SPIRENT COMMUNICATIONS PLC
HALF YEAR REPORT 2017

London, UK – 3 August 2017: 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 2017.

Results summary

$ million	**First half 2017**	First half 2016
Revenue	**213.6**	213.5
Adjusted operating profit[1]	**17.4**	10.4
Operating profit	**11.3**	3.1
Profit before tax	**14.4**	2.0
Adjusted basic earnings per share [2] (cents)	**2.10**	1.13
Basic earnings per share (cents)	**1.85**	0.16
Interim dividend per share[3] (cents)	**1.68**	1.68
Book to bill[4]	**93**	104
Free cash flow[5]	**28.7**	13.4
Closing cash	**110.2**	96.1

Notes

1 Adjusted operating profit is before charging exceptional items, acquired intangible asset amortisation and share-based payment amounting to $6.1 million in total (first half 2016: $7.3 million).

2 Adjusted basic earnings per share is based on adjusted earnings as set out in note 7 of Notes to the half year condensed consolidated financial statements.

3 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 2017 of 1.68 cents per Ordinary Share is equivalent to 1.27 pence per ordinary share.

4 The ratio of orders booked to revenue in the period.

5 Operating cash flow after tax, net interest and net capital expenditure. See reconciliation on page 13.

Operational highlights

- Revenue level at $213.6 million (first half 2016: $213.5 million).
  - Strong trading performance in **Networks & Security**, demand for our positioning products offset some slowing of Ethernet testing demand in the second quarter. Application Security tracks to plan with increasing sales in enterprise and government.
  - As expected, sales of **Lifecycle Service Assurance** products for the full year 2017 will be second half weighted, customer trials are progressing positively.
  - Decline in **Connected Devices** has been managed well, reporting an adjusted operating profit of $0.5 million (first half 2016: $2.7 million loss).
- Adjusted operating profit up 67 per cent to $17.4 million (first half 2016: $10.4 million).
- Strong business wins including new customers in Asia, in part mitigating weakness currently being experienced in Americas and Europe, due to some delayed customer projects.
- Strong cash flow management.
- Adjusted basic EPS up 86 per cent to 2.10 cents (first half 2016: 1.13 cents).

Eric Hutchinson, Chief Executive Officer, commented:
"We are pleased with the progress in the first half, delivering improved earnings and operating margin on level revenue, driven from good performance from our Networks & Security segment and cost management actions across the business.

Taking into account the exit of some of our non-core product lines and the impact of Ethernet testing delays in the United States, we expect revenues for the year to be broadly flat. The Board's expectations for profit for the full year remains unchanged.

Longer-term, the prospects for active test and analytics solutions are significant, and across our three segments, these results give me confidence that we are prioritising the right areas in our efforts to drive sustainable earnings growth."

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Enquiries

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The Company will host a results presentation today at 9.30am UK time at UBS Limited, 5 Broadgate, London EC2M 2QS. A simultaneous webcast of the presentation will be available in the Investors section of the Spirent Communications plc website https://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 https://corporate.spirent.com/.

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT; LEI: 213800HKCUNWP1916L38). 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/marketplaces/otc-pink.

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.

OVERVIEW

In the first half of 2017, Spirent delivered solid earnings growth due to strong performance in Networks & Security and cost control across the business. Revenue was flat at $213.6 million (first half 2016: $213.5 million), with growth in Networks & Security being offset by lower activity in Lifecycle Service Assurance and Connected Devices.

From the perspective of our order book, intake was impacted by changes in customer priorities leading to project delays in Ethernet testing, while, as previously flagged, our Lifecycle Service Assurance services are second half weighted. These factors, together with the decline in device testing in our Wireless business, left orders behind the same period last year by 11 per cent. Nevertheless, the pipeline of orders for the second half is robust and trials with key clients are progressing positively.

On a geographic view, demand in the Americas and Europe softened somewhat after a strong first quarter, while demand in APAC remained strong.

Adjusted operating profit increased to $17.4 million up by 67 per cent from $10.4 million for the first half 2016. This improvement reflected the benefit of cost control actions. Reported operating profit was $11.3 million (first half 2016: $3.1 million). As a result operating margin continues to improve.

- In the first half year the revenue for **Networks & Security** grew by 11 per cent compared to last year. This was driven in part by our recent targeted investments which helped to deliver double digit growth in Ethernet test systems and a steady increase in demand for satellite navigation simulation systems and good progress in our security applications business.

- The performance in **Lifecycle Service Assurance** reflected the transition from lab testing to active testing in the live network. Activity dropped as demand for lab test systems decreased, through the move to put development into live operations and the impact of customer consolidation. The prospects for active test are significant with the switch to live development moving at pace. Spirent is well positioned, benefiting from the investments made in this area and customers are planning to increase the development of live operation service assurance systems during the second half of 2017.

- As expected and previously communicated, **Connected Devices** revenue was down due to the structural change in the smartphone industry. Cost actions undertaken by management mitigated and stabilised the decline, delivering an adjusted operating profit of $0.5 million. Following our product review, Spirent exited the Developer Tools and Device Intelligence businesses, on 30 June, reducing our annual revenue by approximately $15 million and our revenue for the second half year by approximately $6 million, with minimal impact on earnings.

Basic earnings per share was 1.85 cents (first half 2016: 0.16 cents).

Focused working capital management resulted in strong free cash flow of $28.7 million (first half 2016: $13.4 million). Cash and cash equivalents closed at $110.2 million (31 December 2016: $96.1 million).

The Board has declared an interim dividend of 1.68 cents per share, unchanged from 2016. In sterling, the currency in which the dividend will be paid, this is the equivalent of 1.27 pence per share (first half 2016: 1.27 pence) at an exchange rate of $1.32:£1.

Outlook

We are pleased with the progress in the first half, delivering improved earnings and operating margin on level revenue, driven from good performance from our Networks & Security segment and cost management actions across the business.

Taking into account the exit of some of our non-core product lines, referred to above, and the impact of Ethernet testing delays in the United States, we expect revenues for the year to be broadly flat. The Board's expectations for profit for the full year remains unchanged.

Longer-term, the prospects for active test and analytics solutions are significant, and across our three segments, these results give me confidence that we are prioritising the right areas in our efforts to drive sustainable earnings growth.

PERFORMANCE REVIEW

As announced at the start of this year, Spirent focuses on three strategic segments: Networks & Security, Lifecycle Service Assurance and Connected Devices. This strategic focus positions Spirent to meet the needs and expectations of our customers and capitalise on the business opportunities, as they develop and operate the innovative devices, applications, networks and services that make up our connected world and define our smarter future.

$ million	**First half 2017**	First half 2016	Change (%)
Revenue	**213.6**	213.5	-
Adjusted operating profit[1]	**17.4**	10.4	67.3
Adjusted operating margin[1] (%)	**8.1**	4.9	3.2

Note
1 Adjusted operating profit is before charging exceptional items, acquired intangible asset amortisation and share-based payment amounting to $6.1 million in total (first half 2016: $7.3 million).

In the first half of 2017, Spirent reported revenue of $213.6 million, level compared to the same period last year (first half 2016: $213.5 million). Geographically, APAC performed strongly driven by Networks & Security. Gross margin was 70.8 per cent, the same as for the first half of 2016. Adjusted operating profit increased to $17.4 million, 8.1 per cent of revenue (first half 2016: $10.4 million, 4.9 per cent of revenue), as a result of operating cost savings, predominantly within Connected Devices.

Networks & Security – 59% of Group revenue

Networks & Security provides automated functional, performance and security testing products and services to accelerate the development of new devices, networks and applications. Our products generate traffic to simulate real-world conditions in the lab or in the operating networks. Our portfolio covers high-speed IP/Ethernet, cloud, virtualisation, applications, security and global satellite navigation systems.

$ million	**First half 2017**	First half 2016[1]	Change (%)
Revenue	**126.0**	113.7	10.8
Adjusted operating profit[2]	**19.5**	12.0	62.5
Adjusted operating margin[2] (%)	**15.5**	10.6	4.9

Notes
1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2 Before exceptional items.

In the first half of 2017, Networks & Security reported revenue growth of 11 per cent to $126.0 million (first half 2016: $113.7 million), driven by demand for our high-speed Ethernet performance test systems, global navigation satellite systems simulators and new security test product and services. Geographically, APAC performed strongly driven by ongoing network infrastructure build out in China. Gross margin was 71.7 per cent, slightly up from 70.8 per cent for the first half of 2016 and adjusted operating profit increased to $19.5 million (first half 2016: $12.0 million) driven by the higher revenue and product mix.

In the second quarter, demand for 100G Ethernet testing slowed as some of our key customers have prioritised moving to 400G development.

That being said, Spirent remains the world leader in high-speed Ethernet performance test systems. In June, Spirent supported New H3C, a Chinese network equipment manufacturer, in demonstrating the industry's highest density 100G Ethernet data center switch performance with a density of 768 100G ports per chassis.

In terms of new product development, targeted investments continue to drive new launches which saw Spirent develop specialised products for the automotive Ethernet market in the first half of 2017. Spirent launched the first automotive Ethernet protocol conformance and performance test system with the new 1000BASE-T1 physical layer standard. This solution enables automobile manufacturers and suppliers to determine if their data traffic is transmitted correctly and on time over the industry's highest in-vehicle connectivity bandwidth. In April, Spirent released the first conformance test solution for WAVE-DSRC (Wireless Access in Vehicular Environments - Dedicated Short-Range Communications) that includes a set of tests required for U.S. Department of Transportation (USDOT) certification. In late 2016, the USDOT proposed a rule that would require automakers to include vehicle-to-vehicle technologies in all new light-duty vehicles.

Spirent launched our SecurityLabs penetration testing and consulting services and our CyberFlood test product last year. This year, we expanded our security coverage, including WannaCry ransomware, IoT, industrial controls and distributed denial-of-service (DDoS) attacks. Our CyberFlood is the first platform to offer proactive testing for WannaCry ransomware. We have strengthened our fuzzing capabilities with support for IoT and industrial control protocols, and for common DDoS attacks. We provide near-zero-day testing for the latest application scenarios, attacks and malware. Good progress has been made with increased sales to enterprise and government customers.

Spirent remains the world leader in test systems for global navigation satellite systems (GNSS), such as GPS. Our Positioning business continues to progress well and delivered revenue and profit growth compared to first half 2016 with growth in tailored solutions and government contracts. Early this year, Spirent announced PT TestBench, a testing, analysis and reporting application to help developers build more accurate positioning functions quickly. PT TestBench embodies more than 30 years of Spirent GNSS testing expertise, enabling users to setup, run and interpret tests with a single mouse click. Additionally, Spirent released the GNSS Vulnerabilities and Threats test suite, a continuously-updated cloud-based library of real-world GNSS threats. The test suite contains real-world, intentional interference waveforms, GNSS segment errors and receiver transitions, jamming and spoofing events, and the latest space weather and scintillation that have been observed and captured in the field and can be repeatedly simulated in the lab.

We continue to be recognised for our innovation and leadership. At Interop Tokyo, in June, Spirent received two best of show awards. Spirent's Wave 2 WLAN solution received the 2017 Best of Interop

Grand Prize, and our Cloud and Security solutions received the 2017 Best of Interop Show Special Prize. As the grand prize winner, judged by a panel of leading industry analysts and experts, Spirent's WLAN Wave 2 Test System received the following appraisal:

> "Spirent TestCenter C50 is a unique testing solution, including WLAN 802.11ac Wave 2 end-to-end test and 10G / 5G / 2.5G / 1G / 100M Base-T Ethernet test in one small portable chassis. Spirent TestCenter WLAN 802.11ac Wave 2 test module is the highest performing and the most realistic 802.11ac Wave 2 wireless local area network (WLAN) multi-client emulation testing tool on the market today."

Lifecycle Service Assurance – 21% of Group revenue

Lifecycle Service Assurance provides active test and analytics solutions for service turn-up, network performance improvement and customer experience management. The business includes leading service assurance products (Lumos), network and customer analytics systems (InTouch), mobile network test systems for labs and operational networks (LandSlide) and test management and automation solutions (Velocity and iTest). Spirent launched their active mobile network test system (VisionWorks) in the first half of 2017. The Spirent solutions enable network operators to understand their network performance and customer experience through active testing and analytics. Our solutions enable customers to radically reduce opex and capex costs, and reduce the time to install new services, provision new subscribers and troubleshoot problems.

$ million	**First half 2017**	First half 2016[1]	Change (%)
Revenue	**44.9**	51.4	(12.6)
Adjusted operating profit[2]	**0.2**	4.5	(95.6)
Adjusted operating margin[2] (%)	**0.4**	8.8	(8.4)

Note
1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2 Before exceptional items.

For Lifecycle Service Assurance, we expected order intake and resulting revenue to be second half weighted as we build momentum from successful outcomes to multiple trials underway around the world. As a result the segment reported a revenue fall of 13 per cent to $44.9 million in the first half of 2017 (first half 2016: $51.4 million). Gross margin was 73.7 per cent, down slightly from 76.8 per cent for the first half of 2016, due to product mix. Adjusted operating profit decreased to $0.2 million on the lower revenue (first half 2016: $4.5 million) despite reduced operating costs.

The business has momentum, customer trials are progressing well, and we expect to close those deals in the second half of the year.

Spirent enables network operators to rapidly on-board and proactively assure critical virtual, mobile and IoT services. The Spirent VisionWorks solutions have been deployed by two tier 1 North American mobile network operators. The Spirent VisionWorks active assurance solutions were deployed to address critical challenges stemming from the roll out of virtual and business mobile services. In the first deployment, the Spirent VisionWorks solution accelerates service on-boarding by automating turn-up verification of virtualised LTE Enhanced Packet Core (EPC) functions. In the second deployment, the Spirent VisionWorks solution monitors the quality of business-critical mobile services that terminate in enterprise customers' cloud networks with a focus on IoT use cases.

At the TM Forum Live in Nice in May, Spirent collaborated with industry leaders to demonstrate rapid service innovation in virtual networks. In a project sponsored by AT&T, Orange and TIM, and working with Huawei, IBM, Infosys and Tech Mahindra, Spirent developed and demonstrated the automated validation of service enhancements in virtual networks using Spirent VisionWorks. The project demonstrates how network functions virtualisation (NFV) and open interfaces enable radically faster service innovation with fewer resources.

At Mobile World Congress in Shanghai in June, Spirent and China Mobile Research Institute demonstrated automated testing for virtual core networks, as part of a joint programme to develop a methodology for automated testing of the functionality and performance of the China Mobile's Telecom Infrastructure Cloud. The test methodology will be incorporated into an automated testing system developed by the China Mobile Research Institute. The system will fully automate testing of services in operational virtual core networks and will be part of the complete virtual core network (vEPC) environment built by the China Mobile Research Institute. Spirent provided the test engines for the demonstration system - the virtualised mobile core network emulation and performance testing tool, called Landslide Virtual, and the automated testing platform, called iTest. These test engines automate various types of performance and functionality tests used to develop, spin-up and monitor the vEPC. The business is on track developing new business propositions which take time for the customer to test and adopt.

Connected Devices – 20% of Group revenue

Connected Devices provides automated test systems to accelerate the development of connected devices and to connect them to the network and understand how the device and service performs on the network.

$ million	**First half 2017**	First half 2016[1]	Change (%)
Revenue	**42.7**	48.4	(11.8)
Adjusted operating profit/(loss)[2]	**0.5**	(2.7)	
Adjusted operating margin[2] (%)	**1.2**	n/a	

Note
1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2 Before exceptional items.

As previously communicated, the ongoing decline in smartphone testing in Connected Devices resulted in order intake reducing and a revenue reduction of 12 per cent to $42.7 million in the first half of 2017 (first half 2016: $48.4 million). We won several important deals for our new channel emulation product

(Vertex) and for our service experience system (UMetrix). Gross margin improved to 65.1 per cent (first half of 2016: 64.0 per cent). Adjusted operating profit improved to $0.5 million due to focused cost management (first half 2016: $2.7 million loss).

Following from our previously communicated portfolio review of our products, on 30 June we exited from our Device Intelligence business in Denmark and Developer Tools business in Israel. The businesses together generate c. $15 million of revenue annually and immaterial earnings.

At GSMA 2017 Mobile World Congress in Shanghai in June, China Mobile Limited used Spirent UMetrix to demonstrate Enhanced Voice Service (EVS). The EVS codec is increasingly being deployed on mobile devices as global operators recognise the improvements possible in speech quality for their customers and efficiencies gained in managing network resources. EVS codecs can bring full-band High-Definition voice to devices operating over 4G networks and compensate for issues such as speech distortions and latency.

In March, the Signals Research Group completed the first study of a commercial video service over an LTE network. With video content exploding worldwide, operators are exploring enhanced Multimedia Broadcast Multicast Service as an advanced method of delivering that content. We are well positioned to support increasing video requirements from our customers.

FINANCIAL REVIEW

Group financial performance

The following table shows summary financial performance for the Group:

$ million	**First half 2017**	First half 2016	Change (%)
Order intake	**198.4**	221.7	(10.5)
Revenue	**213.6**	213.5	-
Gross profit	**151.3**	151.0	0.2
Gross margin (%)	**70.8**	70.7	0.1
Total operating costs[1]	**133.9**	140.6	(4.8)
Adjusted operating profit[1]	**17.4**	10.4	67.3
Operating profit	**11.3**	3.1	>100
Profit before tax	**14.4**	2.0	>100
Adjusted operating margin[1] (%)	**8.1**	4.9	3.2
Adjusted basic earnings per share[2] (cents)	**2.10**	1.13	85.8
Basic earnings per share (cents)	**1.85**	0.16	>100
Free cash flow[3]	**28.7**	13.4	>100

Notes

1 Before charging exceptional items, acquired intangible asset amortisation and share-based payment amounting to $6.1 million in total (first half 2016: $7.3 million).

2 Adjusted basic earnings per share is based on adjusted earnings as set out in note 7 of Notes to the half year condensed consolidated financial statements.

3 Operating cash flow after tax, net interest and net capital expenditure. See reconciliation on page 13.

Revenue

$ million	**First half 2017**	**%**	First half 2016[1]	%
Revenue by segment				
Networks & Security	**126.0**	**59.0**	113.7	53.2
Lifecycle Service Assurance	**44.9**	**21.0**	51.4	24.1
Connected Devices	**42.7**	**20.0**	48.4	22.7
	213.6	**100.0**	213.5	100.0
Revenue by geography				
Americas	**107.3**	**50.2**	120.1	56.3
Asia Pacific	**85.8**	**40.2**	66.0	30.9
Europe, Middle East and Africa	**20.5**	**9.6**	27.4	12.8
	213.6	**100.0**	213.5	100.0

Note

1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.

Revenue growth in Networks & Security was offset by softness in Lifecycle Service Assurance and the anticipated revenue reduction in Connected Devices. Growth in Networks & Security was driven by Ethernet test systems and a steady increase in demand for satellite navigation simulation and application security products and services. Lifecycle Service Assurance saw activity drop as demand for lab test systems decreased and was further impacted by some customer consolidation. Customers are planning to increase investment in service assurance systems during the second half of 2017. As anticipated, Connected Devices revenue was down due to the structural change in the smartphone industry. The exit from certain product lines at the end of the first half, will reduce the revenue in Connected Devices for the second half year by approximately $6 million.

Geographically, the Americas continues to be our largest market, accounting for 50 per cent of Group revenue. First half 2017 revenue from the Americas was impacted by lower activity levels in Lifecycle Service Assurance and Connected Devices. Revenue in APAC increased significantly during the period, both in absolute terms and as a percentage of the total Group, now accounting for 40 per cent. EMEA continues to decline and now accounts for only 10 per cent of Group revenue.

Gross margin

$ million	**First half 2017**	**%**	First half 2016[1]	%
Networks & Security	**90.4**	**71.7**	80.5	70.8
Lifecycle Service Assurance	**33.1**	**73.7**	39.5	76.8
Connected Devices	**27.8**	**65.1**	31.0	64.0
	151.3	**70.8**	151.0	70.7

Note
1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.

Gross margin was maintained at 70.8 per cent (first half 2016: 70.7 per cent).

Operating costs

$ million	**First half 2017**	First half 2016[1]
Product development	**53.8**	57.4
Selling and distribution	**59.4**	63.5
Administration[2]	**20.7**	19.7
	133.9	140.6
Networks & Security	**70.9**	68.5
Lifecycle Service Assurance	**32.9**	35.0
Connected Devices	**27.3**	33.7
Corporate	**2.8**	3.4
	133.9	140.6

Notes
1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2 Before charging exceptional items, acquired intangible asset amortisation and share-based payment amounting to $6.1 million in total (first half 2016: $7.3 million).

Operating costs continued to be effectively managed through the first half of 2017 with the benefits of the portfolio review and benchmarking of the sales and distribution organisation, which commenced in late 2016, evident in the figures. The overall investment in product development has been refocused and reduced from $57.4 million in the first half of 2016 to $53.8 million. Selling and distribution costs decreased by $4.1 million to $59.4 million (first half 2016: $63.5 million) as a result of the sales restructure programme, planned to conclude end of 2017. Administration costs in the first half of 2016 benefited from foreign exchange gains of $1.3 million.

Other items charged in arriving at operating profit, being exceptional items, acquired intangible asset amortisation and share-based payment amounted to $6.1 million in total (first half 2016: $7.3 million). Exceptional items charged in the first half of 2017 of $1.8 million relate to the continuation of both the portfolio review programme and actions arising from the review of the sales and distribution organisation in late 2016. The full year cost is expected to be around $5 million. Acquired intangible asset amortisation has reduced from $6.7 million in the first half of 2016 to $4.0 million in the first half of 2017 as a result of the impairments taken in 2016.

Operating profit

$ million	**First half 2017**	**Operating margin[2]**	First half 2016[1]	Operating margin[2]
Networks & Security	**19.5**	**15.5**	12.0	10.6
Lifecycle Service Assurance	**0.2**	**0.4**	4.5	8.8
Connected Devices	**0.5**	**1.2**	(2.7)	n/a
Corporate	**(2.8)**		(3.4)	
Adjusted operating profit[2]	**17.4**	**8.1**	10.4	4.9
Exceptional items	**(1.8)**		-	
Acquired intangible asset amortisation	**(4.0)**		(6.7)	
Share-based payment	**(0.3)**		(0.6)	
Reported operating profit	**11.3**		3.1	

Notes
1 Restated for changes to the Group's operating segments effective 1 January 2017 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2 Before charging exceptional items, acquired intangible asset amortisation and share-based payment amounting to $6.1 million in total (first half 2016: $7.3 million).

Reported operating profit was $11.3 million compared with $3.1 million for the first half of 2016. Adjusted operating profit, before charging the items set out in the above table, which is the measure of profit used by the Group to evaluate performance, increased by $7.0 million to $17.4 million (first half 2016: $10.4 million).

Operating margin, based on adjusted operating profit, increased to 8.1 per cent (first half 2016: 4.9 per cent).

Currency impact
The effect of fluctuating exchange rates is relatively minimal as the Group's revenue and profits are primarily denominated in US dollars or US dollar-linked currencies.

Share of loss of associate
Following the impairment of the investment in its associate, Jolata, Inc. in full in 2016, Spirent's share of the loss incurred by associate was nil (first half 2016: $1.0 million).

Tax
The normalised tax charge for the Group, excluding the prior year tax charge of $0.6 million and the tax credit on the adjusting items of $2.1 million, was $4.6 million for the first half of 2017 resulting in an effective tax rate of 26.4 per cent of adjusted pre-tax profit. This compared with an effective tax rate of 25.8 per cent for the first half of 2016. For the full year 2017 it is expected that the effective tax rate will be in the region of 26 to 27 per cent.

Earnings per share
Adjusted basic earnings per share was 2.10 cents compared with 1.13 cents for the first half of 2016. There were 610.6 million weighted average shares in issue (first half 2016: 610.6 million). Basic earnings per share was 1.85 cents compared with 0.16 cents for the first half of 2016. See note 7 to Notes to the half year condensed consolidated financial statements on page 28 for the calculation of earnings per share.

Financing and cash flow
Cash and cash equivalents were $110.2 million at 30 June 2017 compared with $96.1 million at 31 December 2016. There continues to be no debt.

Cash generated from operations was strong in the first half year at $43.3 million (first half 2016: $24.8 million), as we benefited from continued working capital management, primarily driven by improved trade receivable collections. In addition, cash generated from operating activities in the first half of 2016 was impacted by the payment of $6.3 million of exceptional restructuring costs, compared to $2.3 million in the first half of 2017.

Free cash flow is set out below:

$ million	**First half 2017**	First half 2016
Cash flow from operations	**43.3**	24.8
Tax paid	**(5.3)**	(3.9)
Cash inflow from operating activities	**38.0**	20.9
Interest received	**0.2**	0.2
Net capital expenditure	**(9.5)**	(7.7)
	28.7	13.4

Tax payments of $5.3 million were made during the period (first half 2016: $3.9 million). Net capital expenditure of $9.5 million was $1.8 million higher than in the first half of 2016 due a facilities move in APAC and equipment replacement at a US engineering lab.

In the first half of 2017 the final dividend for 2016 of $14.2 million (first half 2016: $14.1 million) was paid.

Defined benefit pension plans

The Group operates two funded defined benefit pension plans which are in the United Kingdom. Both of these schemes were closed some time ago to new entrants.

The accounting valuation of the funded defined benefit pension plans at 30 June 2017 gave rise to a net deficit of $12.2 million compared with a net deficit of $12.8 million at 31 December 2016. The assumptions used for the purposes of the valuation at 30 June 2017 were consistent with those used at 31 December 2016. The deficit has reduced by contributions paid in the period of $3.1 million, offset by the impact of changes to the demographic assumptions which were updated to reflect new commutation factors, agreed in early 2017, which increased the deficit by c. $2.5 million.

The valuation at 30 June 2017 was based on the triennial actuarial valuation dated 1 April 2015. The Company is currently paying an annual contribution of £5.0 million (c. $6.2 million), which commenced 1 July 2016 for a period of seven years, under a deficit reduction plan agreed with the Trustees.

In addition, there is a liability for an unfunded plan of $0.8 million (31 December 2016: $0.7 million).

Dividend

The Board has declared an interim dividend of 1.68 cents per Ordinary Share (first half 2016: 1.68 cents). This is equivalent to 1.27 pence per Ordinary Share at an exchange rate of $1.32:£1. The payment will be approximately $10.2 million. The dividend will be paid to Ordinary shareholders on 8 September 2017 and to ADR holders on 15 September 2017. The dividend is payable to all shareholders on the Register of Members at the close of business on 11 August 2017.

Restatement of operating segments

First half 2016 operating segment information has been restated due to changes to the Group's operating segments which came into effect on 1 January 2017. Further details are disclosed in note 3 of Notes to the half year condensed consolidated financial statements.

A document showing restated historical comparative information is available to view and download at https://corporate.spirent.com/.

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 2017 remain those as identified on pages 24 and 25 of the Annual Report 2016. A copy of the Annual Report 2016 is available on the Company's website at https://corporate.spirent.com/.

In summary, the principal risks and uncertainties are as follows:

Risk	**Description**
Macro-economic change	Spirent is a global business exposed to the current world economic conditions and political uncertainties over which it has no control. The business is also exposed to government spending priorities, principally in the United States.
Technology change	Spirent sells complex solutions in industries that can be subject to rapid technological changes. Testing new technologies drives our business, but the opportunity also brings high risk since keeping at the forefront of these key future technologies is critical to our success and to ensuring that we remain competitive in our markets. It is critical that our product development investment is directed at the right areas in order to deliver the solutions that our customers need, when they need them. Spirent's success is dependent in part on proprietary technology which may be infringed by others. Protecting the Group's proprietary technology is important to enable Spirent to compete successfully.
Customer dependence / customer investment plans	The Group sells its products and services to a wide range of companies and continually seeks to expand its customer base. In 2016, no one customer accounted for more than 10 per cent of Group revenue, although the top 10 customers represented 40 per cent of Group revenue (2015 39 per cent). In some of our markets certain customers have a dominant market share, which makes doing business with these customers and their suppliers critical to the success of our business. In addition, many of the companies with which we do business are some of the largest global telecommunications corporations. Therefore meeting our development obligations, producing high quality products, and being on time are vital to Spirent's reputation and success. Changes in our major customers' priorities in technology investments can also have a significant impact on their spending on Spirent products and by those in the customers' supply chain. The industry continues to experience consolidation which does disrupt the spending patterns of affected customers.

Risks and uncertainties continued

Risk	Description
Competition	Spirent operates in a range of highly competitive niche markets which experience rapid technological change. In order to compete effectively it is necessary to establish and maintain technological differentiation in our solutions. The Group faces competition from new market start-ups as well as more established and well-resourced companies. Industry consolidation amongst our direct competitors may bring about a shift in competitive advantage.
Acquisitions	A key element of Spirent's strategy is to develop new capabilities and technologies, sometimes through acquisition. Integration of acquisitions can be a complex process and the results expected from acquisitions may not be achieved due to problems encountered in integration, changes in market conditions, the rate of adoption of new technologies, or sometimes deficiencies arising in the due diligence processes.
Business continuity	Operational risks are present in the Group's businesses, including the risk of failed internal and external processes and systems, human error and external events, such as a natural disaster or cyber security attacks. For example, a significant portion of our communications operations are located in California which has in the past experienced natural disasters, including earthquakes and wildfires. Contract manufacturers are used for the manufacture of a substantial amount of Spirent's products. Spirent's major contract manufacturer is located in Thailand. The incidence of cyber-crime continues to rise. Spirent is dependent on its information technology systems for both internal and external communications as well as for its day-to-day operations.
Employee skillbase	Spirent is its employees. Attracting and retaining highly qualified and skilled employees is essential to enable the Group to deliver on its strategy and to the success of the business.

Condensed consolidated income statement

		First half 2017			First half 2016		
$ million	Notes	**Adjusted**	**Adjusting items[1]**	**Reported**	Adjusted	Adjusting items[1]	Reported
Continuing operations							
Revenue	3,4	**213.6**	**-**	**213.6**	213.5	-	213.5
Cost of sales		**(62.3)**	**-**	**(62.3)**	(62.5)	-	(62.5)
Gross profit		**151.3**	**-**	**151.3**	151.0	-	151.0
Product development	3	**(53.8)**	**-**	**(53.8)**	(57.4)	-	(57.4)
Selling and distribution		**(59.4)**	**-**	**(59.4)**	(63.5)	-	(63.5)
Administration		**(20.7)**	**-**	**(20.7)**	(19.7)	-	(19.7)
Other items		**-**	**(6.1)**	**(6.1)**	-	(7.3)	(7.3)
Operating profit/(loss)	3	**17.4**	**(6.1)**	**11.3**	10.4	(7.3)	3.1
Other items charged in arriving at operating profit/(loss):							
Exceptional items	5	**-**	**(1.8)**	**(1.8)**	-	-	-
Acquired intangible asset amortisation		**-**	**(4.0)**	**(4.0)**	-	(6.7)	(6.7)
Shared-based payment		**-**	**(0.3)**	**(0.3)**	-	(0.6)	(0.6)
Finance income		**0.3**	**-**	**0.3**	0.2	-	0.2
Finance costs		**(0.3)**	**-**	**(0.3)**	(0.3)	-	(0.3)
Share of loss of associate		**-**	**-**	**-**	(1.0)	-	(1.0)
Gain on divestments	10	**-**	**3.1**	**3.1**	-	-	-
Profit/(loss) before tax	3	**17.4**	**(3.0)**	**14.4**	9.3	(7.3)	2.0
Tax	6	**(4.6)**	**1.5**	**(3.1)**	(2.4)	1.4	(1.0)
Profit/(loss) for the period		**12.8**	**(1.5)**	**11.3**	6.9	(5.9)	1.0
Earnings per share (cents)	7						
Basic		**2.10**		**1.85**	1.13		0.16
Diluted		**2.08**		**1.84**	1.13		0.16

Note
1 Adjusting items comprises exceptional items, acquired intangible asset amortisation, share-based payment, gain on divestments, tax on adjusting items and prior year tax.

The profit for the first half 2017 and first half 2016 is fully attributable to the owners of the parent Company.

Condensed consolidated statement of comprehensive income

$ million	Note	**First half 2017**	First half 2016
Profit for the period		**11.3**	1.0
Other comprehensive (loss)/income			
Items reclassified to profit or loss:			
Reclassification of foreign exchange on overseas divestments	10	**(3.1)**	-
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on retranslation of foreign operations		**2.1**	0.5
		(1.0)	0.5
Items that will not subsequently be reclassified to profit or loss:			
Re-measurement of the net defined benefit pension liability		**(1.6)**	(9.2)
Income tax effect		**0.3**	1.5
		(1.3)	(7.7)
Other comprehensive loss		**(2.3)**	(7.2)
Total comprehensive income/(loss) for the period		**9.0**	(6.2)

The total comprehensive income/(loss) for the first half 2017 and first half 2016 is fully attributable to the owners of the parent Company.

Condensed consolidated balance sheet

$ million	Notes	**30 June 2017**	30 June 2016	Audited 31 December 2016
Assets				
Non-current assets				
Intangible assets		**165.9**	246.3	169.8
Property, plant and equipment		**47.2**	48.3	47.3
Trade and other receivables		**4.3**	5.0	4.6
Investment in associate		**-**	3.6	-
Cash on deposit		**-**	0.1	0.1
Defined benefit pension plan surplus	9	**1.1**	0.9	0.9
Deferred tax asset		**33.7**	27.2	33.1
		252.2	331.4	255.8
Current assets				
Inventories		**25.3**	24.4	27.4
Trade and other receivables		**101.6**	116.4	128.9
Current tax asset		**3.0**	1.6	0.4
Cash and cash equivalents		**110.2**	96.1	96.1
		240.1	238.5	252.8
Total assets		**492.3**	569.9	508.6
Liabilities				
Current liabilities				
Trade and other payables		**(113.4)**	(117.9)	(127.2)
Other financial liabilities		**-**	(0.2)	(0.1)
Current tax liability		**(1.6)**	(0.3)	(1.5)
Provisions		**(4.0)**	(2.3)	(4.2)
		(119.0)	(120.7)	(133.0)
Non-current liabilities				
Trade and other payables		**(19.5)**	(27.8)	(16.9)
Deferred tax liability		**-**	(0.1)	(0.1)
Defined benefit pension plan deficit	9	**(14.1)**	(26.4)	(14.4)
Provisions		**(2.6)**	(2.4)	(2.6)
		(36.2)	(56.7)	(34.0)
Total liabilities		**(155.2)**	(177.4)	(167.0)
Net assets		**337.1**	392.5	341.6
Capital and reserves				
Share capital		**26.5**	27.3	25.3
Share premium account		**26.3**	27.1	25.0
Capital redemption reserve		**17.1**	17.7	16.3
Other reserves		**16.1**	13.9	19.4
Translation reserve		**9.3**	13.7	10.3
Retained earnings		**241.8**	292.8	245.3
Total equity attributable to owners of the parent Company		**337.1**	392.5	341.6

Condensed consolidated cash flow statement

$ million	Notes	**First half 2017**	First half 2016
Cash flows from operating activities			
Cash flow from operations	11	**43.3**	24.8
Tax paid		**(5.3)**	(3.9)
Net cash inflow from operating activities		**38.0**	20.9
Cash flows from investing activities			
Interest received		**0.2**	0.2
Purchase of intangible assets		**(0.4)**	(0.5)
Purchase of property, plant and equipment		**(9.2)**	(7.4)
Proceeds from sale of property, plant and equipment		**0.1**	0.2
Net expenses of divestments	10	**(0.1)**	-
Loan to divested subsidiaries	10	**(2.0)**	-
Net cash used in investing activities		**(11.4)**	(7.5)
Cash flows from financing activities			
Dividend paid	8	**(14.2)**	(14.1)
Acquisition of non-controlling interest		**-**	(2.6)
Net cash used in financing activities		**(14.2)**	(16.7)
Net increase/(decrease) in cash and cash equivalents		**12.4**	(3.3)
Cash and cash equivalents at the beginning of the period		**96.1**	102.0
Effect of foreign exchange rate changes		**1.7**	(2.6)
Cash and cash equivalents at the end of the period		**110.2**	96.1

Condensed consolidated statement of changes in equity

$ million	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2016 (audited)	30.2	29.9	19.5	6.4	13.2	312.6	411.8	0.3	412.1
Profit for the period	-	-	-	-	-	1.0	1.0	-	1.0
Other comprehensive income/(loss)	-	-	-	-	0.5	(7.7)	(7.2)	-	(7.2)
Total comprehensive income/(loss)	-	-	-	-	0.5	(6.7)	(6.2)	-	(6.2)
Share-based payment	-	-	-	-	-	0.6	0.6	-	0.6
Tax credit on share incentives	-	-	-	-	-	0.1	0.1	-	0.1
Acquisition of non-controlling interest	-	-	-	-	-	0.3	0.3	(0.3)	-
Equity dividends	-	-	-	-	-	(14.1)	(14.1)	-	(14.1)
Exchange adjustment	(2.9)	(2.8)	(1.8)	7.5	-	-	-	-	-
At 30 June 2016	27.3	27.1	17.7	13.9	13.7	292.8	392.5	-	392.5
At 1 January 2017 (audited)	**25.3**	**25.0**	**16.3**	**19.4**	**10.3**	**245.3**	**341.6**	**-**	**341.6**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**11.3**	**11.3**	**-**	**11.3**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(1.0)**	**(1.3)**	**(2.3)**	**-**	**(2.3)**
Total comprehensive (loss)/income	**-**	**-**	**-**	**-**	**(1.0)**	**10.0**	**9.0**	**-**	**9.0**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**	**-**	**0.3**
Tax credit on share incentives	**-**	**-**	**-**	**-**	**-**	**0.4**	**0.4**	**-**	**0.4**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**(14.2)**	**(14.2)**	**-**	**(14.2)**
Exchange adjustment	**1.2**	**1.3**	**0.8**	**(3.3)**	**-**	**-**	**-**	**-**	**-**
At 30 June 2017	**26.5**	**26.3**	**17.1**	**16.1**	**9.3**	**241.8**	**337.1**	**-**	**337.1**

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 2016 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 2017 were approved by the directors on 3 August 2017.

2 Accounting policies

The accounting policies adopted and methods of computation used are consistent with those applied in the consolidated financial statements for the year ended 31 December 2016. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

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 by and adopted for use in the EU. 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 2016.

Going concern
At 30 June 2017 the Group had cash balances of $110.2 million and no debt.

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, and having assessed the principal risks faced by the Group, the going concern basis of accounting continues to be used in the preparation of the condensed financial statements.

New standards and interpretations
There have been no new standards or amendments to existing standards effective from 1 January 2017 that are applicable to the Group or that has any material impact on the financial statements and related notes as at 30 June 2017.

2. Accounting polices continued

The directors do not anticipate that the adoption of any of the new standards and interpretations issued by the IASB and IFRIC with an effective date for the Group after the date of these interim financial statements will have a material impact on the Group's interim financial statements in the period of initial application other than in relation to IFRS 15 and IFRS 16 which are discussed below. A detailed impact assessment of IFRS 15 and IFRS 16 is disclosed in the Group's 2016 Annual Report.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and is effective for accounting periods beginning on or after 1 January 2018. For the Group, transition to IFRS 15 will take place on 1 January 2018, with restated 2017 comparatives.

IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to performance obligations on a relative standalone selling price basis, based on a five-step model.

An initial assessment of the impact of IFRS 15 on the Group's performance has been completed. Potential key impacts were highlighted in the 2016 Annual Report, however, the transactions impacted by IFRS 15 are complex and this work is continuing. At this stage in the process it is not possible to reasonably estimate the impact that these and other accounting changes that will arise under IFRS 15 will have on the consolidated income statement and consolidated balance sheet after the Group adopts IFRS 15 on 1 January 2018, although they are not expected to have a material impact. The Group expects to be in a position to quantify the impact of IFRS 15 early in the first quarter of the year commencing 1 January 2018.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption. When the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group intends to adopt the fully retrospective approach.

IFRS 16 Leases

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases' and is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 has not yet been adopted by the EU.

The Group is assessing the impact of IFRS 16 on the financial statements, however, the changes are expected to have a material impact on the consolidated balance sheet. The Group is still assessing the impact on the consolidated income statement.

3 Operating segments

The Group is organised into three reportable operating segments; Networks & Security, Lifecycle Service Assurance and Connected Devices. The Group evaluates adjusted operating profit before exceptional items, acquired intangible asset amortisation and share-based payment.

$ million	Networks & Security	Lifecycle Service Assurance	Connected Devices	Corporate	Total
First half 2017					
Revenue					
External revenue	**126.0**	**44.9**	**42.7**	**-**	**213.6**
Profit before tax					
Adjusted operating profit/(loss)	**19.5**	**0.2**	**0.5**	**(2.8)**	**17.4**
Exceptional items	**(1.4)**	**(0.1)**	**(0.3)**	**-**	**(1.8)**
Total reportable segment profit/(loss)	**18.1**	**0.1**	**0.2**	**(2.8)**	**15.6**
Acquired intangible asset amortisation					**(4.0)**
Share-based payment					**(0.3)**
Operating profit					**11.3**
Finance income					**0.3**
Finance costs					**(0.3)**
Gain on divestments					**3.1**
Profit before tax					**14.4**
Other information					
Product development	**26.9**	**15.6**	**11.3**	**-**	**53.8**
Expenditure on property, plant and equipment	**5.2**	**3.1**	**0.9**	**0.1**	**9.3**
Intangible asset amortisation – other	**-**	**-**	**0.3**	**-**	**0.3**
Depreciation	**5.2**	**1.4**	**2.3**	**0.1**	**9.0**
Inventory write-down	**0.1**	**0.3**	**0.8**	**-**	**1.2**

3 Operating segments continued

First half 2016 operating segment information has been restated for the following changes to the Group's operating segments which came into effect on 1 January 2017:

The operating segments were reorganised to focus certain product lines and to combine resources and planning efforts in other product lines. The following changes were made to the operating segments:

- The Networks & Applications operating segment was divided into five distinct lines of business; Cloud IP, Application Security, Automation Platform Technologies, Mobility Infrastructure and Spirent Technologies.
- The Service Assurance Broadband line of business was split by product offering between the core Service Assurance business and Service Experience line of business.

The new operating segments are as follows:

- Networks & Security comprising our Cloud IP, Application Security and Positioning lines of business with the aim of addressing the needs of the lab test market for Ethernet, Virtual, Data Centre, applications test and timing for critical infrastructure.
- Lifecycle Service Assurance comprising our Mobility Infrastructure, Customer Experience Management, Service Assurance and Automation Platform Technologies lines of business. All businesses in this segment target wireless service providers production networks aimed at reducing operating costs, increasing service quality and providing real-time analytics to trigger automatic tests and fixes to network degradation.
- Connected Devices comprising our Wireless and Service Experience lines of business together with Device Intelligence and Developer Tools. Device Intelligence and Developer Tools were divested by the Group on 30 June 2017. Further details are disclosed in note 10. The future opportunities for this segment are centred around 5G wireless development, performance and security of connected devices and the challenges to network providers coming from the Internet of Things.

$ million	Networks & Security	Lifecycle Service Assurance	Connected Devices	Corporate	Total
First half 2016					
Revenue					
External revenue	113.7	51.4	48.4	-	213.5
Profit before tax					
Adjusted operating profit/(loss)	12.0	4.5	(2.7)	(3.4)	10.4
Acquired intangible asset amortisation					(6.7)
Share-based payment					(0.6)
Operating profit					3.1
Finance income					0.2
Finance costs					(0.3)
Share of loss of associate					(1.0)
Profit before tax					2.0
Other information					
Product development	26.9	16.4	14.1	-	57.4
Expenditure on property, plant and equipment	4.2	1.4	1.8	0.1	7.5
Intangible asset amortisation – other	-	-	0.5	-	0.5
Depreciation	4.9	1.4	3.5	0.1	9.9

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

4 Geographical information

$ million	**First half 2017**	First half 2016
Revenue by market		
Americas	**107.3**	120.1
Asia Pacific	**85.8**	66.0
Europe, Middle East and Africa	**20.5**	27.4
	213.6	213.5

Europe, Middle East and Africa includes United Kingdom revenue of $3.7 million (first half 2016: $5.2 million).

Americas includes United States revenue of $101.4 million (first half 2016: $115.7 million).

Asia Pacific includes China revenue of $39.1 million (first half 2016: $32.7 million).

5 Exceptional Items

$ million	**First half 2017**
Employee severance costs	**1.7**
Other costs	**0.2**
Prior year provision release	**(0.1)**
	1.8

Towards the end of 2016, Spirent undertook a fundamental review of the lines of business in order to bring more focus to certain product lines and to combine planning efforts in other product lines. This resulted in a change to the Group's reported operating segments. In addition, Spirent reviewed the sales organisation and compensation structure. This review has continued in 2017.

The tax effect of exceptional items is a credit of $0.6 million. The total cash outflow in respect of exceptional items charged in the first half of 2017 is anticipated to be $1.9 million with $0.3 million actually paid in the period. The cash outflow in the first half of 2017 in respect of exceptional items charged in 2016 is $2.0 million.

The total cash outflow in respect of exceptional items charged in 2017 will be reported within cash flows from operating activities in the consolidated cash flow statement.

6 Tax

$ million	**First half 2017**	First half 2016
Current income tax		
UK tax	**0.4**	-
Overseas tax	**2.5**	1.5
Amounts (over)/underprovided in previous years – overseas tax	**(0.1)**	0.5
Total income tax	**2.8**	2.0
Deferred tax		
Recognition of deferred tax assets	**-**	(2.3)
(Origination)/reversal of temporary differences	**(0.4)**	1.3
Prior year charge	**0.7**	-
Total deferred tax	**0.3**	(1.0)
Tax charge in the income statement	**3.1**	1.0

The effective tax rate for the first half year is 26.4 per cent (first half 2016: 25.8 per cent), being the current period tax charge, excluding any prior year adjustment and tax on adjusting items, as a percentage of adjusted profit before tax.

7 Earnings per share

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.

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.

$ million	**First half 2017**	First half 2016
Profit for the period attributable to owners of the parent Company	**11.3**	1.0
Number million		
Weighted average number of shares in issue – basic	**610.6**	610.6
Dilutive potential of employee share incentives	**4.0**	2.0
Weighted average number of shares in issue – diluted	**614.6**	612.6
Cents		
Earnings per share		
Basic	**1.85**	0.16
Diluted	**1.84**	0.16

7 **Earnings per share** continued

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
- Gain on divestments
- Acquired intangible asset amortisation
- Share-based payment
- Tax effect on the above items
- Prior year tax (adjustments made to provisions in respect of prior years)

		First half 2017		First half 2016
	$ million	**EPS cents**	$ million	EPS cents
Profit for the period attributable to owners of the parent Company	**11.3**	**1.85**	1.0	0.16
Exceptional items	**1.8**		-	
Gain on divestments	**(3.1)**		-	
Acquired intangible asset amortisation	**4.0**		6.7	
Share-based payment	**0.3**		0.6	
Tax effect on the above items	**(2.1)**		(1.9)	
Prior year tax	**0.6**		0.5	
Adjusted basic	**12.8**	**2.10**	6.9	1.13
Adjusted diluted		**2.08**		1.13

8 **Dividends paid and proposed**

		First half 2017		First half 2016
	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	**2.21**	**14.2**	2.21	14.1
Amounts approved by the directors (not recognised as a liability at the balance sheet date)	**1.68**	**10.2**	1.68	10.1

An interim dividend of 1.68 cents per Ordinary Share (2016: 1.68 cents per Ordinary Share) was declared by the Board on 3 August 2017 and will be paid to Ordinary shareholders on 8 September 2017 and to ADR holders on 15 September 2017. 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 11 August 2017.

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 $1.32:£1.

9 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 2015, 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 2017.

The key financial assumptions are as follows:

%	**First half 2017**	First half 2016	Year 2016
Inflation - RPI	**3.1**	2.7	3.2
Inflation - CPI	**2.0**	1.6	2.1
Rate of increase in pensionable salaries	**2.0**	3.0	2.1
Rate of increase for pensions in payment			
Pre 2001 service	**3.6**	3.5	3.7
2001 to 5 April 2005 service	**3.0**	2.7	3.1
Post 5 April 2005 service	**2.1**	1.9	2.1
Rate of increase in deferred pensions	**2.0**	1.6	2.1
Rate used to discount plan liabilities	**2.7**	3.0	2.8

An operating charge of $0.1 million (first half 2016: $0.4 million) and finance costs of $0.3 million (first half 2016: $0.3 million) have been recognised.

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

$ million	**First half 2017**	First half 2016	Year 2016
Fair value of defined benefit pension plans' assets	**263.4**	251.7	248.1
Present value of defined benefit pension plans' obligations	**(275.6)**	(276.5)	(260.9)
Net UK funded defined benefit pension plan deficit on the balance sheet	**(12.2)**	(24.8)	(12.8)

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

$ million	**First half 2017**	First half 2016	Year 2016
Assets			
UK funded defined benefit pension plan surplus	**1.1**	0.9	0.9
Liabilities			
UK funded defined benefit pension plan deficit	**(13.3)**	(25.7)	(13.7)
UK unfunded plan	**(0.8)**	(0.7)	(0.7)
	(14.1)	(26.4)	(14.4)
	(13.0)	(25.5)	(13.5)

10 Divestments

On 16 February 2017, the Group divested of certain assets and liabilities of Epitiro Group Limited (Epitiro) for consideration of $0.3 million. Epitiro was reported within the Lifecycle Service Assurance operating segment.

On 30 June 2017, the Group divested the entire issued share capital of its subsidiaries, Spirent Communications Israel Limited, its Developer Tools (DT) line of business, and Spirent Holdings Denmark ApS and its subsidiaries, its Device Intelligence (DI) line of business, to Dorfi Limited, an Israeli entity established by the General Manager of the business units, for a total cash consideration of $1. Both DI and DT were reported within the Connected Devices operating segment.

In 2016, DI and DT reported combined revenue of $12.9 million, made an adjusted operating loss of $2.1 million and a loss before tax of $6.8 million (after exceptional items of $1.1 million and acquired intangible asset amortisation of $3.6 million). In addition, the Group took a goodwill and acquired intangible asset impairment charge of $26.9 million. At 31 December 2016 DI and DT had gross assets of $3.4 million.

These divestments do not constitute discontinued operations under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The gain on the divestments during the period was as follows:

$ million	**DI/DT**	**Epitiro**	**First half 2017 Total**
Gross consideration	**-**	**0.3**	**0.3**
Net liabilities/(assets) at date of divestment	**2.9**	**(0.5)**	**2.4**
Provision against loan to divested subsidiaries	**(2.0)**	**-**	**(2.0)**
Expenses of sale	**(0.2)**	**(0.5)**	**(0.7)**
Foreign exchange adjustments	**3.1**	**-**	**3.1**
Net gain/(loss) on divestments before and after tax	**3.8**	**(0.7)**	**3.1**

Accumulated foreign exchange gains of $3.1 million were recycled to profit or loss on divestment of DI/DT.

As part of the sale of DI and DT, Spirent made a $2.0 million interest bearing loan to the divested subsidiaries to fund working capital requirements. This loan has been fully provided for by the Group and expensed in the calculation of the gain on divestments.

The net cash impact of divestments in the period was as follows:

$ million	**DI/DT**	**Epitiro**	**First half 2017 Total**
Cash consideration	**-**	**0.3**	**0.3**
Loan to divested subsidiaries	**(2.0)**	**-**	**(2.0)**
Expenses of sale	**-**	**(0.4)**	**(0.4)**
Net cash impact from divestments in current period	**(2.0)**	**(0.1)**	**(2.1)**

10 **Divestments** continued

The net (liabilities)/assets divested during the period were as follows:

$ million	DI/DT	Epitiro	First half 2017 Total
At date of divestment			
Intangible assets	**-**	**0.4**	**0.4**
Property, plant and equipment	**0.3**	**-**	**0.3**
Cash on deposit	**0.1**	**-**	**0.1**
Inventories	**-**	**0.1**	**0.1**
Trade and other receivables	**3.0**	**-**	**3.0**
Trade and other payables	**(6.0)**	**-**	**(6.0)**
Provisions	**(0.3)**	**-**	**(0.3)**
Net (liabilities)/assets	**(2.9)**	**0.5**	**(2.4)**

11 Reconciliation of profit before tax to cash generated from operations

$ million	**First half 2017**	First half 2016
Profit before tax	**14.4**	2.0
Adjustments for:		
Finance income	**(0.3)**	(0.2)
Finance expense	**0.3**	0.3
Share of loss of associate	**-**	1.0
Intangible asset amortisation	**4.3**	7.2
Depreciation of property, plant and equipment	**9.0**	9.9
Loss on the disposal of property, plant and equipment	**0.1**	-
Gain on divestments	**(3.1)**	-
Share-based payment	**0.3**	0.6
Changes in working capital		
Deferred income received	**1.6**	7.0
Decrease in receivables	**25.8**	11.1
Decrease/(increase) in inventories	**2.0**	(1.6)
Decrease in payables	**(7.4)**	(4.5)
Decrease in provisions	**(0.6)**	(6.5)
Defined benefit pension plan	**(3.1)**	(1.5)
Cash flow from operations	**43.3**	24.8

12 Related party transactions

There have been no related party transactions in the first half of 2017 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 2016.

13 Capital commitments and contingent liabilities

There are no material capital commitments. There have been no material changes since 31 December 2016 to the Group's indemnities and contingencies.

Statement of directors' responsibilities

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 2016 Annual Report.

The directors of Spirent Communications plc are as listed in the Spirent Communications plc Annual Report for 31 December 2016 with the exception of Tom Lantzsch and Sue Swenson, who stepped down as directors on 3 March 2017 and 8 March 2017, respectively, and Alex Walker and Tom Maxwell, who each stepped down as directors at the conclusion of the Company's Annual General Meeting on 3 May 2017.

By order of the Board of Spirent Communications plc.

E G Hutchinson
Chief Executive Officer
3 August 2017

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 2017 which comprises 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 13. 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 Guidance 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 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
3 August 2017