



## News Release

### **SPIRENT COMMUNICATIONS PLC INTERIM MANAGEMENT STATEMENT (UNAUDITED)**

**London, UK – 2 May 2012:** Spirent Communications plc (“Spirent”, the “Company” or the “Group”) (LSE: SPT), a leading communications technology company, announces the following unaudited Interim Management Statement covering the period from 1 January to 1 May 2012. All figures relating to trading are for the period 1 January to 1 April 2012.

We are pleased to report that trading performance for the period is ahead of the Board’s expectations.

#### **Highlights – First quarter 2012**

##### **Financial**

- Performance Analysis revenue grew 16% to \$107.3 million (first quarter 2011: \$92.8 million), as the strong demand continued for our wireless, data center, high speed Ethernet and positioning test solutions. This generated operating profit for Performance Analysis of \$27.8 million, an increase of 25% over \$22.2 million recorded for the first quarter of 2011.
- Group revenue up 5% to \$129.4 million (first quarter 2011: \$122.8 million), as a result of the anticipated weaker demand in Service Assurance and Systems.
- Operating profit increased 9% to \$27.8 million (first quarter 2011: \$25.5 million) before charging \$0.6 million of share-based payment and acquired intangible asset amortisation (first quarter 2011: \$0.6 million plus acquisition expenses of \$1.2 million). Reported operating profit up 15% to \$27.2 million.
- Adjusted basic earnings per share rose by 15% to 3.03 cents per share (first quarter 2011: 2.63 cents) before charging share-based payment, acquired intangible asset amortisation, and in 2011 acquisition expenses, net of tax.
- Free cash generation of \$34.2 million (first quarter 2011: \$13.8 million). Closing cash of \$269.9 million at 1 April 2012 (31 December 2011: \$236.5 million).
- Acquisition of Mu Dynamics, Inc. for a cash consideration of \$40.0 million completed on 23 April 2012.

## Operational

Spirent's innovative test solutions focused on addressing the needs of our customers:

- Spirent TestCenter™ used in massive industry test (1,536 ports of 10G Ethernet) of Juniper Networks QFabric™ data center network fabric;
- Leading independent test lab PCTEST chose Spirent to expand its LTE and multimode LTE/CDMA mobile device testing capabilities;
- Capability of Spirent Landslide enhanced to test performance of Wi-Fi offload gateways, which handle offloading of user data from 3G/4G/LTE cellular networks to Wi-Fi networks;
- Spirent TestCenter won prestigious Test of Time award, based on votes from readers of Test & Measurement World Magazine;
- New Spirent CS8 R&D test system for LTE devices selected by multiple top-tier mobile device manufacturers in Europe, North America and Asia;
- Spirent Avalanche used in industry test to evaluate Crossbeam network security platform performance, with emulation of more than a million simultaneous mobile subscribers.

### Bill Burns, Chief Executive Officer, commented:

“The first quarter's results represent a strong start to 2012 for Spirent. The pace of innovation in new technologies remains high and we have maintained our investment in product development to support future growth. We are pleased to have completed the acquisition of Mu Dynamics, Inc. Our strategy has positioned us well to achieve further progress during the remainder of the year.”

## Results summary

The results for the first quarter of 2012 are set out below:

\$ million	1 <sup>st</sup> quarter 2012	1 <sup>st</sup> quarter 2011	Change (%)
<b>Reported</b>			
Revenue	129.4	122.8	5
Operating profit	27.2	23.7	15
Basic earnings per share (cents)	2.93	2.39	23
Free cash flow <sup>1</sup>	34.2	13.8	148
<b>Adjusted</b>			
Operating profit <sup>2</sup>	27.8	25.5	9
Basic earnings per share <sup>2,3</sup> (cents)	3.03	2.63	15

Notes

1. Operating cash flow after tax, net interest and net capital expenditure.

2. Before share-based payment, acquired intangible asset amortisation and acquisition related costs.

3. Before tax effect of items in note 2.

Group revenue grew 5 per cent over the first quarter of 2011 to \$129.4 million. Revenue for our major division, Performance Analysis, increased over the first quarter of 2011 by 16 per cent, continuing the positive trends seen in 2011, as the telecom and IT industries maintain investment in order to meet the demand of consumers and enterprise customers for anytime, anywhere access to data, applications and services with excellent Quality of Experience. As indicated in our full year 2011 announcement, weaker results were expected in the near term for Service Assurance and Systems, parts of our business which are more exposed to prevailing consumer behaviour and government expenditure. In Service Assurance revenue was down by \$5.4 million and in Systems by \$2.5 million, compared with the first quarter of 2011. Geographically, there was strong growth in revenue in Asia and the US over the first quarter of 2011. Asia has continued to be a key growth region for Spirent, in particular China, Japan and India. As expected, revenue in Europe was lower than last year.

For the quarter the book to bill ratio for the Group was 92 (first quarter 2011: 92).

Gross margin was 67.5 per cent compared with 65.9 per cent for the first quarter of 2011, as a higher proportion of gross profit was generated by Performance Analysis.

Reported operating profit grew by 15 per cent to \$27.2 million. Operating profit, before charging \$0.6 million for share-based payment and acquired intangible asset amortisation (first quarter 2011: \$0.6 million plus acquisition expenses of \$1.2 million), was up 9 per cent. We have increased our investment in product development to \$22.8 million (first quarter 2011: \$21.7 million) to address opportunities for organic expansion in Performance Analysis.

Adjusted basic earnings per share increased 15 per cent to 3.03 cents per share (first quarter 2011: 2.63 cents). The effective tax rate for the first quarter was 30.2 per cent (first quarter 2011: 32.2 per cent).

### **Performance Analysis**

Revenue grew 16 per cent to \$107.3 million in our Performance Analysis division driven by our wireless, data center, high speed Ethernet and positioning test solutions. Gross margin was 72.1 per cent (first quarter 2011: 71.8 per cent). Operating profit increased by 25 per cent to \$27.8 million and represents a return on sales of 26 per cent (first quarter 2011: 24 per cent). For the quarter, the book to bill ratio for Performance Analysis was 95 (first quarter 2011: 98).

### **Service Assurance**

Revenue reduced by 35 per cent to \$10.1 million (first quarter 2011: \$15.5 million) and operating profit was \$0.1 million (first quarter 2011: \$2.1 million). The lower revenue is due to the continued spending restraints and delays in placing orders by our major customers and the rapid fall in legacy product revenue. In light of this, we have reduced our spending, beginning in May 2012, that will result in annualised savings of \$5.0 million at a cost of \$1.5 million.

### **Systems**

Systems' revenue at \$12.0 million for the quarter was 17 per cent below the same period in 2011 affected by lower demand for consumer wheelchairs resulting from the changes last year in US Medicare reimbursement policies. Progress has been made in the development of higher power controllers for goods handling equipment, which have received a positive response from manufacturers, leading to further expansion of the product range and the number of customers for Systems. Operating profit at \$1.4 million for the quarter was 33 per cent down on the first quarter of 2011 as a result of lower revenue.

### **Cash**

Free cash flow for the first quarter of 2012 was exceptionally high at \$34.2 million (first quarter 2011: \$13.8 million). Cash outflow for on market share repurchases amounted to \$4.4 million in the quarter and cash and cash equivalents closed at \$269.9 million (31 December 2011: \$236.5 million). Free cash flow in the second quarter of 2012 will be lower than the first, as the release of working capital is not expected to be repeated, capital expenditure is planned to increase modestly and higher tax payments will be due.

### **Acquisition**

On 23 April 2012 we completed the acquisition of Mu Dynamics, Inc. ("Mu") for a cash consideration of \$40.0 million. Mu is a security testing pioneer, offering innovative solutions that enable faster, higher quality deployments of cloud applications and applications-aware networks. Mu brings additional market leading expertise in cyber security, usability and application emulation to the Spirent solutions portfolio. Combining Mu's software based applications and security testing capabilities with Spirent's market leading performance test platforms will enable the rapid development of best in class security test solutions with higher performance and greater scale than any other provider. This acquisition aligns with our strategy of delivering profitable growth by expanding our capabilities in growing and emerging technology markets.

## Outlook

The long term investment plans of our customers for the development of the latest data technologies is directed at areas such as mobile internet, cloud computing and global positioning. Spirent's strategy is to focus on these growth markets working closely with our customers to enable them to bring these technologies to market even faster, with higher quality and reliability. Further growth opportunities for Spirent's major division, Performance Analysis, also arise from our expansion into new addressable markets, from strategic acquisitions, such as Mu Dynamics, Inc. announced in April, and our strong position in the Asia Pacific region. All of these drivers are very positive for Spirent's future and will support our continued growth through 2012.

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## Enquiries

Bill Burns, Chief Executive Officer                      Spirent Communications plc    +44 (0)1293 767676  
Eric Hutchinson, Chief Financial Officer

James Melville-Ross/Sophie McMillan/              FTI Consulting                      +44 (0)20 7831 3113  
Emma Appleton

## About Spirent Communications plc

Spirent Communications plc is a global leader in test and measurement inspiring innovation within development labs, communication networks and IT organisations. We enable today's communication ecosystem as well as tomorrow's emerging enterprises to deploy life enriching communications networks, devices, services and applications. The Systems group develops sophisticated power control systems for electrical vehicles in the medical mobility and industrial markets. Further information about Spirent Communications plc can be found at [www.spirent.com](http://www.spirent.com).

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT). The Company operates a Level 1 American Depositary Receipt ("ADR") programme with each ADR representing four Spirent Communications plc Ordinary Shares. The ADRs trade in the US over-the-counter ("OTC") market under the symbol SPMYY and the CUSIP number is 84856M209. Spirent ADRs are quoted on the Pink OTC Markets electronic quotation service which can be found at [www.pinksheets.com](http://www.pinksheets.com).

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### Cautionary statement regarding forward-looking statements

*This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.*

**Condensed consolidated income statement (unaudited)**  
**Period ended 1 April 2012**

	1 <sup>st</sup> quarter 2012 \$ million	1 <sup>st</sup> quarter 2011 <sup>1</sup> \$ million
<b>Revenue</b>	<b>129.4</b>	122.8
Cost of sales	(42.0)	(41.9)
<b>Gross profit</b>	<b>87.4</b>	80.9
Product development	(22.8)	(21.7)
Selling and distribution	(25.6)	(24.4)
Administration	(11.8)	(11.1)
<b>Operating profit</b>	<b>27.2</b>	23.7
Net finance income/(expense)	0.3	(0.1)
<b>Profit before tax</b>	<b>27.5</b>	23.6
Tax	(8.3)	(7.6)
<b>Profit for the period attributable to owners of parent Company</b>	<b>19.2</b>	16.0
<b>Earnings per share (cents)</b>		
Basic	<b>2.93</b>	2.39
Diluted	<b>2.91</b>	2.36

Note

1 Quarter ended 3 April 2011.

**Segmental analysis**

	1 <sup>st</sup> quarter 2012 \$ million	1 <sup>st</sup> quarter 2011 \$ million
<b>Revenue</b>		
Performance Analysis	107.3	92.8
Service Assurance	10.1	15.5
Systems	12.0	14.5
	<b>129.4</b>	122.8
<b>Operating profit</b>		
Performance Analysis	27.8	22.2
Service Assurance	0.1	2.1
Systems	1.4	2.1
Segment operating profit	29.3	26.4
Non-segmental		
Corporate	(1.5)	(0.9)
Acquired intangible asset amortisation	(0.3)	(0.4)
Share-based payment	(0.3)	(0.2)
Acquisition related costs	-	(1.2)
	<b>27.2</b>	23.7
<b><u>Other information</u></b>		
Depreciation	3.6	3.2
Capital expenditure	3.1	4.1
<b><u>Earnings per share</u></b>		
Basic (cents)	2.93	2.39
Diluted (cents)	2.91	2.36
Weighted average number of shares in issue at period end – basic (million)	654.4	670.1
Weighted average number of shares in issue at period end – diluted (million)	658.8	676.8

**Earnings per share continued**

The Group is disclosing adjusted earnings per share attributable to owners of parent Company in order to provide a measure to enable period-on-period comparisons to be made of its performance.

	1 <sup>st</sup> quarter 2012		1 <sup>st</sup> quarter 2011	
	\$ million	EPS cents	\$ million	EPS cents
<b>Profit for the period attributable to owners of parent Company</b>	<b>19.2</b>	<b>2.93</b>	16.0	2.39
Acquired intangible asset amortisation	<b>0.3</b>		0.4	
Share-based payment	<b>0.3</b>		0.2	
Acquisition related costs	-		1.2	
Tax effect on above items	-		(0.2)	
<b>Adjusted basic</b>	<b>19.8</b>	<b>3.03</b>	17.6	2.63
<b>Adjusted diluted</b>		<b>3.01</b>		2.60