Interim Results
for the first half of 2006

10 August 2006

Inspired Innovation

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Inspired Innovation

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Strategic progress

- Transformation into focused communications company completed
- Strongly focused management:
  - a broad portfolio of products
  - a core supplier to our customers
  - a leading brand
- Management and organisation significantly strengthened:
  - executing on our strategy
- Significantly strengthened balance sheet to support investment to keep ahead of the competition:
  - £31.2m spent on new products and enhancements to existing products
  - four strategic acquisitions, expanding our capability and technology into new and existing growth areas and widening our geographical reach

Results overview

- First half characterised by variable market conditions and significant product transition:
  - very competitive market place
  - short term delays to product launches
  - higher product development and sales and marketing spend
- Strong performance by new and enhanced existing products and target growth regions such as Asia
- Reported results include:
  - £157.1m profit after tax on disposal of the HellermannTyton Division
  - £3.9m for restructuring actions as announced on 29 June 2006
  - goodwill impairment of £9.5m
- Net cash at half year of £146.3m
- Sarbanes Oxley costs £1m in H1 2006; £3m expected for the full year
- Share buy back commenced and on track

Eric Hutchinson
Finance Director

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Summary results

£ million	First half 2006	First half 2005
Continuing Group		
Revenue	138.2	126.5
Adjusted operating profit[1]	3.8	1.8
Adjusted profit/(loss) before tax[2]	6.1	(1.1)
Adjusted earnings/(loss) per share[2] (pence)	0.61	(0.13)
Basic loss per share (pence)	(1.82)	(4.87)
Total Group		
Reported profit/(loss) for the period	141.3	(36.8)

SA recovery in H106, offset by weak PA performance

1 Before material one-time items, goodwill impairment, intangible amortisation and share-based payment.
2 As [1] and before the costs associated with repayment of loan notes and profit on disposal of operations.

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Segmental analysis

£ million	First half 2006 Revenue	First half 2006 Operating profit/(loss)[1]	First half 2005 Revenue	First half 2005 Operating profit/(loss)[1]
Performance Analysis	94.5	3.3	87.6	11.4
Service Assurance	24.9	0.7	20.2	(9.0)
Systems	18.8	2.6	18.7	2.1
Non segmental	-	(2.8)	-	(2.7)
Continuing operations	138.2	3.8	126.5	1.8

- Product development spend for H1 2006 of £31.2m compared to £29.5m for the same period last year
- Sarbanes Oxley costs of £1m for H1 2006, expected to be £3m for the full year

Revenue growth, profit impacted by higher operating expenses

[1] Before material one-time items, goodwill impairment, intangible amortisation and share-based payment.

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Performance Analysis

£ million	First half 2006	First half 2005	Change %
Revenue	94.5	87.6	8
Operating profit[1]	3.3	11.4	(71)
Return on sales[1] (%)	3.5	13.0	
Product development	24.1	19.9	21

- Acquisitions contributed £4.3 million revenue and operating loss £0.5m
- Variable market conditions and significant move in products to new test platform
- Development spend predominantly Spirent TestCenter™
- Growth in security test, IP telephony, wireless infrastructure test
- Growth in Asia
- Wireless 29 per cent of revenues

Investing for future market differentiation

[1] Before material one-time items, goodwill impairment, intangible amortisation and share-based payment.

Service Assurance

£ million	First half 2006	First half 2005	Change %
Revenue	24.9	20.2	23
Operating profit/(loss)[1]	0.7	(9.0)	>100
Return on sales[1] (%)	2.8	-	-
Product development	5.9	8.5	(31)

- Revenues up - £4.5m contract for remote packet access test
- Profitable - benefit of prior year cost reductions
- DSL pick up with major carrier
- Development of triple play monitoring
- Continued leased line revenue decline
- Actions taken to reduce cost base at end of June

Recovery over first half 2005 – near break-even outlook

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[1] Before material one-time items, goodwill impairment, intangible amortisation and share-based payment.

Systems

£ million	First half 2006	First half 2005	Change %
Revenue	18.8	18.7	1
Operating profit[1]	2.6	2.1	24
Return on sales[1] (%)	13.8	11.2	

- Volume growth, increase in low cost powered wheelchair controllers
- Product cost improvements increased profitability:
  - move of more production to China
- Benefit of new product launches – both low cost and high end

Improved profitability through design enhancement and low cost manufacture

1 Before material one-time items, goodwill impairment, intangible amortisation and share-based payment.

Goodwill impairment and material one-time items

£million	First half 2006
Goodwill impairment – Service Assurance	9.5
Material one-time items:	
Restructuring costs	3.9
Inventory absorption adjustment - credit	(2.3)
	1.6

- Restructuring actions principally in Service Assurance division:
  - should enable a near break-even result for H2 2006
  - following which pro forma break-even sales for SA are estimated to be £36m per year

Annual savings £9.0m

Cost £3.9m, cash spent in first half £1.9m

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Net operating cash flow

£ million	First half 2006	First half 2005
Continuing operations		
Operating profit[1]	3.8	1.8
Cash cost of material one-time items	(1.9)	(2.9)
Depreciation and other	6.6	5.5
Working capital, deferred income and other provisions[2]	(11.3)	(6.8)
Cash used in continuing operations	(2.8)	(2.4)
Cash (used in)/generated from discontinued operations	(0.1)	12.0
Cash (used in)/generated from operations	(2.9)	9.6
Tax paid	(2.7)	(1.9)
Net cash (used in)/from operating activities	(5.6)	7.7

Working capital increase driven by ramp up of new product inventories

1 Before material one-time items, goodwill impairment, intangible amortisation and share-based payment.

2 As adjusted for material one-time items, but including £2.1 million cash outflow for prior year vacant property.

Free cash flow

£ million	First half 2006	First half 2005
Net cash (used in)/from operating activities	(5.6)	7.7
Net interest and other	1.2	(3.0)
Net capital expenditure	(8.2)	(15.8)
Free cash flow	(12.6)	(11.1)
Pensions	(47.0)	(3.5)
Make-whole and swap break fees	(9.7)	-
On-market share repurchase	(7.2)	-
Disposals	278.5	0.9
Acquisitions	(32.6)	-
Share capital issued	1.4	2.3
Net repayment of borrowings	(72.6)	(0.5)
Net increase/(decrease) in cash and cash equivalents	98.2	(11.9)
Exchange	(0.7)	0.2
Closing cash and cash equivalents	146.3	39.3

Discontinued operations net capex £1.2m

Net proceeds from the disposal of Network Products

£ million	First half 2006	Second half 2005	Total
Cash free/debt free equivalent value	297.6	-	297.6
Debt assumed	(9.4)	-	(9.4)
Cash consideration	288.2	-	288.2
Transaction costs	(4.5)	(6.7)	(11.2)
Tax	(8.2)	-	(8.2)
	275.5	(6.7)	268.8

Total proceeds from the disposal were £8.7m higher than anticipated

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2006 Guidance

- Interest:
  - elimination of interest burden on long term debt of 9.2%
  - interest on pension fund moves from expense of £1.1m to income of about £1.5m
  - interest receivable on surplus cash for H2 at 4.75%
- Effective tax rate – c.15%
- Tax cash payments – c.£5m
- Capital expenditure – c.£13m
- Depreciation – c.£13m
- Sarbanes Oxley costs for the year expected to be £3m, one third incurred in H1 2006
- Forex sensitivity – 1c move = £1.0m impact on revenues, £0.1m impact on operating profit

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Anders Gustafsson
CEO

Inspired Innovation

Spirent's strategy

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

Deliver shareholder value

Strategic initiatives

Lead Growth Markets

IPTV,
Triple Play

IMS

Wireless

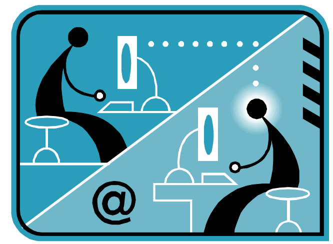
Ethernet

Expand Globally

Asia

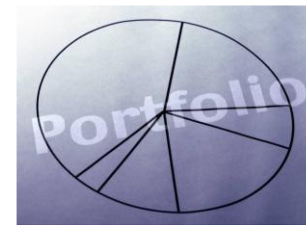
Europe

World Class Services



Leverage industry expertise and best in class services

Breadth of Portfolio



Deliver comprehensive and innovative solutions

Grow by means of organic investment and selective acquisitions

Market trends

Rapidly changing market	New T&M requirements
Proliferation of new technologies	Breadth of expertise (wireless, convergence, Ethernet/IP services) Scalable, modular testing architecture
IP services to avert voice revenue decline	Quality of Service/Experience testing “From lab to live” testing for time-to-revenue acceleration
Changing customer landscape (M&A)	Customer diversification and intimacy Global presence and reputation
IP skills-shortage fuelling partnerships	Testing services Solution Partnerships
R&D productivity	Testing productivity improvement Automation/Ease-of-use

Strategic initiatives – improve operational effectiveness

- Restructured sales team to better serve our major customers
- Deliver higher value solutions through "game-changing" product innovations, services and partnerships
- R&D effectiveness and improve time to market
- Simplify and strengthen our support processes
- Continue to unlock synergies between divisions to accelerate growth initiatives and improve operational efficiency

Improve margins and revenues

Complement organic growth with strategic acquisitions

Company acquired	Market focus
SwissQual January – initial consideration £27.8m	Wireless Video Subscriber Experience testing (Diversity)
QuadTex Systems February – initial consideration £4.3m	IMS and VoIP protocol development testing (Spirent ProtocolTester)
Scientific Software Engineering July – initial consideration £5.4m	3G Wireless Infrastructure testing (Landslide)
Imperfect Networks August – initial consideration £2.2m	Security testing (ThreatEx)

In line with our strategic initiatives

Divisional performance - PA

- Overall market "flattish"
- M&A continues its negative impact:
  - largest customer Cisco down 35 per cent
  - other M&A customers down 19 per cent
- Customers unaffected by M&A up 13 per cent
- Strong growth and market share gains in Asia
- Aim to grow share in core and build lead in top growth areas in H2:
  - ***Core markets:*** Security, Access, SWAT, Metro Routing, Switching, Triple Play, and IP Telephony
  - ***Expansion markets:*** 3G wireless infrastructure, IMS, WiMAX, and manufacturing test
- Offensive sales strategy:
  - Compete and win on functionality and productivity

PA product performance

- Declining or cannabilised existing products:
  - SmartBits
  - AX
- Enhanced existing products:
  - Abacus
  - Avalanche
  - Positioning
- Growing new products:
  - Spirent TestCenter
  - Spirent Protocol Tester
  - Landslide
  - ThreatEx
- Product spending peaking this year – productivity benefit in 2007

Spirent TestCenter™ – "the game changer"

- Launch of new unified platform:
  - competitive wins with new and existing customers
  - significantly ramped revenues
- Further product releases in H2:
  - further improve functionality and productivity
- "The Game Changer":
  - improves productivity and time to market
  - addresses rapid technology change
  - scalability and performance
- Improves our R&D productivity

New customers in Q2 for Spirent TestCenter™

Optical Ethernet Div. Italy

3 new Business units

3 new NTT Labs

90+ customers

What customers are saying..

- **Optical Ethernet NEM:**
  - "Wow, this is very impressive. In our environment, we need a tool with port density, that's easy to use, and has a simple automation framework. This product has all three!"
- **Ethernet Switch NEM Test Engineers:**
  - “We are finding bugs [in our products] with Spirent TestCenter that were not found with [the competitors tester].”
  - “The 10 Gigabit Ethernet on Spirent TestCenter is a ‘slam dunk’ versus your competition. It gives me investment protection by being able to change 10 Gigabit interfaces.”
- **Core Carrier Router NEM:**
  - “Spirent TestCenter was stable during the entire two week evaluation. We were doing large scale QoS testing with many streams. [The competitor’s] box was so unstable and buggy that we will not give it serious future consideration.”

Divisional performance - SA

- Market for existing solutions continues to decline:
  - maximise value capture from existing business whilst continuing to invest in new 3P solutions
- Proactively managed legacy cost base
- Next Gen solutions still being evaluated by customers:
  - risk/reward profile increasing due to customer M&A
  - more lumpy and unpredictable new business pipeline
  - focus on winning in core accounts
- Highest level of revenue for new packet based solutions
- Launched new field test product (TechEx):
  - integrated and cost effective 3P field test unit
- Future growth dependent on 3P contracts, which continue to be delayed

Well positioned for success

Outlook

- Significant product transition and variable market conditions
- These factors are expected to continue in H2
- Introduction of new products and enhancements to our existing products
- Contribution from acquisitions
- Expected to lead to a modest increase in revenue for 2006 compared with 2005
- Combined with benefits of restructuring actions, is expected to result in an improved performance for year as a whole

Conclusion

- Spirent transformed:
  - focused communications company
  - significantly improved financial position
- Well placed to grow organically:
  - leading positions in multiple market segments globally
  - innovative and successful next-generation products and solutions
  - ability to leverage investments from the lab to the live network
  - gaining market share as a result of our significant investment
- We are also growing through selective, strategic acquisitions

Our vision

Be recognised as the “partner of choice” for delivering test and measurement solutions that ensure the success of next generation network equipment and services

Enable our customers to achieve faster time to revenue for their products and services by improving their testing productivity and quality of their offerings

Differentiate ourselves through our unique “from lab to live” converged solutions, testing services and the quality of our global customer support

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