

The background features a stylized sunburst or starburst effect in white and light blue, positioned above a curved horizon line. The area below the horizon is a gradient of blue, transitioning from a lighter shade at the top to a darker blue at the bottom. The word "SPIRENT" is written in large, semi-transparent blue capital letters across the middle of the image, with a "TM" trademark symbol at the end.

**Spirent plc**  
**2005 Preliminary results**

23 February 2006

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**Anders Gustafsson**  
**Chief Executive**

**SPORTRIDENT™**

# Strategic progress

- Divested HellermannTyton for £289 million
  - repaid debt
  - substantially funded the pension plan
  - proposed share buy-back of up to £50 million
- Spirent transformed into focused communications company
- Acquired SwissQual and QuadTex

# Results overview

- Results impacted by a tough first half in Service Assurance – stabilised in second half
- Service Assurance
  - stabilised in the second half, due to firm actions we took, reporting a significantly reduced operating loss of £0.6 million (first half operating loss: £9.0 million)
  - development of new solutions for triple play and advanced business services
- Performance Analysis
  - overall revenues and operating profit were slightly ahead of 2004
  - activity levels in the fourth quarter recovered somewhat following a weaker third quarter
  - wireless activities had a record year, with sales growing by 17%
  - launch of new unified platform, Spirent TestCenter™, has resulted in competitive wins with new and existing customers in second half
- Systems
  - grew revenue by 20% and operating profit by 29%

# Actions in 2005

- Reshaping and restructuring of business
  - started HellermannTyton disposal process
  - SA: changed management, realigned resources – annualised cost savings of £12.0 million
  - improved effectiveness of Spirent Communications
  - rationalised supply chain and outsourced manufacturing
  - integrated group-wide functions – IT, Corporate marketing
- Released several important new products and won several new customers
  - Spirent TestCenter, wireless - WCDMA/HSDPA, SmartSight
- Grew in Asia



***Spirent transformed –  
now a focused communications company***

# Long term strategy

- Build communications business
- Grow by means of organic investment and selective acquisitions
- Maximise long term value of Systems group
- Good medium term prospects - drive profitable growth

***Deliver shareholder value***



**Eric Hutchinson**  
**Finance Director**

**SPHIRENT™**



# Effect of adopting IFRS

- Treatment of discontinued operations
- Complete change in presentation of results, more complex and extensive disclosures
- Charge in respect of share-based compensation will build over time – £5.1 million in 2005, expect £6.0 million in 2006
- Financial instruments standard applied from 1 January 2005 – limited effect for Spirent
- Goodwill amortisation ceases
- Change to basis of calculation of disposals for exchange and 'old' goodwill
- Markedly different presentation – particularly cash flow statement

# Summary results

£ million	2005	2004	Change %
<b>Continuing Group</b>			
Revenue	259.3	287.2	(10)
Operating profit <sup>1</sup>	11.5	22.9	(50)
Adjusted profit before tax <sup>2</sup>	4.9	15.4	(68)
Reported (loss)/profit before tax	(41.7)	11.2	-
Basic (loss)/earnings per share (pence)	(3.97)	0.98	-
<b>Total Group</b>			
Adjusted earnings per share (pence)	2.30	3.14	(27)

## *Impact of SA loss in H105, recovery in H205*



<sup>1</sup> Before material one-time items, goodwill impairment and share-based payment.

<sup>2</sup> Before material one-time items, goodwill impairment, share-based payment, the costs associated with the part prepayment of loan notes and profit on the disposal of operations.

# Segmental analysis

## Total Group

£ million	2005		2004	
	Revenue	Operating profit/(loss) <sup>1</sup>	Revenue	Operating profit/(loss) <sup>1</sup>
Performance Analysis	178.8	22.0	176.8	21.7
Service Assurance	42.8	(9.6)	74.7	2.5
Systems - continuing	37.7	4.4	31.3	3.4
- disposed	-	-	4.4	0.6
Non segmental	-	(5.3)	-	(5.3)
Continuing businesses	259.3	11.5	287.2	22.9
Discontinued – Network Products	205.5	25.3	187.8	21.3
<b>Total</b>	<b>464.8</b>	<b>36.8</b>	<b>475.0</b>	<b>44.2</b>

***Clear impact of SA loss –  
strong performance by Network Products***

# Performance Analysis

£ million	First half 2005	Second half 2005	2005	2004
Revenue	87.6	91.2	178.8	176.8
Operating profit <sup>1</sup>	11.4	10.6	22.0	21.7
Return on sales <sup>1</sup> (%)	13.0	11.6	12.3	12.3

- Wireless, 27% of revenue, grew 17% year on year
- Variable market conditions, Q4 stronger
- Launch of new platform Spirent TestCenter™ won new business and new customers – functionality increase over next 18 months
- Product development £42.1 million, 24% of sales
- Growth in Asia and Europe

***Variable market conditions continue, but more positive outlook for H2 2006 and beyond***



<sup>1</sup> Before material one-time items, goodwill impairment and share-based payment.

# Service Assurance

£ million	First half 2005	Second half 2005	2005	2004
Revenue	20.2	22.6	42.8	74.7
Operating (loss)/profit <sup>1</sup>	(9.0)	(0.6)	(9.6)	2.5
Return on sales <sup>1</sup> (%)	-	-	-	3.3

- Significantly reduced loss of £0.6 million in H2 – cost savings delivered over £5 million
- H2 revenues benefited from software shipments – gross profit recovered
- Product development – H2 £5.6 million, 25% of sales
- Break even sales £52 million at gross margin 58% of sales

## *Stability through first half 2006*



<sup>1</sup> Before material one-time items, goodwill impairment and share-based payment.

# Systems

£ million	First half 2005	Second half 2005	2005	2004
Revenue	18.7	19.0	37.7	31.3
Operating profit <sup>1</sup>	2.1	2.3	4.4	3.4
Return on sales <sup>1</sup> (%)	11.2	12.1	11.7	10.9

*Figures in the above table relate to PG Drives Technology only, excludes disposed business in 2004*

- Revenues grew 20%, operating profit grew 29%
- Launch of low cost mainstream wheelchair control system – VR2
- High end system – R-net – wide variety of input and output devices for severely disabled
- US Government Medicare funding still constrained
- Gained customer penetration in mobility and industrial markets

***Expect further progress in 2006***

# Material one-time items

£ million	2005
Goodwill impairment – Service Assurance	37.0
<hr/>	
Other material one-time items	
Restructuring costs	
Service Assurance – 40% reduction in workforce	3.9
Supply chain initiative and other	3.1
Inventory write-downs – Service Assurance	1.4
	<hr/>
	8.4

***Annual savings £12.0 million***  
***Cash cost £4.0 million***

# Net operating cash flow

£ million	2005	2004
Continuing operations		
Operating profit <sup>1</sup>	11.5	22.9
Cash cost of material one-time items	(4.0)	(1.1)
Depreciation and other	11.5	15.3
Working capital, deferred income and other provisions <sup>2</sup>	(16.3)	1.7
Pensions	(3.8)	(7.8)
Cash (utilised)/generated from continuing operations	(1.1)	31.0
Cash generated from discontinued operations	35.1	29.3
Cash generated from operations	34.0	60.3
Tax paid	(4.6)	(3.1)
Net cash flow from operating activities	29.4	57.2

***Significant payments accrued at end of 2004 impacted H1 cash flows by £12.0 million, H2 improvement***



<sup>1</sup> Before material one-time items, goodwill impairment and share-based payment

<sup>2</sup> As adjusted for material one-time items but including £4.2 million of cash outflow for prior year vacant property and restructuring



# Free cash flow

£ million	2005	2004
Net cash flow from operating activities	29.4	57.2
Net interest and other	(6.3)	(7.1)
Interest on part prepayment of notes	-	(2.3)
Net capital expenditure	(29.9)	(24.8)
Free cash flow	(6.8)	23.0
Disposals net of acquisitions	2.4	1.2
Share capital issued	2.7	1.5
Loan repayments	(1.6)	(11.0)
Cash (outflow)/inflow	(3.3)	14.7
Exchange	1.1	(0.6)
Closing cash and cash equivalents	48.8	51.0

# Pro forma cash post acquisitions and disposals

£ million

Cash proceeds (net of expenses and tax)	258.0
Repayment of loan notes	(71.5)
Make-whole and swap break fees	(9.7)
Special pension fund contribution	(47.0)
Net proceeds	129.8
Acquisitions	
- SwissQual	(27.7)
- QuadTex	(4.2)
Cash available post acquisitions	97.9
Year end cash and cash equivalents	48.8
Pro forma cash and cash equivalents	146.7

# Pension fund

- Elimination of £47 million IAS 19 deficit as at 30 September 2005
- No further additional annual contributions of £3.5 million required
- Reversal of deferred tax asset of £11 million
- Return on the increased assets in the scheme will be credited to finance income

***Substantial funding of pension scheme***

# Share buy-back programme

*Up to £50m over 12 months subject to*

- Availability of distributable reserves in the Company
- Subject to Pension Regulator clearance
- Existing shareholder approval to buy up to 5% of issued share capital to be extended to 14.99% at AGM May 2006

# 2006 Guidance

- Seasonality will be skewed to H2 in 2006
- Service Assurance running at a small loss – investment in product development
- Six weeks result for Network Products to 15 February
- Cash surplus for 10½ months
- Interest
  - elimination of interest burden on long term debt of 9.2%
  - interest on pension fund moves from expense of £1.1 million to income of about £1.5 million
  - interest receivable on surplus cash at 4.5%
- Effective tax rate – c.25%
- Tax cash payments – c.£4 million
- Capital expenditure – c.£13 million
- Depreciation – c.£13 million
- Forex sensitivity – 1c move = £1.0 million impact on revenues, £0.1 million impact on operating profit



**Anders Gustafsson**  
**Chief Executive**

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# Spirent → Spirent Communications

- Management now has exclusive focus on growing the communications business
- Significantly strengthened balance sheet to support investment
- A core supplier to our customers, whilst keeping ahead of competition
- Continue to build Spirent Communications as a strong brand

***Spirent holds an important position in the communications industry***

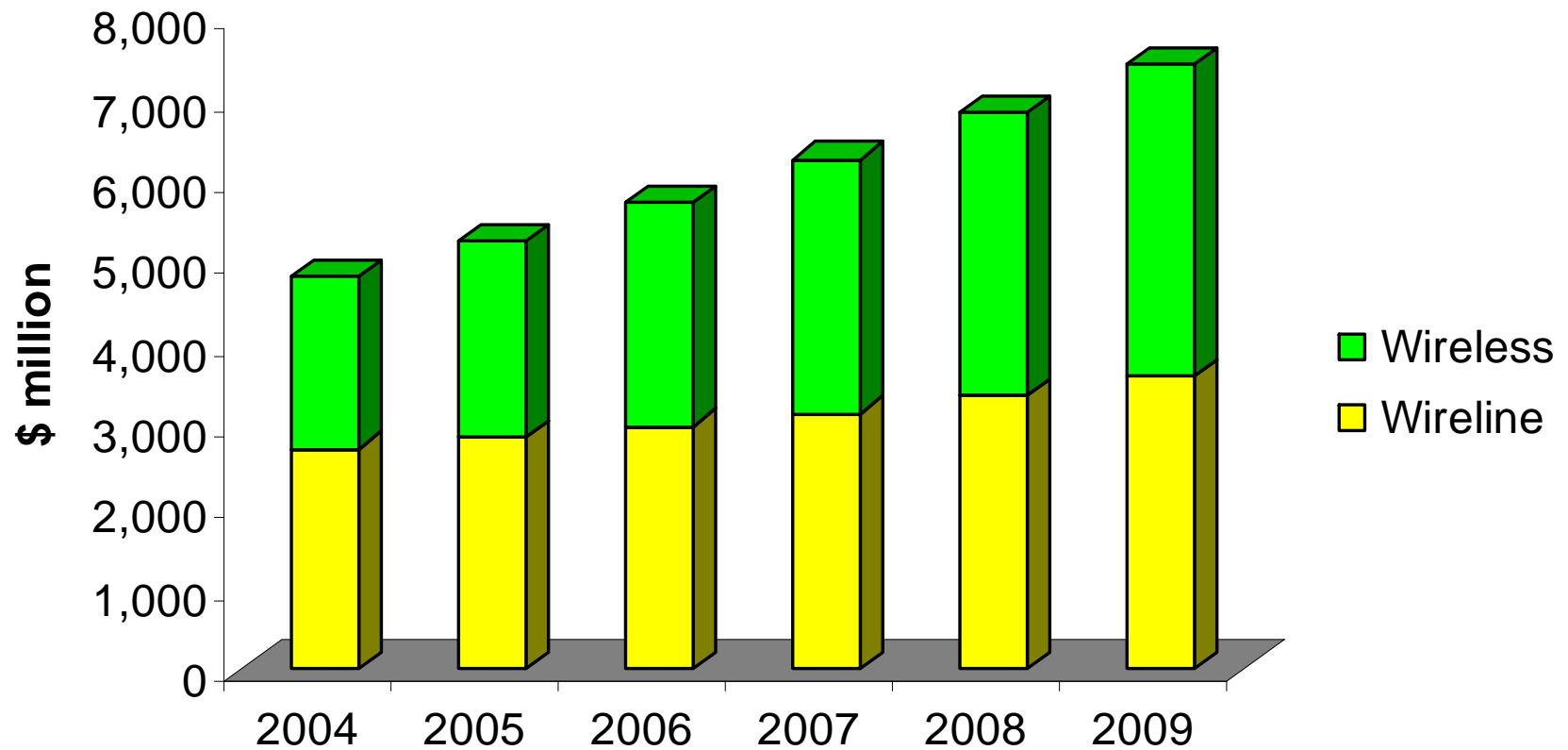
# Strategic initiatives

*Grow by means of organic investment and selective acquisitions*

- Fast growing key areas include
  - Triple Play
  - Wireless
  - IMS (IP multimedia subsystems)
- Transformation of SA to IP service assurance products
- Broad portfolio of solutions enables us to offer a one-stop-shop
- Expansion in Asia and Europe



# Wireline and wireless test and measurement market



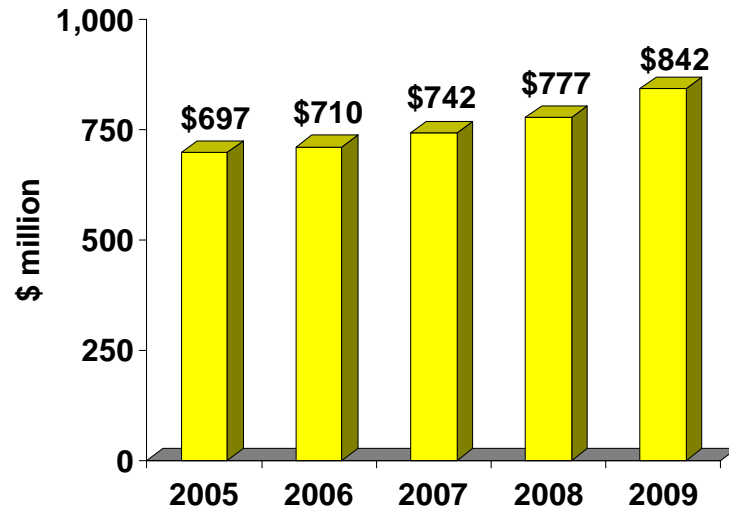
**Wireline market CAGR 5.8%**

**Wireless market CAGR 12.6%**

Source: IDC 2005

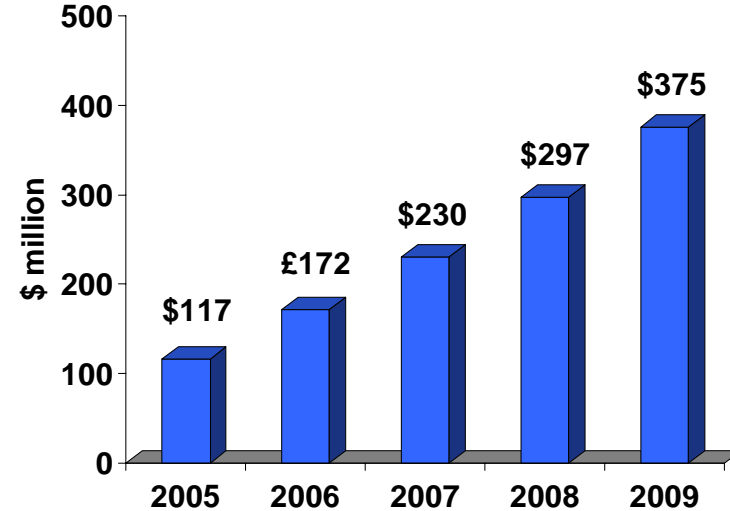
# Service assurance market

## Probe Systems



*Probe Systems CAGR 5%*

## Service Management



*Service Management CAGR 32%*

# Portfolio of solutions: PA and SA

Solutions for	Our products	Takeaway
<b>IPTV</b>	Spirent TestCenter, Abacus, AX4000, CoNIE – ITU, G.1050, SmartSight	Comprehensive and technically superior end-end test solutions
<b>IMS</b>	QuadTex Abacus Landslide	Easy to use, robust solution Provides maximum flexibility by giving the user full control of modifying and customising protocols
<b>Wireless</b>	WCDMA HSDPA UEPT Landslide SwissQual	Network infrastructure testing User Experience focused performance testing for HSDPA Subscriber's Quality of Experience testing delivers increasing ARPU for operators
<b>Ethernet</b>	Spirent TestCenter, SmartBits, AX4000, SmartSight	World's highest density test solution Complete lifecycle test solution
<b>Security</b>	Avalanche and ThreatEx	Intelligent solution that emulates threats and learns new threats in the lab thereby preventing virus attacks



*High growth market segments – addressed by Spirent*

# New products PA

## Spirent TestCenter™

- Comprehensive, integrated and scaleable testing of next-generation equipment
- Increases productivity:- easy-to-use interface, shorter total test time
- Accelerate customers' time to market for new feature testing through reuse of core applications capabilities



## WCDMA and HSDPA solutions

- World's first integrated HSDPA test solution
- Accelerate time to deployment of new services and ensure that they meet user expectations



*Spirent product serving high growth market segments*





# Spirent TestCenter – initial customers



*Delivers customer business benefits -  
scale, ease of use, reduce total test time*



# SwissQual products and applications

Products	Target Group	Application	Technology
<b>Seven.Five</b> 	Wireless Operators Service Companies Infrastructure vendors	Drive Testing - Attended Benchmarking	GSM, GPRS, EDGE & WCDMA HSDPA, DVB-H, PoC, CDMA, 1X, EVDO
<b>QualiPoc</b> 	Wireless Operators Service Companies Infrastructure vendors OSS vendors	Service Monitoring "Friendly User" Drive Testing - Unattended Benchmarking	GSM, GPRS, EDGE & WCDMA HSDPA, PoC CDMA, 1X, EVDO
<b>NetQual</b> 	Wireless / Fixed Operators Wireless / Fixed Operators (R&D) Network Element Vendors	Service Monitoring Service / Device Testing	GSM, GPRS, EDGE, WCDMA & VoIP HSDPA, DVB-H, PoC, CDMA, 1X, EVDO
<b>Algorithms</b> 	T&M Vendors Network Element Vendors	Service Quality Assessment Tuning & Decision	Transparent

# QuadTex – our IMS solutions

## IMS challenges

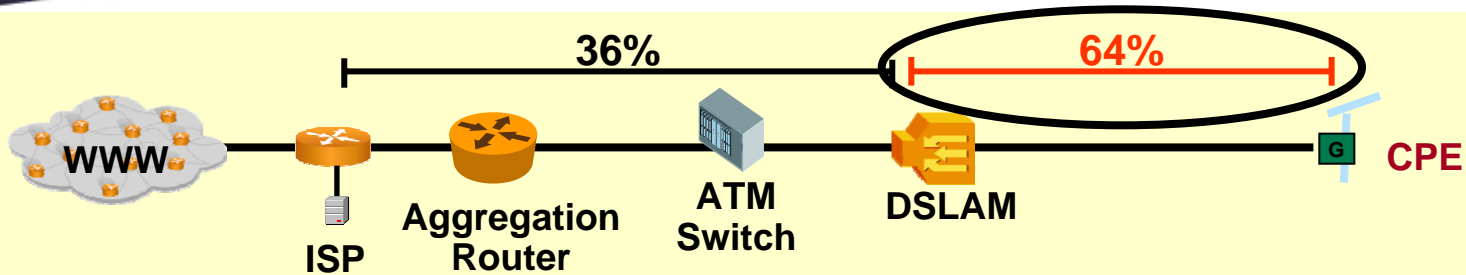
- There are multiple protocols
- There are many different flavours of each protocol
- Interoperability inhibited by many suppliers with different implementation of standards

## Testing needs

- Protocol implementation that meets the specs
- Equipment from various vendors that works together
- Protocol services/features that work correctly

***QuadTex: focused software product for IMS testing  
Combined with existing Spirent products creates a  
comprehensive IMS test offer***

# Unique value for triple play service assurance



SA – SmartSight solution addresses 100% of service testing for triple play

	2001 Pre system	2005 Post system
<b><u>ILECs with Test</u></b>		
DSL Lines	500,000	3,000,000
# of technicians	1,167	650
<b><u>ILECs without Test</u></b>		
DSL Lines	500,000	2,500,000
# of technicians	1,000	2,187

Testing services fundamentally improve operations cost structure

***Service providers must differentiate via customer experience and scale the service***



# PA and SA summary

- Innovative products in Triple Play, IP/Ethernet and 3G technologies
  - Spirent TestCenter
  - HSDPA
  - SmartSight – Triple Play Service Assurance
  - Tech-X – Next Generation Field Test
- Ability to leverage investments from the lab to the live network
- Leading positions in multiple market segments globally
- Uniquely positioned to capture rapidly growing investments in new technologies, networks and services

# Outlook

- Test, measurement and monitoring markets offer good growth prospects over the medium and long term
- 2006 a period of product transition as
  - increased capability of our new products and solutions gain market share
  - background of continued variable market conditions through first quarter
- Overall, we anticipate that 2006 performance will show recovery over last year
  - more pronounced seasonal increase in activity in the second half

# Conclusion

- Transformed Spirent into focused communications company
  - Spirent is the market leader in majority of its addressed segments
  - market dynamics provide challenges and opportunities
- Well placed to grow organically from these established market-leading positions
- Significantly improved our financial position
- Expansion through selective acquisitions, such as SwissQual and QuadTex



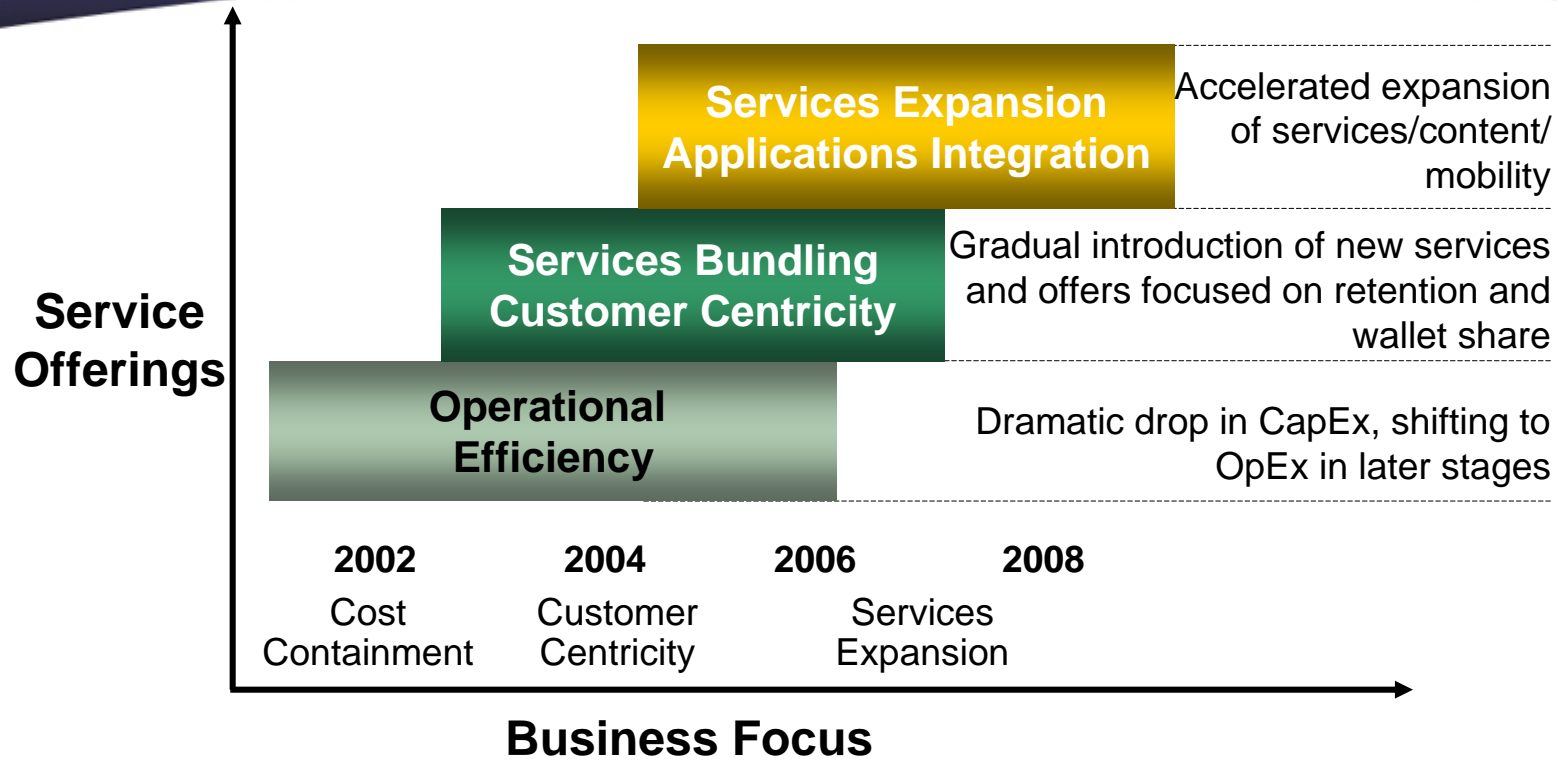
***Deliver value through investment and  
share buy-back***



# Appendix

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# Shifting service provider focus



**Cash Flow** → **Revenue growth**  
**TDM** → **IP**  
**Voice** → **Data & Video**  
**Fixed** → **Wireless**



Source: Yankee Group