

2012 Preliminary results

February 28, 2013

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Agenda

Highlights

2012 financial results

Market update & outlook





2012 highlights

- Strategic progress through organic product development, focused acquisitions and divestment of non-core business
- Key growth areas include wireless 4G/LTE, high speed Ethernet and data center test
- Macro-economic conditions, especially in EMEA and China, along with reduced US government spending, impacted customer confidence resulting in weaker order intake
- Performance Analysis delivered a robust performance, maintaining operating profit
- Profitability re-established in Service Assurance
- Delivered strong cash generation and substantial return to shareholders



2012 KPIs - Continuing operations

97

Book to Bill

(2011:103)

25.3%

Return on Sales⁽¹⁾

(2011: 24.8%)

flat

Revenue

2012: \$472.4m

(2011: \$470.5m)

+21%

Free Cash Flow

2012: \$84.0m

(2011: \$69.3m)

+2%

Operating Profit⁽¹⁾

2012: \$119.4m

(2011: \$116.9m)

+4%

Adjusted EPS⁽¹⁾⁽²⁾

2012: 13.38 cents

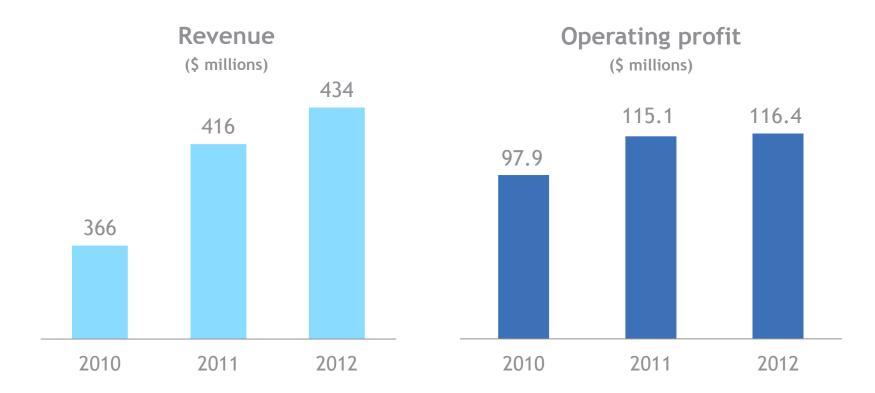
(2011: 12.92 cents)

Notes: (1) Before exceptional items, share-based payment, acquired intangible asset amortization and acquisition expense

(2) Before prior year tax and tax on items in note (1)



Performance Analysis



- Revenue up 4%, strong LTE growth offset by decline in legacy and positioning
- Book to bill down to 95, reflecting difficult market conditions
- Operating profit maintained
- RoS at 26.8% reflects additional investment in product development



Eric Hutchinson, Chief Financial Officer



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Comparative results 2012 - Continuing operations

- Revenue unchanged, higher LTE, data center switching and high speed Ethernet test offset by weaker positioning and service assurance
- Gross margin up due to product mix
- Operating profit up 2%
- Best-in-class operating margins maintained
- Exceptional items of \$2.9m
 in Service Assurance with
 \$5.0m savings generated
- Effective tax rate 27.8%
- Adjusted EPS growth of 4%

(\$ millions)	2012	2011	% change
Revenue	472.4	470.5	-
Gross Profit ⁽¹⁾	338.1	327.5	
Gross Margin ⁽¹⁾	71.6%	69.6%	
Product development	86.1	83.3	
Selling & distribution	91.7	90.5	
Administration	40.9	36.8	
Operating Profit ⁽¹⁾	119.4	116.9	2%
Return on Sales	25.3%	24.8%	
Adjustments ⁽²⁾	10.2	3.9	
Reported Operating Profit	109.2	113.0	
Net finance income	1.5	1.3	
Profit before Tax	110.7	114.3	(3)%
Tax	29.0	26.4	
Net Income	81.7	87.9	
Basic EPS (cents)	12.46	13.17	(5)%
Adjusted EPS ⁽¹⁾⁽³⁾ (cents)	13.38	12.92	4%

Notes: (1) Before exceptional items, share-based payment, acquired intangible asset amortization and acquisition expense



⁽²⁾ Exceptional items, share-based payment, acquired intangible asset amortization and acquisition expense

⁽³⁾ Before prior year tax credit of \$1.8m (2011: \$5.4m) and tax on items in note (1)

Performance Analysis

(\$ millions)	2012	2011	% change
Revenue	434.0	416.4	4%
Gross Profit	312.3	298.2	
Gross Margin	72.0%	71.6%	
Product development	79.1	74.4	
Other expenses	116.8	108.7	
Operating Profit	116.4	115.1	1%
Return on Sales	26.8%	27.6%	

- Revenue growth of 4%
- Book to Bill of 95 principally due to legacy and positioning
- Mu and Metrico contributed \$12.7m of revenue
- Gross margin slightly up, overheads reflect acquired businesses
- Organic investment in new developments for future growth



Service Assurance

(\$ millions)	2012	2011	% change
Revenue	38.4	54.1	(29)%
Gross Profit ⁽¹⁾	25.8	29.4	
Gross Margin ⁽¹⁾	67.2%	54.3%	
Product development	7.0	8.9	
Other expenses	10.4	13.5	
Operating Profit ⁽¹⁾	8.4	7.0	20%
Return on Sales ⁽¹⁾	21.9%	12.9%	

- Rapid revenue decrease due to service provider capex shift from legacy to Ethernet monitoring
- Cost reductions in H1 realizing \$5m annualized savings one-time cost \$2.9m
- Improved results in Q4, with STC Live upgrade opportunities and renewal of large multi-year service contracts
- Gross margin reflects new business mix
- Profitability improvement realized RoS 21.9%



Discontinued operations - Systems

- Sale of Systems, last non-core business, completed 1 November 2012
- Cash consideration received \$63.2m
- Net profit on sale \$44.5m
- Proceeds applied to share buy back with \$27.2m returned by end of December 2012
- Spirent is now fully focused on communications test and measurement



Free cash flow

(\$ millions)	2012	2011
Operating Profit	109.2	113.0
Depreciation and loss on disposal	14.7	12.8
Intangible amortisation & share-based payment	7.7	4.0
Working capital and pensions	(11.3)	(16.8)
Cash Flow From Operations	120.3	113.0
Tax	(23.1)	(21.8)
Net Cash Flow From Operating Activities	97.2	91.2
Net interest income	0.6	0.9
Net capital expenditure	(13.8)	(22.8)
Free Cash Flow - Continuing Operations	84.0	69.3
Free cash flow - discontinued operations	7.4	6.8
Acquisitions and disposals	(32.1)	(14.5)
Dividends and share buyback	(51.9)	(50.9)
Other	2.5	0.8
Exchange	2.2	1.1
Closing Cash And Cash Equivalents	248.6	236.5

- Capex lower as 2011 purchase of intangibles not repeated
- Free cash flow increased by 21%, conversion 105%
- Cash used for acquisitions, share buybacks and dividends



Tax and adjusted EPS

Tax

- Effective tax rate for 2012 was 27.8%
- Cash taxes paid \$23.1m equivalent to 20% of profit in 2012
- Expected tax rate for 2013 forecast to be 28.0%

EPS

- Adjusted EPS is calculated before exceptional items of \$2.9m, share-based payment, acquired intangible amortization, acquisition expense and related tax effects, and prior year tax
- Resulting in an increase of 4% to 13.38 cents per share



Shareholder distribution

- Strong cash generation in 2012 supports an increase of 10% in the total dividend per share to 3.22 cents (2011: 2.93 cents)
- A total dividend for the year of \$21.3m (2011: \$19.0m)
- Final dividend per share of 1.83 cents
- Payable 3 May 2013 in sterling, set at 1.21 pence per share. Resulting in a total dividend of 2.10 pence per share - an increase in sterling of 15%
- Dividend policy is to progressively increase distribution
- Expect to continue the envisaged return of the balance of the proceeds of the sale of Systems through on-market share buy back, \$33m
- Return to shareholders made in 2012 \$51.9m, 2011 \$50.9m returns in last 5 years total \$272.2m



Bill Burns, Chief Executive Officer



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Industry fundamentals remain strong...

Mobile Internet

Internet of Everything

Cloud Computing

Smarter Planet Global Situational Awareness

Cyber Security

...enabled by the technologies we test:

10, 40 and 100 Gigabit Ethernet

Cloud Computing & Virtualization

Application-Aware Networks

Security

Mobile Backhaul & Packet Core

4G / Long Term Evolution (LTE)

Global Positioning



Delivering on our strategy

 Organic expansion of our solutions portfolio in growing markets

- Acquired Mu Dynamics & Metrico Wireless
- Divested our Systems division
- Entered new high-growth markets
- Extended our global reach





Wireless - a look back

- LTE mobile device test grew 50%
- CDMA declined as expected
- UMTS declined as customers shifted spend to LTE
- Some large customers reduced spend as their market share eroded or they exited the market
- Successfully entered the LTE R&D market
- Entered the subscriber experience measurement market



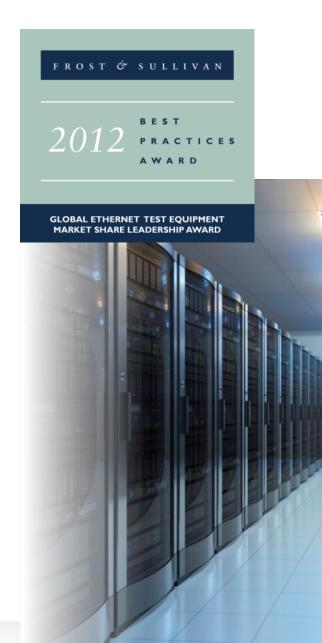
Wireless - a look ahead

- Well positioned across all device manufacturers
- Broad range of companies making significant investments into mobile
- Expand our presence in mobile device R&D
- Integrate lab based and live network test methodologies for 4G/LTE
- Continue our leadership in the location technology test market



Networks & Applications - a look back

- Growth in 10Gb / 40Gb / 100Gb Ethernet and data center
- 1Gb Ethernet decline
- Sharp decline in legacy
- Some large customers reduced spending due to macro-economic impact on their end markets
- Strengthened our solutions portfolio across all areas including test automation
- Expanded our offerings in the application security market



Networks & Applications - a look ahead

- High speed Ethernet accelerates
- Continue leadership in data center test
- Well positioned in mobile infrastructure test, including packet core and the emerging wireless offload market
- Expanding automation solutions portfolio
- Strengthening application & security offering through integration



Positioning - a look back and a look ahead:

- Sharp decline in revenue of 26%
- Slowdown in US government spending some recovery expected
- Delay in release of Chinese BeiDou-2 technical specifications until December 2012
- Regional satellite navigation systems continue to gain momentum
- GPS enhancements to ensure robustness
- Broader adoption of hybrid positioning technology



Service Assurance - a look back and a look ahead

- Sharp fall in spending on legacy TDM technology
- Cost saving measures in Q2 re-established profitability
- Growth in Spirent TestCenter Live Ethernet solutions
- Agreed large multi-year maintenance contracts
- Ethernet solutions continue to grow driven by data center, cloud and 4G/LTE network buildouts

Expanding our served markets





Enterprise test solution

The industry's first testing platform simple enough to enable enterprise customers to deploy new applications and services more quickly and with confidence...









Summary and outlook

- Industry fundamental drivers are well established and long term trends remain positive
- Some indications that confidence is returning
- Plan to grow revenue through new solutions and addressing new served markets
- We are increasing investment to expand our served markets
- For 2013 as a whole, we anticipate modest revenue growth
- Given current trading conditions and a lower order book at the start of the year, performance in the first quarter will be lower compared to a strong period last year
- We remain confident in the medium and longer term prospects for Spirent





