2011 first half-year results

August 4, 2011
Welcome

Bill Burns, Chief Executive Officer
Safe harbour 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.

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.
First half 2011 highlights

- Investment trends remain positive across the communications industry driven by the demand for data connectivity worldwide
- Growth driven by broad solutions portfolio serving a worldwide customer base
- Strong growth in wireless and positioning
- More cautious stance adopted by some wireline customers
- Our pace of new product innovation continues
- Increasing market adoption of our data center, mobile backhaul, global positioning and LTE test solutions
Key performance indicators H1 2011

- **Book to Bill**
  - H1 2010: 104
  - H1 2011: 99
  - +15%

- **Revenue**
  - H1 2010: $227.2m
  - H1 2011: $260.4m
  - +16%

- **Operating Profit**
  - H1 2010: $49.9m
  - H1 2011: $57.8m
  - +16%

- **Return on Sales**
  - H1 2010: 22.0%
  - H1 2011: 22.2%
  - (1)

- **Free Cash Flow**
  - H1 2010: $33.4m
  - H1 2011: $17.1m
  - +24%

- **Adjusted EPS**
  - H1 2010: 5.05c
  - H1 2011: 6.25c
  - (1)(2)

Notes: (1) Before share-based payment, acquired intangible asset amortisation and acquisition expense (2) Before prior year tax
Financial review

Eric Hutchinson, Chief Financial Officer
## Comparative results H1 2011

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>H1 2011</th>
<th>H1 2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>260.4</td>
<td>227.2</td>
<td>15%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>170.5</td>
<td>148.8</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td><strong>65.5%</strong></td>
<td><strong>65.5%</strong></td>
<td></td>
</tr>
<tr>
<td>Product development</td>
<td>44.0</td>
<td>38.2</td>
<td></td>
</tr>
<tr>
<td>Selling &amp; distribution</td>
<td>48.2</td>
<td>42.0</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>20.5</td>
<td>18.7</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Profit</strong>(1)</td>
<td><strong>57.8</strong></td>
<td><strong>49.9</strong></td>
<td><strong>16%</strong></td>
</tr>
<tr>
<td><strong>Return on Sales</strong>(1)</td>
<td><strong>22.2%</strong></td>
<td><strong>22.0%</strong></td>
<td></td>
</tr>
<tr>
<td>Share-based payment and intangible amortisation</td>
<td>1.4</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Acquisition expense</td>
<td>1.2</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Reported Operating Profit</strong></td>
<td><strong>55.2</strong></td>
<td><strong>49.0</strong></td>
<td></td>
</tr>
<tr>
<td>Finance income/(expense) net</td>
<td>0.6</td>
<td>(0.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Pre Tax Profit</strong></td>
<td><strong>55.8</strong></td>
<td><strong>48.8</strong></td>
<td><strong>14%</strong></td>
</tr>
<tr>
<td>Tax expense</td>
<td>(16.1)</td>
<td>(14.6)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>39.7</strong></td>
<td><strong>34.2</strong></td>
<td></td>
</tr>
<tr>
<td>Basic EPS (cents)</td>
<td>5.94</td>
<td>5.08</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Adjusted EPS (cents)</strong> (1)(2)</td>
<td><strong>6.25</strong></td>
<td><strong>5.05</strong></td>
<td><strong>24%</strong></td>
</tr>
</tbody>
</table>

### Notes:
1. Before share-based payment, acquired intangible asset amortisation and acquisition expense
2. Before prior year tax credit of $0.3m (H1 2010: $1.1m)

- Sales growth at high end of expectations
- Order book broadly maintained
- Investing for growth in product development and sales channel
- Maintained operating profit return on sales
- Tax rate 29.4%, expected 30.0% full year
- Adjusted EPS up 24%
Performance Analysis review

- Revenue growth at high end of expectations
- Order book increased by $7.8 million
- Profit growth 22%, increase in RoS to 25.5%
Performace Analysis - half-yearly progress

- Order intake continued growth
- Operating profit up by $9.2 million, 22%
- Increase in return on sales
Service Assurance review

- Revenue growth continues
- Gross margin decreased due to more usual sales mix compared to 2010
- Return on sales of 17.1% in normal range

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>H1 2011</th>
<th>H1 2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>31.0</td>
<td>27.7</td>
<td>12%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>17.2</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>55.5%</td>
<td>64.3%</td>
<td></td>
</tr>
<tr>
<td>Product development</td>
<td>5.0</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>6.9</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>5.3</td>
<td>6.1</td>
<td>(13%)</td>
</tr>
<tr>
<td><strong>Return on Sales</strong></td>
<td>17.1%</td>
<td>22.0%</td>
<td></td>
</tr>
</tbody>
</table>
Systems review

- Revenue growth as expected
- Gross margin improvement as a result of positive product mix and off-shore manufacturing
- Increase in product development spend of $0.4 million in new product areas
- Adverse exchange rate impact of $0.7 million compared to H1 2010
- Return on sales of 15.0% in normal range

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>H1 2011</th>
<th>H1 2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>30.6</td>
<td>29.2</td>
<td>5%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>11.2</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>36.6%</td>
<td>35.6%</td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>4.6</td>
<td>5.0</td>
<td>(8%)</td>
</tr>
<tr>
<td><strong>Return on Sales</strong></td>
<td>15.0%</td>
<td>17.1%</td>
<td></td>
</tr>
</tbody>
</table>
# Free cash flow

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>H1 2011</th>
<th>H1 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>55.2</td>
<td>49.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Intangible amortisation and share-based payment</td>
<td>1.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Working capital and pensions</td>
<td>(21.9)</td>
<td>(6.9)</td>
</tr>
<tr>
<td><strong>Cash flow from operations</strong></td>
<td>41.5</td>
<td>48.9</td>
</tr>
<tr>
<td>Tax</td>
<td>(12.6)</td>
<td>(8.2)</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>28.9</td>
<td>40.7</td>
</tr>
<tr>
<td>Net interest income</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(12.3)</td>
<td>(7.6)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>17.1</td>
<td>33.4</td>
</tr>
</tbody>
</table>

- Closing cash of $210.1 million
- Investment in the business for growth
- Increased trading activity late in second quarter
Dividend & EPS

EPS
- Basic EPS rose 17% to 5.94c
- Adjusted EPS rose by 24% to 6.25c

Ordinary dividend policy
- Maintain high dividend cover
- Sustainable, progressive dividend

Interim dividend up 15% to 1.26c per share
- Payable in sterling 0.77p per share at $1.64:£1
  - Increase of 12% in sterling terms
- A cash distribution of $8.4 million
- Dividend cover is 5.0x
Strategy update and outlook

Bill Burns, Chief Executive Officer
Strong industry dynamics

Quality of Experience & revenue assurance

Growing & unpredictable connectivity requirements

Service Providers, Alternative and Cloud Computing Providers

Converged Infrastructure

Data Center 2.0

Innovations that lower cost and increase revenue opportunities

Service Providers, Alternative and Cloud Computing Providers

Network Operations

Management Challenge

Cost of running networks growing faster than revenue

Network Equipment Manufacturers
Mobile Device Manufacturers

Virtualization
100GbE
EvolvedPacketCore
40GbE
LocationBasedServices
Smartphones
EthernetMobileBackhaul
LTE
Multi-GNSS
Our strategy

- Focus on growing and emerging markets
- Invest in our people
- Innovation
- Evolve and expand our solutions portfolio
- ‘Right Solution’ at the ‘Right Time’
- Global reach
Converged Infrastructure
What we test: Converged Infrastructure

- Satellite receiver testing
- Application Quality of Experience (QoE)
- In-Home & outside plant troubleshooting
- Mobile Backhaul
- Mobile device performance, certification and applications
- Cloud performance, availability, security and scalability (PASS)
- Virtualization & converged Ethernet
- 3rd Party/Public Cloud Services
- 10 & 100 Gb Ethernet
- 10 & 40 Gb Ethernet
- Enhanced Packet Core
- Ethernet Service Assurance
- Base Station Air Interface
- DSL, Cable, WiFi
- E1, VDSL, VDSL2, Fiber, MPLS/SDH, Bandwidth & Packet Core
- Mobile Backhaul & Core
- Mobile Backhaul & Packet Core
- Mobile Backhaul & Ethernet
- Mobile Backhaul & MPLS/SDH
- Mobile Backhaul & SONET
- Mobile Backhaul & Ethernet
- Mobile Backhaul & Satellite System
- Mobile Backhaul & Wireless
- Mobile Backhaul & Base Station
- Mobile Backhaul & Air Interface
- Mobile Backhaul & Internet
- Mobile Backhaul & Private Cloud
- Mobile Backhaul & Public Cloud

SPRENT
Recognised by customers and industry

Customer Wins

Awards
Mobile Broadband Technology adoption

- 3G enabled device unit shipments forecasted to grow as overall revenue declines due to reductions in cost per device
- Strong growth expected as LTE enabled devices begin to ramp
- LTE enabled devices support multiple cellular / connectivity technologies which increases the requirement for test

Source: Infonetics Research: 2G/3G/4G (LTE and WiMAX) Broadband Devices and Subscribers - Market Share, Size, and Forecasts - 4Q10
10 GbE adoption within Enterprise networks on the rise as 10 GbE routers are expected to double during the forecast period

High Speed Ethernet (40/100 GbE) adoption driven by Service Providers and Large Data Centers / Cloud Infrastructures

Network Equipment Manufacturers continue investment in high growth 10GbE as 40GbE and 100GbE revenues are still at their infancy

Summary & outlook

- Positive momentum across the communications industry
- Investing for future organic growth in new served markets
- Maintaining best in class profitability coupled with top line growth
- Well placed to continue to achieve further progress, in line with our original expectations for the second half-year