

Preliminary Results

for the year ended 31 December 2006

1 March 2007

Inspired Innovation



Edward Bramson Chairman

Inspired Innovation

Anders Gustafsson CEO

Inspired Innovation

Safe Harbor Statement

This presentation and the subsequent question and answer session may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. There are risk factors that could cause our actual results to differ materially from those expressed in or implied by such statements. These risks include the risks described from time to time in Spirent's SEC periodic reports and filings.

Spirent disclaims any intention or obligation to revise or update any forward-looking statements that may be made during this presentation or the subsequent question and answer session regardless of whether those statements are affected as a result of new information, future events or otherwise.

Overview

- # Challenging markets in 2006
- # Success of new products – managing decline in older and legacy products
- # Investment in new growth products is beginning to deliver
- # Much improved performance for the second half
- # Strengthened executive team taking business forward
- # Focus on operational control and cost discipline

Divisional overview

Performance Analysis

- ⊞ Overall performance reflects significant product transition:
 - ⊞ Spirent TestCenter sales grew to £20m (2005: £4m)
 - ⊞ existing older platforms, SmartBits and AX, orders declined to £48m (2005: £75m)
 - ⊞ all other Broadband products and services grew
- ⊞ Wireless continued to make good overall progress

Service Assurance

- ⊞ Signed a major contract with TELUS of Canada to provide triple play service assurance solutions

Systems

- ⊞ Profits up despite fall in turnover



Eric Hutchinson Finance Director

Inspired Innovation

Summary results

£ million	2006	Restated 2005
Continuing Operations		
Revenue	271.6	259.3
Adjusted operating profit ¹	8.3	6.4
Adjusted profit/(loss) before tax ²	14.3	(0.2)
Adjusted earnings/(loss) per share ³ (pence)	1.41	(0.22)
Total Group		
Reported profit/(loss) for the period	108.8	(24.5)
Basic earnings/(loss) per share (pence)	11.75	(2.62)
Restated to include share-based payment £5.2 million (2005: £5.1 million) and intangible amortisation £1.6 million (2005: nil) expense in adjusted profit		

Recovery in H206 for Performance Analysis

- ¹ Before material one-time items and goodwill impairment.
- ² As ¹ and before the costs associated with repayment of loan notes and profit on disposal of operations.
- ³ As ² and before any related and prior year tax.

Adjusted operating profit - segmental analysis

Continuing Operations

£ million	Adjusted operating profit old basis	Intangible amortisation	Share-based payment	Adjusted ¹ operating profit as reported
2006				
Performance Analysis	15.7	(1.6)	(3.6)	10.5
Service Assurance	0.1	-	(1.2)	(1.1)
Systems	4.8	-	(0.1)	4.7
Non-segmental	(5.5)	-	(0.3)	(5.8)
	15.1	(1.6)	(5.2)	8.3
2005 restated				
Performance Analysis	22.0	-	(3.6)	18.4
Service Assurance	(9.6)	-	(1.2)	(10.8)
Systems	4.4	-	(0.1)	4.3
Non-segmental	(5.3)	-	(0.2)	(5.5)
	11.5	-	(5.1)	6.4

Segmental analysis

Continuing Operations

£ million	2006		2005	
	Revenue	Operating profit/(loss) ¹	Revenue	Restated operating profit/(loss) ¹
Performance Analysis	192.2	10.5	178.8	18.4
Service Assurance	43.6	(1.1)	42.8	(10.8)
Systems	35.8	4.7	37.7	4.3
Non-segmental	-	(5.8)	-	(5.5)
Total Continuing Operations	271.6	8.3	259.3	6.4
Product development spend		57.3		58.4

⊕ Sarbanes-Oxley compliance cost £2.6 million in 2006.

Recovery in H206 for Performance Analysis, benefit of cost control in Service Assurance year-on-year

Performance Analysis

£ million	Restated first half 2006	Second half 2006	Year 2006	Restated year 2005
Revenue	94.5	97.7	192.2	178.8
Operating profit ¹	3.2	7.3	10.5	18.4
Return on sales ¹ (%)	3.4	7.5	5.5	10.3
Share-based payment	1.5	2.1	3.6	3.6
Intangible amortisation	0.9	0.7	1.6	-

- ⊕ Product transition – Spirent TestCenter £20 million
– SmartBits and AX declined to £48 million
- ⊕ Wireless overall progress – strength in Positioning
- ⊕ Disappointing SEM (SwissQual) results for 2006
- ⊕ Growth in new products
- ⊕ Product development spend down in H206, despite £5.0 million from acquisitions

Variable market conditions – recovery in H2 profitability

Service Assurance

£ million	Restated first half 2006	Second half 2006	Year 2006	Restated year 2005
Revenue	24.9	18.7	43.6	42.8
Operating profit/(loss) ¹	0.1	(1.2)	(1.1)	(10.8)
Share-based payment	0.6	0.6	1.2	1.2

- ⊕ Decrease in legacy revenues, expect this to continue through 2007
- ⊕ One-time contract benefit for H106
- ⊕ TELUS triple play contract confirmed
- ⊕ Continued cost management to operate at near break-even
- ⊕ Field Test activities – site closure

Operate at break-even whilst funding triple play

Systems

£ million	Restated first half 2006	Second half 2006	Year 2006	Restated year 2005
Revenue	18.8	17.0	35.8	37.7
Operating profit ¹	2.5	2.2	4.7	4.3
Return on sales ¹ (%)	13.3	12.9	13.1	11.4

- ⊠ Revenue decreased H206 – impact of Medicare and exchange rate
- ⊠ Growth from new wheelchair control systems: VR2 and R-net
- ⊠ New industrial vehicle control systems
- ⊠ Move outsourced production to China

Strength of Sterling likely to impact 2007

Goodwill impairment and material one-time items

£ million	2006
Goodwill impairment – Service Assurance	19.1
– SwissQual	27.7
SwissQual’s positive growth projections – discounted for risk	
Other material one-time items:	
Restructuring costs	9.1
EGM	2.0
Defined benefit pension plan curtailment gains	(1.7)
Prior period disposals provision release	(0.6)
	8.8
Total impairment and material one-time items	55.6

Annual savings from restructuring £16.0 million

Net operating cash flow

£ million	2006	2005
Continuing operations		
Operating profit ¹	8.3	6.4
Cash cost of material one-time items	(6.4)	(4.0)
Intangible amortisation and share-based payment	6.8	5.1
Depreciation and other	13.2	11.5
Working capital, deferred income and other provisions ²	(15.7)	(16.6)
Cash generated from continuing operations	6.2	2.4
Cash generated from discontinued operations	0.1	35.1
Cash generated from operations	6.3	37.5
Tax paid	(2.3)	(4.6)
Net cash from operating activities	4.0	32.9

¹ Before material one-time items and goodwill impairment.

² As adjusted for material one-time items, but including £4.0 million cash outflow for prior year vacant property.

Free cash flow

£ million	2006	2005
Net cash flow from operating activities	4.0	32.9
Net interest income	4.1	(6.3)
Costs associated with the repayment of loan notes	(9.5)	-
Net capital expenditure	(14.5)	(29.9)
Free cash outflow	(15.9)	(3.3)
Disposals	278.2	2.4
Pension contributions	(47.0)	(3.5)
Acquisitions	(44.4)	-
Share capital	2.4	2.7
Share buy back	(41.9)	-
Loan repayments	(72.7)	(1.6)
Cash transferred to long term deposit	(8.5)	-
Cash inflow/(outflow)	50.2	(3.3)
Exchange	(1.4)	1.1
Closing cash and cash equivalents	97.6	48.8

Strengthened balance sheet – debt free

Financial summary

- ✦ 2007: continued product transitions, declining legacy business growth in new products and services
- ✦ Strengthened financial position
- ✦ The prospect of US de-registration – reduction in compliance costs
- ✦ Impact of exchange likely to be material
- ✦ Forex sensitivity – 1c move = £1.0m impact on revenues, £0.25m impact on operating profit

Anders Gustafsson CEO

Inspired Innovation

Strategic initiatives - progress

Lead Growth Markets



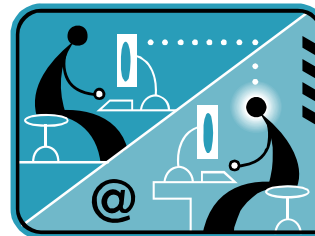
IPTV,
Triple Play
IMS
Wireless
Ethernet

Expand Globally



Asia
Europe

World Class Services



Leverage industry expertise and best in class services

Breadth of Portfolio



Deliver comprehensive and innovative solutions

Good progress in spite of market conditions

Restructuring actions

- ⊞ Realigned resources and reduced operating expenses:
 - ⊞ outsourcing of all manufacturing except final assembly and test
 - ⊞ site consolidation
 - ⊞ continuing investment in low cost offshore engineering centre
 - ⊞ further operational management changes
 - ⊞ restructuring of support functions
 - ⊞ significant reduction in headcount

- ⊞ Targets set (before share-based payment and intangible amortisation):
 - ⊞ 15% operating margin in PA Broadband (run rate by end 2007)
 - ⊞ break-even in SA

Divisional performance - PA

- ⊞ Much improved second half performance:
 - ⊞ despite 36% fall for our older platforms (e.g. SmartBits and AX)
 - ⊞ increase in all new Broadband products sales
 - ⊞ Spirent TestCenter sales quadrupled: highest generating product in Q4
 - ⊞ key market successes, but market and product challenges
 - ⊞ new product releases; solid foundations in new technologies
- ⊞ Customer consolidation impact:
 - ⊞ customers affected by M&A and Cisco down -12%
 - ⊞ customers unaffected by M&A up +7.5%
- ⊞ Product development spend delivering (2006: £45.5m; 2005: £42.1m):
 - ⊞ underlying spend rate down

Performance Analysis product performance

- ⊠ Decrease in older and legacy products:
 - ⊠ SmartBits and AX
- ⊠ Strong performance of existing products:
 - ⊠ Abacus; Avalanche; Positioning
- ⊠ Growing new products:
 - ⊠ Spirent TestCenter; Spirent Protocol Tester; Landslide; ThreatEx; Diversity; Galileo; Qualipoc
- ⊠ Growing share in core and building lead in top growth areas:
 - ⊠ core: Security, Access, Metro Routing, Switching, Triple Play, and IP Telephony
 - ⊠ expansion markets: 3G wireless infrastructure, IMS, WiMAX
- ⊠ Focused sales strategy:
 - ⊠ compete and win on functionality and productivity
 - ⊠ gross margin improved in H2

Spirent TestCenter - "the game changer" (continued...)

- ⊠ Spirent TestCenter delivers technology *and* productivity:
 - ⊠ next generation product, not a shoehorned architecture
 - ⊠ designed to integrate new technologies
- ⊠ Strong performance in terms of:
 - ⊠ repeat buyers (over 200 customers worldwide (Aug 06: 90))
 - ⊠ winning incumbent accounts of competition
 - ⊠ top 20 PA customers
- ⊠ Major new release in process:
 - ⊠ enhanced automation and scalability
- ⊠ Enabler of our internal R&D productivity



Divisional performance - SA

- # Stabilised performance, significant improvement over 2005:
 - ⊕ continued decline in legacy product revenues
 - ⊕ market delay in triple play – highly competitive market
 - ⊕ restructuring benefits and reduction in R&D to £9.5m (2005: £14.0m)
 - ⊕ Field Test engineering & product development moved to US
- # TELUS, major contract for 3P service assurance solution:
 - ⊕ first award for a full-scale 3P service assurance solution
- # Strategy:
 - ⊕ realise potential of existing baseline business
 - ⊕ invest in expanding foothold in 3P market
 - ⊕ maintain break-even

Outlook

- # 2007 is expected to benefit from:
 - ⊕ investment in new and upgraded products
 - ⊕ acquisitions made last year
 - ⊕ market share gains
- # Offset to some extent by:
 - ⊕ older products declining
 - ⊕ challenging market conditions
- # Modest growth in revenues
- # Sterling strength – negative impact
- # In-depth business review – outcome to be reported before AGM in May

Our vision

Be recognised as the “partner of choice” for delivering test and measurement solutions that ensure the success of next generation network equipment and services

Enable our customers to achieve faster time to revenue for their products and services by improving their testing productivity and quality of their offerings

Differentiate ourselves through our unique “from lab to live” converged solutions, testing services and the quality of our global customer support