SPIRENT

News Release

SPIRENT COMMUNICATIONS PLC

HALF-YEAR REPORT 2013

London, UK – 1 August 2013: Spirent Communications plc ("Spirent", the "Company" or the "Group") (LSE: SPT), a leading communications technology company, today announces its half-year results for the six months ended 30 June 2013.

As stated in the trading update issued on 3 July 2013 revenue for the second quarter was weaker than anticipated as a consequence of the lower orders in the first quarter of 2013 and slower than expected recovery in Networks & Applications. Revenue for the first half of 2013 was 19 per cent lower than the same period last year.

Order intake stepped up materially in the second quarter, with growth of 10 per cent compared to the corresponding period in 2012. Order intake for the first half of 2013 was 2 per cent below that for the first half of 2012 and the book to bill ratio was 110, which compares to a book to bill ratio of 91 for the corresponding period in 2012.

Operating profit for the first half-year was impacted by the reduction in revenue and therefore gross profit, coupled with increased investment in product development of $5.8 million, reducing adjusted operating profit to $18.2 million.

Results

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

$ million	**H1 2013**	H1 2012[1]
Reported		
Revenue	**190.4**	236.1
Operating profit	**14.5**	52.7
Basic earnings per share (cents)	**2.07**	5.51
Interim dividend per share[2] (cents)	**1.53**	1.39
Free cash flow[3]	**26.7**	44.5
Adjusted		
Operating profit[4]	**18.2**	59.1
Basic earnings per share[4, 5] (cents)	**2.03**	6.33

Notes
1 Restated for the implementation of IAS 19 "Employee Benefits" and the disposal of Systems division.
2 Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed or declared. The interim dividend declared for 2013 of 1.53 cents per Ordinary Share is equivalent to 1.01 pence per Ordinary Share.
3 Operating cash flow after tax, net interest and net capital expenditure.
4 Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.
5 Before tax effect of items in note 4 and prior year taxes.

Financial highlights

- Group revenue decreased to $190.4 million (first half 2012: $236.1 million) reflecting the lower order book at the start of 2013 and near-term caution in capital spending by our customers.
- Book to bill ratio for the Group was 110 (first half 2012: 91) and showed improving momentum during the second quarter of 2013.
- Adjusted operating profit was $18.2 million (first half 2012: $59.1 million), impacted by Spirent's high gross margin on reduced revenues and an increased investment in product development.
- Adjusted basic earnings per share was 2.03 cents (first half 2012: 6.33 cents).
- Interim dividend increased by 10% to 1.53 cents per Ordinary Share (equivalent to 1.01 pence per share).
- Free cash generation of $26.7 million (first half 2012: $44.5 million).
- Closing cash was $246.9 million at 30 June 2013 (31 December 2012: $248.6 million) after share buybacks and dividends paid in the first half-year totalling $26.4 million.

Operational highlights

Spirent continues to invest in its solutions portfolio to address the key industry trends and in the period launched:

- Highest density Ethernet test solutions to meet the rapidly-evolving needs of complex data center and service provider networks;
- Highest performance and malware capability for our application and security test portfolio;
- First-to-market test capability for the Chinese BeiDou-2 global navigation satellite system;
- Solutions and services to measure the performance of Voice over LTE ("VoLTE"), HD Voice and video services on live networks from an end-user perspective;
- Lab-based solutions to test VoLTE and LTE-Advanced in 4G/LTE devices.

These innovations are in turn leading our customers to use our test solutions in new ways:

- The industry's largest 40Gb Ethernet test to date verified performance of HP's FlexFabric data center portfolio;
- Security expert NSS Labs began using Spirent Avalanche to evaluate nine leading next-generation firewall products;
- Leading test lab SGS chose Spirent for 3GPP data performance testing of 4G/LTE devices.

Outlook

July order intake levels have been satisfactory. Combined with key new product launches, this gives us confidence in performance for the third quarter. For the remainder of the year we are mindful that some customers may continue to adopt a careful approach to their spending plans.

The investments we are making to address future business opportunities in existing markets and to enter new markets support the medium and long term prospects for the Company.

Bill Burns, Chief Executive Officer, commented:

"Uncertainty and volatility in demand exhibited by our major customers in the first half resulted in near term challenges in trading. However, we were encouraged by the improvement in order intake for the second quarter. We believe the developments we are undertaking in new technology areas will deliver on-going and long term competitive advantages for Spirent."

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Enquiries

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The Company will host a results presentation today at 9.45am for 10.00am UK time at UBS Limited, 1 Finsbury Avenue, London EC2M 2PP. A simultaneous webcast of the presentation will be available in the Investors section of the Spirent Communications plc website http://corporate.spirent.com/. This statement is also available on the corporate website http://corporate.spirent.com/.

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 http://corporate.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.

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.

HALF-YEAR REPORT 2013

Group overview

The first half of 2013 was characterised by caution amongst network equipment and mobile device manufacturer customers, with a clear trend to delaying capital expenditure plans into the second half. This was partially offset by increased levels of investment by some key service providers.

The reduced demand was most pronounced in our Networks & Applications division where revenue decreased by 29 per cent compared to last year. Some customers did not repeat the high levels of investment made in the first half of 2012 whilst others deferred projects until later in the year.

Revenue was 10 per cent lower in Wireless & Positioning. Our positioning products, which had experienced reduced demand throughout 2012, saw improvement in the first half of 2013. Wireless benefited from the Metrico acquisition and sale of 4G/LTE test solutions but this was offset by a sharp fall in CDMA and UMTS revenues as operator and device manufacturer spend continues to shift from 3G to 4G/LTE.

Service Assurance revenue grew 8 per cent over last year with growing momentum for the division's Ethernet service assurance solutions, driven by LTE rollouts and the increased bandwidth demand of cloud applications. Profitability improved significantly in this division.

Order intake for the Group for the first half of 2013 was 2 per cent below last year, however a number of our top customers increased their spending during the period. Compared to the weak first quarter, there was a material recovery in order intake in the second quarter of 2013, although some orders were received too late to be recognised for revenue in the first half-year. The book to bill ratio was 110 (first half 2012: 91).

As a result of the revenue decline gross profit for the first half-year was $35.0 million below the same period last year. Adjusted operating profit for the Group was $18.2 million, after absorbing the planned increase in investment in product development of $5.8 million.

Basic earnings per share decreased to 2.07 cents from 5.51 cents. Adjusted basic earnings per share was 2.03 cents (first half 2012: 6.33 cents).

Free cash flow for the period was $26.7 million (first half 2012: $44.5 million). Cash and cash equivalents closed at $246.9 million (31 December 2012: $248.6 million) after paying the final dividend for 2012 of $12.0 million and share buybacks totalling $14.4 million.

The Board has declared an interim dividend of 1.53 cents per Ordinary Share, an increase of

10 per cent in US dollar terms. In sterling, the currency in which this dividend will be paid, the dividend is 1.01 pence per Ordinary Share at an exchange rate of $1.52:£1, representing an increase of 13 per cent compared with the first half of 2012.

Outlook

July order intake levels have been satisfactory. Combined with key new product launches, this gives us confidence in performance for the third quarter. For the remainder of the year we are mindful that some customers may continue to adopt a careful approach to their spending plans.

The investments we are making to address future business opportunities in existing markets and to enter new markets support the medium and long term prospects for the Company.

BUSINESS REVIEW

Networks & Applications

$ million	**First half 2013**	First half 2012
Revenue	**92.2**	130.0
Operating (loss)/profit	**(1.8)**	29.7
Return on sales (%)	**(2.0)**	22.8

Market conditions

In the markets served by our Networks & Applications division, we saw caution amongst several of our network equipment manufacturer customers as a result of strategic reviews and efficiency drives, with a clear trend to delaying their capital expenditure plans into the second half. Despite the overall trend, we saw signs of spending growth from some large service provider and network equipment manufacturers, particularly in the second quarter.

The proliferation of cloud computing continues to result in increasingly complex data center networks that must handle rapidly expanding levels of data traffic. Effective validation of these complex networks and their underlying technologies requires realism at high scale and high density. To address this need, Spirent launched a new generation of high speed Ethernet test solutions in May, providing the industry's highest densities while lowering the total cost of ownership. We also announced that Spirent TestCenter™ was chosen by Network Test, a leading independent test lab, to verify the performance of the HP FlexFabric data center portfolio in one of the industry's largest public 40Gb Ethernet tests to date.

Industry interest has been intense in software-defined networking ("SDN") and its associated OpenFlow protocol, which enables networks to be virtualized for ease of configuration and maintenance, in the same way that servers and storage are being virtualized. Spirent has made significant contributions to SDN interoperability, deployment and commercialisation, participating in key industry forums and adding support for OpenFlow to its Spirent TestCenter solution.

The dramatic growth in wireless data, together with the rollout of LTE networks and the services they enable, such as VoLTE and video, remain an important driver for our business. In service provider networks, a new class of high density, high efficiency core router has emerged to handle this data growth. The demanding performance validation needs of these routers are another key application for our new generation of high speed Ethernet test solutions.

Innovation in mobile core networks means that the complexity and scale of converged elements is increasing. Wireless carriers are beginning to preserve network capacity by offloading users seamlessly from cellular to Wi-Fi networks. Spirent's Landslide solution is playing a key role in the development and validation of the latest generation of core network innovation, including carrier-grade Wi-Fi offload gateways.

The critical importance of cyber security is gaining broader recognition with highly-publicised cyber-crime, cyber-spying and cyber-activism events during the first half. The proliferation of millions of mobile applications is also resulting in new security vulnerabilities. Spirent continues to be a leader in security testing, applying the assets acquired with Mu Dynamics in 2012 to bringing malware support for our security portfolio, which now includes attacks, fuzzing, distributed denial of service ("DDoS") and evasion techniques. In February we announced that leading information security research and advisory company NSS Labs had selected Spirent's Avalanche solution to evaluate nine leading next-generation firewall products for security effectiveness, performance, enterprise management capabilities and total cost of ownership.

In enterprise network applications, the rise of cloud-hosted applications and infrastructure, along with the required user quality of experience, are placing ever-increasing demands on the network. Enterprise networks and data centers now require proactive tools to optimise for high performance in order to meet these demands. Spirent launched Axon in the first half, a new solution specifically targeted at the enterprise market, setting up enterprise channel partners and receiving initial orders. Axon applies Spirent's deep subject matter expertise to a powerful yet easy-to-use tool that helps system integrators and enterprise IT organisations tune their networks for optimal performance.

Revenue and profitability

Revenue in our Networks & Applications division in the first half of 2013 fell to $92.2 million, compared with $130.0 million in the first half of 2012. However, the book to bill ratio was 115 for the period, compared with 94 for the same period in 2012, reflecting the timing of bookings, with an unusually high proportion being received at the end of the period, too late to be converted to revenue. Services bookings grew in the first half-year, the revenue for which will be recognised over time.

We experienced caution in capital spending across several of our network equipment manufacturer accounts, with capital spending plans delayed to the second half. This was partially offset by continuing investments by some top-tier service providers and network equipment manufacturers.

As a result of the decline in revenue, Networks & Applications reported a loss of $1.8 million for the first half of 2013 compared to a profit of $29.7 million for the first half of 2012.

Wireless & Positioning

$ million	**First half 2013**	First half 2012
Revenue	**80.2**	89.4
Operating profit	**16.6**	32.4
Return on sales (%)	**20.7**	36.2

Market conditions

Several smartphone vendors continued to experience market share and business performance challenges, while the market share of the two leaders increased further. We saw reduced emphasis on testing 3G CDMA and UMTS technologies, as technology providers, mobile device manufacturers and service providers continued to shift their spending to 4G technologies and looked to optimise their overall spend on testing.

LTE rollout momentum continued around the world, with additional focus on ensuring a successful launch of next-generation VoLTE services by top-tier carriers in the United States. VoLTE and other mobile wideband voice (“HD voice”) services are driving a renewed interest in assessment of the user experience of mobile voice services. In the first half, Spirent took advantage of the assets acquired with Metrico Wireless in 2012 to launch innovative solutions and services for measuring the VoLTE, HD voice and video performance of devices from a user experience perspective.

LTE-Advanced technology, particularly carrier aggregation capability that makes more effective use of operators' fragmented spectrum holdings, had its first commercial rollout in June with more expected in the second half of the year. Spirent released carrier aggregation test capability, as well as support for TD-LTE as deployment of that technology continued to ramp, especially in China and India.

Machine-to-machine ("M2M") communications presents a growing number of opportunities which chipset and embedded module developers are positioning themselves to address and which will expand Spirent's served market over time.

A range of emerging test needs drove the market for our physical layer test solutions that emulate the radio channel between a base station and mobile devices. These include testing of mobile base stations to ensure a successful rollout of demanding new services such as VoLTE, on-going migration to over-the-air ("OTA") testing of multi-antenna schemes, and reproduction of radio conditions captured from live networks in the lab.

For Positioning, the Chinese BeiDou-2 global navigation satellite system ("GNSS") was a major technology driver for new business, as anticipated after the release of its technical specifications at the end of 2012. Spirent was the first vendor to develop and deliver a solution that is fully compliant with the specifications. In June, Spirent also announced a new solution that includes the ability to simultaneously record and play back signals from multiple GNSSs, including GPS, GLONASS, Galileo and BeiDou. The market for high-end positioning test solutions, much of which is driven by government-funded projects, recovered somewhat over 2012, despite the on-going uncertainty in the United States and elsewhere.

Revenue and profitability

Revenue in the Wireless & Positioning division in the first half of 2013 fell by 10 per cent to $80.2 million, compared with $89.4 million in the first half of 2012. The book to bill was 108 for the period, compared with 95 for the same period in 2012. As with our Networks & Applications business, this reflected the timing of bookings, with an unusually high proportion being received too late in the period to be converted to revenue.

We experienced caution in capital spending amongst those device manufacturers who have been experiencing loss of market share and associated business issues. Geographically, revenue grew in the United States, particularly due to the performance of our service experience solution portfolio acquired with Metrico Wireless, coupled with large Positioning wins in both commercial and government accounts.

Revenue in Asia Pacific fell sharply as several top-tier device vendors reduced the number of devices launched in developed markets. This fall was partially offset by Positioning business growth resulting from BeiDou. Revenue in Europe also fell as a result of mobile device manufacturer business challenges and spending controls by leading wireless infrastructure vendors.

Although the first wave of LTE deployments and devices has moved through, new services and widespread commercial deployment of technologies such as VoLTE, LTE-Advanced and next-generation mobile location technologies will get underway in late 2013 into 2014.

Positioning revenue benefited from several large orders of our high-end solutions for large commercial and government funded projects.

The impact of the reduction in revenue at Spirent's high gross margin caused operating profit to fall to $16.6 million compared with $32.4 million for the first half of 2012, representing a return on sales of 20.7 per cent. This return is after increasing product development spend by $3.0 million.

Service Assurance

$ million	**First half 2013**	First half 2012
Revenue	**18.0**	16.7
Operating profit/(loss)	**6.6**	(2.3)
Operating profit before exceptional items	**6.6**	0.6
Return on sales before exceptional items (%)	**36.7**	3.6

Market conditions

Competition has led some service providers to progress Ethernet service assurance projects that are tied to LTE network rollouts and to increased bandwidth demands from data center and cloud implementations.

We also received a large order from a tier-one service provider for next-generation handheld devices for in-home testing, addressing the need to turn up multi-play services and troubleshoot issues more quickly. Revenue from this contract will be recognised from the fourth quarter of 2013 onwards.

Preparations for VoLTE service rollouts are driving the need for increased performance visibility in mobile backhaul networks to ensure quality of experience, which represents additional opportunities for Spirent in the second half of 2013 into 2014.

Revenue and profitability

Revenue was up 8 per cent to $18.0 million as a result of Ethernet service assurance success, driven by LTE and cloud/data center rollouts, compared with $16.7 million in the first half of 2012.

Profitability increased to $6.6 million from the loss reported in 2012, resulting from the improved trading and the cost reductions made in the first half of 2012.

FINANCIAL REVIEW

Key performance indicators

All numbers below are for continuing operations unless otherwise indicated.

	First half 2013	First half 2012[1]	Change (%)
Book to bill ratio[2]	**110**	91	
Revenue ($ million)	**190.4**	236.1	(19)
Gross profit margin (%)	**69.6**	71.0	
Adjusted operating profit[3] ($ million)	**18.2**	59.1	(69)
Return on sales[3] (%)	**9.6**	25.0	
Adjusted basic earnings per share[4] (cents)	**2.03**	6.33	(68)
Free cash flow[5] ($ million)	**26.7**	44.5	(40)

Notes
1 Restated for the implementation of IAS 19 “Employee Benefits” and the disposal of Systems division.
2 The ratio of orders booked to revenue in the period.
3 Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.
4 Adjusted basic earnings per share is based on adjusted earnings as set out in note 8 of the Notes to the half-year condensed consolidated financial statements.
5 Operating cash flow after tax, net interest and net capital expenditure.

With effect from 1 January 2013 the Group has implemented the amendments to the accounting standard IAS 19 “Employee Benefits” in relation to its United Kingdom defined benefit pension plans. Comparative numbers have been restated accordingly. Restated quarterly financial information, including the change to reporting segments announced at the time of the Interim Management Statement in May, can be found on our website at http://corporate.spirent.com/.

Revenue and order intake

Revenue was down by 19 per cent compared with the same period in 2012. Trading, as previously announced, was mixed, as a result of our customers’ capital budget constraints and a lower order book at the start of 2013.

Order intake was 2 per cent lower overall for the Group for the first half-year, but improved in the second quarter of 2013, following a weak first quarter. Order intake from several of our top customers in fact increased period-on-period, whilst others did not repeat the high levels of spend in the first half of 2012 or deferred projects until later in the year. The resulting book to bill ratio was 110 compared with 91 for the first half of 2012, with order book growing by $19.2 million over the position at 31 December 2012. Of the order book increase, $8.0 million is expected to ship in the fourth quarter and into 2014, and $6.5 million is in respect of a longer term service contract which will be recognised over the next two years.

Geographically, the United States is our largest market and accounts for 54 per cent of Group revenue. Revenue decreased 11 per cent period-on-period in this region. Asia Pacific is also a major market for Spirent, and one in which we have seen significant growth in previous years. Revenue in this region declined 30 per cent period-on-period, being particularly weak in both China and India. Asia Pacific represents 31 per cent of Group revenue. Europe represents 11 per cent of Group revenue and was 29 per cent lower compared with the first half of 2012. The rest of the world represents the remaining 4 per cent.

Operating profit

Spirent maintains high gross margins, therefore the reduction in revenue of $45.7 million compared to the same period last year, has had a significant effect on operating profit. Reported operating profit was $14.5 million compared with $52.7 million for the first half of 2012. Adjusted operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment, was $18.2 million compared with $59.1 million for the first half of 2012. Return on sales based on adjusted operating profit, was 9.6 per cent (first half 2012: 25.0 per cent).

A reconciliation is set out below:

$ million	**First half 2013**	First half 2012
Adjusted operating profit – continuing operations	**18.2**	59.1
Exceptional – inventory provision	**-**	(1.2)
Exceptional – other costs	**(0.4)**	(1.7)
Acquisition related costs	**-**	(1.5)
Acquired intangible asset amortisation	**(4.2)**	(1.2)
Share-based payment	**0.9**	(0.8)
Reported operating profit – continuing operations	**14.5**	52.7

Cost of sales and operating expenses

Gross margin reduced to 69.6 per cent (first half 2012: 71.0 per cent) mainly as a consequence of the change in product mix due to the lower volumes.

Investment in product development was increased by $5.8 million to $48.0 million in the first half of 2013 to support future growth. The Group expects to continue to increase investment in new product development during the second half of 2013 to support new products in the areas of 4G/LTE, high speed Ethernet and next-generation data centers as well as application and security test.

Other operating costs decreased to $70.1 million compared with $72.7 million in the first half of 2012. These costs include a credit of $0.9 million (first half 2012: charge $0.8 million) for share-based payment, $4.2 million (first half 2012: $1.2 million) for acquired intangible asset amortisation and $0.4 million of abortive acquisition costs. In the first half of 2012 other operating costs included $1.5 million of acquisition related costs in respect of the Mu acquisition and exceptional reorganisation costs of $1.7 million in Service Assurance. Excluding these costs, operating costs were $66.4 million compared with $67.5 million in the first half of 2012.

Within operating costs corporate overheads were $3.2 million before exceptional items (first half 2012: $3.6 million). These costs include administration expenses in respect of the defined benefit pension schemes of $0.8 million (first half 2012: $0.5 million) as required by the revised accounting standard IAS 19 "Employee Benefits".

Finance income and costs

For the first half of 2013 finance income was $0.5 million compared with $0.3 million for the first half of 2012. Finance costs of $0.5 million relate to interest on the net defined benefit pension plan obligation (first half 2012: $0.2 million). Interest has been restated for 2012 due to the implementation of the changes to IAS 19 "Employee Benefits".

Profit before tax

Profit before tax was $14.5 million compared with $52.8 million in the first half of 2012.

Tax

The normalised tax charge, excluding a prior year tax credit of $2.6 million, was $3.7 million for the first half of 2013 compared with $16.7 million for the first half of 2012. This gives an effective tax rate of 25.5 per cent of pre-tax profit, compared with 31.6 per cent for the first half of 2012. This rate is lower than previously anticipated due to the benefit of 2012 Research and Experimental tax credits in the United States which fall into 2013. The expected effective tax rate for the full year is 26 per cent.

Earnings per share

Basic earnings per share decreased to 2.07 cents compared with 5.51 cents for the first half of 2012. Basic earnings per share as adjusted for exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment was 2.03 cents compared with 6.33 cents for the first half of 2012. There were 646.4 million weighted average Ordinary Shares in issue (first half 2012: 655.7 million) with 643.5 million Ordinary Shares in issue at the period end.

Cash flow

Cash inflow from continuing operations for the Group before tax was $38.5 million (first half 2012: $65.6 million). Free cash flow from continuing operations was $26.7 million in the first half of 2013 (first half 2012: $44.5 million) which represents a cash conversion ratio of 2.5 times reported earnings from continuing operations before prior year tax credits (first half 2012: 1.2 times). In the first half of 2013 there was a release in working capital of $13.3 million (first half 2012: $3.2 million).

Free cash flow is set out below:

$ million	**First half 2013**	First half 2012
Continuing operations		
Cash inflow	**38.5**	65.6
Tax payments	**(4.7)**	(15.0)
Net cash inflow from operating activities	**33.8**	50.6
Net interest income	**0.5**	0.1
Net capital expenditure	**(7.6)**	(6.2)
Free cash flow – continuing operations	**26.7**	44.5

The final dividend for 2012 of $12.0 million was paid in May 2013. Share repurchases resulted in an outflow of $14.4 million in the period (first half 2012: $4.4 million).

Cash and cash equivalents closed at $246.9 million at 30 June 2013 (31 December 2012: $248.6 million).

Defined benefit pension plans

The accounting valuation of the funded defined benefit pension plans at 30 June 2013 gave rise to a deficit of $11.4 million compared with a deficit of $24.8 million at 31 December 2012. The decrease in the deficit was principally due to a reduction in the plans' liabilities due to changes in the underlying assumptions together with an improvement in the value of the assets and employer contributions into the plans.

The triennial actuarial valuation of the plans at 1 April 2012 was completed in the period. To fund the deficit arising from this valuation, the Company has agreed to pay additional pension contributions of £2.8 million ($4.3 million) per annum, which will be paid on a monthly basis, together with a one off contribution of £1.0 million ($1.5 million) payable in July 2013. A further one-time contribution of £2.5 million ($3.8 million) is also payable no later than 1 July 2016 depending on the funding of the plan at that time.

In addition there is a liability for an unfunded plan of $0.8 million (31 December 2012: $0.8 million).

Share repurchase

The Company repurchased 7.1 million Ordinary Shares on market in the period, at a cost of $14.4 million (first half 2012: 2.0 million Ordinary Shares on market at a cost of $3.6 million). Share buybacks will continue in order to return the balance of the proceeds from the 2012 divestment of which $18.3 million is still remaining.

Dividend

The Board has declared an interim dividend of 1.53 cents per share, a 10 per cent increase over that for the first half of 2012 in line with the policy of making sustainable progressive dividend payments to shareholders. This is equivalent to 1.01 pence per share at an exchange rate of $1.52:£1, 13 per cent up in sterling terms. The payment will be approximately $9.8 million and represents dividend cover of 1.3 times adjusted earnings. The dividend will be paid to Ordinary shareholders on 13 September 2013 and to ADR holders on 23 September 2013. The dividend is payable to all shareholders on the Register of Members at the close of business on 9 August 2013.

Risks and uncertainties

The principal risks and uncertainties affecting the Spirent Communications Group in respect of the remaining six months of the year to 31 December 2013 remain those as identified on pages 30 and 31 of the Annual Report 2012, a copy of which is available on the Company's website at http://corporate.spirent.com/.

In summary the principal risks and uncertainties are as follows:

Risk	Description
Macro-economic and industry sector	In common with most businesses Spirent is exposed to the current economic conditions and is particularly exposed to conditions in the telecommunications sector.
Technological change and competition	Spirent sells complex solutions in industries that are characterised by rapid technological changes and keeping at the forefront of these technologies is critical to our success and to ensure that we remain competitive in our markets. It is critical that our innovation is directed at the right areas to enable Spirent to develop those solutions that our customers need at the time when they need them.
Reliance on contract manufacturers	We use contract manufacturers for the manufacture of a substantial amount of our products. Our major contract manufacturer is located in Thailand.
Business continuity	Operational risks are present in the Group's businesses. These risks include the risk of failed internal and external processes and systems, human error and external events, such as a natural disaster.
Retention and recruitment of key staff	Spirent is its employees. So attracting and retaining highly qualified and skilled employees is essential in enabling us to deliver on our strategy and to the success of our business.
Intellectual property	Spirent's success is dependent in part on proprietary technology which may be infringed by others inadvertently or otherwise. Companies in the telecommunications industry often aggressively protect and pursue their intellectual property rights.
Acquisitions	A key element of our strategy is to evolve and expand our solutions portfolio which may be achieved either organically or through acquisition. Integration of acquisitions can be a complex process and the results expected from acquisitions may not be achieved.

Condensed consolidated income statement

$ million	Notes	**First half 2013**	First half 2012[1,2]	Audited Year 2012[1]
Continuing operations				
Revenue	3,4	**190.4**	236.1	472.4
Cost of sales		**(57.8)**	(68.5)	(135.7)
Gross profit		**132.6**	167.6	336.7
Product development	3	**(48.0)**	(42.2)	(86.1)
Selling and distribution		**(47.5)**	(46.5)	(91.7)
Administration		**(22.6)**	(26.2)	(50.8)
Operating profit	3	**14.5**	52.7	108.1
Finance income		**0.5**	0.3	0.8
Finance costs		**(0.5)**	(0.2)	(0.5)
Profit before tax	3	**14.5**	52.8	108.4
Tax	5	**(1.1)**	(16.7)	(29.0)
Profit for the period after tax for continuing operations		**13.4**	36.1	79.4
Discontinued operations	6	**-**	2.6	47.1
Profit for the period attributable to owners of the parent Company		**13.4**	38.7	126.5
Earnings per share (cents)	8			
Continuing operations				
Basic		**2.07**	5.51	12.11
Diluted		**2.07**	5.47	12.07
Discontinued operations				
Basic		**-**	0.39	7.18
Diluted		**-**	0.39	7.15
Total Group				
Basic		**2.07**	5.90	19.29
Diluted		**2.07**	5.86	19.22

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

Condensed consolidated statement of comprehensive income

$ million	**First half 2013**	First half 2012[1]	Audited Year 2012[1]
Profit for the period attributable to owners of the parent Company	**13.4**	38.7	126.5
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on retranslation of foreign operations	**(2.0)**	0.8	3.2
Items that will not subsequently be reclassified to profit or loss:			
Exchange differences recycled on disposal	**-**	-	1.2
Re-measurement of the net defined benefit pension liability	**11.7**	(9.3)	(11.7)
Income tax effect	**(2.5)**	1.9	2.5
	9.2	(7.4)	(8.0)
Other comprehensive income net of tax	**7.2**	(6.6)	(4.8)
Total comprehensive income for the period attributable to owners of the parent Company	**20.6**	32.1	121.7

Note
1 Restated for the implementation of IAS 19 “Employee Benefits”.

Condensed consolidated balance sheet

$ million	Notes	**30 June 2013**	1 July 2012	Audited 31 December 2012
Assets				
Non-current assets				
Intangible assets		**202.5**	155.9	207.4
Property, plant and equipment		**32.7**	34.6	34.1
Trade and other receivables		**3.3**	3.7	4.9
Cash on deposit		**0.2**	0.5	0.4
Defined benefit pension plan surplus	10	**-**	0.8	-
Deferred tax		**22.3**	34.6	28.4
		261.0	230.1	275.2
Current assets				
Inventories		**30.5**	41.8	34.0
Trade and other receivables		**88.2**	104.3	95.6
Cash and cash equivalents		**246.9**	234.7	248.6
		365.6	380.8	378.2
Total assets		**626.6**	610.9	653.4
Liabilities				
Current liabilities				
Trade and other payables		**(103.2)**	(115.7)	(107.3)
Current tax		**(1.9)**	(6.3)	(8.5)
Provisions and other liabilities		**(3.9)**	(3.6)	(4.4)
		(109.0)	(125.6)	(120.2)
Non-current liabilities				
Trade and other payables		**(8.2)**	(11.0)	(11.4)
Defined benefit pension plan deficit	10	**(12.2)**	(22.0)	(25.6)
Provisions and other liabilities		**(0.4)**	(1.4)	(0.6)
		(20.8)	(34.4)	(37.6)
Total liabilities		**(129.8)**	(160.0)	(157.8)
Net assets		**496.8**	450.9	495.6
Capital and reserves				
Share capital	12	**32.5**	34.6	35.3
Share premium account		**30.7**	31.7	32.9
Capital redemption reserve		**18.4**	18.1	19.4
Other reserves		**4.4**	1.6	(1.6)
Translation reserve		**22.0**	20.4	24.0
Retained earnings		**388.8**	344.5	385.6
Total equity attributable to owners of the parent Company		**496.8**	450.9	495.6

Condensed consolidated cash flow statement

$ million	Notes	**First half 2013**	First half 2012	Audited Year 2012
Cash flows from operating activities				
Cash flow from operations	11	**38.5**	71.8	128.2
Tax paid		**(4.7)**	(15.0)	(23.1)
Net cash inflow from operating activities		**33.8**	56.8	105.1
Cash flows from investing activities				
Interest received		**0.5**	0.4	0.9
Transfer from long term deposit		**0.1**	0.2	0.3
Purchase of intangible assets		**(0.9)**	-	-
Purchase of property, plant and equipment		**(7.5)**	(7.4)	(16.4)
Proceeds from sale of property, plant and equipment		**0.8**	0.9	2.1
Acquisition of subsidiaries and businesses		**-**	(39.8)	(92.0)
Net proceeds from the disposal of operations		**-**	-	59.9
Net cash used in investing activities		**(7.0)**	(45.7)	(45.2)
Cash flows from financing activities				
Interest paid		**-**	(0.3)	(0.3)
Dividend paid	9	**(12.0)**	(10.9)	(20.3)
Proceeds from the issue of share capital and employee share ownership trust		**0.1**	2.2	2.2
Share repurchase		**(14.4)**	(4.4)	(31.6)
Net cash used in financing activities		**(26.3)**	(13.4)	(50.0)
Net increase/(decrease) in cash and cash equivalents		**0.5**	(2.3)	9.9
Cash and cash equivalents at the beginning of the year		**248.6**	236.5	236.5
Effect of foreign exchange rate changes		**(2.2)**	0.5	2.2
Cash and cash equivalents at the end of the period		**246.9**	234.7	248.6

Condensed consolidated statement of changes in equity

$ million	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
At 1 January 2012 (audited)	34.3	31.3	17.7	2.7	19.6	316.6	422.2
Profit for the period[1]	-	-	-	-	-	38.7	38.7
Other comprehensive income[1]	-	-	-	-	0.8	(7.4)	(6.6)
Total comprehensive income	-	-	-	-	0.8	31.3	32.1
Share-based payment	-	-	-	-	-	0.8	0.8
Tax on share incentives	-	-	-	-	-	0.3	0.3
Employee share ownership trust	-	-	-	-	-	2.2	2.2
Share cancellation	(0.1)	-	0.1	-	-	-	-
Share repurchase	-	-	-	-	-	(3.6)	(3.6)
Share buyback obligation	-	-	-	-	-	7.8	7.8
Equity dividends	-	-	-	-	-	(10.9)	(10.9)
Exchange adjustment	0.4	0.4	0.3	(1.1)	-	-	-
At 1 July 2012	34.6	31.7	18.1	1.6	20.4	344.5	450.9
At 1 January 2012 (audited)	34.3	31.3	17.7	2.7	19.6	316.6	422.2
Profit for the year[1]	-	-	-	-	-	126.5	126.5
Other comprehensive income[1]	-	-	-	-	4.4	(9.2)	(4.8)
Total comprehensive income	-	-	-	-	4.4	117.3	121.7
Share-based payment	-	-	-	-	-	1.6	1.6
Tax on share incentives	-	-	-	-	-	(1.0)	(1.0)
Employee share ownership trust	-	-	-	-	-	2.2	2.2
Share cancellation	(0.7)	-	0.7	-	-	-	-
Share repurchase	-	-	-	-	-	(30.8)	(30.8)
Equity dividends	-	-	-	-	-	(20.3)	(20.3)
Exchange adjustment	1.7	1.6	1.0	(4.3)	-	-	-
At 31 December 2012 (audited)	35.3	32.9	19.4	(1.6)	24.0	385.6	495.6

Note
1 Restated for the implementation of IAS 19 “Employee Benefits”.

Condensed consolidated statement of changes in equity continued

$ million	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
At 1 January 2013 (audited)	**35.3**	**32.9**	**19.4**	**(1.6)**	**24.0**	**385.6**	**495.6**
Profit for the period	-	-	-	-	-	13.4	13.4
Other comprehensive income	-	-	-	-	(2.0)	9.2	7.2
Total comprehensive income	-	-	-	-	(2.0)	22.6	20.6
Share-based payment	-	-	-	-	-	(0.9)	(0.9)
Employee share ownership trust	-	-	-	-	-	0.1	0.1
Share cancellation	(0.4)	-	0.4	-	-	-	-
Share repurchase	-	-	-	-	-	(14.4)	(14.4)
Share buyback obligation	-	-	-	-	-	7.8	7.8
Equity dividends	-	-	-	-	-	(12.0)	(12.0)
Exchange adjustment	(2.4)	(2.2)	(1.4)	6.0	-	-	-
At 30 June 2013	**32.5**	**30.7**	**18.4**	**4.4**	**22.0**	**388.8**	**496.8**

Notes to the half-year condensed consolidated financial statements

1 General information

The half-year condensed consolidated financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006. The comparative financial information for the year to 31 December 2012 is based on the statutory accounts for that period, which have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498(2) or (3) of the Companies Act 2006.

The half-year condensed consolidated financial statements are unaudited but have been reviewed by the auditor. A copy of their review report is included at the end of this report.

The half-year condensed consolidated financial statements for the period ended 30 June 2013 were approved by the directors on 1 August 2013.

2 Accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2012 other than in relation to IAS 19 "Employee Benefits" discussed below.

Change to segmental reporting
IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined, in Spirent's case, to be the Chief Executive Officer, as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of segments.

A review of the Group's organisational structure, which was completed in 2013, has resulted in a change to the segmental information provided to the Chief Operating Decision Maker and this has required a change to Spirent's segmental reporting structure. Spirent is now reporting three operating segments: Networks & Applications; Wireless & Positioning; and Service Assurance. Previously Networks & Applications and Wireless & Positioning were reported as one segment, Performance Analysis. Comparatives have been restated accordingly.

Basis of preparation
The half-year condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board and endorsed and adopted for use in the European Union. This condensed set of half-year financial statements has also been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

Critical accounting estimates and judgements
The preparation of the half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-year condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

Going concern
After making the appropriate enquiries, the directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly the going concern basis continues to be used in the preparation of the financial statements.

Adoption of new and current standards

During the period the Group adopted a number of interpretations and amendments to Accounting Standards, none of which had a material impact on the consolidated financial statements of the Group other than in relation to the implementation of IAS 19 “Employee Benefits”.

IAS 19 “Employee Benefits”

With effect from 1 January 2013 the Group has implemented the amendments to the accounting standard IAS 19 “Employee Benefits” in relation to its United Kingdom defined benefit pension plans. Comparative numbers have been restated accordingly.

Under the revised accounting standard, the principal change is that the expected returns on defined benefit pension plan assets are not recognised in profit or loss. Instead, interest on the net defined benefit obligation is recognised in profit or loss, calculated using the discount rate used to measure the pension obligation. For Spirent this change has caused net interest income on the defined benefit pension plans, under the previous standard, to become a net finance cost, under the revised standard. In addition, certain administrative expenses of running the plans are expensed to operating costs, having been deducted from the return on assets under the previous standard. Plan asset administration costs are recognised as re-measurement adjustments in other comprehensive income.

The implementation of IAS 19 has had no effect on the prior year condensed consolidated balance sheets or condensed consolidated cash flow statements.

The effect of the implementation of IAS 19 on the consolidated income statement is as follows:

First half 2012

$ million	Administration expenses	Finance income	Finance costs
As previously reported[1] – continuing operations	(25.7)	0.7	-
Implementation of IAS 19	(0.5)	(0.4)	(0.2)
1 July 2012 (restated)	(26.2)	0.3	(0.2)

Year 2012

$ million	Administration expenses	Finance income	Finance costs
As previously reported – continuing operations	(49.7)	1.5	-
Implementation of IAS 19	(1.1)	(0.7)	(0.5)
31 December 2012 (restated)	(50.8)	0.8	(0.5)

The effect of the implementation of IAS 19 on the consolidated statement of comprehensive income is as follows:

First half 2012

$ million	Profit for the period attributable to owners of the parent Company	Re-measurement of the net defined benefit pension liability
As previously reported	39.8	(10.4)
Implementation of IAS 19	(1.1)	1.1
1 July 2012 (restated)	38.7	(9.3)

Year 2012

$ million	Profit for the period attributable to owners of the parent Company	Re-measurement of the net defined benefit pension liability
As previously reported	128.8	(14.0)
Implementation of IAS 19	(2.3)	2.3
31 December 2012 (restated)	126.5	(11.7)

The effect of the implementation of IAS 19 on earnings per share for continuing operations is as follows:

First half 2012

Cents	Basic earnings per share	Diluted earnings per share
As previously reported[1] – continuing operations	5.67	5.63
Implementation of IAS 19	(0.16)	(0.16)
1 July 2012 (restated)	5.51	5.47

Year 2012

Cents	Basic earnings per share	Diluted earnings per share
As previously reported – continuing operations	12.46	12.41
Implementation of IAS 19	(0.35)	(0.34)
31 December 2012 (restated)	12.11	12.07

Note
1 Restated for the disposal of Systems division.

3 Operating segments

The Group is organised into three continuing reportable operating segments, Networks & Applications, Wireless & Positioning and Service Assurance. The Group evaluates segment operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment. Discontinued operations are dealt with in note 6.

$ million	Networks & Applications	Wireless & Positioning	Service Assurance	Corporate	Total
First half 2013					
Revenue					
External revenue	**92.2**	**80.2**	**18.0**	**-**	**190.4**
Profit before tax					
Total reportable segment profit/(loss) before exceptional items	**(1.8)**	**16.6**	**6.6**	**(3.2)**	**18.2**
Exceptional items *note 7*	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Total reportable segment profit/(loss)	**(1.8)**	**16.6**	**6.6**	**(3.6)**	**17.8**
Acquired intangible asset amortisation					**(4.2)**
Share-based payment					**0.9**
Operating profit					**14.5**
Finance income					**0.5**
Finance costs					**(0.5)**
Profit before tax					**14.5**
Other information					
Product development	**27.4**	**17.4**	**3.2**	**-**	**48.0**
Intangible asset additions (excluding goodwill)	**-**	**0.9**	**-**	**-**	**0.9**
Property, plant and equipment additions	**4.9**	**2.6**	**-**	**-**	**7.5**
Intangible asset amortisation – other	**-**	**0.7**	**-**	**-**	**0.7**
Depreciation	**4.3**	**3.1**	**0.5**	**0.1**	**8.0**

3 Operating segments continued

$ million	Networks & Applications	Wireless & Positioning	Service Assurance	Corporate	Restated Total
First half 2012					
Revenue					
External revenue	130.0	89.4	16.7	-	236.1
Profit before tax					
Total reportable segment profit/(loss) before exceptional items	29.7	32.4	0.6	(3.6)	59.1
Exceptional items *note 7*	-	-	(2.9)	-	(2.9)
Total reportable segment profit/(loss)	29.7	32.4	(2.3)	(3.6)	56.2
Acquisition related costs					(1.5)
Acquired intangible asset amortisation					(1.2)
Share-based payment					(0.8)
Operating profit					52.7
Finance income					0.3
Finance costs					(0.2)
Profit before tax					52.8
Other information					
Product development	23.9	14.4	3.9	-	42.2
Intangible asset additions (excluding goodwill)	13.9	-	-	-	13.9
Property, plant and equipment additions	4.6	2.3	0.1	0.1	7.1
Intangible asset amortisation – other	-	0.8	-	-	0.8
Depreciation	4.1	2.4	0.6	0.1	7.2

3 **Operating segments** continued

$ million	Networks & Applications	Wireless & Positioning	Service Assurance	Corporate	Restated Total
Year 2012					
Revenue					
External revenue	259.5	174.5	38.4	-	472.4
Profit before tax					
Total reportable segment profit/(loss) before exceptional items	59.7	56.7	8.4	(6.5)	118.3
Exceptional items *note 7*	-	-	(2.9)	-	(2.9)
Total reportable segment profit/(loss)	59.7	56.7	5.5	(6.5)	115.4
Acquisition related costs					(1.2)
Acquired intangible asset amortisation					(4.5)
Share-based payment					(1.6)
Operating profit					108.1
Finance income					0.8
Finance costs					(0.5)
Profit before tax					108.4
Other information					
Product development	49.8	29.3	7.0	-	86.1
Intangible asset additions (excluding goodwill)	13.9	20.5	-	-	34.4
Property, plant and equipment additions	9.5	6.2	0.1	0.1	15.9
Intangible asset amortisation – other	-	1.6	-	-	1.6
Depreciation	8.4	5.0	1.1	0.1	14.6

There was no inter-segment revenue in any of the above periods.

4 Geographical information

$ million	**First half 2013**	First half 2012	Year 2012
Revenue by market – continuing operations			
United States	**102.2**	114.8	239.2
Asia Pacific, Rest of World	**66.0**	90.2	166.0
Europe	**22.2**	31.1	67.2
	190.4	236.1	472.4

Europe includes United Kingdom revenue of $4.0 million (first half 2012: $8.2 million; year 2012: $13.4 million).

5 Tax

$ million	**First half 2013**	First half 2012	Year 2012
Current income tax			
UK tax	**0.3**	-	0.5
Overseas tax	**1.1**	11.9	23.5
Amounts overprovided in previous years – overseas tax	**(2.6)**	-	(1.8)
Total income tax	**(1.2)**	11.9	22.2
Deferred tax			
Recognition of deferred tax assets	**-**	-	(1.4)
Origination and reversal of temporary differences	**2.3**	5.6	9.9
Total deferred tax	**2.3**	5.6	8.5
Tax charge in the income statement	**1.1**	17.5	30.7

Attributable to:

$ million			
Continuing operations	**1.1**	16.7	29.0
Discontinued operations *note 6*	**-**	0.8	1.7
	1.1	17.5	30.7

The effective tax rate for the first half-year is 25.5 per cent (first half 2012: 31.6 per cent; year 2012: 28.4 per cent), being the current year tax charge excluding any prior year tax, as a percentage of profit before tax.

In arriving at the effective tax rate, the rate of UK corporation tax of 23 per cent, which is enacted, was taken into account. In accordance with IAS 12 "Income Taxes" the effective rate does not take into account the impact in 2013 of the phased decrease in the UK rate of corporation tax until it reaches 20 per cent from 1 April 2015. These changes will be reflected when the relevant legislation is substantively enacted. The impact of the reduction in the rate on the effective tax rate for the period is not significant.

6 Discontinued operations

The assets and liabilities of the Systems division were sold on 1 November 2012.

$ million	**First half 2013**	First half 2012	Year 2012
Revenue	**-**	26.0	43.9
Cost of sales	**-**	(16.6)	(27.6)
Gross profit	**-**	9.4	16.3
Expenses	**-**	(6.0)	(12.0)
Operating profit	**-**	3.4	4.3
Profit on sale of operations	**-**	-	44.5
Profit before tax	**-**	3.4	48.8
Tax *note 5*	**-**	(0.8)	(1.7)
Profit for the year after tax for discontinued operations	**-**	2.6	47.1

The net cash flows after tax for the discontinued operations were as follows:

$ million	**First half 2013**	First half 2012	Year 2012
Operating *note 11*	**-**	6.2	7.9
Investing	**-**	(0.3)	(0.5)
Net cash inflow	**-**	5.9	7.4

7 Exceptional items

$ million	**First half 2013**	First half 2012	Year 2012
Reorganisation expenses	**-**	1.7	1.5
Excess inventory provision	**-**	1.2	1.4
Abortive acquisition costs	**0.4**	-	-
	0.4	2.9	2.9

8 Earnings per share

Earnings per share is calculated by reference to the profit for the period and the number of Ordinary Shares in issue during the period as follows:

Basic

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent Company by the weighted average number of Ordinary Shares outstanding during the period.

	First half 2013			Restated First half 2012			Restated Year 2012
	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the period attributable to owners of the parent Company ($ million)	**13.4**	36.1	2.6	38.7	79.4	47.1	126.5
Weighted average number of Ordinary Shares in issue (number million)	**646.4**	655.7	655.7	655.7	655.7	655.7	655.7
Basic earnings per share (cents)	**2.07**	5.51	0.39	5.90	12.11	7.18	19.29

Diluted

Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the parent Company by the weighted average number of Ordinary Shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on the conversion of all dilutive potential Ordinary Shares into Ordinary Shares.

	First half 2013			Restated First half 2012			Restated Year 2012
	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the period attributable to owners of the parent Company ($ million)	**13.4**	36.1	2.6	38.7	79.4	47.1	126.5
Weighted average number of Ordinary Shares in issue (number million)	**648.4**	659.8	659.8	659.8	658.1	658.1	658.1
Diluted earnings per share (cents)	**2.07**	5.47	0.39	5.86	12.07	7.15	19.22

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

- Exceptional items
- Acquisition related costs
- Acquired intangible asset amortisation
- Share-based payment
- Tax effect on the above items
- Prior year tax

8 Earnings per share continued

A reconciliation is provided below:

	First half 2013		Restated First half 2012		Restated Year 2012	
	$ million	**Cents**	$ million	Cents	$ million	Cents
Profit for the period attributable to owners of the parent Company	**13.4**	**2.07**	36.1	5.51	79.4	12.11
Exceptional items	**0.4**		2.9		2.9	
Acquisition related costs	**-**		1.5		1.2	
Acquired intangible asset amortisation	**4.2**		1.2		4.5	
Share-based payment	**(0.9)**		0.8		1.6	
Tax effect on the above items	**(1.4)**		(1.0)		(2.4)	
Prior year tax credit	**(2.6)**		-		(1.8)	
Adjusted basic	**13.1**	**2.03**	41.5	6.33	85.4	13.02
Adjusted diluted		**2.02**		6.29		12.97

9 Dividends paid and proposed

	First half 2013		First half 2012		Year 2012	
	Cents per Ordinary Share	**$ million**	Cents per Ordinary Share	$ million	Cents per Ordinary Share	$ million
Amounts recognised as distributions to equity in the period						
Final dividend paid for previous year	**1.83**	**12.0**	1.67	10.9	1.67	10.9
Interim dividend paid					1.39	9.4
		12.0		10.9		20.3
Amounts approved by the directors (not recognised as a liability at the balance sheet date)						
Interim	**1.53**	**9.8**	1.39	9.1	1.83	11.9

An interim dividend of 1.53 cents per Ordinary Share (2012: 1.39 cents per Ordinary Share) was declared by the Board on 1 August 2013 and will be paid to Ordinary shareholders on 13 September 2013 and to ADR holders on 23 September 2013. This dividend has not been included as a liability in these financial statements. The dividend is payable to all shareholders on the Register of Members at the close of business on 9 August 2013.

Dividends are declared or proposed in US dollars but will be paid in pounds sterling at the exchange rate prevailing when the dividend is declared or proposed. The exchange rate used for determining the amount of interim dividend to be paid was $1.52:£1.

10 Defined benefit pension plans

The funded defined benefit pension plans are in the United Kingdom. In addition there is a United Kingdom unfunded plan.

The most recent actuarial valuations, at 1 April 2012, of the plans' assets and the present value of the plans' obligations, using the projected unit credit method, have been used and updated at 30 June 2013.

The key financial assumptions are as follows:

%	**First half 2013**	First half 2012	Year 2012
Inflation RPI	**3.3**	2.9	2.9
Inflation CPI	**2.2**	1.9	2.2
Rate of increase in pensionable salaries	**3.1**	2.9	2.9
Rate of increase for pensions in payment			
pre 2001 service	**3.6**	3.6	3.6
2001 to 5 April 2005 service	**3.1**	2.8	2.8
Post 5 April 2005 service	**2.2**	1.9	1.9
Rate of increase in deferred pensions	**2.2**	1.9	2.2
Rate used to discount plan liabilities	**4.5**	4.3	4.3

An operating charge of $0.8 million (first half 2012: $0.7 million; year 2012: $1.4 million continuing operations) and finance costs of $0.5 million (first half 2012: $0.2 million; year 2012: $0.5 million) have been recognised.

The assets and liabilities in the funded defined benefit pension plans were as follows:

$ million	**First half 2013**	First half 2012	Year 2012
Fair value of defined benefit pension plans' assets	**245.1**	239.9	257.2
Present value of defined benefit pension plans' obligations	**(256.5)**	(260.5)	(282.0)
Net UK funded defined benefit pension plan deficit on the balance sheet	**(11.4)**	(20.6)	(24.8)

The assets and liabilities on the balance sheet are as follows:

$ million	**First half 2013**	First half 2012	Year 2012
Assets			
UK funded defined benefit pension plan surplus	**-**	0.8	-
Liabilities			
UK funded defined benefit pension plan deficit	**(11.4)**	(21.4)	(24.8)
UK unfunded plan	**(0.8)**	(0.6)	(0.8)
	(12.2)	(22.0)	(25.6)

11 Reconciliation of profit to cash generated from operations

$ million	**First half 2013**	Restated First half 2012	Restated Year 2012
Profit for the period	**13.4**	38.7	126.5
Adjustments for:			
Tax	**1.1**	17.5	30.7
Profit on the sale of operations	**-**	-	(44.5)
Finance income	**(0.5)**	(0.3)	(0.8)
Finance costs	**0.5**	0.2	0.5
Depreciation of property, plant and equipment	**8.0**	7.5	15.2
Loss on the disposal of property, plant and equipment	**-**	-	0.1
Intangible asset amortisation	**4.9**	2.0	6.1
Share-based payment	**(0.9)**	0.8	1.6
Changes in working capital			
Deferred income received/(released)	**5.6**	12.4	(3.4)
Decrease in receivables	**8.1**	2.7	7.0
Decrease in inventories	**3.2**	2.0	1.6
Decrease in payables	**(3.6)**	(11.4)	(11.4)
(Decrease)/increase in provisions	**(0.5)**	0.5	0.4
Defined benefit pension plan	**(0.8)**	(0.8)	(1.4)
Cash flow from operations	**38.5**	71.8	128.2
Cash flow from operations comprises:			
Continuing operating activities	**38.5**	65.6	120.3
Discontinued operating activities	**-**	6.2	7.9
	38.5	71.8	128.2

12 Share capital

Number million	**First half 2013**	First half 2012	Year 2012
Issued and fully paid			
At 1 January	**650.6**	664.0	664.0
Cancelled during the period	**(7.1)**	(2.0)	(13.4)
Share capital at the end of the period	**643.5**	662.0	650.6

The Company has been operating an on market share repurchase programme. In the first half of 2013 the Company repurchased 7.1 million shares at a cost of $14.4 million (first half 2012: 2.0 million shares at a cost of $3.6 million; year 2012: 13.4 million shares at a cost of $30.8 million). Shares repurchased were cancelled.

13 Related party transactions

There have been no related party transactions in the first half of 2013 which have materially affected the financial position or the performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2012.

14 Capital commitments and contingent liabilities

There are no material capital commitments. There have been no material changes since 31 December 2012 to the Group's indemnities and contingencies.

<u>Statement of directors' responsibilities</u>

The directors confirm that to the best of their knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB and endorsed and adopted by the EU.

The half-year management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the 2012 Annual Report.

The directors of Spirent Communications plc are as listed in the Spirent Communications plc Annual Report for 31 December 2012.

By order of the Board of Spirent Communications plc.

E G Hutchinson
Chief Financial Officer
1 August 2013

Independent review report to Spirent Communications plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated cash flow statement, Condensed consolidated statement of changes in equity, and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
1 August 2013

Glossary

2G (Second Generation)	Second generation remains the most common type of wireless cellular communication in use globally. Although its primary focus has been voice service and short message service ("SMS"), it has also been enhanced to allow low rate data communication.
3G (Third Generation)	Third generation of mobile communications that promises data rates of hundreds of kilobits per second to tens of megabits per second.
3GPP (Third Generation Partnership Project)	A collaboration between groups of telecommunications associations from around the world, the scope of which is primarily to establish globally applicable third generation and beyond mobile phone system specifications.
4G (Fourth Generation)	Fourth generation of mobile communications that promises data rates of tens to hundreds of megabits per second. Future 4G technologies promise data rates in excess of one gigabit per second.
Attacks	Attempts to damage, disrupt, or gain unauthorised access to a computer, computer system, or electronic communications network.
BeiDou-2 (formerly Compass)	China's second generation global satellite navigation system, which is under construction but eventually planned to consist of 35 satellites. Service was launched in China during 2011, with plans to provide service globally by 2020.
Carrier Aggregation	A technique defined in 3GPP standards that enables multiple LTE carriers to be used together to provide the higher data rates required for 4G LTE-Advanced.
CDMA (Code Division Multiple Access)	A digital cellular technology standard which allows numerous signals to occupy a single transmission channel, thus increasing network capacity; used in 2G and 3G radio communications.
Cloud Computing	The delivery of computing as a service rather than a product, whereby shared resources, software, and information are provided to computers and other devices as a metered service over a network (typically the internet).
Core Networks	A combination of high capacity switches and transmission facilities which form the backbone of a carrier network. End users gain access to the core of the network from the Edge Network.
Core Router	A router designed to operate in the internet backbone, able to support multiple telecommunications interfaces of the highest speed in use in the core internet, and to forward IP packets at full speed on all of them. It must also support the routing protocols being used in the core.
Cyber Security (aka IT Security)	The body of technologies, processes and practices designed to protect networks, computers, programmes and data from attack, damage or unauthorised access. In an IT context, the term security implies cyber security.
Data Center	A centralised location where computing resources critical to an organisation are maintained in a highly controlled environment.
DDoS (Distributed Denial of Service)	An attack in which a multitude of compromised systems flood a targeted system with traffic, causing denial of service for its legitimate users.
Ethernet	A family of networking technologies originally developed for local area networks, which migrated to metro area networks and eventually became the dominant standard in wireline networks worldwide.
Evasion Technique	Bypassing an information security device in order to deliver an exploit, attack, or other form of malware to a target network or system, without detection.
Fragmented Spectrum Holdings	Many network operators have spectrum holdings which are not contiguous, which presents a barrier to achieving the performance and efficiency objectives of high speed wireless technologies, especially LTE-Advanced. Carrier aggregation is the preferred mitigation approach.
Fuzzing	A technique that involves providing invalid, unexpected, or random data to the inputs of a computer programme to test for security problems in software or computer systems.
Galileo	A global navigation satellite system being built by the European Union and European Space Agency that will offer users anywhere in the world "metre-class" geographic positioning when it becomes operational between 2014 and 2019.
Gateway	An internetworking system capable of joining together two networks that use different base protocols.

Glossary continued

GbE (Gigabit Ethernet)	A transmission technology based on the Ethernet frame format and protocol used in local area networks that provides a data rate of 1 billion bits per second (one gigabit) and which is used as the backbone in many enterprise networks.
GLONASS (The Russian Global Navigation Satellite System)	A global navigation satellite system operated by the Russian Federation. Deployment began in 1976 and, although the system fell into disrepair in the 1990s, full global service was restored in 2011.
GNSS (Global Navigation Satellite Systems)	The standard generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage. GNSS allows users' receivers to determine their location to within a few metres by employing a triangulation technique that uses information from multiple satellites.
GPS (Global Positioning System)	A global navigation satellite system operated by the United States government for determining a user's location and height at any point on the earth's surface. A receiver uses minute differences in measured time signals from clocks on satellites to calculate these positions and altitudes.
HD Voice (High Definition Voice)	A technology, based on standards from the International Telecommunication Union ("ITU"), that delivers high definition voice quality compared to standard digital telephony.
IP (Internet Protocol)	A network protocol used on the internet and other networks devices to facilitate and control the flow of data. Each computer (known as a host) has at least one IP address that uniquely identifies if from all other computers.
LTE (Long Term Evolution)	An advanced wireless data communications technology standard (sometimes called "4G") which is an evolution of 3G UMTS standards. In addition to a new wireless interface specification, LTE uses a simplified flat IP-based network architecture.
LTE-Advanced	An evolution of LTE technology, specified in 3GPP Release 10 and later specifications, regarded by some as the first true 4G technology.
M2M (Machine-to-Machine)	A technology that enables automated wireless (or wired) communication between mechanical or electronic devices.
OpenFlow	An open standard network protocol from the Open Network Foundation ("ONF"). OpenFlow enables software-defined networking for programmable networks.
OTA (Over-the-Air)	Any kind of event, transfer, or transaction that takes place wirelessly using the cellular network, as opposed to using a cable or other local connection. Testing of mobile device performance is commonly carried out using OTA techniques that take into account antenna design and implementation.
Physical Layer	In the Open Systems Interconnection ("OSI") communications model, the physical layer supports the electrical or mechanical interface to the physical medium.
SDN (Software-Defined Networking)	An approach to networking in which control is decoupled from hardware and given to a software application called a controller.
TD-LTE (Time Division LTE)	LTE standards accommodate cellular network and subscriber transmissions in different frequency bands (Frequency Division Duplex), as well as in the same frequency band (Time Division Duplex, often referred to as TD-LTE). TD-LTE is expected to be widely deployed in major Asian markets such as China, India and Japan, as well as parts of the United States and Europe.
UMTS (Universal Mobile Telecommunications System)	The most common 3G wireless technology globally, which uses WCDMA on its underlying air interface and offers support for data transfer rates from hundreds of kilobits per second to tens of megabits per second.
Virtualization	Technologies designed to provide a layer of abstraction from the physical characteristics of computing resources to simplify the way in which other systems, applications, or end users interact with those resources.
VoLTE (Voice over LTE)	A standards-based scheme adopted by the GSMA, the cellular industry's association, to provide voice service over data-only LTE networks. VoLTE's use of an IP Media Subsystem enables voice to be offered as part of a rich communications solution, integrated with services such as messaging, live video sharing and file transfer.
WCDMA (Wideband CDMA)	An International Telecommunication Union standard derived from CDMA which is used globally in 3G mobile communications.
Wi-Fi	A mechanism that enables devices such as personal computers, video game consoles, smartphones or digital audio players to exchange data wirelessly over a computer network and connect to network resources, such as the internet. Coverage ranges from a few rooms to several square miles, depending on the number of access points used.