



News Release

SPIRENT COMMUNICATIONS PLC INTERIM MANAGEMENT STATEMENT (UNAUDITED)

London, UK – 1 May 2013: 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 30 April 2013. All figures relating to trading are for the period 1 January to 31 March 2013.

Trading to date

As reported in the trading update issued on 22 April 2013, the anticipated slowdown in the market was more pronounced than expected during the first quarter of 2013. All major regions saw a reduction in demand consistent with our customers’ reduction in capital expenditure. Customers delayed projects as their plans have been slow to be released for the year, and certain large accounts have not repeated the high level of spending seen in the corresponding period in 2012. As a result revenue fell by \$20.6 million to \$96.8 million for the first quarter, adjusted operating profit decreased by \$15.6 million to \$10.5 million.

Results

The results for the first quarter of 2013 for continuing operations are set out below:

\$ million	1 st quarter 2013	1 st quarter 2012 ¹	Change (%)
Reported			
Revenue	96.8	117.4	(18)
Operating profit	7.6	25.5	(70)
Basic earnings per share (cents)	0.85	2.67	(68)
Free cash flow ²	7.9	31.8	(75)
Adjusted			
Operating profit ³	10.5	26.1	(60)
Basic earnings per share ^{3,4} (cents)	1.19	2.77	(57)

Notes

1 Restated for the implementation of IAS 19 “Employee Benefits” and the disposal of Systems division.

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

3 Before exceptional items, acquired intangible asset amortisation and share-based payment.

4 Before tax effect of items in note 3.

With effect from 1 January 2013 the Group has implemented the amendments to the accounting standard IAS 19 “Employee Benefits” in relation to its UK defined benefit pension plans. Comparative numbers have been restated accordingly. Restated quarterly financial information, including the change to reporting segments discussed below, can be found on our website at www.spirent.com.

Highlights – First quarter 2013

Financial

- Group revenue was down as a result of the challenging trading conditions and lower order book at the end of 2012.
- Book to bill ratio for the Group was 94 (first quarter 2012: 90).
- Adjusted operating profit decreased on lower revenue due to Spirent's high operating leverage, and increased investment in product development of \$1.4 million.
- Free cash generation was \$7.9 million (first quarter 2012: \$31.8 million). The prior year comparative benefited from an unusually large reduction in working capital. Closing cash was \$254.0 million at 31 March 2013 (31 December 2012: \$248.6 million).
- A review of the Group's organisational structure has resulted in a change to the segmental reporting. Spirent is now reporting three operating segments: Networks and Applications; Wireless and Positioning; and Service Assurance.

Operational

With an expanding portfolio of innovative solutions, Spirent continued to focus on addressing the needs of its customers:

- Launched support for new BeiDou-2 Chinese navigation satellite system on Spirent positioning test products and gained early orders;
- NSS Labs leveraged Spirent Avalanche solution to evaluate SSL-enabled Next Generation Firewalls for their security effectiveness, performance and enterprise management capabilities;
- Released open-source OpenFlow conformance suites through collaboration with Indiana University to support industry software-defined networking initiatives;
- Announced a market leading capability to measure the Voice over LTE and Video Chat performance of mobile devices, both on live networks and in the lab;
- Launched Spirent Axon, a network and application testing platform for the enterprise market that simplifies performance validation of applications, network devices and IT services; and
- Signals Research Group (SRG) used Spirent's 8100 mobile device test system to conduct the industry's only independent benchmark test of LTE chipset data performance.

Bill Burns, Chief Executive Officer, commented:

“Trading during the first quarter was more challenging than anticipated, yet the fundamental drivers of Spirent’s business remain positive as investment in the telecom and IT industries will continue to be made on a large scale. Market conditions are likely to constrain growth prospects in the short term, however in order to underpin Spirent’s longer term strategy and future growth we will continue to increase the level of investment in new product development in order to bring new solutions to market that will offer our customers the capability they demand.”

Outlook

Revenue in the second quarter is expected to be similar to that of the same period last year.

For the year as a whole the Board anticipates that total revenues will be at a similar level to that for 2012. Increased investment in new development, in the order of \$12 million to \$14 million, and the effect of the additional overheads of the acquired businesses are expected to increase overheads year-on-year.

The Board believes that the right strategy is to continue increasing the level of investment in new product development bringing new solutions to market that offer customers the capability to test the performance and quality of experience of wireless networks (including 4G/LTE, TD-LTE and Wi-Fi), cyber security and new positioning technologies.

Spirent will launch a series of new product solutions during the remainder of 2013, which will underpin the growth and recovery prospects for 2014.

Business Review

Group revenue was lower by 18 per cent compared with the first quarter of 2012 at \$96.8 million, as a result of a reduction in demand across all regions.

Gross margin was 68.7 per cent compared with 70.7 per cent for the first quarter of 2012.

Reported operating profit fell to \$7.6 million (first quarter 2012: \$25.5 million). Operating profit before exceptional items, acquired intangible asset amortisation and share-based payment was \$10.5 million (first quarter 2012: \$26.1 million). Despite the poorer trading conditions we have increased our investment in product development to \$23.0 million (first quarter 2012: \$21.6 million) to address opportunities for organic expansion in our business.

The exceptional items of \$0.4 million in the first quarter of 2013 relate to abortive acquisition costs.

Adjusted basic earnings per share reduced to 1.19 cents per share (first quarter 2012: 2.77 cents). The effective tax rate for the first quarter was 27.6 per cent (first quarter 2012: 31.4 per cent).

Networks and Applications – 51% of Group revenue

Revenue was down by 25 per cent to \$49.3 million (first quarter 2012: \$65.5 million) in our Networks and Applications division where the capital spend by some of our major customers was substantially lower than in the first quarter of 2012. Some customers exercised budgetary restraints, while others had exited from certain market segments altogether during 2012. Despite these headwinds we saw areas of strength, especially in sales of test solutions for wireless infrastructure driven by LTE and Wi-Fi offload.

Gross margin was 67.8 per cent (first quarter 2012: 70.5 per cent) due principally to reduced sales volumes.

Operating profit reduced to \$1.6 million (first quarter 2012: \$14.5 million) as a consequence of lower revenue and due to the high operating leverage in the business.

Wireless and Positioning – 41% of Group revenue

Revenue was down by 6 per cent to \$39.3 million (first quarter 2012: \$41.8 million) in our Wireless and Positioning division. The reduction was principally in positioning with wireless product sales essentially flat period-on-period.

Our positioning products had experienced a strong first quarter in 2012, prior to seeing reduced demand throughout the remainder of 2012. There was improvement in the first quarter of 2013 with order intake increasing 13 per cent compared with the first quarter of 2012, however the delays in US Government spend seen last year persisted.

For our wireless product revenues there were areas of strength particularly in 4G/LTE solutions for R&D and location testing and we also benefited from our 2012 acquisition Metrico, which performed very well in the first quarter of 2013. This was offset by a significant investment in capacity by a major customer in the first quarter of 2012 which did not repeat at the same level in 2013 and also the effects of the downward trend in UMTS test.

Gross margin was 68.4 per cent (first quarter 2012: 74.7 per cent) partly due to the lower sales volumes but also due to a higher contribution from Metrico product sales which carry a lower margin.

Operating profit reduced to \$7.7 million (first quarter 2012: \$13.3 million), a result of the high operating leverage, lower margins and higher product development spend.

Service Assurance – 8% of Group revenue

Revenue reduced by \$1.9 million to \$8.2 million (first quarter 2012: \$10.1 million) with some customers being slow to release their 2013 budgets which caused projects to be delayed. The division's Spirent TestCenter Live Ethernet service assurance solutions maintained the momentum they had last year. Operating profit was much improved at \$2.7 million (first quarter 2012: \$0.1 million), benefiting from the cost reduction actions taken last year and a higher gross margin due to product mix.

Cash

Free cash flow for the first quarter of 2013 was \$7.9 million (first quarter 2012 continuing operations: \$31.8 million). The first quarter of 2012 had benefited from an unusually high cash flow with a large release in working capital. Free cash flow for the first quarter of 2013 represented 144 per cent of reported earnings (first quarter 2012: 182 per cent).

Cash and cash equivalents closed at \$254.0 million (31 December 2012: \$248.6 million) with currency translation reducing the balance by \$2.3 million in the period, and there was no debt.

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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. Further information about Spirent Communications plc can be found at 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 <http://www.otcmarkets.com/otc-pink/home>.

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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 31 March 2013

	Notes	1 st quarter 2013 \$ million	1 st quarter 2012 ^{1,2} \$ million
<u>Continuing operations</u>			
Revenue	1	96.8	117.4
Cost of sales		(30.3)	(34.4)
Gross profit		66.5	83.0
Product development		(23.0)	(21.6)
Selling and distribution		(24.2)	(24.1)
Administration		(11.7)	(11.8)
Operating profit	1	7.6	25.5
Finance income/(expense)		-	-
Profit before tax		7.6	25.5
Tax		(2.1)	(8.0)
Profit for the year after tax for continuing operations		5.5	17.5
<u>Discontinued operations</u>		-	1.1
Profit for the year attributable to owners of parent Company		5.5	18.6
Earnings per share (cents)			
	2		
<u>Continuing operations</u>			
Basic		0.85	2.67
Diluted		0.85	2.66
<u>Discontinued operations</u>			
Basic		-	0.17
Diluted		-	0.16
<u>Total Group</u>			
Basic		0.85	2.84
Diluted		0.85	2.82

Notes

1 Quarter ended 1 April 2012.

2 Restated for the implementation of IAS 19 "Employee Benefits" and the disposal of Systems division.

Notes to the Interim Management Statement

1 Segmental analysis – continuing operations

	1 st quarter 2013 \$ million	1 st quarter 2012 \$ million
Revenue		
Networks and Applications	49.3	65.5
Wireless and Positioning	39.3	41.8
Service Assurance	8.2	10.1
	96.8	117.4
Operating profit		
Networks and Applications	1.6	14.5
Wireless and Positioning	7.7	13.3
Service Assurance	2.7	0.1
Corporate	(1.5)	(1.8)
Operating profit before exceptional items, acquired intangible asset amortisation and share-based payment	10.5	26.1
Exceptional - abortive acquisition costs	(0.4)	-
Acquired intangible asset amortisation	(2.1)	(0.3)
Share-based payment	(0.4)	(0.3)
	7.6	25.5
Other information		
Depreciation	4.0	3.5
Capital expenditure	2.8	3.3

2 Earnings per share

	1 st quarter 2013 cents	1 st quarter 2012 cents
Basic from continuing operations	0.85	2.67
Basic from discontinued operations	-	0.17
Basic total Group	0.85	2.84
Diluted from continuing operations	0.85	2.66
Diluted from discontinued operations	-	0.16
Diluted total Group	0.85	2.82
Weighted average number of shares in issue at period end (million)		
Basic	648.0	654.4
Diluted	650.3	658.8

2 Earnings per share continued

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

	1 st quarter 2013		1 st quarter 2012	
	\$ million	EPS cents	\$ million	EPS cents
Profit for the period attributable to owners of parent Company – continuing operations	5.5	0.85	17.5	2.67
Exceptional items	0.4		-	
Acquired intangible asset amortisation	2.1		0.3	
Share-based payment	0.4		0.3	
Tax effect on above items	(0.7)		-	
Adjusted basic	7.7	1.19	18.1	2.77
Adjusted diluted		1.18		2.75