SPIRENT

News Release

SPIRENT COMMUNICATIONS PLC
INTERIM MANAGEMENT STATEMENT

London, UK – 13 November 2014: Spirent Communications plc ("Spirent", the "Company" or the "Group") (LSE: SPT), a leading communications technology company, announces the following unaudited Interim Management Statement for the period from 1 July 2014 to date. Unless otherwise stated the financial information is for the three months ended 30 September 2014.

Trading update and outlook

As reported on 7 October 2014, the level of demand for our products and services dipped sharply during the third quarter in the United States and in China. The reason was a combination of merger activity at some of our major customers and a lull in capital expenditure as a result of future new technology deployments being assessed. Principally this affected our Networks & Applications division. We expect that the weaker market conditions will continue during the rest of 2014. Our forecast revenue for the fourth quarter remains in the range of $120 million to $125 million. The Company is reviewing its cost structure to align costs with changes in the market while protecting the execution of its strategic plan.

Results summary

The results for the third quarter and for the first nine months of 2014 for the Group are set out below:

$ million	**2014 3rd quarter**	2013 3rd quarter	**2014 9 months YTD**	2013 9 months YTD
Reported				
Revenue	**110.1**	107.7	**331.1**	298.1
Operating profit	**2.7**	13.3	**16.6**	27.8
Basic earnings per share (cents)	**0.32**	1.51	**2.04**	3.58
Free cash inflow/(outflow)[1]	**(4.8)**	3.5	**14.3**	30.2
Adjusted				
Operating profit[2]	**9.1**	16.1	**29.7**	34.3
Basic earnings per share[3](cents)	**1.18**	1.79	**3.68**	3.82

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. Adjusted basic earnings per share is based on adjusted earnings as set out in note 2 of Notes to the Interim Management Statement.

Highlights - third quarter 2014

Financial

- Group revenue increased to \$110.1 million (Q3 2013: \$107.7 million) including the contribution from acquisitions of \$5.6 million;
- Book to bill ratio for the Group of 95 (Q3 2013: 94);
- Adjusted operating profit of \$9.1 million (Q3 2013: \$16.1 million), impacted by increased organic investment in product development and in sales and marketing of \$6.3 million;
- Adjusted basic earnings per share of 1.18 cents (Q3 2013: 1.79 cents); and
- Cash balance of \$104.9 million at 30 September 2014 (30 June 2014: \$168.4 million) after acquisitions of \$47.0 million and the dividend payment of \$9.9 million.

Operational

Spirent's continuing strategic investment programme saw a number of important new solutions and initiatives launched during the third quarter which enhance our competitive advantage:

- Spirent Elevate Test Framework, a radically new approach to addressing the complex testing challenges and scale demands of wireless and machine-to-machine devices and services, with an initial focus on Voice over LTE ("VoLTE") and Rich Communication Services;
- A landmark collaboration with Signals Research Group, benchmarking the performance of VoLTE on a commercial network versus 3G circuit-switched voice and over-the-top Skype service, using Spirent call quality, battery life and data usage measurement systems;
- Datum Lab IP Analytics, a new lab-based solution that enables operators and device manufacturers to identify the root causes of poor data service experience by analysing IP and application layer packets;
- New MX2 modules for 10/40G Ethernet testing with best-in-class performance and realism, enabling enhanced reliability and security testing with Spirent TestCenter™ and Avalanche;
- First-to-market Service Provider software-defined networking ("SDN") capabilities on Spirent TestCenter that help service providers ensure a smooth migration to SDN while achieving optimal performance;
- Major 8100 Location Technology Solution enhancements to address the need for improved location accuracy and VoLTE support for US E911 calls originating indoors; and
- Spirent TestCenter Live Virtualized Probe, the industry's first virtualized Ethernet probe that provides complete visibility into the entire network, whether virtualized or not.

Eric Hutchinson, Chief Executive Officer, commented:

"Despite the weakened market conditions, the strategic direction for the Company is unchanged. Spirent has achieved success in winning back market share with key customers through service, support, innovation and focus on customer needs. Our virtual test solutions are gaining traction with existing and new customers. Products introduced this year pave the way to enter markets for testing data connectivity, such as machine-to-machine, critical infrastructure and connected vehicles. The technology shift to virtualization in our current served markets will create the need for new test methodologies and advanced test solutions to support the exponential growth in data traffic and the security of the networks."

Third quarter performance

Overview

Revenue for the third quarter of 2014 was $110.1 million compared with $107.7 million for the third quarter of 2013. Organically, revenue was down 3 per cent when compared to the same period last year. The reason was a combination of merger activity at some of our major customers and a lull in capital expenditure as a result of future new technology deployments being assessed. Principally this affected our Networks & Applications division. The acquisitions made in 2014 contributed $5.6 million to third quarter revenue. The book to bill ratio for the third quarter was 95 (Q3 2013: 94).

Regionally, activity continued its recovery in Europe where revenue was up by 32 per cent compared with the third quarter of 2013. In the United States, revenue was down 1 per cent as growth in Wireless & Service Experience was more than offset by the reduction in revenue from Networks & Applications. In Asia Pacific, although conditions softened somewhat in China and in India, other territories showed growth.

Gross margin was higher at 70.4 per cent for the quarter (Q3 2013: 70.1 per cent) and also compared favourably with the 68.3 per cent gross margin achieved in the first half of 2014, as Spirent benefited from a better mix of service and software revenue in the period.

Adjusted operating profit was $9.1 million, down from $16.1 million in the third quarter of 2013, as a result of the planned increase in investment in product development and in sales and marketing to drive future growth opportunities. Reported operating profit for the third quarter was $2.7 million (Q3 2013: $13.3 million) after the deduction of acquisition related expenses of $2.6 million (Q3 2013: nil), acquired intangible asset amortisation of $3.4 million (Q3 2013: $2.1 million) and a share-based payment charge of $0.4 million (Q3 2013: credit $0.1 million). The effective tax rate was 28 per cent, which is the expected rate for the full year. The resulting adjusted basic earnings per share was 1.18 cents (Q3 2013: 1.79 cents).

Networks & Applications – 50% of Group revenue

Revenue for the quarter was $54.5 million (Q3 2013: $58.9 million). Operating profit was $1.1 million (Q3 2013: $8.2 million) due to the loss of gross margin on reduced revenue and the planned investment of $3.9 million in product development and in sales and marketing expenses. Regionally, Europe was strong, growing 19 per cent quarter-on-quarter, as we won a number of large deals at network equipment manufacturers and service providers. In the United States we saw weaker demand due to our major customers' merger activities and a lull in spend as major service providers and equipment manufacturers assess the deployment of new technologies, such as network functions virtualization ("NFV") and SDN. We also saw a softening of demand in China as some large equipment manufacturers delayed capital purchases. Book to bill ratio for the third quarter for this division was 91 (Q3 2013: 99).

Wireless & Service Experience – 40% of Group revenue

For the third quarter the division reported revenue of $44.4 million (Q3 2013: $42.0 million) of which our 2014 acquisitions contributed revenue of $2.1 million. Operating profit was $5.8 million against $8.1 million for the same period in 2013, with the reduction mainly due to the planned increased organic investment in product development and in sales and marketing of $2.1 million. The book to bill ratio improved to 103 (Q3 2013: 92).

The performance of radio-frequency fader products continued an upward trend, carrier acceptance testing within our Wireless business had a strong quarter and US government spend showed signs of improvement. The launch of the GSS9000 Multi-Frequency, Multi-GNSS RF Constellation Simulator at the end of the first half of 2014 has been a positive driver for our Positioning business. After a strong first half performance, the Service Experience business saw some softening in demand due to spending restrictions at large North American carriers.

Service Assurance – 10% of Group revenue

Revenue was $11.2 million for the quarter compared with $6.8 million for the third quarter of 2013; this includes $3.5 million contributed by Customer Experience Management, acquired during the first half of 2014.

The book to bill ratio for the division was 85 (Q3 2013: 66). Customer Experience Management has performed well for the quarter with order intake in line with plan. Order intake in the core service assurance business was flat quarter-on-quarter, however we are pleased to report that further hand-held field test orders have been won in the fourth quarter.

Operating profit was $4.2 million for the quarter, up from $1.6 million, due to the acquisition of Customer Experience Management during the first half of 2014 and also as a result of a significant contribution from high gross margin revenue for software and services.

Cash

Free cash outflow was $4.8 million in the third quarter (Q3 2013: inflow $3.5 million), including $2.6 million of acquisition related expenses. In addition, capital spend was high at $7.4 million (Q3 2013: $4.3 million) due to the move to a new enhanced facility in the United States on the expiry of the previous lease.

Year to date free cash flow was $14.3 million compared with $30.2 million in 2013. Cash and cash equivalents closed at $104.9 million (30 June 2014: $168.4 million). The cash position reflects the payment of the interim dividend for 2014 of $9.9 million and for acquisitions of $47.0 million in the quarter.

Acquisitions

In July 2014 Spirent completed the acquisition of the assets of Radvision's Technology Business Unit (“TBU”) for a cash consideration of $25.9 million. The Radvision TBU is responsible for delivering industry-leading developer solutions for mobile chipsets and devices, communications infrastructure and mobile operators. Based in Tel Aviv, Israel, the Radvision TBU offers a complete development and test suite for Voice and Video over IP communications, including VoLTE, expanding Spirent’s leading portfolio of VoLTE solutions to address needs from early development through to deployment. This acquisition is reported within the Wireless & Service Experience division.

In September 2014 Spirent acquired Mobilethink A/S ("Mobilethink") and its wholly owned subsidiary, Tweakker ApS ("Tweakker") for a cash consideration of $20.1 million. Headquartered in Aarhus, Denmark, Mobilethink is a provider of mobile device management, device analytics and intelligence solutions for mobile operators. Mobilethink will be combined with Spirent’s extensive portfolio of mobile device performance and customer experience management solutions to help drive overall growth with additional recurring revenue potential. Tweakker is a cloud-based mobile device configuration solution specifically targeted at Mobile Virtual Network Operators ("MVNOs"). This acquisition will be reported within the Service Assurance division.

In addition, Spirent acquired the net assets of NetGend LLC ("NetGend"), a Texas based entity in September for a cash consideration of $1.0 million. Deferred consideration will be payable based on revenue generated during the four year period commencing in 2015. NetGend provides a scalable and flexible application performance testing platform that runs on both cloud infrastructure and hardware and its results will be reported within the Networks & Applications division.

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Enquiries

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Eric Hutchinson, Chief Executive Office and Rachel Whiting, Chief Financial Officer, will host a conference call for analysts and investors to discuss the IMS, commencing at 8.30am GMT on Thursday 13 November. Dial in details as follows:

Conference ID: 33991706
UK Freecall: 08000731340
US Freecall: 18664341089
Standard International: +44 (0) 1452 569393

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.

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 30 September 2014

		Period to 30 September 2014		Period to 29 September 2013	
$ million	Notes	**3rd quarter**	**Year to date**	3rd quarter	Year to date
Continuing operations					
Revenue	1	**110.1**	**331.1**	107.7	298.1
Cost of sales		**(32.6)**	**(102.6)**	(32.2)	(90.0)
Gross profit		**77.5**	**228.5**	75.5	208.1
Product development		**(29.4)**	**(84.7)**	(25.3)	(73.3)
Selling and distribution		**(29.2)**	**(82.2)**	(23.8)	(71.3)
Administration		**(16.2)**	**(45.0)**	(13.1)	(35.7)
Operating profit	1	**2.7**	**16.6**	13.3	27.8
Finance income		**0.1**	**0.3**	0.1	0.6
Finance expense		**-**	**(0.2)**	(0.2)	(0.7)
Profit before tax		**2.8**	**16.7**	13.2	27.7
Tax		**(0.8)**	**(4.2)**	(3.5)	(4.6)
Profit for the period attributable to owners of the parent Company		**2.0**	**12.5**	9.7	23.1
Earnings per share (cents)	2				
Basic		**0.32**	**2.04**	1.51	3.58
Diluted		**0.32**	**2.03**	1.50	3.57

Notes to the Interim Management Statement

1 Segmental analysis

$ million	Period to 30 September 2014		Period to 29 September 2013	
	3rd quarter	**Year to date**	3rd quarter	Year to date
Revenue				
Networks & Applications	**54.5**	**158.5**	58.9	151.1
Wireless & Service Experience	**44.4**	**130.1**	42.0	122.2
Service Assurance	**11.2**	**42.5**	6.8	24.8
	110.1	**331.1**	107.7	298.1

$ million	Period to 30 September 2014		Period to 29 September 2013	
	3rd quarter	**Year to date**	3rd quarter	Year to date
Operating profit				
Networks & Applications	**1.1**	**1.4**	8.2	6.3
Wireless & Service Experience	**5.8**	**16.0**	8.1	24.8
Service Assurance	**4.2**	**18.0**	1.6	8.2
Corporate	**(2.0)**	**(5.7)**	(1.8)	(5.0)
Operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment	**9.1**	**29.7**	16.1	34.3
Exceptional items	**-**	**-**	(0.8)	(1.2)
Acquisition related costs	**(2.6)**	**(3.6)**	-	-
Acquired intangible asset amortisation	**(3.4)**	**(8.9)**	(2.1)	(6.3)
Share-based payment	**(0.4)**	**(0.6)**	0.1	1.0
	2.7	**16.6**	13.3	27.8

Other information

$ million	Period to 30 September 2014		Period to 29 September 2013	
	3rd quarter	**Year to date**	3rd quarter	Year to date
Depreciation	**5.1**	**14.6**	4.1	12.1
Property, plant and equipment additions	**7.4**	**21.6**	4.3	11.8

2 Earnings per share

	Period to 30 September 2014		Period to 29 September 2013	
	3rd quarter	**Year to date**	3rd quarter	Year to date
Profit attributable to owners of the parent Company ($ million)	**2.0**	**12.5**	9.7	23.1
Weighted average number of shares in issue at period end (million)				
Basic		**611.5**		644.4
Diluted		**612.9**		646.2
Earnings per share (cents)				
Basic	**0.32**	**2.04**	1.51	3.58
Diluted	**0.32**	**2.03**	1.50	3.57

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
- Acquisition related costs
- Acquired intangible asset amortisation
- Share-based payment
- Tax effect on the above items
- Prior year tax

A reconciliation of adjusted earnings is provided below:

	3rd quarter 2014		3rd quarter 2013	
	$ million	**Cents**	$ million	Cents
Profit for the period attributable to owners of the parent Company	**2.0**	**0.32**	9.7	1.51
Exceptional items	**-**		0.8	
Acquisition related costs	**2.6**		-	
Acquired intangible asset amortisation	**3.4**		2.1	
Share-based payment	**0.4**		(0.1)	
Tax effect on the above items	**(1.2)**		(1.0)	
Adjusted basic	**7.2**	**1.18**	11.5	1.79
Adjusted diluted		**1.18**		1.79

2 Earnings per share continued

	3rd quarter year to date 2014		3rd quarter year to date 2013	
	$ million	**Cents**	$ million	Cents
Profit for the period attributable to owners of the parent Company	**12.5**	**2.04**	23.1	3.58
Exceptional items	**-**		1.2	
Acquisition related costs	**3.6**		-	
Acquired intangible asset amortisation	**8.9**		6.3	
Share-based payment	**0.6**		(1.0)	
Tax effect on the above items	**(2.7)**		(2.4)	
Prior year tax credit	**(0.4)**		(2.6)	
Adjusted basic	**22.5**	**3.68**	24.6	3.82
Adjusted diluted		**3.67**		3.81