1338 per share.

So, overall, not a bad financial performance, certainly we're not happy with the flat revenue side but a lot of head wind, as we'll talk about later in the presentation, we faced during the year. And we'll give you a little context into where that came from. But, certainly, from a profitability perspective we've generated almost $120 million in profit during the year.

Looking at Performance Analysis specifically, revenue up 4%, based on strong LTE sales; so LTE sales were up 50% during the year. But a decline in our legacy products within our Networks & Applications group and our positioning products impacted our Performance Analysis result during the year.

Book to bill here was 95, which will make the first quarter challenging, as we'll take about in the outlook, during the year, because we ended the year with very little backlog. So even though we've seen bookings decline in second and third quarter, we've seen that come back in fourth quarter and a stronger book-to-bill ratio in fourth quarter and through the beginning part of this year, ending the year at a 95 backlog is -- or book-to-bill ratio will impact first quarter.

Operating profit was maintained during the year, so we generated $116 million in profit in Performance Analysis. And return on sales at 26.8%, even after continuing investment or adding to investment inside R&D to enter some new served markets; again, among the best in the test and measurement industry overall.

With that I'll hand then to Eric. He'll cover the financial details for 2012, and then I'll come back up to talk a bit about the market and an outlook for 2013.

Eric Hutchinson - *Spirent Communications plc - CFO*

Thank you, Bill. Okay so turning to the financial results. We compare the continuing Group P&L for 2012 against 2011, so this excludes anything to do with the Systems business. As Bill said, the revenue unchanged flat. The growth drivers in the core business still there; strong growth in LTE wireless test, data center switch testing, high-speed Ethernet testing all growing.

Weak positioning revenues as you see from the release and the head winds on the Service Assurance business at the total Group level, and some legacy decline in PA.

Gross margin, up on the product mix of the business, an improvement seeing Service Assurance through the year, and we'll pick up on that later.

A pickup in product development spending against flat revenue; but overall, operating profit for the Group up 2% and the Group margin up 0.5% to 25.3%.

Within these are adjustments of $10.2 million, $2.9 million on the restructuring and inventory write-downs in the Service Assurance business that gave us $5 million of annualized savings, so a little bit more benefit to come through in 2013 on the overhead reduction in Q1 for Service Assurance.

And the other big items all relate to the acquisitions, so the amortization of intangibles has now increased to about $4.5 million, there's $1.2 million of one-time acquisition expense, and about $1 million on the share-based payment.

The margins as Bill mentioned best in class in the test and measurement industry, so we're right up there and continue to be there.

The other positive that's come through is the tax rate, it's 27.8%, so that was a plus as we saw R&E tax credits confirmed in the US. And we had some other beneficial changes to the way we've got our tax affairs arranged. So that's positive news going forward as well, resulted in the adjusted EPS growth of 4%.

So turning to Performance Analysis, 4% revenue growth; again, slightly positive margin position, but well within normal range and the bulk of the increase in investment is in product development in Performance Analysis. So restructuring in SA, actually, took product development down in that segment.

Other expenses really reflecting the addition of the acquired businesses as well, so it's not an organic increase in expenses, on the other overheads; it's more to with acquired companies.

Book to bill, Bill mentioned, at 95; we're about 99, nearly 1 in Q4, but we would have like to have seen that to be more positive to actually give us an order book to ship in Q1, and that's really the main impact that we're announcing today.

Mu and Metrico contributed just under $13 million of revenue in the period. And we're investing in -- for the future development, primarily in LTE wireless technologies, but also in enterprise and development lab test tools for wireless as well.

Service Assurance, the big headwinds against us in the first half-year came through at 29% revenue decline. So that's not new news; we're now seeing stability in this business. It was all about the carriers moving their capital spending from TDM legacy to Ethernet monitoring. Ethernet monitoring is a bit slower to get back into growth territory.

With the restructuring and change in product lines, the gross margin improvement at 67%; clearly, we had a very good gross margin in Q4, where we had some big software contracts realized on Ethernet monitoring in the fourth quarter. So it's a bit of a one time in Q4 '12.

You can see the reduction in the overheads that's come through, which means on a clean basis excluding the restructuring costs we did 21.9% operating return on sales on reduced revenue, so 20% operating profit growth.

STC live upgrade opportunities, that's the Ethernet monitoring product coming through. We've also renewed the triennial maintenance contracts; they've all been reconfirmed with similar or actually even slightly better pricing on some, and some customers have locked that in for a 5-year period; so a lot of value seen by customers in getting that product support out there.

So margins going forwards much improved, and stability in the revenue line.

Discontinued operations on systems, so it's the sale of the last non-core business, the old Wheelchair Controller business, we got $63.2 million of cash for that after the working capital adjustments. That was a net profit on disposals of $44 million, and we have returned $27 million out of the net proceeds already with the share buyback program. And clearly, we are now a fully-focused test and measurement business.

Free cash flow, the free cash flow from continuing operations at $84 million, up from $69.3 million, part of that was a reduction in the capital expenditure. It was high in 2011. We invested in some intangible assets in the wireless arena, particularly on the LTE. Don't expect that to repeat on the intangible IP investments, but we are running a little bit lower than we'd normally expect. We would normally expect about 3% to 3.5% of revenue as the normal CapEx.

Free cash flow from the discontinued sale, on an aggregate basis, we're in the region of $90-odd-million of free cash flow generation, I think we are all expecting for the year.

The net number on the acquisitions and the disposals, so we invested the cash flow generation in acquiring Mu Dynamics and Metrico Wireless, it was just under $90 million of investment, put the proceeds back in.

The other feature of the business is if you combine our dividend payments with share buybacks, returns to shareholders are running at $51 million to $52 million a year; very good cash conversion of earnings.

So we are investing in the business, generating cash, making returns to shareholders.

As I said, the tax rate down to 27.8%. If I look at the cash flow impact $23 million, $23.1 million and that's 20% of profits paid in taxes. And I've now revised the guidance going forward from 30% tax rate down to 28%. So that's a bit of a pickup.

The definition of the EPS that we use on the adjusted level, just to remind you, is earning back share-based payment for the acquisition effects and the related tax effects on those. And if there's any prior year tax then we exclude that, and that gives us the $0.1338.

Shareholder distribution, so strong cash generation supports a 10% increase in the dividend per share to $0.322 per share, up from $0.293. That's a total distribution for the year of $21.3 million, a final of $0.183. It will be payable on May 3. And we've converted that to 1.21p per share, so in sterling terms that will be 2.1p per share, which is actually for a sterling income was a 15% increase.

Our policy is to progressively increase the distribution. And we currently expect to return the balance of the $33 million of the net proceeds through share buybacks as and when we can go back into the market.

So returns to shareholders, as I said, $51 million/$52 million. Over the last five years we've actually been averaging at slightly higher than that, so $272.2 million through dividends and share buyback.

So with that I'll hand back to Bill, to talk about the markets and the outlook. Thank you.

Bill Burns - *Spirent Communications plc - CEO*

Thank you, Eric. Industry fundamentals, overall, remain strong. As many of you were in Barcelona at the Mobile World Congress, Eric and I were there early in the week as well, and you can see the continued focus on the mobile Internet and the drive to anytime, anywhere, always on, use of applications by consumers and business customers around the world.

You also saw the Internet of things come out at Mobile World Congress, as everything from home security systems, to thermostats, to cars will be connected to the Internet moving forward. Ford Motor Company and Volvo and GM and others all had booths at Mobile World Congress, really showing how the world's going to move to connected vehicles, which gives us opportunities not only in Ethernet and the positions we do today, but also in global positioning.

Cloud computing just in its infancy as applications continue to move to the cloud, creating opportunities for our business as those applications are remote now from the users; smarter planet the idea of what we call industrial Ethernet, making power grids smarter or traffic control smarter.

Security really underpins everything we do today. And a lot of press around security and cyber security these days, and there'll be a lot of enhancements around here with new firewalls, and security and next generation firewall products coming to market.

And, as I mentioned, global situational awareness, the idea that either information is tailored to you specifically, or the use of navigation in applications around the world; these industry fundamentals are really -- continue to be strong.

And they continue to be the ones that drive our business, and they're the same ones we've talked about for some time, and they're really enabled by the technologies we test. So whether it's high-speed Ethernet or testing inside a cloud or virtual world, application where networks have these firewalls and the delivery of applications, there's smarter communications equipment to deliver them.

Security underpinning really everything we do, both on a personal and a business basis. Mobile packet core and the mobile backhaul, we think of wireless as really being the connection from the cellular tower to the actual device, and the fact is that most of that traffic is quickly offloaded to the mobile backhaul, and that continues to drive growth within our business.

4G LTE and the continued move from 3G to 4G LTE; and again, we talked about global positioning as we're the world's leader in global positioning testing.

We've talked about our strategy before, and this is a strategy we've shown over the last several years, just to really continue to expand our solutions portfolio, focus on our customer, invest in our people. But we thought we would spend just a couple of minutes telling you how we've focused on the strategies, really growing our portfolio and expanding that organically, but also through acquisitions.

So we've continued to expand our solutions by growing the products we have in the market today, expanding our wireless offering; expanding our Ethernet offerings in the market; expanding our application tests and our security portfolio organically, but also by acquisitions.

So selective acquisitions in spaces that made sense to us; expanding our wireless portfolio out of the lab and into the live network testing devices before they go to market; through the Mu -- or through the Metrico acquisition, made a lot of sense to us, because it was closely adjacent to what we do, but it entered a new serve market.

The My Dynamics acquisition really married to our portfolio of application test products and brought more security testing assets to Spirent. And we're marrying those together to have the best in class offering around application tests, married with security with the highest performance in the industry. So we're expanding our portfolio organically and through acquisition.

We divested our Systems division, so pure-play test and measurement, as Eric talked about earlier. We've entered some new high-growth markets. So the wireless R&D market we talked about, entering a year ago, we met our financial projections for that and have shown that we can enter new markets organically, or through acquisition through the year. And, we'll talk as we get into the presentation, in the November timeframe we announced a product to enter the enterprise market; again, an organic investment to expand our served markets as a Company.

And we extended our global reach by making continued investments in our sales channel throughout 2012, to focus on our largest customers around the globe and to make sure we're staying very, very close to them.

So our strategy, we've talked about for some time, we're executing our strategy and it's driving positive results for Spirent.

If we look at each one of the groupings, we'll talk about wireless and networks and applications and positioning a Service Assurance. So if we take a look back on the wireless 2012, what we saw was that LTE mobile device test grew for us at 50%.

The CDMA mobile device test declined, as we expected, during the year. But customers made tougher choices around spending in 3G UMTS through the year and really spent on LTE, and held back on UMTS spending. So when customers have to make choices, they typically invest in newer technologies, and hold back on spending in a difficult year on existing technologies or older technologies. They make those choices, and have to, in their business.

And some large customers overall were struggling in the market through the year. And we saw other people exit the market. So Sony Ericsson, the break-up of that would have impacted our business and create a headwind during the year.

The smartphone manufacturers, that weren't doing so well during the year, cut back spending in these areas, but continued to spend here to bring new devices to market.

So we're well positioned in the LTE market. But today and in 2012 we faced headwind across CDMA and some of our UMTS customers made decisions to spend on LTE and hold back on UMTS spending during the year.

We successfully entered the R&D market for LTE. So we said we were going to do that a year ago or so, we've entered that market and we'll continue to look to expand that in 2013. And, with the acquisition of Metrico, we really moved out of the lab, into the next phase of testing, which is really inside the live network, before a device is brought to market, testing the performance; the quality; the reliability of a device before it actually comes to market, but outside the lab and in the live network.

And as we talk about 2013 we'll look to marry those assets together, live network and lab, to have a stronger offering to customers.

To look ahead to 2013, we're well positioned across all the mobile device manufacturers. There's a broad range of companies continuing to invest in mobile, so whether you have Google, or other -- Intel is another example of that. So you're seeing multiple companies invest across mobility that haven't in the past. And they want to play a bigger role inside the mobile market. So they also have potential to be bigger customers for us.

We're expanding our presence inside the mobile R&D market. So we've talked about the promise for business in the past has really been in the carrier-acceptance market; it's when a device became a device at the very end of the development cycle. And we're taking our test tools and moving those earlier in the cycle, so customers can use them while they're at a reference design or while they're marrying different technologies together, Wi-Fi or Bluetooth along with the cellular technology, earlier on in the development cycle before they bring those devices to market; so playing a bigger role in expanding our served market into wireless R&D. And we'll continue that focus in 2013.

And we'll continue our leadership in location-based testing. Again, we're the world's leader in location-based tests, that's both in smartphone and applications as well. And we'll continue that leadership as we look to 2013.

From a networks and application perspective, we saw strong growth in 10 gigabit, 40 gigabit and 100 gigabit Ethernet and within our data center market. We continue to lead the data center market from an Ethernet testing perspective. But we saw 1 gigabit Ethernet decline during the year, so it's the first time we've seen 1gigabit Ethernet decline.

So again, a lot of transition in the business in 2012 when you're moving from CDMA to LTE, or you're moving from lower speed Ethernet, gigabit Ethernet into 10 gigabit, 40 gigabit and 100 gigabit. So a lot of transitions to place during 2012, as people moved from one technology to the next during the year.

We saw a sharp decline in our legacy products. So while much smaller pieces of business, still represented probably a 3% growth, taking away from Performance Analysis during the year, just from the decline of legacy systems during the year; so again, a headwind that we faced in 2012. And despite those headwinds we came out with flat revenues for the year.

Large customers reduced their spending in some areas. Some exited some market segments. So again we saw the impact of Europe on the Chinese equipment manufacturers. We saw the impact of US Government spending being reduced on the North America equipment manufacturers. That impacted their spending on test and measurement during the year. So their end markets being impacted impacted what they spent from a test and measurement perspective during 2012.

We strengthened our Solutions portfolio across our entire portfolio, but specifically in test automation. So our customers want to become more effective and more efficient on how they use test tools. And our acquisition of Fanfare we continue to enhance that product area, and have a lot of interest and saw strong growth in the year from that acquisition and that product line, as our customers want to automate our test tools, which becomes more sticky, more use of the tools, and more efficient use of the tools as they bring products to market faster.

And we expanded our offerings into the application test and security market by the acquisition of Mu. So as we talk to 2013, the Mu acquisition was really around adding more security assets to already best-in-class application test product called Avalanche, and we're marrying those two assets together in 2013.

If we look at 2013, high-speed Ethernet, 10 gigabit, 40 gigabit, 100 gigabit Ethernet continues to accelerate; 40 gigabit Ethernet inside a data center. 100 gigabit Ethernet will become a reality inside the service provider networks. The fastest-growing interface, the highest volume, will still be 10 gigabit during the year.

We'll continue our leadership inside date center testing, we lead the data center test market today, and we'll continue to do that.

We're well positioned in the mobile infrastructure test market, whether that's mobile packet core. And we'll make some investments to enter the Wi-Fi market of, really, the wireless offloads. So we've recently seen that as the spectrum is so scarce on 4G LTE, there's more of a market for Wi-Fi testing and the emergence of a wireless offload technologies at the edge of the network, and also all the way out to Wi-Fi, and we'll make some investments in 2013 to enter that market.

We'll expand our automations portfolio. As I mentioned before, that the Fanfare acquisition is going well inside our markets and well received by our customers, and we'll make some additional investments in that to 2013.

And we'll strengthen our applications security offering by truly marrying together the Mu Dynamics acquisition along with our best-in-class Avalanche application test product, having the highest performance application security test product on the market, to really address this next generation firewall and security products that are coming to market from a lot of vendors around the world.

If we look to positioning, we saw again a place where there's headwind we saw about 26% decline in our Positioning business, inside Performance Analysis during 2012, really driven by the slowdown of spending of the US Government, which still has its challenges, we know coming up the end of this week. We expect some recovery in that market, but who knows at the moment as we're facing sequestration and others coming up at the end of this week.

However, in 2012 there really wasn't a budget. So ultimately, they were spending by special resolution which impacted our business by many of our customers just not knowing whether they can get the funding. And then when they put the funding through it didn't come through to them. So, a lot of opportunities and a big sales funnel, customers just couldn't get the funding inside that market in 2012. But we expect some recovery in this market in 2013.

Delays in the Chinese; we talked about this as being Compass in the past. BeiDou is what -- BeiDou 2 is what it's being called now; it's the commercial release of the specification on the Chinese satellite navigation system that was expected at early part of last year.

The change in Chinese Government impacted that release and it came out in the December timeframe. We've already seen a bit of uptick in our Positioning business driven by the release of this specification; and a lot of interest by our customers to work within the satellite navigation specification.

We're continuing to see regional satellite navigation systems continue to represent opportunities for us; whether it's Japan or India or Galileo. There's a lot of opportunities moving forward in global positioning, but a tough year in 2012.

Global positioning enhancements; again, this will rely on really around US Government spending. So we've got to get things to settle down within the US Government's budgets for the year. But there's enhancements planned to ensure robustness of the GPS system as others are launching satellites around the world.

And we're seeing a broad adoption of our hybrid positioning technology. This is what we've talked about before, around marrying assets of Wi-Fi testing, and mobility and global navigation together to do inside positioning indoors; also, some new opportunities around car to car navigation and so forth in the industry.

So, this again, we're seeing broader adoption here; early days still but lots of opportunities as navigation becomes a real important part of people's use of applications around the world.

Service Assurance; again, headwinds throughout 2012; sharp decline in our TDM technology in the beginning part of 2012 resulted in us taking cost savings measures in the second quarter to re-establish profitability within Service Assurance.

We saw growth, in 2012, of our Ethernet which is really the growth driver for this business, TestCenter Live, with our Ethernet Service Assurance business.

We agreed, as Eric said, multi-year large maintenance contracts with our largest customers inside of North America market for three to five years moving forward. So, it secures revenue within that business over the next several years.

And Ethernet continues to really be the driver, Ethernet Service Assurance, inside this business moving forward. We now have revenue stability within the business. And it's really going to be driven by all the things we've talked about inside our Lab Test business, continued deployment at data centers; the move to cloud; the back-hauling of the 4G/LTE network, all drives the need for Ethernet Service Assurance inside the live network.

We've talked in the past about expanding our served markets, so I thought, just like our strategy, I'd spend a couple of minutes giving you the background of how we've done that.

So, we've talked about entering the wireless R&D markets, so we released, the beginning part of last year, our CSA product that really addresses wireless R&D market space, specifically around LTE.

The acquisition of Mu Dynamics enhanced our portfolio inside the security space, again, marrying with our application test products.

The acquisition of Mu also brought with it a cloud-based testing product called Blitz. That product has about 30,000 users today and we're trying to work out how to monetize that. So, a web-based testing tool with an initially free model with lots of users on it, and how do you transition that into a real business model that works long term?

But we believe that the idea of cloud-based testing represents an opportunity for us inside large enterprise moving forward. And that's an area we find of interest, not just with our network equipment vendors and mobile device suppliers or service provider customers, but a new market for us is this Enterprise market that we think we can address.

And we've got some new offerings I'll talk about in a minute. But cloud-based testing is an important piece of that. We're trying to figure out how to monetize that and really grow it beyond users into actual real revenue for us.

Automation; so the acquisition of Fanfare, our iTest acquisition, again going well as our customers want to automate and be more effective and more efficient in their labs.

Acquisition of Metrico subscriber experience in the live network testing mobile devices in the live network; what's interesting about this is the Insights business taps into a new wallet within our customers. It really taps into the marketing organizations.

So it's not just about how well the device is going to work from an engineering perspective. The marketing folks in these mobile device service providers want to understand how well a device is going to perform, compared to that device and other networks. And we've been able to collect some revenue from the marketing folks and a new offering outside an area that we would typically tap into in the past.

And last, our organic investment around Enterprise. We've talked about the enterprise market being an interesting market for us that our test tools today are too complex. They're being used by Enterprise today but the complexity of those test tools are really designed for the R&D market space, and I'll talk about this in a minute. We've created a product that we think is easy to use and will be accepted really well inside the enterprise market; so, an organic investment into Enterprise.

We've expanded our served markets organically and through acquisition over the last 12 months or so, and we see this will drive growth in the business in the coming year. So, we're clearly addressing profitable growth opportunities for Spirent by addressing and expanding into new serve markets, both organically and through acquisition.

If we look at the Enterprise solution, so Axon is the product name that we announced in the November timeframe. We'll bring this product to market and first orders in the first quarter of this year. It really is the industry's first test solution that's simple enough to enable Enterprise customers to launch new networks and new services and new applications across their network.

So, easy to use, compact; can fit in the back of a backpack; is an interesting product driven by an easy-to-use user interface that you pull application traffic down on it. You decide what type of application traffic you want, kind of like a playlist, onto it. And it really appeals to the Enterprise market that today use sophisticated test tools from us, but they're well beyond what they need today.

And we believe that this is an opportunity for us, not only in the cloud-based services market, but also to create test tools that are easy to use within a large enterprise that are lacking tools today in that space. So this is a product that we've launched Cisco Live here in London, or launched back in November, but had at the Cisco Live show here, and had a lot of reception about three, four weeks ago or so, here at the event.

Overall, in summary, industry fundamental drivers are well established and the long term trends remain positive.

We feel good about the telecom and IT industry and what's going to happen over the next several years, the drivers around mobility; high-speed Ethernet; data center; security; cloud, all those will continue to represent solid growth drivers for our business.

We're seeing some indications of confidence returning in the market. It's just some. Everyone points to AT&T's announcement around CapEx going up over the next several years. That's about the one announcement. There's talk of AT Mobile spending more in the US market as AT&T spends a bit more. There's talk of SoftBank spending more along with Sprint in the US market. Rest of the world, you haven't seen quite those announcements yet, so I think we're seeing some confidence remain, but you're also seeing a lot of uncertainty still within the marketplace.

I think we're seeing some of the smartphone manufacturers release new products to market. I think that's good for some of our customers as well, so some confidence returning overall.

Our plan is to grow our revenues through releasing new solutions to market, addressing these new serve markets we talked. Overall, we're increasing our investment within R&D to go do that. And we'll continue to invest within the business, because we believe the growth opportunities really are there to expand these serve markets across what we do today, and into some new areas.

2013, as a whole; we anticipate modest revenue growth for the year, but first quarter is going to be tough. So given the current trading conditions we're seeing, and the order book at the start of the year, performance in first quarter will be lower compared to last year. So that's going to be the difficulty of entering the year with a lower order book and a book-to-bill ratio of lower than 1. Things will be challenging in first quarter.

We believe overall that medium and long term we've got a lot of opportunity for Spirent, and expect to continue to grow the business.

So with that, Eric and I'll take questions.

QUESTIONS AND ANSWERS

James Goodman - *Investec - Analyst*

It's James from Investec. Just a quick one first on your -- on the revenue outlook; in '12 you talked a lot about the mix effect and how some of these legacy and struggling areas pulled down the growth of some of the higher divisions. Whereas, if I look forward to next year, from a technology perspective, the logical implication is that that would be -- they would have less of an effect given they're smaller and some of these effects have worked their way out.

So is it a more broad-based pressure that you're seeing next year, and is that why the modest revenue guidance?

Bill Burns - *Spirent Communications plc - CEO*

I think it's more -- it's a combination of both so I think that some of that headwind goes away which we view as positive. It's too early in the year to call. We haven't seen enough positive signs in the industry to really be -- to have a lot of confidence or visibility in the second part of the year. Well, in our first quarter it'll be difficult, because we enter the year with not a lot of backlog.

Overall, we have confidence in the market, but there's just not enough signs yet there to really feel good about predicting a lot of growth through the second half-year.

Overall, we believe we're doing the right things. We're investing in the right areas. We're seeing the right product areas grow. We're seeing LTE grow at 50%. We're seeing strong growth in 10 gigabit, 40 gigabit, 100 gigabit Ethernet. But we've got these declining product areas. CDMA will continue to climb, 1 gigabit Ethernet. That's just a function of the business.

I think the only thing that we've seen is a bit more of positives from an order book perspective. So we saw book-to-bill ratio way down in the second quarter. In third quarter we've seen that come back in Performance Analysis to almost 1. In fourth quarter, we've seen it about 1 through this year. But we need bookings' growth to drive revenue growth, because we enter the year with very little backlog.

So that gives us confidence that things are better. There are some signs of operators announcing that things will be a bit better. We're seeing new mobile devices come to market. We believe we're executing on our strategy and doing the right things. We're seeing the growth in the right areas. We're still going to have a bit of a headwind in 2013, and I think it's just too early to call the year, one way or the other.

James Goodman - *Investec - Analyst*

Okay, thanks. And given that and the investment that you're putting into further organic growth for the future, are you comfortable in Performance Analysis, if that means that that growth comes through later in the year, and therefore there's pressure on the operating margin in that business for next year? Or is that not the level of investment that you're talking about and you're still looking to return that -- keep that return on sales?

Bill Burns - *Spirent Communications plc - CEO*

We've generated almost $120 million in profit. And we'd expect, even if there's not a lot of recovery, we'll likely generate $120 million in profit. And that's the best in the test and measurement industry today, and we don't expect to change that significantly.

Will we invest X more dollars into R&D during the year? Absolutely; there's too many opportunities in the business not to make some further investments. We've got the best return on sales of anybody in the industry today. Taking a percentage point away from that and making investments that'll drive growth in the second part of 2013, or '14, or '15, we believe is the right thing to do, when we look at our business. There's -- it's just the right thing to do; there's too many opportunities.

Jonathan Imlah - *Canaccord Genuity - Analyst*

Jonathan Imlah, Canaccord; two questions. Firstly, not to bang on about this, when's the market going to pick up? In Q2 last year you pointed to Q4; then Q3 you said, well, maybe Q1; now you're saying H2. What gives us confidence that there's something that you can see rather than just you're saying you can't see further than two quarters, so you're expecting it to pick up thereafter? What can you point to that isn't just coming back to you being eternal optimists?

Bill Burns - *Spirent Communications plc - CEO*

Yes, so I think that what see is that we saw a marked decline in bookings in second and third quarter of the year, down almost 15%; and a book-to-bill ratio well below 1 in second and third quarter last year.

And I think if you look at everyone else's announcements, they would have told you almost identically what we told you, which is about May 15 the world changed. That there was growth through -- about 6% growth we saw in first quarter last year, and about May 15 everything slowed down considerably.

So bookings down 15% two quarters in a row, you can tell that by the book-to-bill ratio. Bookings came back to flat in fourth quarter. So on a strong comparable in the fourth quarter 2011, we saw flat bookings for the business in fourth quarter.

We're seeing the same thing so far this year. But we need growth in bookings, because we've used backlog last year to drive revenue growth within the business. So while we're being -- talking about modest growth in 2013, it's because we're going a start, first quarter down on last year. We've got to work our way of that. We've got to rebuild our backlog. So the confidence we have is we believe from an order perspective things have come back. We want to see growth in that order activity though, before we're more positive about what second half's going to have to offer.

Jonathan Imlah - *Canaccord Genuity - Analyst*

And just to clarify that guidance around modest growth, is that modest organic growth, or modest overall growth?

Eric Hutchinson - *Spirent Communications plc - CFO*

That's modest overall growth.

Bill Burns - *Spirent Communications plc - CEO*

Yes, I think for the moment we'd say modest [growth].

Jonathan Imlah - *Canaccord Genuity - Analyst*

[Every indication] modest organic decline?

Eric Hutchinson - *Spirent Communications plc - CFO*

Flat to down.

Jonathan Imlah - *Canaccord Genuity - Analyst*

Okay. And just a second question, just can you remind us of -- following the different moving parts in 2012, the broad split in Performance Analysis between wireless, data center positioning, etc., the different kind of elements within PA?

Eric Hutchinson - *Spirent Communications plc - CFO*

So, positioning was around about 13% of PA in '11. It was down to about 9% in '12. The -- if you take the -- all of our wireless activities that we've aggregated in the past, we were round about 45% wireless in positioning and wireless-related products in 2012.

Jonathan Imlah - *Canaccord Genuity - Analyst*

So wireless and positioning together was 45%?

Eric Hutchinson - *Spirent Communications plc - CFO*

Yes.

Jonathan Imlah - *Canaccord Genuity - Analyst*

Okay. And data center would be how much?

Eric Hutchinson - *Spirent Communications plc - CFO*

Data center's round about 20% of the business.

Jonathan Imlah - *Canaccord Genuity - Analyst*

Okay, thank you.

John King - *Barclays - Analyst*

John King, Barclays. Just first of all, a question actually on your competitive environment and market share. You noted that some -- many of your peers have been saying similar things that, for example, Ixia has probably been slightly outperforming over the last couple of quarters.

How confident are you that you've maintained your market share within the products that you compete with them? I appreciate that they've made some acquisitions recently, they're being grown pretty rapidly; but on a like-for-like basis, how are you doing against them? I've got a couple more as well.

Bill Burns - *Spirent Communications plc - CEO*

Yes. So, overall, I think that if you looked across the industry, broadly we're telling you basically what everyone else is saying today. And we're seeing the same results across our portfolio. We think we're making the right investments. We think we're executing the right strategy. It's a difficult market at the moment. And we think when the market recovers we're well positioned to move ahead with that growth.

I think Ixia, overall, has done some astute acquisitions in the areas that we don't serve. And I think that the product portfolios have diverged at this point, to be a bit different where we do compete. Across all of our competitors, we believe we're competing favorably; and either holding our current market share or winning market share.

So the places we compete across the world, I believe fundamentally, within our business, we're doing the right things. And I think we're seeing growth in the right areas. If we weren't doing the right things you wouldn't see growth in 10 gigabit, and 40 gigabit and 100 gigabit Ethernet; you wouldn't see 50% growth in LTE. We wouldn't see the increase in demand in the China market immediately when the specification is released around positioning.

We're doing the right things, we're making the right investments; and our portfolios have diverged, and you see a bit of that in the results.

John King - *Barclays - Analyst*

Just following up on that, in terms of the acquisitions that some of your peers have made, does that make you minded to go down the same route and try to address some of those areas inorganically? Or do you think you can continue to invest through the P&L for those?

Bill Burns - *Spirent Communications plc - CEO*

Yes, I think that -- we believe, ultimately, that organic investments give us a very good return. We've been selective around the acquisitions that we've made. We'll continue to look to expand or serve markets in the areas that make sense.

So we'll do both. I think we'll continue to look for acquisitions that would make sense. We'll continue to invest organically in the portfolio. And we'll move forward.

John King - *Barclays - Analyst*

And just finally on Service Asurance, you've obviously had a period of significant decline. How much does TDM now make up perhaps of that business and what gives you the -- perhaps this is the answer to the question, but what gives you the confidence that that business can grow sustainably going forward?

Bill Burns - *Spirent Communications plc - CEO*

Yes, so I think we -- first of all, Ethernet did grow in 2012 and we expect it to continue to grow in 2013.

We continue to look for new growth drivers within that business beyond Ethernet, so we haven't fully sorted that out yet. We've had the service contracts now secured, so we feel good about where we're at for 2013. And beyond that, Ethernet will continue to grow and we've got to continue to look for what's the next thing that will continue to propel that business moving forward.

Again, assets inside the live network make sense. There's a lot of spending there. We've just got to figure out a growth vector.

The fall in TDM revenue was quite abrupt by a large service provider inside North America that decided to -- the demand remained the same, but they harvested cards out of the network, legacy cards that they already had pulled out and replaced with Ethernet service. So we know the demand for those modules stayed about the same. Unfortunately, they weren't buying new modules; they were deploying and redeploying existing ones. So from our perspective, we've just got to find another growth driver beyond Ethernet and we're looking to do that.

Alexander Duval - *Goldman Sachs - Analyst*

Alexander Duval, Goldman Sachs; just had a couple of quick questions. Firstly, I notice that W-CDMA declined this year, so I wondered if you could give more color around that. And also, is that now a legacy portion effectively, given that people will be switching budgets towards 4G in areas like North America?

The other thing was around positioning testing. You gave some comments on a bounce back in China and talked a little about US Government. What kind of bounce back are we talking about? Is that a double-digit recovery or something a bit more modest? Thank you very much.

Bill Burns - *Spirent Communications plc - CEO*

So we certainly wouldn't put UMTS and wideband CDMA into legacy at the moment. I think customers made some tougher decisions through the year, and I think you've had a bit of some of the folks who did really, really well on the smartphone market in 2012 or the earlier part of and others that struggled; and the ones that struggled made tougher decisions.

I think you also saw, as I said before, Ericsson exit the Sony Ericsson partnership, which also was a headwind to our business and we'll continue to see the shift to LTE, there's no doubt. But we don't really put UMTS into a legacy bucket at the moment. There's just too much spending around UMTS around the world to go do that at this point in time.

So I think people made tough choices in a tough environment and while they were having difficulty within their business and I think that'll come back a bit. I think you'll also see the marriage of LTE test assets more with UMTS. As more operators around the world deploy LTE, they need that backwards compatibility testing. So we'll see more of that beyond the Verizon's, and AT&T's and DoCoMo's around the world and really see more deployments around LTE and UMTS. You'll see more of that backwards compatibility needed on our test solutions.

The legacy products are always difficult right. We booked hundreds of millions of dollars in CDMA and UMTS, and we'll continue to do that. We've generated hundreds of millions of dollars of profit to shareholders for it. But at some point, technology moves on and I think the encouraging thing for us is when we see our LTE portfolio growing at 50%, that's where you want to see the growth.

And the headwind, we'll continue to take the profit from that. Unfortunately, it'll challenge the top line in the short term. But we've made a lot of money and I think investors have been happy with the -- what we've got out of CDMA and UMTS.

Positioning, I think we're hopeful that positioning would come back to where it was it in 2011. That's pretty optimistic at the moment. I think we'll see clearly an uptick in the China market. There's no doubt that that hurt our business through the year. China customers held off waiting for the specification to come out. I think the Chinese Government tried to give local companies an advantage, but there really is no test vendor inside the Chinese market that can do what we do. So that'll come back; there is no doubt in my mind.

US Government is just still a question mark; there's so many gyrations. Quite honestly, I believe that if we just got on with things, let sequestration happen and if we got to budget six months from now we'd be better off, but we'll see.

So I don't know yet. We've seen some early signs of organizations getting together, pooling money and spending some money at the beginning part of this year, but it's really too early to say what's going to happen in the US Government. So I think we're hopeful of positioning this year. We think we'll see growth.

Nick James - *Numis Securities - Analyst*

Nick James, Numis; a couple of questions. Just on the Q1 guidance, you said you're expecting revenue to be down 10%. I just wanted to clarify on book to bill, if we're still expecting a book to bill more around the 1 level, where you've been in Q4?

Eric Hutchinson - *Spirent Communications plc - CFO*

We'd expect to be, yes. We expect it at the 1 level, yes.

Nick James - *Numis Securities - Analyst*

Okay, great. And then the second thing was just on gross margin. In PA, I guess it looks like the gross margin in Q4 was probably lower than it was in the previous quarter, so just to understand the driver of that.

Eric Hutchinson - *Spirent Communications plc - CFO*

Well, yes, and it was really just that the volumes were lower. There's no structural reason why that wouldn't -- we won't see stable revenues going forward.

Normally, we'd see a pickup in margin in Q4. You do get mix effects between how much of it is wireless positioning compared to Ethernet test and how much is legacy. But as it works through, I wouldn't expect to see any change in the gross margin profile of Performance Analysis in 2013.

Nick James - *Numis Securities - Analyst*

Okay, thanks. Just one final one; on this change in the dynamics in the wireless segment, where people were spending on both UMTS and LTE and then suddenly basically said, well, we're going to have to restrain and we'll just spend on the LTE. Did that happen late in the year that people changed their behavior in that regard?

Bill Burns - *Spirent Communications plc - CEO*

Yes, I think that -- we saw a marked change in behavior across the customer base, in general, around the middle of May. So I would say that it was clearly second half-year predominately.

Nick James - *Numis Securities - Analyst*

It wasn't particularly Q4 weighted or anything?

Bill Burns - *Spirent Communications plc - CEO*

No, I wouldn't say so. I would say it was probably as we saw the year slow down a bit, less confidence in the year.

Nick James - *Numis Securities - Analyst*

Okay, great. Thank you.

Anuj Krishan - *UBS - Analyst*

Anuj Krishan, UBS. I was just hoping if you could delve a bit deeper into the LTE handset testing piece, that's obviously been growing very strongly. And if you can just help us characterize where we are in the cycle in terms of LTE handset testing, because there's lots of new features, whether it's LTE advanced or voice over LTE or just a proliferation of spectrum bands that's coming up?

You would normally see those kinds of test requirements maybe six months to nine months before the actual products are released. Are we already seeing systems being sold and orders coming through for those kinds of newer features? Or is that something that's going to continue driving growth significantly going forward? And I have another one after that.

Bill Burns - *Spirent Communications plc - CEO*

Okay. Yes, I think that along with many of the themes that we talked about from an industry driver, LTE is just in its infancy. There's lots of opportunities today. We think of things like voice over LTE, carrier aggregation, are right on the top of the minds of most of the service providers around the world and we're doing a lot of development developing or delivering systems to address those opportunities.

TD-LTE we're delivering test solutions in that market even though it hasn't evolved yet; still early stages, big trials, but no license as yet. LTE advanced, as you mentioned.

So still very, very early days of LTE, and I think that marries with early days of cloud computing, early days of 40 gigabit and 100 gigabit Ethernet; still early days of global navigation extending into things like car to car and vehicle to vehicle, and others.

So I believe that the growth cycle within telecom and IT is many years to come here, and we're still in its infancy on all these types of the technologies at the moment. We'll continue to see lots of opportunities moving forward.

But as we've said all along, that won't be without speed bumps driven by macroeconomic conditions, and we married that with a fair amount of headwind within the business of legacy technologies, making strong shifts during 2012, which really impacted the top line revenue of the business. But it didn't, in fact, affect the profitability, which we're pretty proud of. We're still delivering $120 million in profitability, the best in the T&M industries, so we're pretty proud of that fact.

Anuj Krishan - *UBS - Analyst*

Thanks. And secondly, I just wondered if you could maybe talk a bit more detail in terms of the incremental investments that you've talked about for this year, because enterprise and wireless R&D test is something that you've already invested to some extent last year. So if you can talk about which areas will see the incremental investments this year.

And secondly, also related to that, historically, and Spirent's made incremental investments that's typically been customer-driven. So you've got requirements from customers, or your customers telling you that these are the areas they'd like you to double up, put newer features in. And, therefore, there's typically little risk associated with that kind of R&D investment, whereas with areas like enterprise testing, or completely new market being served, it appears that perhaps there is a slightly more at risk R&D that's happening. If you can just help us understand how you can insure that the returns on these incremental investments are in line with your profile?

Bill Burns - *Spirent Communications plc - CEO*

Okay. So wireless R&D, where we did invest a year ago, like all of our products, the -- growing products continue to have significant investment. So to be on the forefront of wireless R&D, it means that you're developing TD-LTE and LTE advanced, and voice over LTE, and carrier aggregation at the forefront of what our customers do.

So an investment doesn't mean an investment in year; it means an ongoing investment and commitment to that product area, as long as we see revenue growth and opportunity from that market that we're in and we're committed to.

Other investments, like marrying our application test product and our studio security product together to really bring to the market the highest performance application security test product out there today, later this year, that's another investment area for us and a key area.

We're going to go enter the enterprise market, but those investments are big investments. We're spending $100 million plus in R&D. We're not talking about significant portions of that to enter some of these markets. It's really taking our test assets we have today, marrying those together with solutions and user interfaces, and bringing those to market in a new form factor and profile.

So they're not significant risky investments to us, they're really adjacent to what we're doing today. So we'll continue to make those investments that make sense. They're not a big risk to our business.

We don't -- most of the investments we make are driven by our customers, or things that we see opportunities within the market from our customers, sometimes technology-driven. So we just see an opportunity to enhance our portfolio from our technology and our technologists internally as well, but none of these investments are very risky.

We know there's a market there. We know there's a market we can go attack, and we can go and share. And we've been able to prove it. We've been able to do that organically and through acquisition. Still early days in the acquisitions we've made so far. They're small acquisitions, and most of them were made to marry to our current portfolio, and we're just getting through those efforts, so.

Anuj Krishan - *UBS - Analyst*

Thank you very much.

Hugo Mills - *Citi - Analyst*

Hugo Mills, Citi. Just to pick up on that last point, on the acquisition pipeline, can you give us any color? Clearly, you've got a decent amount of cash on your balance sheet now. You're [doing] some buybacks. You covered your cost of acquisitions acquisition last year. Should we think -- are you looking at bigger acquisitions? Is the pipeline looking bigger?

Bill Burns - *Spirent Communications plc - CEO*

Yes. We're continuing to look, so there's been businesses for sale, there's businesses that we look at on a proactive basis all the time. There's markets that we look at and decide does it make sense to go into that market, and where does it lead to from a financial return prospective? And do we believe in the market from a long-term growth perspective, overall?

So best I can tell you is we'll continue to look. We'll likely hold onto the cash we've got at the moment. We've said that for some time. We've returned substantial cash to shareholders; as Eric said $50 million a year over the last five years. And if it makes sense, we'll continue to return more cash to shareholders. But we believe there will likely be opportunities to acquire businesses. We'll see.

The size; it's been all the way from small to large that we've looked at, so it's been all over the map, quite honestly.

Eric Hutchinson - *Spirent Communications plc - CFO*

So our current acquisition pipeline, we can see that we can get good return on the investing with cash that we've got. And it's a question of are we happy with the targets that we're looking at, and do we get to the sort of deal that we find we can make good returns on the investment, so?

Hugo Mills - *Citi - Analyst*

Is there any directional things? Are you seeing more this year than last year, or is it pretty much the same as?

Bill Burns - *Spirent Communications plc - CEO*

It's been pretty much the same. I would say it may be slowed down towards the second half of last year, I think, as we hadn't seen a lot. We've some testimony businesses talk about going public during the second half-year. I think that didn't happen as things slowed down. I think other businesses that would likely say I'm for sale, likely didn't as their business slowed a bit.

And proactively, we've been just as active as we've ever been. We continue to look all the time at the market and say what would make sense from our perspective?

Hugo Mills - *Citi - Analyst*

And just a second question on the Enterprise. How are you selling it? Are you going to go out and create a new sales force for this? And that's got time associated -- a lag associated with it. So it comes back to point of buying into those sorts of markets gives you a leg up, I guess.

Bill Burns - *Spirent Communications plc - CEO*

So distribution channels; so in some areas, we do call in on large enterprise customers, so some of our business is driven there. No one today has the perfect tool for those large enterprises, the sophisticated R&D tools that apply in that market.

So in select cases, we are using our direct channel that we'd be calling on a large enterprise today, but mostly [reasoned] channels. There's well-established enterprise channels around the world to cover really our customers' customers today, and that's why we, for instance, demonstrate the product of a Cisco Live, as an example, show here in London. It's to get enterprise exposure and use the channels that our large enterprise or large equipment vendor customers are using today. So it's really channel.

Hugo Mills - *Citi - Analyst*

Okay, thank you.

Lee Simpson - *Jefferies - Analyst*

Lee Simpson, Jefferies; maybe on Service Assurance, if I could. It looked like you had a decent double-digit dollar digit millions quarter for Service Assurance. You talked there about getting a business line perhaps beyond Ethernet modules as a reliant driver. But given that contract renewals, and so forth, can we -- do we think about this as now being a decent double digit business per quarter through the rest of this year now? Is this a new level of sales for Service Assurance?

Eric Hutchinson - *Spirent Communications plc - CFO*

In terms of the revenue development, just to expand on the previous answer, half the revenue, roughly, comes from the maintenance contracts that we've got in place. So there's a very solid underpin, a lot of visibility on the revenue.

The other part, which is primarily selling Ethernet monitoring probes, tends to be, actually, a bit more steady. So I would think of Service Assurance as being flat to slightly up, driven by Ethernet monitoring growth, with a double-digit return on sales; so about the same again, really. And it was a good result for 2012, at the end of the day.

Lee Simpson - *Jefferies - Analyst*

And maybe just a quick compare and contrast, if you like, with the fortunes of Ixia. It's probably evident that they're doing well in Wi-Fi, of course, and perhaps one or two big customers. But is there anything else that we should be looking at when we're looking at the two businesses in contrast?

Bill Burns - *Spirent Communications plc - CEO*

No, I wouldn't say so. I think that inside the organic growth rate you've got multiple acquisitions. So you've got Catapult, you've got Antech, you have Wi-Fi with VeriWave. So again, taking noting away from Ixia, they've done some acquisitions at the right time into some interesting spaces.

We believe where we compete, we compete very favorably. But you see that across all test and measurement. There's places where people compete and places where they don't. And you're going to see some variation across customers or product lines or areas that grow.

CDMA is an example. There's really no CDMA business within that portfolio where we've seen that headwind. So you see that against our growth rate but not in their's.

So I would say, overall, against all of our competitors, we're faring very well in the marketplace. We believe we're doing the right things with the portfolio. We think we're making the right investments. We have the right customer relationships. And we feel good about our business. And we'll continue to make the investments that make sense in the marketplace. Every area of investment won't make sense to us, and we'll see, so.

Hayley Chan - *Deutsche - Analyst*

[Hayley Chan], Deutsche. You mentioned that your new projects in data center testing and hybrid positioning are still in infancy. So what's your outlook for your existing portfolio for 2013? Would that remain broadly flat -- stable?

Eric Hutchinson - *Spirent Communications plc - CFO*

Fundamentally, yes. With all the puts and takes on the different parts of the portfolio, net/net, it's pretty flat. And I think we refer to growth being driven by new product introductions and the benefits of these acquired businesses, so that's fundamentally correct, yes.

Bill Burns - *Spirent Communications plc - CEO*

And I think the reason we'd say that at the moment is lack of visibility into the -- in the market. Headwinds we'll still face in 2013 with -- CDMA will continue to decline. 1 gigabit Ethernet will probably decline as the other areas grow.

And I think it's just too early in the year to call. I think that we feel good about our business. We feel good about what we've seen from an order intake perspective coming back in fourth quarter and so far this year. We feel like we're doing the right things. But the market's got to get a bit recovery and you have to have more than a few service providers around the world say things are going to get better.

You got to see the Government -- US Government settle down and spend a bit of money. It's going to impact sentiment in the US market, which is a big market for us. The China equipment manufacturers will still be impacted through 2013 by the European market. I don't think anybody's predicting a lot of recovery there, and that's their main market here in the Middle East.

So I think you got to see a bit more signs of positives in the market for us to be a bit more bullish about what's going to happen to the top line. We feel good about our business. We're generating $120 million in profit. We feel good about that. We're doing the right things. We're making the right investments. We're seeing the growth in the right areas. Just at the moment, the market's just not robust enough to predict a lot of growth.

Hayley Chan - *Deutsche - Analyst*

Okay, thank you.

Gareth Jenkins - *UBS Limited - Analyst*

Gareth Jenkins, UBS. I just wondered whether you could talk about your headcount plans for this year, and maybe overhead inflation, what you're expecting through the course of this year. And maybe which areas you're emphasizing in terms of recruitment.

And then, secondly, just on customer concentration. It feels like maybe your customer concentration has fragmented somewhat in the year. I just wondered whether you could give a sense of what your top five customers are, or maybe your top customer is, in terms of percentage of sales. Thank you.

Bill Burns - *Spirent Communications plc - CEO*

Okay. So I'll take the headcount one; you take the concentration one.

So, on the headcount area it'd be focused primarily on R&D. So we'll grow our R&D resources in 2013, primarily around wireless. Wireless device test and opportunities we have there. Some investment in the -- adding to our Enterprise solution, but again it's a modest, very modest investment; so mostly in R&D.

We'll selectively add to our sales channel where it makes sense, predominantly around our largest customers around the globe, where we see opportunities where we got to get closer to them. We'll have to cover more labs and more business units as they look to new areas of investment. So we'll selectively add to the sales channel.

From an overhead support organization, we'll add very little resources to the business. We're very lean from that perspective and we'll continue to do that. So R&D and customer-facing resources is really where the investments will be made, mostly sales, in that side of things.

Eric Hutchinson - *Spirent Communications plc - CFO*

Customer concentration, if you look at it's primarily Performance Analysis, last year our top 20 customers accounted for 49% of Performance Analysis revenues; this year it's 48%.

The constituent parts of the top 20 have changed. So you've seen very significant increase in the proportion and size of wireless equipment manufacturers, device manufacturers in that top 20. And you've seen some chip manufacturers entering that top 20. And some of the more traditional bigger names, particularly on the service provider side, have moved down the ranking.

So yes, the mix is changing. But, in terms of the diversity, it's not changed significantly. We're not becoming more dependent or less dependent on a few major customers at this stage, anyway. Depends what happens to the customer base as we look forward, and the dynamics and the changes of the market.

Phil Smith - *SP Angel - Analyst*

Phil Smith, SP Angel. Just quickly, given that mix change then, Eric, in the business, what was the growth overall for wireless within PA?

Eric Hutchinson - *Spirent Communications plc - CFO*

The total growth in the wireless business was markedly higher. If you just look at the wireless device testing, ex. positioning, so the growth rate there was around about 20%.

And in terms of proportion of the business, I would expect the wireless positioning to be more than half of the revenue in 2013. And you've got the benefit, obviously, of the acquisition of Metrico Wireless, will slightly accelerate that skew.

Bill Burns - *Spirent Communications plc - CEO*

It goes back to the question earlier about why do we have confidence? Because the growth's in the right areas; it's the areas where we see the investments being made in the future. We see the investments in the areas that we're investing our dollars, in the areas that matter most to our customers.

So again, why we have confidence is the market returns and we get beyond the hurdle of having not a lot of backlog, at the moment, as we come into the year. That's why we have confidence in the business overall.

Well, thank you, everybody.

Phil Smith - *SP Angel - Analyst*

Thank you.
