



News Release

SPIRENT COMMUNICATIONS PLC INTERIM MANAGEMENT STATEMENT (UNAUDITED)

London, UK – 23 April 2014: Spirent Communications plc (“Spirent”, the “Company” or the “Group”) (LSE: SPT), a leading communications technology company, announces the following unaudited Interim Management Statement covering the period from 1 January to 22 April 2014. All figures relating to trading are for the period 1 January to 31 March 2014.

Trading to date

Order intake in the first quarter of 2014 grew by 12% compared to the first quarter of 2013, with organic growth at 9%. Revenue for the period at \$111.9 million showed a 16% increase, organically up 14%. This included revenue of \$12.0 million within Service Assurance delayed from 2013 which distorted the Group’s book to bill ratio reported as 91, the underlying ratio being 102.

The investments set out in the full year results for 2013 are well under way. Further momentum is expected during the second quarter of 2014.

Results

The results for the first quarter of 2014 are set out below:

| \$ million | 1 st quarter 2014 | 1 st quarter 2013 | Change (%) |
|---|------------------------------|------------------------------|------------|
| Reported | | | |
| Revenue | 111.9 | 96.8 | 16 |
| Operating profit | 8.3 | 7.6 | 9 |
| Basic earnings per share (cents) | 0.99 | 0.85 | 16 |
| Free cash flow ¹ | 2.9 | 7.9 | (63) |
| Adjusted | | | |
| Operating profit ² | 11.4 | 10.5 | 9 |
| Basic earnings per share ^{2,3} (cents) | 1.34 | 1.19 | 13 |

Notes

1 Operating cash flow after tax, net interest and net capital expenditure.

2 Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.

3 Before tax effect of items in note 2.

Highlights – first quarter 2014

Financial

- Group revenue increased by 16% to \$111.9 million (first quarter 2013: \$96.8 million). Acquisitions completed during the first quarter of 2014 contributed \$1.1 million.
- Service Assurance revenue rose \$13.2 million driven by revenue recognised of \$12.0 million from field test orders delayed from 2013.
- Order intake up 12% compared to the first quarter of 2013 with an improving trend in all segments; book to bill ratio at 91 for the Group was distorted by Service Assurance; underlying book to bill ratio of 102 (first quarter 2013: 94).
- Adjusted operating profit increased to \$11.4 million (first quarter 2013: \$10.5 million) after additional investment in product development and sales and marketing of \$6.8 million.
- Free cash inflow of \$2.9 million (first quarter 2013: \$7.9 million) as working capital was absorbed to fund revenue growth.
- Closing cash was \$163.6 million at 31 March 2014 (31 December 2013: \$216.2 million) after an outflow on two acquisitions of \$39.2 million and \$16.4 million for share repurchases.

Operational

With an expanding portfolio of innovative solutions, Spirent continues to focus on addressing the needs of its customers:

- Huawei selected Spirent TestCenter™ to validate the performance of its latest CloudEngine data center switch in a test of massive scale;
- Introduced SimSAFE, a test bed that enables evaluation of Global Navigation Satellite System (“GNSS”) receiver resilience and aids the development of counter-measures;
- Quantum was launched, an automated user experience analytics system for measuring and driving improvements to the battery life of mobile devices under a wide range of consumer usage scenarios;
- Spirent made further contributions to advancing ultra-high bandwidth networking with release of a new high density 100G test solution supporting the latest-generation CFP4 optical transceiver interface;
- China Mobile’s research division, China Mobile Research Institute, selected Spirent Landslide to verify the performance of its 4G/3G evolved packet core network; and
- Announced Spirent Velocity, the first open-framework, cloud-based test platform for rapid development and validation of software-defined networking and network functions virtualization technologies and deployments.

Eric Hutchinson, Chief Executive Officer, commented:

“Spirent has made significant progress at the start of 2014. The new company structure is established and new executives have been appointed to strengthen the management teams. Advances have been made in the development of new products and solutions and in driving our strategy at all levels. Market conditions have improved in all regions compared to 2013.”

Outlook

Trading is currently in line with the Board’s expectations of achieving high single digit organic revenue growth for the year, as set out at the time of the Preliminary Results and we are encouraged by the progress we are making towards the achievement of our planned goals in 2014.

Business review

In the first quarter of 2014 Group revenue increased by 16% to \$111.9 million (first quarter 2013: \$96.8 million). Service Assurance contributed \$12.0 million of this improvement through the recognition of revenue for its hand-held devices for in-home testing which was delayed from 2013. In both Networks & Applications and Wireless & Service Experience revenue grew by 2% over the first quarter of 2013.

Order intake was up 12% compared with the first quarter of 2013; all of our business segments improved, as did all geographic regions. The book to bill ratio of 91 (first quarter 2013: 94) was distorted by Service Assurance; on an underlying basis the book to bill ratio was 102.

The gross margin was lower at 67.9% compared with 68.7% for the first quarter of 2013 with product mix and the competitive environment being the principal contributory factors.

Reported operating profit increased to \$8.3 million (first quarter 2013: \$7.6 million). Operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment was \$11.4 million (first quarter 2013: \$10.5 million). Additional investments were made in product development of \$4.5 million, and in sales and marketing of \$2.3 million, to support our core business and fund new initiatives.

Adjusted basic earnings per share was 1.34 cents per share (first quarter 2013: 1.19 cents). The effective tax rate for the first quarter was 27.4% (first quarter 2013: 27.6%).

Networks & Applications – 45% of Group revenue

Revenue grew 2% to \$50.5 million (first quarter 2013: \$49.3 million) in the Networks & Applications division. We saw positive momentum for our infrastructure test optimization solutions and services revenue again increased. Geographically conditions recovered well in Europe, were flat in the Americas with Asia Pacific marginally lower.

Order intake improved 10% over the first quarter of 2013 and the closing book to bill ratio was 103 (first quarter 2013: 96).

Gross margin was lower at 66.8% (first quarter 2013: 67.8%) as a result of the strong competitive environment.

The division reported an operating loss of \$0.6 million (first quarter 2013: \$1.6 million operating profit) as a consequence of the higher levels of investment in product development and sales and marketing and lower gross margin.

Wireless & Service Experience – 36% of Group revenue

Revenue increased to \$40.0 million (first quarter 2013: \$39.3 million) in the Wireless & Service Experience division. The improvement was in the wireless business with service experience and positioning products remaining flat period-on-period. Revenue for positioning products was impacted by low levels of US Government spend.

Order intake in this division grew 6% resulting in a book to bill ratio of 104 (first quarter 2013: 100). In the quarter Spirent saw strong carrier acceptance business and investment by customers in VoLTE, with the Asia Pacific region in particular benefiting from these trends. Gross margin was lower at 67.1% (first quarter 2013: 68.4%) due to product mix.

Operating profit reduced to \$3.2 million (first quarter 2013: \$7.7 million), again primarily a result of the higher levels of investment compared to the prior year and reduced gross margin.

Service Assurance – 19% of Group revenue

Service Assurance revenue increased by \$13.2 million to \$21.4 million (first quarter 2013: \$8.2 million). As previously stated \$12.0 million was contributed by recognition of the large orders for the hand-held devices for in-home testing received in 2013, which distorted the book to bill ratio. Further field test business is expected in the second half of 2014.

The high revenue has delivered a substantial operating profit of \$10.9 million (first quarter 2013: \$2.7 million).

Acquisitions

The following acquisitions were announced and completed in the first quarter of 2014:

- The business of DAX Technologies Corp. (“DAX”) for a cash consideration of \$37.0 million which completed on 19 February 2014. DAX is a leading provider of customer experience management solutions and is reported within our Service Assurance division.
- A majority stake of 58% in Testing Technologies IST GmbH for a cash consideration of Euro 2.0 million on 20 February 2014. The company develops and markets standardised and customer-specific software-based testing tools which support the development of mission-critical products and workflow steps. This acquisition is reported within our Wireless & Service Experience division.

Acquisition expenses of \$0.7 million were incurred in relation to these transactions.

Cash

In the first quarter of 2014 free cash inflow was \$2.9 million (first quarter 2013: \$7.9 million). Higher revenue towards the end of the first quarter has resulted in an increase in working capital which is expected to release in the second quarter of 2014.

Cash and cash equivalents closed at \$163.6 million (31 December 2013: \$216.2 million) after an outflow for acquisitions of \$39.2 million and \$16.4 million for share repurchases. In total, during the first quarter of 2014, 9.7 million Ordinary Shares were repurchased at an average cost of 97 pence per Ordinary Share. As previously stated, we do not currently expect to repurchase any more shares in the near term.

- ends -

Enquiries

| | | |
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About Spirent Communications plc

Spirent Communications plc is a global leader in test and measurement inspiring innovation within development labs, communication networks and IT organisations. We enable today's communication ecosystem as well as tomorrow's emerging enterprises to deploy life enriching communications networks, devices, services and applications. Further information about Spirent Communications plc can be found at <http://corporate.spirent.com/>.

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

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Cautionary statement regarding forward-looking statements

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

Condensed consolidated income statement (unaudited)

Period ended 31 March 2014

| | Notes | 1 st quarter 2014 \$ million | 1 st quarter 2013 ¹ \$ million |
|---|-------|--|---|
| <u>Continuing operations</u> | | | |
| Revenue | 1 | 111.9 | 96.8 |
| Cost of sales | | (35.9) | (30.3) |
| Gross profit | | 76.0 | 66.5 |
| Product development | | (27.5) | (23.0) |
| Selling and distribution | | (25.1) | (22.8) |
| Administration | | (15.1) | (13.1) |
| Operating profit | 1 | 8.3 | 7.6 |
| Finance income | | 0.1 | - |
| Profit before tax | | 8.4 | 7.6 |
| Tax | | (2.3) | (2.1) |
| Profit for the period attributable to owners of the parent Company | | 6.1 | 5.5 |
| Earnings per share (cents) | 2 | | |
| Basic | | 0.99 | 0.85 |
| Diluted | | 0.99 | 0.85 |

Note

1 Reclassification of selling and distribution costs to administration costs as a result of changes to the Group's organisational structure.

Notes to the Interim Management Statement

1 Segmental analysis

| | 1 st quarter 2014 \$ million | 1 st quarter 2013 \$ million |
|--|--|--|
| Revenue | | |
| Networks & Applications | 50.5 | 49.3 |
| Wireless & Service Experience | 40.0 | 39.3 |
| Service Assurance | 21.4 | 8.2 |
| | 111.9 | 96.8 |
| Operating profit/(loss) | | |
| Networks & Applications | (0.6) | 1.6 |
| Wireless & Service Experience | 3.2 | 7.7 |
| Service Assurance | 10.9 | 2.7 |
| Corporate | (2.1) | (1.5) |
| Operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment | 11.4 | 10.5 |
| Exceptional item | - | (0.4) |
| Acquisition related costs | (0.7) | - |
| Acquired intangible asset amortisation | (2.4) | (2.1) |
| Share-based payment | - | (0.4) |
| | 8.3 | 7.6 |
| Depreciation | 4.7 | 4.0 |
| Capital expenditure | 4.9 | 2.8 |

2 Earnings per share

Earnings per share is calculated by reference to the profit for the period and the number of Ordinary Shares in issue during the period as follows:

| | 1 st quarter 2014 \$ million | 1 st quarter 2013 \$ million |
|---|--|--|
| Profit for the period attributable to owners of the parent Company | 6.1 | 5.5 |
| | Number million | Number million |
| Weighted average number of shares in issue – basic | 613.4 | 648.0 |
| Dilutive potential of employee share incentives | 1.0 | 2.3 |
| Weighted average number of shares in issue – diluted | 614.4 | 650.3 |

2 Earnings per share continued

| | 1 st quarter 2014 cents | 1 st quarter 2013 cents |
|---------------------------|---------------------------------------|---------------------------------------|
| Earnings per share | | |
| Basic | 0.99 | 0.85 |
| Diluted | 0.99 | 0.85 |

The Group is disclosing adjusted earnings per share attributable to owners of the parent Company for continuing operations in order to provide a measure to enable period-on-period comparisons to be made of its performance.

| | 1 st quarter 2014 | | 1 st quarter 2013 | |
|---|------------------------------|--------------|------------------------------|--------------|
| | \$ million | EPS cents | \$ million | EPS cents |
| Profit for the period attributable to owners of the parent Company | 6.1 | 0.99 | 5.5 | 0.85 |
| Exceptional item | - | | 0.4 | |
| Acquisition related costs | 0.7 | | - | |
| Acquired intangible asset amortisation | 2.4 | | 2.1 | |
| Share-based payment | - | | 0.4 | |
| Tax effect on above items | (1.0) | | (0.7) | |
| Adjusted basic | 8.2 | 1.34 | 7.7 | 1.19 |
| Adjusted diluted | | 1.33 | | 1.18 |