



News Release

SPIRENT COMMUNICATIONS PLC

INTERIM MANAGEMENT STATEMENT (UNAUDITED)

London, UK – 3 November 2011: Spirent Communications plc (“Spirent”, the “Company” or the “Group”) (LSE: SPT), a leading communications technology company, announces the following unaudited Interim Management Statement for the period from 3 July 2011 to date. All growth rates are against the same period in 2010 unless otherwise stated.

Trading to date

Spirent’s performance for the period is in line with the Board’s expectations. Group order intake grew 8% year-on-year for the first nine months of 2011. Over the same period, revenue increased by 11% and adjusted operating profit grew by 13% with return on sales for the Group maintained at 23%. Spirent’s broad product portfolio of innovative test solutions and large number of geographically diverse customers has enabled the Group to mitigate substantially the effects of the current macro-economic uncertainties and deliver further positive momentum during the third quarter.

Highlights - third quarter 2011

Financial

- Group order intake grew 4%; Performance Analysis increased 8%.
- Group book to bill ratio of 102 (Q3 2010: 104); Performance Analysis ratio of 105 (Q3 2010: 108).
- Revenue up by 6% to \$130.2 million (Q3 2010: \$123.3 million); Performance Analysis grew 10% to \$104.0 million (Q3 2010: \$94.2 million).
- Reported operating profit increased by 7% to \$31.1 million (Q3 2010: \$29.0 million); adjusted operating profit grew 8% to \$31.8 million (Q3 2010: \$29.5 million).
- Basic earnings per share rose 11% to 3.23 cents (Q3 2010: 2.92 cents); adjusted basic earnings per share also up 11% to 3.34 cents (Q3 2010: 3.00 cents).
- Return on sales 24%.
- Free cash generation of \$25.8 million (Q3 2010: \$14.8 million).

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Operational

- In Performance Analysis strong growth in demand continued for our wireless, positioning and data center test solutions.
- Weaker demand in Service Assurance and Systems.
- New test solutions and customer endorsements announced since 3 July include:
 - Release of the Spirent TestCenter HyperMetrics mX 40/100G module, the highest density, most powerful solution for high speed Ethernet testing with increased emulation scale and realism;
 - Launch of Spirent’s Infrastructure Test Optimization initiative; enabling customers to test more effectively and efficiently through integration, automation and collaboration;
 - Alcatel-Lucent selects Spirent’s solution to test the performance of its new FP3 400G network processor in advance of its commercial introduction;
 - SGS Electrical and Electronics, a leading testing and certification company, chooses Spirent for LTE device performance testing;
 - U-blox selects Spirent for combined GPS/GLONASS multi-GNSS testing.

Market conditions and outlook

Market conditions during the third quarter exhibited similar trends to those reported at the half-year. Strong demand for wireless, positioning and data center test solutions continued, with a more cautious stance adopted by some wireline customers. Regionally Asia Pacific continued to grow strongly, with macro-economic concerns weighing on North America and Europe. We expect similar market conditions will remain through the fourth quarter this year. The Board anticipates that Spirent will meet its current expectations for the full year.

Bill Burns, Chief Executive Officer, commented:

“Spirent has performed strongly in uncertain macro-economic conditions. The pace of innovation in data technologies has not slowed and the broader market opportunities remain attractive created by mobile internet, global positioning and cloud computing, all of which will drive our business over the next several years.

“We remain focused on executing our strategy to make investments in the right areas through product development for long term growth while at the same time managing our costs through this time of global economic uncertainty. While we expect that near term macro-economic conditions will cause some to be cautious in their capital spending, we remain well placed within our industry to meet the growing and evolving demands of our customers.”

Third quarter 2011

The results for the third quarter of 2011 are set out below:

\$ million	3 rd quarter 2011	3 rd quarter 2010	Change (%)
Reported			
Revenue	130.2	123.3	6
Operating profit	31.1	29.0	7
Basic earnings per share (cents)	3.23	2.92	11
Free cash flow ¹	25.8	14.8	74
Adjusted			
Operating profit ²	31.8	29.5	8
Basic earnings per share ² (cents)	3.34	3.00	11

Notes

1. Operating cash flow after tax, net interest and net capital expenditure.
2. Before share-based payment, acquired intangible asset amortisation and acquisition related costs.

In Performance Analysis the strong growth in demand for our wireless, positioning and data center test products continued into the third quarter of 2011. In wireline momentum slowed, reflecting the more cautious stance adopted by some customers. There was weaker demand in Service Assurance, and also in Systems.

Adjusted Group operating profit grew by \$2.3 million to \$31.8 million; return on sales was maintained at 24 per cent. Our commitment to increase our investment in product development and sales and marketing to expand into new markets and drive sustainable profitable growth remains unchanged.

Adjusted basic earnings per share grew by 11 per cent to 3.34 cents.

Performance Analysis

Performance Analysis order intake grew 8 per cent over the third quarter of 2010. Revenue was up 10 per cent to \$104.0 million (Q3 2010: \$94.2 million) and operating profit grew by 14 per cent to \$29.5 million (Q3 2010: \$25.8 million). The book to bill ratio for the third quarter was 105 (Q3 2010: 108). The strong growth trends for wireless, positioning and data center test solutions continue, driven by the pace of innovation in these technologies. In wireline revenue was impacted by a cautious stance adopted by some customers in response to the macro-economic environment, particularly in the US and Europe.

Service Assurance

Although order intake was flat period-on-period, revenue fell by 18 per cent compared with the third quarter of 2010 and operating profit by 54 per cent to \$1.2 million. The lower revenue is due to spending restraint and delays in placing orders by our major customers which is likely to remain unchanged in the fourth quarter.

Systems

In the third quarter of 2011 US Medicare related sales remained depressed due to the changes in the reimbursement rules for wheelchairs. This was exacerbated by the lower demand for consumer funded wheelchairs due to the economic slowdown. Order intake was down 19 per cent compared with the third quarter of 2010. Systems' revenue at \$14.8 million for the quarter was 3 per cent below the same period in 2010. Operating profit at \$2.5 million was marginally higher than the third quarter of 2010, benefitting from foreign exchange gains. Market conditions for our Systems business are expected to remain the same in the near term.

Cash

There was strong free cash generation of \$25.8 million in the third quarter (Q3 2010: \$14.8 million). As anticipated, working capital was released, as the build experienced late in the second quarter of 2011 reversed. Cash and cash equivalents closed at \$226.9 million (3 July 2011: \$210.1 million), after payment of the 2011 interim dividend of \$8.1 million in September.

Women on Boards

In response to the Davies Review, the Company made the following statement on its website on 21 September 2011:

“The Board aims to have a broad range of skills, backgrounds and experience. We will continue to follow a policy of ensuring that we appoint the best people for the relevant roles and recognise the importance and benefits of greater diversity both at board level and throughout the Group and will take this into account when considering any particular appointment. The Company will report further regarding Lord Davies' recommendations in its 2011 Annual Report.”

Enquiries

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About Spirent Communications plc

Spirent Communications plc is a global leader in test and measurement inspiring innovation within development labs, communication networks and IT organisations. We enable today's communication ecosystem as well as tomorrow's emerging enterprises to deploy life enriching communications networks, devices, services and applications. The Systems group develops sophisticated power control systems for electrical vehicles in the medical mobility and industrial markets. Further information about Spirent Communications plc can be found at www.spirent.com.

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT). The Company operates a Level 1 American Depositary Receipt ("ADR") programme with each ADR representing four Spirent Communications plc Ordinary Shares. The ADRs trade in the US over-the-counter ("OTC") market under the symbol SPMYY and the CUSIP number is 84856M209. Spirent ADRs are quoted on the Pink OTC Markets electronic quotation service which can be found at www.pinksheets.com.

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Cautionary statement regarding forward-looking statements

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

Condensed consolidated income statement (unaudited)

Period ended 2 October 2011

\$ million	Period to 2 October 2011		Period to 3 October 2010	
	3 rd quarter	Year to date	3 rd quarter	Year to date
Revenue	130.2	390.6	123.3	350.5
Cost of sales	(44.4)	(134.3)	(40.9)	(119.3)
Gross profit	85.8	256.3	82.4	231.2
Product development	(22.0)	(66.0)	(20.5)	(58.7)
Selling and distribution	(23.4)	(71.6)	(22.0)	(64.0)
Administration	(9.3)	(32.4)	(10.9)	(30.5)
Operating profit	31.1	86.3	29.0	78.0
Net finance income/(expense)	0.3	0.9	(0.1)	(0.3)
Profit before tax	31.4	87.2	28.9	77.7
Tax	(9.8)	(25.9)	(9.3)	(23.9)
Profit for the period attributable to equity shareholders of parent Company	21.6	61.3	19.6	53.8
Earnings per share (cents)				
Basic	3.23	9.17	2.92	8.00
Diluted	3.20	9.09	2.89	7.91

Segmental analysis

\$ million	Period to 2 October 2011		Period to 3 October 2010	
	3 rd quarter	Year to date	3 rd quarter	Year to date
Revenue				
Performance Analysis	104.0	302.8	94.2	264.5
Service Assurance	11.4	42.4	13.9	41.6
Systems	14.8	45.4	15.2	44.4
	130.2	390.6	123.3	350.5
Operating profit				
Performance Analysis	29.5	80.2	25.8	67.3
Service Assurance	1.2	6.5	2.6	8.7
Systems	2.5	7.1	2.3	7.3
Total reportable segment profit	33.2	93.8	30.7	83.3
Unallocated amounts				
Corporate	(1.4)	(4.2)	(1.2)	(3.9)
Acquisition related costs	-	(1.2)	-	-
Acquired intangible asset amortisation	(0.3)	(1.3)	(0.3)	(1.0)
Share-based payment	(0.4)	(0.8)	(0.2)	(0.4)
Operating profit	31.1	86.3	29.0	78.0

Other information

\$ million				
Depreciation	3.3	9.7	2.9	8.8
Capital expenditure	5.5	14.2	4.2	12.0

Earnings per share

Basic (cents)	3.23	9.17	2.92	8.00
Diluted (cents)	3.20	9.09	2.89	7.91
Weighted average number of shares				
in issue at period end				
Basic (million)		668.5		672.2
Diluted (million)		674.3		679.8

Earnings per share continued

The Group is disclosing adjusted earnings per share attributable to equity shareholders in order to provide a measure to enable period-on-period comparisons to be made of its performance.

	Period to 2 October 2011		Period to 3 October 2010	
	3 rd quarter		3 rd quarter	
	\$ million	Cents	\$ million	Cents
Profit for the period attributable to equity shareholders of parent Company	21.6	3.23	19.6	2.92
Acquired intangible asset amortisation	0.3		0.3	
Share-based payment	0.4		0.2	
Adjusted basic	22.3	3.34	20.1	3.00
Adjusted diluted		3.31		2.97

	Period to 2 October 2011		Period to 3 October 2010	
	Year to date		Year to date	
	\$ million	Cents	\$ million	Cents
Profit for the period attributable to equity shareholders of parent Company	61.3	9.17	53.8	8.00
Prior year tax credit	(0.3)		(1.1)	
Acquired intangible asset amortisation	1.3		1.0	
Share-based payment	0.8		0.4	
Acquisition related costs	1.2		-	
Tax effect on above items	(0.2)		-	
Adjusted basic	64.1	9.59	54.1	8.05
Adjusted diluted		9.51		7.96