

2008 First Half-Year Results



5 August 2008

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Introduction

- Earnings overview
- Segment review
- Performance Analysis market outlook
- Wireless update
- Free cash flow
- Shareholder distributions

Comparative results

- Continuing operations before exceptional items

<i>£ millions</i>	<u>H1 2007</u>	<u>H1 2008</u>
Sales	114.2	120.5
Gross Profit	68.4	76.5
Product Development	22.8	21.4
Selling & Distribution	25.6	22.0
Administration	15.0	12.1
Operating Profit	<u>5.0</u>	<u>21.0</u>
Finance Income, Net	3.1	1.6
Tax Expense ⁽¹⁾	<u>(0.7)</u>	<u>(2.4)</u>
Net Income	7.4	20.2
EPS	0.85p	2.67p
EPS Before Items ⁽²⁾	1.01p	2.83p
Average Shares Outstanding	873.7	757.2

- Restructuring programme largely complete
 - Annual savings of £31.7 million expected versus £29.3 million estimate
 - £6.3 million savings in H1 2008 versus H1 2007
 - Expect continued improvement in manufacturing cost in H2

(1) Before prior year items

(2) Before share-based compensation and amortisation of intangibles

Performance Analysis review

<i>\$ millions</i>	<u>H1 2007</u>	<u>H1 2008</u>
Sales	158.6	174.4
Gross Profit	107.4	124.7
Product Development	37.0	35.4
Other Expenses	61.5	53.3
Operating Profit ⁽¹⁾	8.9	36.0
<i>Operating Margin</i>	5.6%	20.6%
Free Cash Flow	25.2	28.5
<i>FCF Margin</i>	15.9%	16.3%

- Constant currency sales growth 9% year-over-year
 - Continued increases in Spirent TestCenter, wireless and other continuing products
 - Legacy product declines had less impact
- Continued strong order book position
- Restructuring benefits realised
- Continuing focus in H2 on gross margin improvement
 - Achieved 72% gross margin in H1 2008 versus 68% in H1 2007
 - Increasing proportion of software
 - Recognise further benefits of manufacturing cost reduction programme in H2

(1) Before exceptional items

Performance Analysis – composition of orders

- H1 2008 year-over-year increase / (decrease)

Spirent Test Center	30%
Other Continuing Products ⁽¹⁾	<u>28%</u>
Subtotal Continuing	29%
Legacy Broadband	(42%)

- Performance Analysis' growth in new and continuing product orders continues to outpace decline in legacy broadband products
 - Legacy products currently 19% of orders vs. 34% in H1 2007
- New releases of Spirent TestCenter broadened addressable market in H1
 - Additional Spirent TestCenter H2 releases to further expand addressable market
 - Continued enhancements to Layers 2-7 testing functionality
- Significant investment in wireless and broadband to support further growth
- Integration project for “other broadband” products on schedule
 - Revenue impact expected H2 2008

(1) Includes wireless and position testing

Performance Analysis market drivers

- Data intensive traffic (e.g. IPTV) continues to drive demand for frequent performance increases
 - Up to 10x increases in data speed
- New wireless services and technologies driving demand for wireless testing
 - New air interfaces targeting significant increases in data rates
 - Streaming mobile video
 - Location based services
- Increased demand for integration of applications
 - Layers 2-7
 - *Wireless to wired* network services
- Major NEMs increased R&D spending by approximately 18.8% in Q1 2008⁽¹⁾
 - Responding to competitive pressure

(1) Spirent estimate based on reported data from Alcatel-Lucent, Cisco, Ericsson, Juniper Networks, Motorola and Nortel

Performance Analysis ongoing product development

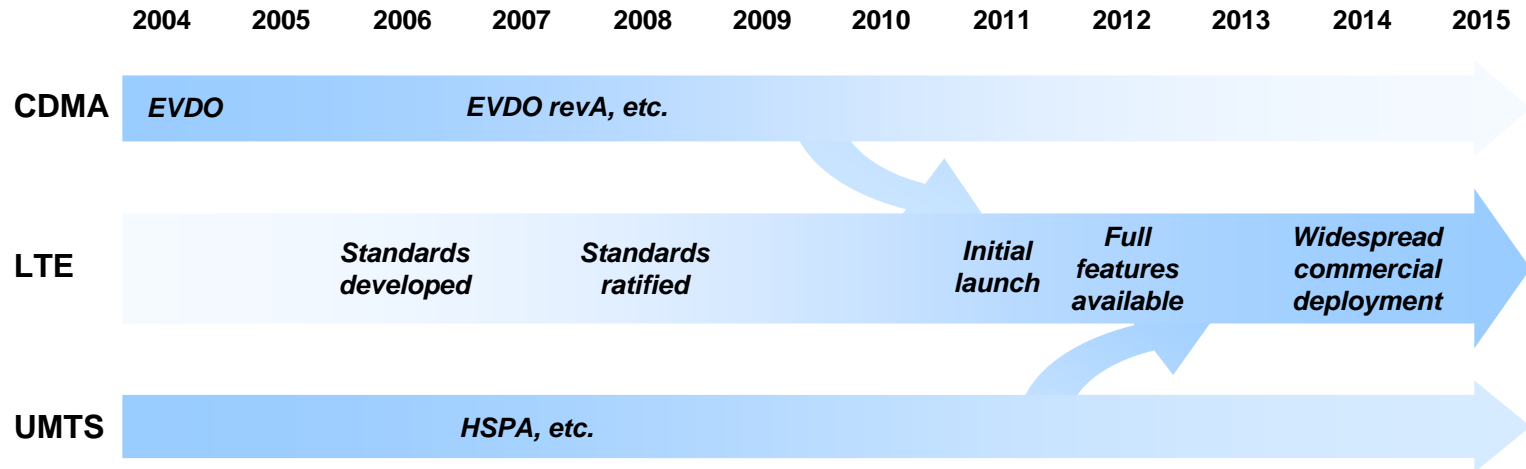
- Broadband
 - High density 10Gb
 - 40Gb and 100Gb
 - Integrated Layers 2-7

- Wireless
 - CDMA
 - EVDO revA and beyond
 - focus on data and video performance testing
 - UMTS (WCDMA)
 - HSPA and beyond
 - focus on data, video and packet core performance testing
 - WiMax
 - system performance testing
 - LTE
 - current focus on infrastructure and device performance testing

Performance Analysis – wireless product strategy

- Performance Analysis product lines
 - Air interface testing (RF performance)
 - Device test solutions (emulate various network elements)
 - Other (position testing, etc.)
- Principal wireless standards supported
 - CDMA Primary 3G technology in US and parts of Asia
 - UMTS (WCDMA) Primary 3G technology in Europe and rest of world
 - LTE Proposed 4G technology
 - complementary to CDMA and UMTS networks
 - significant increases in data rates

Expected wireless industry network development



- CDMA and UMTS networks will continue to be enhanced after initial LTE deployment
 - CDMA operators expected to begin deployment of LTE in 2010, UMTS to follow in 2012
 - Networks will employ both technologies in parallel for a significant period
- Deployment of LTE by CDMA operators may occur sooner than UMTS
 - Continued performance upgrades in UMTS (HSPA) delay need for transition
- Spirent technology well positioned for evolution of wireless networks
 - Embedded CDMA customer base expected to transition to LTE earlier
 - UMTS to LTE solutions available when needed

Wireless performance test evolution

- UMTS and CDMA network operators expected to offer LTE for premium services
 - Higher data speeds
 - New services
 - Growth of UMTS and CDMA networks will continue for a significant period
- LTE handsets will require multi-mode capability to be compatible with existing networks
 - CDMA / LTE
 - UMTS / LTE
 - Various combinations of the above technologies with WiMax and WiFi

Wireless performance test opportunity

- Expect to maintain market share as current CDMA customers deploy LTE
- Objective to gain additional market share with UMTS customers preparing for adoption of LTE
- Developing UMTS and CDMA device test solutions in parallel
 - Expands available market currently and in LTE
 - Maximises marketing advantage of integrated *wired* to *wireless* Spirent technology
- Development of UMTS device test solutions
 - Building additional relationships with customers migrating to LTE from UMTS
 - Provides technology base for dual mode UMTS / LTE requirement
 - Allows UMTS customers to gain the benefit of integrated Layers 2-7 technology being developed by PA Broadband

Wireless product offering

- Current position in UMTS
 - Per cent of test solution sales

	<u>H1 2008</u>
CDMA	74%
UMTS	26%

- 54 UMTS device test solution customers

- Current position in LTE
 - Major change in LTE is new air interface
 - all IP network architecture
 - Significant commonality between LTE and WiMax air interface testing requirements
 - WiMax may coexist with LTE in certain markets

- LTE product availability
 - Air interface Now
 - Device test (various functions) 2009
 - Other Now

Service Assurance review

<i>\$ millions</i>	<u>H1 2007</u>	<u>H1 2008</u>
Sales	32.6	31.3
Operating Profit ⁽¹⁾	1.8	4.6
<i>Operating Margin</i>	5.5%	14.7%
Free Cash Flow	4.5	4.4
<i>FCF Margin</i>	13.8%	14.1%

- Improved profitability despite sales decline
- Renewed interest in “Triple Play” network monitoring solutions
 - Awarded first US deployment of IP DSLAM monitoring system based on Spirent Triple Play test technology
- “In-home” field test solutions create new opportunity

(1) Before exceptional items

Systems review

<i>£ millions</i>	<u>H1 2007</u>	<u>H1 2008</u>
Sales	17.1	16.6
Operating Profit	1.7	2.1
<i>Operating Margin</i>	9.9%	12.7%
Free Cash Flow	2.8	2.0
<i>FCF Margin</i>	16.4%	12.0%

- Operations principally in UK
 - High sensitivity to exchange rates
 - Operating profit impacted by £0.4 million in H1 2008
- Actions taken
 - Increased manufacturing outsourcing to Far East from 39% to 56% currently
 - target to increase to 65% by year end
 - Adjust pricing where possible
- New products for industrial market beginning to gain market acceptance
 - 13% of Systems division sales in H1 2008

Free cash flow

<i>£ millions</i>	<u>H1 2007⁽¹⁾</u>	<u>H1 2008</u>
Cash flows from operations	15.4	19.5
Tax (paid) / received	6.2	(0.8)
Net cash flow from operating activities	21.6	18.7
Net interest income	2.2	2.5
Net capital expenditure	(2.6)	(3.4)
Free cash flow	21.2	17.8
Net (Acquisitions) / Disposals	(10.7)	-
Share capital	3.3	0.3
Transfer from long-term deposits	0.7	0.8
Cash inflow before share buyback	14.5	18.9
Share buyback	(4.2)	(30.3)
Cash inflow/(outflow)	10.3	(11.4)
Closing cash and cash equivalents	106.9	67.7

- H1 2008 free cash flow equals 15% of sales

(1) Restated to reclassify tax paid on disposals

Shareholder distributions – H2 2008

- Reinstatement of ordinary dividend
 - Interim dividend 0.5p per share
 - Cash required £3.7 million
 - Dividend coverage 5.5x
 - Anticipate maintaining relatively high coverage
 - Progressive dividend policy

- Share repurchases
 - Anticipate £50 million of additional repurchases

	<u>£mms</u>	<u>Shares (millions)</u>	<u>% Reduction</u>
Shares outstanding at 31/12/2007 ⁽¹⁾		783.5	-
Repurchases in H1	32.3	50.8	6.5%
Additional repurchases planned	50.0	78.4 ⁽²⁾	10.0%
Estimated shares outstanding ⁽¹⁾		654.3	16.5%

- On-market repurchases or tender offer
- Expected H2 free cash flow provides adequate liquidity
- £25 million 3 year line of credit available

(1) Excludes treasury shares and shares in trust

(2) At current market prices

Summary and outlook

- H1 2008 reflects effect of improving revenue growth and restructuring
 - Underlying Performance Analysis revenues increased 9%
 - Full year of restructuring benefits in 2008
- Market outlook supported by next-generation broadband and wireless technologies
 - Performance Analysis has favourable market and technology positions
 - Well positioned for wireless market growth
- Strong Performance Analysis order book at year-end continues at end of H1
- Further cost savings in place for H2
- Free cash flow available for shareholder distributions
 - Accelerated repurchases in H2
 - Based on market conditions and other factors
- Dividend reinstated
- Separation of chairman and chief executive positions expected in H2
 - Proven internal candidate allows smooth transition
 - Strategy to capitalise on the integration of broadband and wireless capabilities

