SPIRENT COMMUNICATIONS PLC
Results for the six months ended 30 June 2021

$ million	First half 2021	First half 2020	Change (%)
Order intake[1]	**263.8**	232.1	+14
Revenue	**255.1**	233.7	+9
Gross margin (%)	**72.1**	73.4	-1pp
Adjusted operating profit[2]	**44.7**	39.5	+13
Adjusted operating margin[3] (%)	**17.5**	16.9	+1pp
Adjusted profit before tax[4]	**44.5**	39.9	+12
Adjusted basic earnings per share[5] (cents)	**6.23**	5.70	+9
Reported operating profit	**35.0**	35.6	-2
Reported profit before tax	**34.8**	36.0	-3
Basic earnings per share (cents)	**4.87**	5.28	-8
Closing cash	**156.4**	221.4	-29
Interim dividend per share[6] (cents)	**2.39**	2.17	+10

Eric Updyke, Chief Executive Officer, commented:
"We achieved strong growth in orders, revenue, and profit, with progress across the portfolio. Our key focus on moving into the live network and increasing our services and managed solutions is proving highly effective, and alongside 5G, an enduring growth driver for Spirent, continues at pace at a time when remote connectivity is critical. We are solving business challenges for our growing customer base as the need for assurance increases."

"We also commenced our targeted M&A approach and in March acquired octoScope Inc, making Spirent the firm leader for Wi-Fi test in a growing market. We received good customer reaction and integration plans are firmly on track."

"We continue to increase our orderbook and multi-year wins, and therefore visibility. We enter the second half with growing optimism and a strong financial platform, which affords us great flexibility to grow our business both organically and via further targeted M&A. We will continue to manage through the COVID-19 crisis and execute on our strategy with a relentless focus on customer centricity, innovation for growth and operational excellence."

Strong H1 performance

- Order intake growth of 14 per cent; 11 per cent organic[7].
- Revenue up 9 per cent (7 per cent organic[7]) driven by continued strong demand for our lab and live assurance solutions and our 5G device test solutions.
- Strong growth in our orderbook, as our book to bill[8] was 103, and visibility has also improved into future years as more multi-year contracts have been secured.
- 13 per cent growth in adjusted operating profit to $44.7 million, with operating margin remaining strong.
- Adjusted profit before tax increased by 12 per cent.
- Reported profit before tax of $34.8 million is stated after acquisition related items of $6.3 million, compared to $36.0 million in the first half of 2020, where acquisition items were nil.
- Interim dividend up 10 per cent to 2.39 cents.
- Cash closed at $156.4 million, following the payment of $51.3 million for the acquisition of octoScope, $45.6 million special dividend and $23.5 million ordinary dividend in the first half.

Operational highlights

- 5G continues to be a strong, enduring growth driver with over 400 new deals in the first half – up from more than 250 5G related deals in the first half of last year.
- Very good traction in services and managed solutions as revenue grew by 16 per cent, with even higher bookings growth.
- We increased our sales investment as we focus on growing new sectors such as hyperscalers, government and chipset whilst driving further geographical expansion.
- Our supply chain continues to be resilient and agile.
- Commencement of our two-year programme to implement a global engineering site strategy to create optimal efficiency, whilst continuing to focus our R&D spend into high growth areas.

Lifecycle Service Assurance – strong momentum in our lab to live journey

- Good growth across all parts of the business.
- 5G-driven growth continued across all lab-based technologies, including good growth for our connected devices products and device test solutions because of the upgrade cycle.
- We continued to see strong growth in our live portfolio with our VisionWorks solution and added strategic new logos, with a healthy and expanding pipeline.
- We commercialised lab test market expansion beyond our core telco and network equipment customers, especially with large hyperscalers targeting 5G core and edge network opportunities.
- Our automation portfolio saw a robust performance as a key enabler of our journey from lab to live, to outcome-driven service delivery models, and to 5G Digital Twin solutions.
- We consolidated our leadership in Wi-Fi test with the acquisition of octoScope, its successful integration with our existing Wi-Fi lab test business, and leverage from our global channels.

Networks & Security – demand scales for our security solutions

- Good growth in Security Solutions as Cloud service providers, original equipment manufacturers (OEMs) and telcos focus on meeting the demands of their consumers for higher quality of experience and security.
- Our Cloud portfolio is benefiting from helping customers ensure the performance and integrity of their end-to-end, infrastructure-to-application deployments, such as SD-WAN.
- High-speed Ethernet demand driven by 5G, Cloud, IoT and internet traffic, with 800G opportunity growth at early-adopter chipset, OEM and hyperscaler customers.
- Our Positioning business continued its expansion in new markets, including the emerging Low Earth Orbiting (LEO) satellite segment for Position, Navigation, Timing and Communications.
- We have extended our GNSS (global navigation satellite system) leadership position particularly for high-end military defence segments.
- The pipeline for our lab-based businesses has rebounded from the impact of the COVID-19 pandemic in 2020.

Outlook

Our strategy of focusing on market-leading technologies to address our customers' challenges is delivering results, evidenced by the strong order, revenue and profit growth in the period. By expanding our services and software offerings we are driving sustainable revenue growth while decreasing cyclicality risks in the portfolio and increasing earnings visibility. Investment and innovation across the portfolio to support the growth agenda remain a key priority. We are also curating an opportunity pipeline in support of our targeted M&A strategy.

Whilst COVID-related uncertainties and disruption are likely to continue through the second half, Spirent's strong relationships with its customers and supply chain should help ensure the impact of any such disruption is reduced. Given this backdrop, and the momentum seen within the business, the Board's expectations for the current year are unchanged.

As the pace of demand for support from our customers continues to grow, and given our strategic progress, we are well placed to benefit from market opportunities as they arise. The Board is confident in the prospects for the Group and its ability to deliver sustainable, profitable growth into the long term.

Notes
1. Order intake represents commitments from customers to purchase goods and/or services that will ultimately result in recognised revenue.
2. Adjusted operating profit is before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment amounting to $9.7 million in total (first half 2020: $3.9 million).
3. Adjusted operating profit as a percentage of revenue in the period.
4. Before items set out in note 2.
5. Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of Notes to the half year condensed consolidated financial statements.
6. Dividends are determined in US Dollars and paid in Sterling at the exchange rate prevailing when the dividend is proposed. The interim dividend proposed for 2021 of 2.39 cents per Ordinary Share is equivalent to 1.72 pence per Ordinary Share (first half 2020: 1.67 pence).
7. Excluding the impact of acquisitions in the period (orders $6.8 million, revenue $6.1 million).
8. Book to bill is the ratio of orders booked to revenue in the period.

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Enquiries

Eric Updyke, Chief Executive Officer	Spirent Communications plc	+44 (0)1293 767676
Paula Bell, Chief Financial & Operations Officer		
Charles Palmer/Dwight Burden/ Chris Birt	FTI Consulting Limited	+44 (0)20 3727 1000 E: SCspirent@fticonsulting.com

The Company will publish a recorded presentation today at 7.00am UK time on its website. The Company will also host a live, virtual results Q&A session for the analyst community today at 12.30pm UK time. A recording of the presentation will be available in the Investors section of the Spirent Communications plc website https://corporate.spirent.com/.

About Spirent Communications plc

Spirent Communications plc (LSE: SPT) is the leading global provider of automated test and assurance solutions for networks, cybersecurity and positioning. The Company provides innovative products, services and managed solutions that address the test, assurance and automation challenges of a new generation of technologies, including 5G, SD-WAN, Cloud, autonomous vehicles and beyond. From the lab to the real world, Spirent helps companies deliver on their promise to their customers of a new generation of connected devices and technologies. Further information about Spirent Communications plc can be found at https://corporate.spirent.com/.

Spirent Communications plc Ordinary Shares are traded on the London Stock Exchange (ticker: SPT; LEI: 213800HKCUNWP1916L38). 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 https://www.otcmarkets.com/marketplaces/otc-pink.

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.

Chief Executive Officer review

Spirent is delivering strong progress on all the key strategic objectives as set out at our Capital Markets Day in quarter four 2020. We highlighted some key focus areas, including driving into the live network and increasing recurring revenues by selling more solutions and services to our customers.

Market overview

Our strategy is working as we continue to deliver sustainable, profitable growth. Coming out of the first half of 2021, we are seeing real momentum in the business. We are focused on selling more solutions, software, and services while remaining a market leader in test and assurance products and hardware. As we continue to diversify our customer base and push into the live network, we are increasing our predictability and resilience.

Our second quarter results demonstrate strength and growing demand for our solutions. As the world continues to open up, we expect this momentum to continue and help us achieve our ambition to be the global leader and trusted partner for innovative technology test and assurance solutions.

Our major drivers for growth remain 5G, high-speed Ethernet, Cloud and network virtualisation, cybersecurity threats, and connected everything.

5G is the most important and enduring driver for Spirent and our 5G portfolio continues to be a distinct competitive advantage, winning new business and showing strong growth. From device testing and accelerating time-to-market, to assuring and securing live networks, our 5G portfolio offers award-winning solutions to customer challenges. With over 400 new 5G engagements in the first half of 2021, we have won over 1,400 5G-related deals to date and are the global leader in 5G core network testing. We are also working with all of the world’s top ten 5G mobile service providers.

We released the industry’s first subscription-based automated 5G core test solution in the period, helping the world’s leading communications service providers (CSPs) to validate their 5G core networks. We expect continued momentum as 5G core network activity accelerates, with leading CSPs preparing 5G standalone upgrades and partnering with Cloud service providers such as Amazon Web Services (AWS), with whom we collaborated to offer automated 5G core testing for mobile service providers who plan to accelerate delivery of 5G services on AWS.

5G device testing requirements are continuing to evolve with new form factors, while user experience and service assurance become even more important in highly competitive markets.

To seize these market opportunities, our strategy is focused around three pillars: Customer Centricity, Innovation for Growth and Operational Excellence.

Customer Centricity

Customer Centricity means we put the customer first and our deep understanding and relationship with our customers has proven vital. Throughout the pandemic, we stayed tightly connected to our customers – listening to what they need and investing to solve their business problems. In fact, our customer satisfaction score of “Product Meets Customer Needs” increased over 20 per cent in the last 18 months.

We continued to invest in our world-class sales team. In the first half of 2021, we added key new talent to expand our reach into new segments and geographies. We focused more resources on winning new business in hyperscalers and governments. Our Key Account Management Programme enables us to become a more strategic partner for our biggest customers and solve mission-critical business problems on their behalf. We continued to invest in this programme, adding two new key accounts in the last 12 months.

By focusing on solutions and services, we are delivering value across the customer lifecycle. Our cross-company approach to services brings differentiated, strategic offerings to our customers. Our expanding portfolio of outcome-driven services is fuelling multi-year deals and reducing the risk of cyclicality in our business.

Our unique Test-as-a-Service offerings for 5G, SD-WAN and other key customer priorities continued to win new business globally, including additional top-tier service providers in North America and EMEA, supporting our objective of acting as a more strategic partner. Our solutions-selling mindset continues to drive new cross-selling and up-selling opportunities into our customers, such as our market-leading Digital Twin solutions for network and radio systems.

Innovation for Growth

Innovation is key to our market leadership. We continued to invest in R&D across the business, developing new, easy-to-use solutions for the business problems of today and tomorrow.

5G is driving demand across our portfolio and we are innovating to solve the next generation of customer challenges. For example, 5G is creating a surge in demand for validating and assuring Cloud platforms and our CloudSure solution, together with our VisionWorks platform, is rising to the occasion to provide end-to-end test and assurance solutions for our telco customers.

As we continued our journey from lab to live networks, our VisionWorks live network assurance solution had another strong half as it addressed the evolving demand for active testing and assurance in disaggregated networks, winning strategic new logos during the period. Our team is evolving our VisionWorks platform to be even easier to use – including simplified dashboards, end-to-end topology visualisations and click-in-context troubleshooting.

Following our acquisition of octoScope, we have consolidated our position as the market leader in Wi-Fi test. Wi-Fi technology evolution represents an enduring opportunity as it promises greater throughput, lower latency and greater range over more use cases, including the potential from the convergence of 5G and Wi-Fi in the form of Wi-Fi offload, fixed-wireless and other use models.

With the radio access network (RAN) market beginning to be disrupted by Open RAN, our strength in 5G core, backhaul and fronthaul infrastructures positions us well. We have already brought our first Open RAN test and assurance solution to market, won initial customers and established key ecosystem partnerships.

Through our leading Position, Navigation, and Timing solutions, Spirent enables innovation in global navigation satellite system (GNSS) technologies that are influencing more and more areas of our lives. From the development of new satellites to positioning and navigation systems for drones, our solutions are improving accuracy, reliability and robustness. We are innovating to address multi-sensor use cases beyond GNSS, as well as assuring GNSS in operational scenarios.

Our Business Review provides more detail on the results from our innovations in 5G, high-speed Ethernet, Cloud, Positioning, Wi-Fi and the lab to live journey.

Operational Excellence
Operational Excellence is fundamental to support our growth. We maintained our strength during the global pandemic due to our operational and supply chain management discipline around the supply of critical components.

Our leadership team stayed engaged with our employees through our enhanced internal communications programme. Communicating through email updates, video messages and townhalls, we strive to keep our staff up to date and connected. In April, we completed an employee engagement survey and received another highly engaged score. We continue to invest in talent and to develop our processes and business systems to support our continued growth.

Whilst we sustain investments to support our future growth plans, we have also commenced implementation of a global R&D engineering plan which will rationalise the number of sites and extend our flexibility to serve our global customers. The estimated exceptional cost will be around $8 million over the period 2021-2023 with cash payback estimated within two years, financial benefits being weighted to the end of the programme.

Sustainability
Sustainability is a key priority for Spirent and fundamental to our operational excellence and the overall success of our business. Our solutions help our customers to deliver a sustainable future for us all and we are committed to operating with integrity. For us, this means acting on energy efficiency and climate change, promoting diversity and investing in people, and prioritising sustainability in our product design, operations and supply chain. We continue to look for new ways to embed sustainable thinking across Spirent and from 2020 we source 100 per cent of our electricity from renewable sources.

In the first half of 2021, we launched our new diversity and inclusion strategy. Working with an external expert, we analysed our current state, benchmarked against industry and global leaders and set out our priorities over the coming years. We are focused on fostering a culture of trust, fairness, and respect and building a workforce that represents the diverse talent markets we operate in. Our entire management team is actively involved in making our diversity, equality and inclusion strategy a success.

Business review

Our growth in the first half of 2021 reflected relentless execution of the three pillars of our strategy, against a background of a world beginning to rebound from the impacts of the COVID-19 pandemic:

- With 5G as a major driver, our operational network business experienced strong growth and expanded its customer base, reducing our cyclicality risk going forward.
- We saw even greater benefits from our Key Account Programme's customer intimacy as we added new accounts to the programme and addressed more of their mission-critical needs.
- Our services and managed solutions business grew rapidly as we addressed larger challenges across the customer lifecycle and expanded beyond North America.
- We commenced targeted M&A with the acquisition and successful integration of octoScope.
- We invested in our Sales organisation to support our growth and saw expansion in target segments such as hyperscalers and government, and in target geographies such as EMEA.
- A growing opportunity pipeline and higher recurring revenue has resulted in improved visibility.

Operationally, Spirent focuses on two strategic business segments: **Lifecycle Service Assurance** and **Networks & Security**. Our previously reported Connected Devices segment has been successfully integrated into the Lifecycle Service Assurance segment. This structure positions the Group to meet the needs and expectations of our customers and to capitalise on the business opportunities created as they:

- develop innovative devices, applications, network equipment and networks; and
- deploy, optimise and operate those devices, networks and services.

We improve network performance and end user experience in our connected world and help create our smarter future.

Lifecycle Service Assurance – strong momentum in our lab to live journey

From lab environments to live production networks, our Lifecycle Service Assurance solutions and outcome-driven services support customers as they develop, deploy and optimise new technologies such as 5G and new service delivery models. Our solutions and services test mobile devices and associated applications in the lab or on operational networks and our Digital Twins for network and radio systems enable customers to get to market faster with peak performance.

$ million	**First half 2021**	First half 2020[1]
Revenue	**113.8**	96.9
Adjusted operating profit[2]	**22.6**	18.8
Adjusted operating margin[3](%)	**19.9**	19.4

Notes
1. Restated for changes to the Group's operating segments effective 1 January 2021 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2. Before exceptional items and acquisition related costs of $0.3 million charged in the first half of 2021 (first half 2020: $0.9 million).
3. Adjusted operating profit as a percentage of revenue in the period.

Lifecycle Service Assurance grew revenue by $16.9 million or 17.4 per cent over the first half of 2020, with the octoScope acquisition contributing $6.1 million revenue in the period. All parts of the portfolio delivered good growth and increased multi-year contract awards resulted in orderbook growth in the first half of 2021. Strong demand continued for our 5G core and device test solutions in the lab and in live networks, as well as our assurance solutions for live networks. Adjusted operating profit grew $3.8 million compared to the same period last year, with the octoScope acquisition contributing $1.4 million, the higher revenue was partially offset by slightly reduced gross margin resulting from increased services content.

Performance highlights

- 5G-driven growth continued across our lab-based technologies. We announced an engagement with Jio Platforms in India, with Spirent Landslide helping to validate its cloud-native 5G core network. We also saw the positive impact of the 5G upgrade cycle as our connected devices test business grew strongly at chipset and device OEM customers in the US and APAC.
- We continued to see strong growth in our VisionWorks live portfolio as we added two key new logos in North America, with a healthy and expanding pipeline of new customer opportunities across multiple geographies.
- We commercialised lab test market expansion beyond our core telco and network equipment customers, especially with large hyperscalers targeting 5G core and edge application infrastructure opportunities at service providers around the world.
- We consolidated our leadership in Wi-Fi test under the Lifecycle Service Assurance segment with the acquisition of octoScope in the first quarter. Customer response has been positive, and as we integrate octoScope with our existing Wi-Fi lab test business, we are benefiting from the Spirent channels' global reach.
- We announced a collaboration with Amazon Web Services (AWS) to deliver automated 5G network testing, utilising Spirent's Landslide 5G test automation capabilities to rapidly test and validate both deployments and updates of 5G network functions and services, and to provide a continuous delivery framework using AWS CodePipeline.
- Our automation portfolio saw a robust performance as a key enabler of our journey from lab to live, as an environment for integrating multiple elements of our portfolio in outcome-driven service delivery models and in our growing 5G Digital Twin solution offerings. Our 5G Network Digital Twin technology won a Business Intelligence Group (BIG) Innovation Award in Q1 2021.

Priorities for the second half of 2021

- Further integrate acquired octoScope assets with our existing wireless test solutions to realise a comprehensive, services-driven RF platform.
- Expand our initial Open RAN offerings to deliver comprehensive end-to-end capability.
- Focus on our next generation VisionWorks 5G mobility service assurance solution.
- Expand our network benchmarking, security and certification programmes to offer additional analytics and insights to our customers that help to improve the quality of their 5G networks.

Networks & Security – demand scales for our Security Solutions

A world leader in high-speed Ethernet/IP and automotive Ethernet performance testing that also develops test methodologies, tools and services for virtualised networks and Cloud. We provide consulting services, test tools, methodologies and proactive performance validation solutions for applications and security. Our world leadership in global navigation satellite system (GNSS) simulation solutions and services is expanding to the broader positioning, navigation and timing (PNT) market.

$ million	**First half 2021**	First half 2020[1]
Revenue	**141.3**	136.8
Adjusted operating profit[2]	**26.8**	24.0
Adjusted operating margin[3](%)	**19.0**	17.5

Notes
1. Restated for changes to the Group's operating segments effective 1 January 2021 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2. Before exceptional items and acquisition related costs of $0.6 million charged in the first half of 2021 (first half 2020: $0.7 million).
3. Adjusted operating profit as a percentage of revenue in the period.

Networks & Security delivered revenue growth of $4.5 million or 3.3 per cent over the first half of 2020. We benefited from a security business revitalised by focusing on key accounts and its differentiated security services capabilities, and from expanding 400G Ethernet adoption by key OEMs, hyperscalers and Cloud providers. Adjusted operating profit increased by $2.8 million, benefiting from both higher revenue and an efficient cost base, with adjusted operating margin up 1.5 percentage points to 19.0 per cent.

Performance highlights

- Our Security business has been revitalised, with renewed focus on excellence at key accounts combined with industry-unique capabilities in Security Telecoms services. The result has been strong growth at our core OEM customers, as well as at telcos and Cloud service providers for 5G security, with an increasing level of subscription bookings. We are also augmenting our government business with dedicated security specialists working in concert with our channels.
- 400G Ethernet test growth continued, driven by 5G, Cloud, IoT and internet traffic expansion. We are also experiencing increased demand from early adopters of 800G technology amongst our chipset, OEM and hyperscaler customers, including early interoperability validation projects with Intel Silicon Photonics and InnoLight Technology.
- As 5G and the applications enabled by it grow, our Cloud portfolio is benefiting as we help our customers ensure the performance and integrity of their end-to-end, infrastructure-to-application deployments such as SD-WAN. We expect this trend to continue, driven by SD-WAN and other emerging applications and services.
- Our Automotive business is building momentum in both the connected car segment and in the deployment of infrastructure for services such as C-V2X, IoT and Industrial IoT which have significant technology overlap with our core competencies.
- In our Asian markets, our Positioning business has been a key contributor to organisations setting GNSS standards for autonomous vehicle testing, embedding Spirent as the provider of reference tests to these standards prior to vehicle roadworthiness acceptance.
- Our Positioning business continued its expansion in new markets, with engagements in the emerging Low Earth Orbiting (LEO) segment enabling significant new business in Tier 1 providers utilising LEO technology for Position, Navigation, Timing and Communication applications.

Priorities for the second half of 2021

- Market leadership in 800G Ethernet test with first-to-market solutions.
- Expand our serviceable, addressable market with new 100G and 400G test platforms supporting Layers 2 to 7.
- Build our software and subscription business with our new unified delivery platform and drive Cloud test and assurance.
- Complete evaluation of space Positioning, Navigation and Timing market and suitability of LEO models and develop partnerships.

Financial review

Group financial performance

We are focused on improving the visibility of our business as we move from lab to live and secure good growth in our manged solutions and services contracts. Embedding ourselves within our customers' live networks will create opportunities for larger, longer-term contracts and we continue to secure more multi-year deals. All these targets have shown material growth in the first half.

The financial performance in the first half of 2021 was strong with order intake growth of 14 per cent and revenue growth of 9 per cent, with organic order intake and revenue growth of 11 per cent and 7 per cent, respectively. Book to bill of 103 means strong growth in our orderbook, and visibility has also improved into future years as more multi-year contracts have been secured.

Revenue growth and rigorous financial discipline of our cost base has resulted in a 13 per cent increase to adjusted operating profit from $39.5 million in the first half of 2020, to $44.7 million in first half 2021. Adjusted operating margin for the first half of 2021 slightly improved despite a strong comparator period for the prior year where there was no impact to the business in the first quarter.

Reported operating profit is $35.0 million in the first half of 2021 (first half 2020: $35.6 million), after charging adjusting items of $9.7 million (first half 2020: $3.9 million), the majority relating to the octoScope acquisition completed in the first quarter, of $6.3 million.

The effective tax rate increased from 13.0 per cent to 14.8 per cent due to a shift in the location of profit generation to higher rate regimes. Adjusted basic earnings per share increased by 9 per cent to 6.23 cents.

Cash conversion continued to be robust, resulting in closing cash of $156.4 million on 30 June 2021, following payment for the octoScope acquisition of $51.3 million (net of cash acquired), the $45.6 million special dividend payment, the $23.5 million ordinary dividend payment and an extra one-off contribution of $4.6 million to the pension scheme in the first half of 2021.

As in previous years, our usual trading performance seasonality is expected to be weighted to the second half of the financial year, in particular for high-speed Ethernet as key customers continue to fund their previously deferred investment.

The following table shows the summary financial performance for the Group:

$ million	**First half 2021**	First half 2020	Change (%)
Order intake[1]	**263.8**	232.1	+13.7
Revenue	**255.1**	233.7	+9.2
Gross profit	**184.0**	171.5	+7.3
Gross margin (%)	**72.1**	73.4	-1.3pp
Adjusted operating costs[2]	**139.3**	132.0	+5.5
Adjusted operating profit[2]	**44.7**	39.5	+13.2
Adjusted operating margin[3] (%)	**17.5**	16.9	+0.6pp
Reported operating profit	**35.0**	35.6	-1.7
Reported profit before tax	**34.8**	36.0	-3.3
Effective tax rate[4] (%)	**14.8**	13.0	+1.8pp
Adjusted basic earnings per share[5] (cents)	**6.23**	5.70	+9.3
Basic earnings per share (cents)	**4.87**	5.28	-7.8
Free cash flow[6]	**48.1**	65.5	-26.6
Closing cash	**156.4**	221.4	-29.4
Interim dividend per share[7] (cents)	**2.39**	2.17	+10.1

Notes
1. Order intake represents commitments from customers to purchase goods and/or services that will ultimately result in recognised revenue.
2. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment amounting to $9.7 million in total (first half 2020: $3.9 million).
3. Adjusted operating profit as a percentage of revenue in the period.
4. Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax.
5. Adjusted basic earnings per share is based on adjusted earnings as set out in note 6 of Notes to the half year condensed consolidated financial statements.
6. Cash flow generated from operations, less tax and net capital expenditure, after interest paid and/or received, payment of lease liabilities, finance lease payments received and excluding acquisition related items and one-off contributions to the UK pension scheme.
7. Dividends are determined in US Dollars and paid in Sterling at the exchange rate prevailing when the dividend is proposed. The interim dividend proposed for 2021 of 2.39 cents per Ordinary Share is equivalent to 1.72 pence per Ordinary Share (first half 2020: 1.67 pence).

Note on Alternative Performance Measures (APM)

The performance of the Group is assessed using a variety of performance measures, including APMs which are presented to provide users with additional financial information that is regularly reviewed by management. These APMs are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

The APMs adopted by the Group are defined in the appendix. The APMs which relate to adjusted income statement lines are presented and reconciled to GAAP measures using a columnar approach on the face of the income statement and can be identified by the prefix 'adjusted' in the commentary. All APMs are clearly identified as such, with explanatory footnotes to the tables of financial information provided, and reconciled to reported GAAP measures in the Financial Review or Notes to the consolidated financial statements.

Revenue

$ million	**First half 2021**	**%**	First half 2020[1]	%
Revenue by segment				
Lifecycle Service Assurance	**113.8**	**44.6**	96.9	41.5
Networks & Security	**141.3**	**55.4**	136.8	58.5
	255.1	**100.0**	233.7	100.0
Revenue by geography				
Americas	**140.1**	**54.9**	119.9	51.3
Asia Pacific	**90.0**	**35.3**	90.3	38.6
Europe, Middle East and Africa	**25.0**	**9.8**	23.5	10.1
	255.1	**100.0**	233.7	100.0

Note
1. Restated for changes to the Group's operating segments effective 1 January 2021 as set out in note 3 of Notes to the half year condensed consolidated financial statements.

Overall Group revenue increased by 9.2 per cent, with Lifecycle Service Assurance and Networks & Security up 17.4 per cent and 3.3 per cent, respectively, compared to the same period last year. Organic revenue growth for the Group was 6.6 per cent and 11.2 per cent for Lifecycle Service Assurance. The growth in Networks & Security primarily came from the expansion of 400G Ethernet adoption as well as success in our Security business. Lifecycle Service Assurance revenue growth was driven by demand for both our Landslide lab solution and VisionWorks live network solution offerings, as customers invested to verify and assure 5G. In addition, demand for our new 5G device test solutions and services continues to see strong growth.

Regionally we experienced the most significant growth in the Americas and EMEA, driven by investment in 5G. Revenue generated in APAC remained essentially flat, despite the impact of COVID-19 in this region and a strong comparator in the first half of 2020.

Gross margin

$ million	**First half 2021**	**%**	First half 2020[1]	%
Lifecycle Service Assurance	**83.5**	**73.4**	71.9	74.2
Networks & Security	**100.5**	**71.1**	99.6	72.8
	184.0	**72.1**	171.5	73.4

Note
1. Restated for changes to the Group's operating segments effective 1 January 2021 as set out in note 3 of Notes to the half year condensed consolidated financial statements.

Gross profit increased by 7.3 per cent to $184.0 million compared to the same period in 2020 with slight dilution to the gross margin by 1.3 percentage points, due to product mix and the continuing trend of growth in services content.

Adjusted operating costs

$ million	**First half 2021**	First half 2020[1]
Product development	**52.5**	50.7
Selling and marketing	**61.8**	56.7
Administration[2]	**25.0**	24.6
Adjusted operating costs[2]	**139.3**	132.0
Lifecycle Service Assurance	**60.9**	53.1
Networks & Security	**73.7**	75.6
Corporate	**4.7**	3.3
Adjusted operating costs[2]	**139.3**	132.0

Notes
1. Restated for changes to the Group's operating segments effective 1 January 2021 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment amounting to $9.7 million in total (first half 2020: $3.9 million).

We continue to exercise strong disciplined financial management of our cost base. Adjusted operating costs in the first half of 2021 increased by 5.5 per cent or $7.3 million compared to the same period last year, a strong comparator period, which included deferral of some discretionary spend to the second half of the year, once the impact of COVID-19 could be better understood.

Cost increase includes salary inflation, additional sales resource to support our revenue growth plans and product development, focusing on our high growth areas. Administration costs reflect an inflationary increase and an immaterial adverse impact of foreign exchange. Some costs by nature are more second half weighted including sales commissions, bonus accruals and travel expenses.

Operating profit

$ million	**First half 2021**	**Adjusted operating margin[2,3] (%)**	First half 2020[1]	Adjusted operating margin[2,3] (%)
Lifecycle Service Assurance	**22.6**	**19.9**	18.8	19.4
Networks & Security	**26.8**	**19.0**	24.0	17.5
Corporate	**(4.7)**		(3.3)	
Adjusted operating profit[2]	**44.7**	**17.5**	39.5	16.9
Other items charged in arriving at operating profit:				
Exceptional items and acquisition related costs	**(5.3)**		(2.0)	
Acquired intangible asset amortisation	**(1.8)**		(0.2)	
Share-based payment	**(2.6)**		(1.7)	
Reported operating profit	**35.0**		35.6	

Notes
1. Restated for changes to the Group's operating segments effective 1 January 2021 as set out in note 3 of Notes to the half year condensed consolidated financial statements.
2. Before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment amounting to $9.7 million in total (first half 2020: $3.9 million).
3. Adjusted operating profit as a percentage of revenue in the period.

Adjusted operating profit improved by 13.2 per cent in the first half of 2021, an increase of $5.2 million to $44.7 million with slightly improved adjusted operating margin of 17.5 per cent up 0.6 percentage points from first half 2020. Both our business segments are delivering superior operating margin and corporate costs includes investment into our governance structure, some adverse impact from foreign exchange and cost inflation.

Other items charged in arriving at operating profit of $9.7 million (first half 2020: $3.9 million) were mainly as a direct result of our acquisition including acquisition related performance payments, advisor fees and acquired intangible asset amortisation (see note 4 for further detail). The acquisition related performance payments reflect the accrual of performance incentive costs payable to the former owners based on annual revenue growth targets for 2021 and 2022 and retention of key staff.

Exceptional costs charged in the first half of 2021 of $0.5 million (first half 2020: nil) were associated with the implementation of our previously communicated global R&D engineering facility plan which will rationalise the number of sites and extend our flexibility to serve our global customers.

The CEO strategic review initiated in the second half of 2019 was concluded in the second half of 2020. The first half of 2020 included exceptional costs of $2.0 million relating to this. See note 4 of Notes to the half year condensed consolidated financial statements on page 32 for more information on exceptional items and acquisition related costs.

The acquired intangible asset amortisation charge has increased significantly period-on-period due to the intangible assets recognised on the acquisition of octoScope, with a charge of $1.8 million (first half 2020: $0.2 million) incurred in the first half of 2021.

Reported operating profit for the first half of 2021 decreased by $0.6 million to $35.0 million, from $35.6 million in the first half of 2020.

Currency impact
The Group's revenue and costs are primarily denominated in US Dollars or US Dollar-linked currencies. Currency exposures arise from trading transactions undertaken by the Group in foreign currencies and on the retranslation of the operating results and net assets of overseas subsidiaries.

In the first half, the Group's income statement included a foreign exchange loss of $0.4 million arising from transactional exposure, reflected in administration costs, compared to a $0.1 million loss over the same period in 2020.

Finance income and costs
Finance income in the first half of 2021 comprised bank interest received of $0.2 million (first half 2020: $1.0 million) and $0.2 million (first half 2020: $0.1 million) of interest income in relation to the UK defined benefit pension plans. The decrease in bank interest received half-on-half reflected the decrease in US Dollar fixed term deposit rates.

Finance costs in the first half were $0.6 million (first half 2020: $0.7 million), being interest on lease liabilities.

Tax
The reported tax charge for the Group for the first half of 2021 was $5.2 million (first half 2020: $3.8 million). The adjusted tax charge, excluding the tax credit on the adjusting items of $1.4 million and adjustments in respect of prior year tax, was $6.6 million (first half 2020: $5.2 million), resulting in an effective tax rate of 14.8 per cent of adjusted pre-tax profit. This compared with an effective tax rate of 13.0 per cent for the first half of 2020. As expected, for the full year 2021 the effective tax rate will be in the region of 15 per cent.

Earnings per share
Adjusted basic earnings per share was 6.23 cents, compared with 5.70 cents for the first half of 2020, reflecting the improvement in trading performance offset by an increase in the effective tax rate. There were 608.4 million weighted average shares in issue (first half 2020: 609.3 million). Basic earnings per share was 4.87 cents compared with 5.28 cents for the first half of 2020. See note 6 of Notes to the half year condensed consolidated financial statements on page 33 for the calculation of earnings per share.

Acquisitions

On 4 March 2021, Spirent acquired 100 per cent of the issued share capital of octoScope, Inc (octoScope), a company based in the United States for a net cash outflow of $51.3 million. Additionally, acquisition related performance payments of up to $17.8 million are payable based on revenue growth targets for 2021 and 2022 and retention of key staff. The transaction was funded by surplus cash in the Group.

octoScope provides market-leading accurate, repeatable and automated wireless test solutions and methodologies to the wireless industry. Its test solutions leverage patented technology to provide automated Wi-Fi and 5G testing in emulated real-world environments, including the Wi-Fi 6 and 6E technologies.

octoScope has been incorporated into our Lifecycle Service Assurance operating segment along with our emerging Wi-Fi revenue stream previously residing in our high-speed Ethernet business within the Networks & Security operating segment.

Details on the net assets acquired, and performance of octoScope are detailed separately in note 9 of Notes to the half year condensed consolidated financial statements on page 37.

Financing and cash flow

Cash flow conversion was strong in the first half of 2021 at 127 per cent which gave rise to a free cash flow of $48.1 million. The comparative period was particularly strong with a cash conversion of 189 per cent and free cash flow of $65.5 million as it benefited from some one-off step change improvements made to reduce working capital and was positively impacted by the phasing of revenue invoicing which came earlier in the period.

We are pleased to report that we have seen no significant impact from COVID-19 on our ability to collect trade receivables on a timely basis. Payables naturally unwind during the first half of the year, following the increase in activity levels at year end and contract liabilities have built period-on-period in the first half of 2021 reflecting an increase in services and multi-year support orders.

Free cash flow is set out below:

$ million	**First half 2021**	First half 2020
Cash flow from operations	**54.5**	74.8
Tax paid	**(5.8)**	(1.2)
Net cash inflow from operating activities	**48.7**	73.6
Interest received	**0.2**	1.1
Net capital expenditure	**(5.3)**	(4.4)
Payment of lease liabilities, principal and interest	**(5.2)**	(5.0)
Lease payments received from finance leases	**0.3**	0.2
Acquisition related items (*note 4*):		
– Direct transaction costs	**1.8**	-
– Acquisition related performance payments	**2.5**	-
– Acquisition integration costs	**0.5**	-
One-off employer contribution to UK pension scheme	**4.6**	-
Free cash flow	**48.1**	65.5

Free cash flow includes a cash outflow in respect of non-acquisition related exceptional items charged in the first half of 2021 and the second half of 2020 of $1.0 million in total (first half 2020 and second half of 2019: $1.9 million).

Net capital expenditure of $5.3 million was marginally higher than over the same period last year and was predominantly incurred on demonstration and test equipment.

In the first half of 2021, the final dividend for 2020 and special dividend of $23.5 million and $45.6 million respectively were paid and 0.9 million shares were purchased and placed into the Employee Share Ownership Trust (ESOT) at a cost of $3.1 million (first half 2020: 2.0 million shares at a cost of $4.7 million).

Following these payments, cash and cash equivalents closed at $156.4 million at 30 June 2021, compared with $241.2 million at 31 December 2020. There continues to be no bank debt.

Defined benefit pension plans
The Group operates two funded defined benefit pension plans in the United Kingdom which are closed to new entrants.

The accounting valuation of the funded defined benefit pension plans at 30 June 2021 gave rise to a net surplus of $32.6 million, compared with a net surplus of $13.0 million at 31 December 2020. The 30 June 2021 position reflects cash contributions to the scheme during the first half including a one-off payment of $4.6 million made following payment of the special dividend in line with the deficit funding agreement made during the 2018 triennial review and a re-assessment of the underlying assumptions generating a reduction in liabilities. See note 8 of Notes to the half year condensed consolidated financial statements on page 36 for more information on the defined benefit pension plans and key financial assumptions. In addition, contributions to the plans paid under the deficit reduction plan put in place following the latest triennial valuation at 31 March 2018, were $3.6 million during the first half of 2021 (first half 2020: $3.3 million).

There is also a liability for an unfunded plan in the UK of $0.7 million (31 December 2020: $0.7 million).

The Group operates a deferred compensation plan for employees in the United States. At 30 June 2021, the deficit on this deferred compensation plan amounted to $6.1 million (31 December 2020: $5.7 million).

Balance sheet and dividend
The consolidated balance sheet is set out on page 25.

Net assets have decreased by $32.3 million to $410.5 million at 30 June 2021, from $442.8 million at 31 December 2020, largely as a result of the final and special dividends being paid in the period, amounting to $69.1 million.

Current trade and other receivables at 30 June 2021 have decreased by $12.5 million to $119.8 million from $132.3 million at 31 December 2020 as customer invoices from the year end have been collected during the period, but are up by $30.6 million from the position at 30 June 2020 due to the phasing of revenue invoicing which came later in the period.

Contract liabilities are up at 30 June 2021 versus the positions at 30 June 2020 and 31 December 2020 largely due to an increase in multi-year contracts which are typically invoiced in advance and result in deferred income on the balance sheet.

The Board currently intends to maintain a cash positive balance sheet over the medium to long-term. This should allow the Company to maintain a strong capital position in the face of business risks, trading fluctuations and working capital demands. In addition, the Board wishes to maintain flexibility to invest in the business organically and inorganically. Where appropriate, the Company may take on modest gearing to fund inorganic investments.

The Board continues to regularly review the Company's balance sheet in light of current and expected trading performance and cash generation, working capital requirements and expected investments, and COVID-19 related risks. To the extent the Company has excess cash, it will consider returning such cash to shareholders. The Board will consider from time to time the appropriate mechanism for returning surplus cash to shareholders.

The Board has declared an interim dividend of 2.39 cents per Ordinary Share, a 10 per cent increase over the dividend declared for the first half 2020 of 2.17 cents. This is equivalent to 1.72 pence per Ordinary Share at an exchange rate of $1.39:£1 (first half 2020: 1.67 pence). The payment will be approximately $14.6 million. The dividend will be paid to Ordinary shareholders on 17 September 2021 and to ADR holders on 24 September 2021. The dividend is payable to all shareholders on the Register of Members at the close of business on 13 August 2021.

The Board is continuing to pursue a progressive dividend policy targeting cover of 2 to 2.5 times adjusted earnings.

Risks and uncertainties

The principal risks and uncertainties affecting the Spirent Communications Group in respect of the remaining six months of the year to 31 December 2021 remain those as identified on pages 45 to 49 of the Annual Report 2020. A copy of the Annual Report 2020 is available on the Company's website at https://corporate.spirent.com/. In addition, the Group continues to monitor the impact of the COVID-19 virus outbreak and has conducted an assessment of the potential impacts of COVID-19 on the principal risks and uncertainties. In summary, the principal risks and uncertainties are as follows:

Risk	**Description**
Macro-economic change	Spirent is a global business exposed to current world economic conditions and political and trade embargo uncertainties over which it has no control. Climate change is noted as a further, emerging risk that may have a major impact on macro-economics. The business is also exposed to government spending priorities, principally in the United States. The COVID-19 crisis has created uncertainty to current world economic conditions and government spending priorities. The Group continues to monitor the impact to the global economy. The understanding of climate change related risks is embedded in the risk management cycle.
Technology change	Spirent sells complex solutions in industries that can be subject to rapid technological changes. Testing new technologies drives our business, but the opportunity also brings high risk since keeping at the forefront of these key future technologies is critical to our success and to ensuring that we remain competitive in our markets. It is critical that our product development investment is directed at the right areas in order to deliver the solutions that our customers need, when they need them. Spirent's success is dependent in part on proprietary technology which may be infringed by others. Open-source tools become more prevalent providing some of the functionality of our products. Due to COVID-19, there is an increased risk that technology changes may take longer to occur.

Risk	Description
Business continuity	Operational risks are present in the Group's businesses, including the risk of failed internal and external processes and systems, human error and external events, such as a natural disaster, a global pandemic or cybersecurity attacks. For example, a significant portion of our communications operations are located in California which has in the past experienced natural disasters, including earthquakes and wildfires. Such risks may be exacerbated by climate change. Contract manufacturers are used for the manufacture of a substantial amount of Spirent's products. Spirent's major contract manufacturer is located in Thailand. The incidence of cybercrime continues to rise. Spirent is dependent on its information technology systems for both internal and external communications as well as for its day-to-day operations. The Group has taken steps to manage the increase to business continuity risk as a result of the COVID-19 pandemic, including invoking business continuity plans in each location, closely monitoring the impact to the supply chain with additional inventory procured on key components and by adding secondary suppliers, and by boosting the global Spirent information technology systems to enable the workforce to work remotely.
Customer dependence / customer investment plans	The Group sells its products and services to a wide range of companies and continually seeks to expand its customer base. In 2020, no one customer accounted for more than 7 per cent of Group revenue, although the top ten customers represented 41 per cent of Group revenue (2019 42 per cent). In some of our markets certain customers have a dominant market share, which makes doing business with these customers and their suppliers critical to the success of our business. In addition, many of the companies with which we do business are some of the largest global telecommunications corporations. Therefore meeting our development obligations, producing high quality products and being on time are vital to Spirent's reputation and success. Changes in our major customers' priorities in technology investments can also have a significant impact on their spending on Spirent products and on those in the customers' supply chain. The industry continues to experience consolidation which does disrupt the spending patterns of affected customers. As a result of COVID-19, customer spending patterns remain uncertain, particularly for lab and government markets. The Group has taken steps to evolve the sales team in order to strengthen relationships with customers.

Risk	**Description**
Competition	Spirent operates in a range of highly competitive niche markets which experience rapid technological change. In order to compete effectively, it is necessary to establish and maintain technological differentiation in our solutions. The Group faces competition from new market start-ups as well as more established and well-resourced companies. Industry consolidation amongst our direct competitors may bring about a shift in competitive advantage.
Acquisitions	A key emerging element of Spirent's strategy is to develop new capabilities and technologies, sometimes through acquisition. Integration of acquisitions can be a complex process and the results expected from acquisitions may not be achieved due to problems encountered in integration, changes in market conditions, the rate of adoption of new technologies, or sometimes deficiencies arising in the due diligence processes.
Employee skill base	Employees are crucial to the success of our business. Attracting and retaining highly qualified and skilled employees is essential to enable the Group to deliver on its strategy and to the success of the business.

Condensed consolidated income statement

$ million	Notes	**Adjusted**	**Adjusting items[1]**	**Reported**	Adjusted	Adjusting items[1]	Reported
				First half 2021			First half 2020
Revenue	3	**255.1**	**-**	**255.1**	233.7	-	233.7
Cost of sales		**(71.1)**	**-**	**(71.1)**	(62.2)	-	(62.2)
Gross profit		**184.0**	**-**	**184.0**	171.5	-	171.5
Product development	3	**(52.5)**	**-**	**(52.5)**	(50.7)	-	(50.7)
Selling and marketing		**(61.8)**	**-**	**(61.8)**	(56.7)	-	(56.7)
Administration		**(25.0)**	**-**	**(25.0)**	(24.6)	-	(24.6)
Other items		**-**	**(9.7)**	**(9.7)**	-	(3.9)	(3.9)
Operating profit		**44.7**	**(9.7)**	**35.0**	39.5	(3.9)	35.6
Other items charged in arriving at operating profit:							
Exceptional items and acquisition related costs	4	**-**	**(5.3)**	**(5.3)**	-	(2.0)	(2.0)
Acquired intangible asset amortisation		**-**	**(1.8)**	**(1.8)**	-	(0.2)	(0.2)
Share-based payment		**-**	**(2.6)**	**(2.6)**	-	(1.7)	(1.7)
Other items		**-**	**(9.7)**	**(9.7)**	-	(3.9)	(3.9)
Finance income		**0.4**	**-**	**0.4**	1.1	-	1.1
Finance costs		**(0.6)**	**-**	**(0.6)**	(0.7)	-	(0.7)
Profit before tax		**44.5**	**(9.7)**	**34.8**	39.9	(3.9)	36.0
Tax	5	**(6.6)**	**1.4**	**(5.2)**	(5.2)	1.4	(3.8)
Profit for the period attributable to owners of the parent Company		**37.9**	**(8.3)**	**29.6**	34.7	(2.5)	32.2
Earnings per share (cents)	6						
Basic		**6.23**		**4.87**	5.70		5.28
Diluted		**6.16**		**4.81**	5.63		5.23

Note
1. Adjusting items comprise exceptional items and acquisition related costs, amortisation of acquired intangible assets, share-based payment, tax on adjusting items and any over/under provision in respect of prior year tax.

The performance of the Group is assessed using a variety of non-GAAP alternative performance measures which are presented to provide additional financial information that is regularly reviewed by management. Adjusting items are identified and excluded by virtue of their size, nature or incidence as they do not reflect management's evaluation of the underlying trading performance of the Group. The full definitions of alternative performance measures and the reasons for their presentation are provided in the appendix.

Condensed consolidated statement of comprehensive income

$ million	Note	**First half 2021**	First half 2020
Profit for the period attributable to owners of the parent Company		**29.6**	32.2
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit or loss:			
– Exchange differences on retranslation of foreign operations		**1.1**	(3.6)
Items that will not subsequently be reclassified to profit or loss:			
– Re-measurement of the net defined benefit pension asset	8	**11.0**	(5.5)
– Income tax effect of re-measurement of the net defined benefit pension asset		**(4.0)**	1.0
		7.0	(4.5)
Other comprehensive income/(loss)		**8.1**	(8.1)
Total comprehensive income for the period attributable to owners of the parent Company		**37.7**	24.1

Condensed consolidated balance sheet

$ million	Note	**30 June 2021**	30 June 2020	Audited 31 December 2020
Assets				
Non-current assets				
Intangible assets		**211.8**	159.0	159.9
Property, plant and equipment		**25.6**	27.4	25.8
Right-of-use assets		**22.5**	22.3	23.3
Trade and other receivables		**7.3**	7.0	6.8
Assets recognised from costs to obtain a contract		**0.5**	0.2	0.3
Defined benefit pension plan surplus	8	**32.6**	8.6	13.0
Deferred tax asset		**18.1**	22.3	23.7
		318.4	246.8	252.8
Current assets				
Inventories		**25.5**	30.1	22.3
Trade and other receivables		**119.8**	89.2	132.3
Assets recognised from costs to obtain a contract		**0.6**	0.4	0.6
Other financial assets		**-**	-	0.2
Current tax asset		**4.0**	2.6	0.4
Cash and cash equivalents		**156.4**	221.4	241.2
		306.3	343.7	397.0
Total assets		**624.7**	590.5	649.8
Liabilities				
Current liabilities				
Trade and other payables		**(65.2)**	(59.4)	(73.6)
Contract liabilities		**(75.0)**	(58.4)	(65.1)
Lease liabilities		**(8.2)**	(8.3)	(8.2)
Other financial liabilities		**(0.1)**	-	-
Current tax liability		**(0.5)**	(7.2)	(2.1)
Provisions		**(6.8)**	(5.7)	(6.2)
		(155.8)	(139.0)	(155.2)
Non-current liabilities				
Trade and other payables		**(0.8)**	(1.5)	(1.0)
Contract liabilities		**(22.9)**	(17.3)	(18.8)
Lease liabilities		**(18.5)**	(20.5)	(20.0)
Deferred tax liability		**(7.1)**	-	(2.0)
Defined benefit pension plan deficit	8	**(6.8)**	(5.6)	(6.4)
Provisions		**(2.3)**	(3.4)	(3.6)
		(58.4)	(48.3)	(51.8)
Total liabilities		**(214.2)**	(187.3)	(207.0)
Net assets		**410.5**	403.2	442.8
Capital and reserves				
Share capital		**28.3**	25.0	27.9
Share premium account		**28.0**	24.8	27.6
Capital redemption reserve		**18.3**	16.2	18.0
Other reserves		**11.4**	20.0	12.5
Translation reserve		**12.2**	6.5	11.1
Retained earnings		**312.3**	310.7	345.7
Total equity attributable to owners of the parent Company		**410.5**	403.2	442.8

Condensed consolidated statement of changes in equity

$ million	Notes	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
At 1 January 2020 (audited)		26.8	26.6	17.4	15.2	10.1	306.2	402.3
Profit for the period		-	-	-	-	-	32.2	32.2
Other comprehensive loss		-	-	-	-	(3.6)	(4.5)	(8.1)
Total comprehensive (loss)/income		-	-	-	-	(3.6)	27.7	24.1
Share-based payment[1]		-	-	-	-	-	1.9	1.9
Tax credit on share incentives		-	-	-	-	-	0.1	0.1
Equity dividends	7	-	-	-	-	-	(20.5)	(20.5)
Employee Share Ownership Trust	12	-	-	-	-	-	(4.7)	(4.7)
Exchange adjustment		(1.8)	(1.8)	(1.2)	4.8	-	-	-
At 30 June 2020		25.0	24.8	16.2	20.0	6.5	310.7	403.2
At 1 January 2021 (audited)		**27.9**	**27.6**	**18.0**	**12.5**	**11.1**	**345.7**	**442.8**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**29.6**	**29.6**
Other comprehensive income		**-**	**-**	**-**	**-**	**1.1**	**7.0**	**8.1**
Total comprehensive income		**-**	**-**	**-**	**-**	**1.1**	**36.6**	**37.7**
Share-based payment[1]		**-**	**-**	**-**	**-**	**-**	**2.6**	**2.6**
Tax credit on share incentives		**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Equity dividends	7	**-**	**-**	**-**	**-**	**-**	**(69.6)**	**(69.6)**
Employee Share Ownership Trust	12	**-**	**-**	**-**	**-**	**-**	**(3.1)**	**(3.1)**
Exchange adjustment		**0.4**	**0.4**	**0.3**	**(1.1)**	**-**	**-**	**-**
At 30 June 2021		**28.3**	**28.0**	**18.3**	**11.4**	**12.2**	**312.3**	**410.5**

Note
1. Includes $0.2 million (first half 2020: $0.2 million) in respect of deferred shares for Executive Directors' Annual Incentive which is charged to administration expenses in the income statement.

Condensed consolidated cash flow statement

$ million	Notes	**First half 2021**	First half 2020
Cash flows from operating activities			
Cash flow from operations	10	**54.5**	74.8
Tax paid		**(5.8)**	(1.2)
Net cash inflow from operating activities		**48.7**	73.6
Cash flows from investing activities			
Interest received		**0.2**	1.1
Purchase of property, plant and equipment		**(5.6)**	(4.7)
Proceeds from sale of property, plant and equipment		**0.3**	0.3
Lease payments received from finance leases		**0.3**	0.2
Acquisition of subsidiary, net of cash acquired	9	**(51.3)**	-
Net cash used in investing activities		**(56.1)**	(3.1)
Cash flows from financing activities			
Lease liability principal repayments		**(4.6)**	(4.3)
Lease liability interest paid		**(0.6)**	(0.7)
Dividend paid	7	**(69.1)**	(20.5)
Hedge contracts relating to dividend payments	7	**(0.5)**	-
Share purchase into Employee Share Ownership Trust	12	**(3.1)**	(4.7)
Net cash used in financing activities		**(77.9)**	(30.2)
Net (decrease)/increase in cash and cash equivalents		**(85.3)**	40.3
Cash and cash equivalents at the beginning of the period		**241.2**	183.2
Effect of foreign exchange rate changes		**0.5**	(2.1)
Cash and cash equivalents at the end of the period		**156.4**	221.4

Notes to the half year condensed consolidated financial statements

1 General information

The half year condensed consolidated financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006. The statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 11 March 2021 and have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement made under Section 498(2) or (3) of the Companies Act 2006.

The half year condensed consolidated financial statements have been reviewed, not audited, by the Group's auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. A copy of their review report is included at the end of this report.

The half year condensed consolidated financial statements for the period ended 30 June 2021 were approved by the Directors on 5 August 2021.

2 Accounting policies

The accounting policies adopted and methods of computation used are consistent with those applied in the consolidated financial statements for the year ended 31 December 2020. The annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS).

Basis of preparation
The half year condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board and endorsed by and adopted for use in the United Kingdom. This condensed set of half year financial statements has also been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

Critical accounting estimates and judgements
The preparation of the half year condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half year condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020, except for the inclusion of estimates made in relation to establishing the fair value of intangible assets recognised as a result of business combinations and their estimated useful lives.

The Group is required to perform an impairment review on goodwill annually and where there are indicators of impairment. The Group has an annual impairment testing date of 30 November. At 30 June 2021, management have reviewed the goodwill for indicators of impairment and have considered the trading performance, the Group's principal risks and uncertainties, the impact of the COVID-19 pandemic on the Group's cash flow forecasts and the other assumptions used in the value in use calculations. Management have also considered sensitivities in respect of potential downside scenarios. There are no indicators of impairment at any of the cash generating units.

Going concern
In adopting the going concern basis for preparing the condensed consolidated financial statements, the Directors have considered the Group's principal risks and uncertainties as set out on pages 20 to 22, including the potential impact of the COVID-19 pandemic on the Group and any longer-term impact to the global economy. In the first half of 2021, the COVID-19 pandemic has not had a significant impact on the Group's trading performance and the Group has continued to operate effectively.

2 **Accounting policies** continued

The Directors have also considered sensitivities in respect of potential downside scenarios, including stress testing the latest cash flow projections that cover a period of 12 months from the date of approval of these condensed consolidated financial statements. In these scenarios, the Group has more than sufficient headroom in its available resources.

At 30 June 2021, the Group had cash balances of $156.4 million and external debt only in relation to its lease liabilities.

The Directors have reviewed the detailed financial projections for the period ending 31 December 2021, as well as the business plan and cash flows for the six months ending 30 June 2022. The Directors have also considered the period to the end of 2024 which forms part of the Group's longer term viability assessment. In addition, they have considered the principal risks faced by the Group, the potential impact of COVID-19, the sensitivity analysis and the Group's significant financial headroom and are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approval of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of the condensed consolidated financial statements.

New standards and interpretations
There have been no new standards or amendments to existing standards effective from 1 January 2021 that are applicable to the Group or that has had any material impact on the financial statements and related notes as at 30 June 2021.

The Directors do not anticipate that the adoption of any of the new standards and interpretations issued by the IASB and IFRIC with an effective date for the Group after the date of these interim financial statements will have a material impact on the Group's interim financial statements in the period of initial application.

3 **Operating segments**

The Group's organisational structure is based on differences in the products and services offered by each segment and information regularly reviewed by the Group's Chief Executive Officer, its chief operating decision maker, is presented on this basis. The Group's operating segments follow this structure.

The Group's reportable operating segments are Lifecycle Service Assurance and Networks & Security. The Group evaluates adjusted operating profit before exceptional items and acquisition related costs, acquired intangible asset amortisation and share-based payment. Finance income and finance costs are not allocated to the reportable segments. Corporate is not an operating segment and costs are separately reported and not allocated to the reportable segments. Information on segment assets and segment liabilities is not regularly provided to the Group's Chief Executive Officer and is therefore not disclosed below. There is no aggregation of operating segments.

The Group disaggregates revenue from contracts with customers by nature of products and services and primary geographical markets, as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

3 **Operating segments** continued

$ million	Lifecycle Service Assurance	Networks & Security	Corporate	Total
First half 2021				
Revenue				
Nature of products and services				
Sale of hardware and software	**66.0**	**112.2**	**-**	**178.2**
Maintenance and support services	**47.8**	**29.1**	**-**	**76.9**
	113.8	**141.3**	**-**	**255.1**
Primary geographical markets				
Americas	**77.3**	**62.8**	**-**	**140.1**
Asia Pacific	**29.2**	**60.8**	**-**	**90.0**
Europe, Middle East and Africa	**7.3**	**17.7**	**-**	**25.0**
	113.8	**141.3**	**-**	**255.1**
Profit before tax				
Adjusted operating profit	**22.6**	**26.8**	**(4.7)**	**44.7**
Exceptional items and acquisition related costs *note 4*	**(0.3)**	**(0.6)**	**(4.4)**	**(5.3)**
Total reportable segment profit	**22.3**	**26.2**	**(9.1)**	**39.4**
Unallocated amounts:				
– Acquired intangible asset amortisation				**(1.8)**
– Share-based payment				**(2.6)**
Operating profit				**35.0**
Finance income				**0.4**
Finance costs				**(0.6)**
Profit before tax				**34.8**
Other information				
Product development	**24.7**	**27.8**	**-**	**52.5**
Intangible asset amortisation – other	**0.4**	**-**	**-**	**0.4**
Depreciation of property, plant and equipment	**2.3**	**3.8**	**0.1**	**6.2**
Depreciation of right-of-use assets	**1.7**	**2.1**	**0.2**	**4.0**

First half 2020 operating segment information has been restated for the following changes to the Group's operating segments which came into effect on 1 January 2021:

- In early 2021, some organisational changes were made to build an even stronger foundation for scale – breaking down barriers, better enabling solution selling and focusing on leading edge technology. To accelerate the momentum built in 2020, the Group has combined the Connected Devices operating segment into the Lifecycle Service Assurance operating segment effective 1 January 2021. This change has enabled a more integrated set of user experience assurance solutions. Going forward, Lifecycle Service Assurance and Connected Devices will be reviewed and managed as one segment. The Group's revised reported operating segments are Lifecycle Service Assurance and Networks & Security.
- The emerging Wi-Fi revenue stream has been reclassified from Networks & Security to Lifecycle Service Assurance to present this revenue stream together with the recently acquired octoScope business which has been incorporated into the Lifecycle Service Assurance operating segment.

A document showing restated comparative information is available to view and download at https://corporate.spirent.com/.

3 Operating segments continued

$ million	Lifecycle Service Assurance	Networks & Security	Corporate	Total
First half 2020				
Revenue				
Nature of products and services				
Sale of hardware and software	55.0	112.6	-	167.6
Maintenance and support services	41.9	24.2	-	66.1
	96.9	136.8	-	233.7
Primary geographical markets				
Americas	57.7	62.2	-	119.9
Asia Pacific	32.3	58.0	-	90.3
Europe, Middle East and Africa	6.9	16.6	-	23.5
	96.9	136.8	-	233.7
Profit before tax				
Adjusted operating profit	18.8	24.0	(3.3)	39.5
Exceptional items *note 4*	(0.9)	(0.7)	(0.4)	(2.0)
Total reportable segment profit	17.9	23.3	(3.7)	37.5
Unallocated amounts:				
– Acquired intangible asset amortisation				(0.2)
– Share-based payment				(1.7)
Operating profit				35.6
Finance income				1.1
Finance costs				(0.7)
Profit before tax				36.0
Other information				
Product development	22.6	28.1	-	50.7
Intangible asset amortisation – other	0.5	-	-	0.5
Depreciation of property, plant and equipment	2.2	4.0	0.1	6.3
Depreciation of right-of-use assets	1.5	2.5	0.1	4.1
Inventory write-down	0.3	1.0	-	1.3

Inter-segment revenue is eliminated in the above periods. All of the Group's revenue arose from contracts with customers.

Generally, revenue from the sale of hardware and software is recognised at a point in time and revenue from maintenance and support services is recognised over time.

Europe, Middle East and Africa includes United Kingdom revenue of $5.4 million (first half 2020: $2.8 million).

Americas includes United States revenue of $131.9 million (first half 2020: $113.2 million).

Asia Pacific includes China revenue of $50.8 million (first half 2020: $50.1 million).

Revenues are attributed to regions and countries based on customer location.

No one customer accounted for 10 per cent or more of total Group revenue in either the first half of 2021 or 2020.

The Group's activities are seasonal and are typically weighted towards the second half of the year.

4 Exceptional items and acquisition related costs

$ million	**First half 2021**	First half 2020
R&D engineering plan	**0.5**	-
CEO strategic review	**-**	2.0
Direct acquisition transaction costs	**1.8**	-
Acquisition related performance payments	**2.5**	-
Acquisition integration costs	**0.5**	-
Total charge in the income statement	**5.3**	2.0

In the first half of 2021, the Group commenced implementation of a global R&D engineering plan which will rationalise the number of sites and extend our flexibility to serve our global customers, incurring $0.5 million of employee severance costs. This plan will continue into 2022 and 2023.

On 4 March 2021, the Group completed the acquisition of octoScope, Inc. Acquisition related performance payments of $2.5 million and $0.5 million in relation to post acquisition integration were incurred during the first half of 2021. The acquisition related performance payments to key employees of the former octoScope business are contingent on meeting revenue growth targets for 2021 and a continuing employment requirement. In addition, direct transaction related costs of $1.8 million were incurred comprising advisor fees. See note 9 for further details.

In the first half of 2020, the Group incurred $2.0 million of costs associated with a strategic review, instigated by Spirent's new CEO, involving a number of initiatives designed to evolve the strategic direction of Spirent to maximise market opportunities by creating a more agile, customer-focused organisation. The programme concluded in 2020.

The tax effect of exceptional items and acquisition related costs is a credit of $0.9 million (first half 2020: $0.4 million credit). The total cash outflow in respect of exceptional items and acquisition related costs charged in the first half of 2021 is anticipated to be $5.3 million, $2.1 million of which was paid in the period (first half 2020: $2.0 million total cash outflow with $1.3 million paid in the period). The cash outflow in the first half of 2021 in respect of exceptional items and acquisition related costs charged in 2020 was $0.5 million (first half 2020: $0.6 million).

The total cash outflow in respect of exceptional items and acquisition related costs is reported within cash flows from operating activities in the condensed consolidated cash flow statement.

5 Tax

$ million	**First half 2021**	First half 2020
Current income tax		
UK tax	**1.1**	0.4
Overseas tax	**0.6**	3.4
Total income tax	**1.7**	3.8
Deferred tax		
Recognition of deferred tax assets	**(1.5)**	(1.2)
Reversal of temporary differences	**5.0**	2.0
Adjustments in respect of prior years	**-**	(0.8)
Total deferred tax	**3.5**	-
Tax charge in the income statement	**5.2**	3.8

The effective tax rate for the first half year is 14.8 per cent (first half 2020: 13.0 per cent), being the current period tax charge, excluding tax on adjusting items and the adjustment in respect of prior year tax, as a percentage of adjusted profit before tax.

6 Earnings per share

Basic
Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent Company by the weighted average number of Ordinary Shares outstanding during the period.

Diluted
Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the parent Company by the weighted average number of Ordinary Shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on the conversion of all dilutive potential Ordinary Shares into Ordinary Shares.

$ million	**First half 2021**	First half 2020
Profit for the period attributable to owners of the parent Company	**29.6**	32.2

Number million		
Weighted average number of Ordinary Shares in issue – basic	**608.4**	609.3
Dilutive potential of employee share incentives	**6.4**	6.5
Weighted average number of Ordinary Shares in issue – diluted	**614.8**	615.8

Cents		
Earnings per share		
Basic	**4.87**	5.28
Diluted	**4.81**	5.23

6 Earnings per share continued

Adjusted

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 and acquisition related costs;
- acquired intangible asset amortisation;
- share-based payment;
- tax effect on the above items; and
- prior year tax (adjustments made to provisions in respect of prior years).

		First half 2021		First half 2020
	$ million	**EPS cents**	$ million	EPS cents
Profit for the period attributable to owners of the parent Company	**29.6**	**4.87**	32.2	5.28
Exceptional items and acquisition related costs *note 4*	**5.3**		2.0	
Acquired intangible asset amortisation	**1.8**		0.2	
Share-based payment	**2.6**		1.7	
Tax effect on the above items	**(1.4)**		(0.6)	
Prior year tax credit	**-**		(0.8)	
Adjusted basic	**37.9**	**6.23**	34.7	5.70
Adjusted diluted		**6.16**		5.63

7 Dividends paid and proposed

		First half 2021		First half 2020
	Cents per Ordinary Share	**$ million**	Cents per Ordinary Share	$ million
Amounts recognised as distributions to equity in the period				
Final dividend paid for previous year	**3.87**	**23.7**	3.45	20.5
Special dividend paid for previous year	**7.50**	**45.9**	-	-
Amounts approved by the Directors (not recognised as a liability at the balance sheet date)	**2.39**	**14.6**	2.17	13.1

An interim dividend of 2.39 cents per Ordinary Share (2020: 2.17 cents per Ordinary Share) was declared by the Board on 5 August 2021 and will be paid to Ordinary shareholders on 17 September 2021 and to ADR holders on 24 September 2021. This dividend has not been included as a liability in these financial statements. The dividend is payable to all shareholders on the Register of Members at the close of business on 13 August 2021.

Dividends are declared or proposed in US Dollars and will be paid in Pound Sterling at the exchange rate prevailing when the dividend is declared or proposed. The exchange rate used for determining the amount of interim dividend to be paid was $1.39:£1.

Reconciliation of dividends charged to equity to cash flow statement:

$ million	First half 2021
Dividends charged to equity	69.6
Hedge contracts relating to payment of dividends (cash flow statement)	(0.5)
Dividends paid (cash flow statement)	69.1

8 Defined benefit pension plans

The Group has ongoing obligations in relation to two funded defined benefit pension plans in the United Kingdom. In addition, there is a United Kingdom unfunded plan and a deferred compensation plan in the United States.

The most recent actuarial valuations, at 31 March 2018, of the plans' assets and the present value of the plans' obligations, using the projected unit credit method, have been used and updated at 30 June 2021 as the basis for the accounting valuation.

8 Defined benefit pension plans continued

The assets and liabilities on the balance sheet are as follows:

$ million	**First half 2021**	First half 2020	Year 2020
Schemes in net asset position			
UK defined benefit pension plan – Staff Plan	**30.8**	6.9	11.2
UK defined benefit pension plan – Cash Plan	**1.8**	1.7	1.8
	32.6	8.6	13.0
Schemes in net liability position			
UK unfunded plan	**(0.7)**	(0.6)	(0.7)
US deferred compensation plan	**(6.1)**	(5.0)	(5.7)
	(6.8)	(5.6)	(6.4)
Net pension plan surplus on the balance sheet	**25.8**	3.0	6.6

The assets and liabilities in the funded defined benefit pension plans were as follows:

$ million	**First half 2021**	First half 2020	Year 2020
Fair value of defined benefit pension plans' assets	**328.7**	286.5	328.1
Present value of defined benefit pension plans' obligations	**(296.1)**	(277.9)	(315.1)
Net UK funded defined benefit pension plan surplus on the balance sheet	**32.6**	8.6	13.0

The key financial assumptions in respect of the funded plans are as follows:

%	**First half 2021**	First half 2020	Year 2020
Inflation – RPI	**3.3**	2.9	3.0
Inflation – CPI	**2.5**	2.1	2.2
Rate of increase in pensionable salaries	**2.5**	2.1	2.2
Rate of increase for pensions in payment			
– Pre 2001 service	**3.7**	3.6	3.5
– 2001 to 5 April 2005 service	**3.2**	2.8	2.9
– Post 5 April 2005 service	**2.2**	2.0	2.1
Rate of increase in deferred pensions	**2.5**	2.1	2.2
Rate used to discount plan liabilities	**1.8**	1.4	1.3

There was no charge to operating costs (first half 2020: $0.2 million) and finance income of $0.2 million (first half 2020: $0.1 million) has been recognised.

The Group also operates a deferred compensation plan for employees in the United States. The plan has elements of a defined benefit pension retirement obligation and therefore is required to be valued in accordance with IAS 19 'Employee Benefits'. At 30 June 2021, the deferred compensation deficit amounted to $6.1 million (31 December 2020: $5.7 million). There was no re-measurement at 30 June 2021 (31 December 2020: $0.3 million loss recognised directly in the statement of comprehensive income).

9 Business combinations

On 4 March 2021, Spirent acquired 100 per cent of the issued share capital of octoScope, Inc (octoScope), a company based in the United States for an initial cash consideration of $57.9 million. Additionally, acquisition related performance payments of up to $17.8 million are payable based on revenue growth targets for 2021 and 2022 and retention of key staff. The transaction was funded by surplus cash in the Group.

octoScope provides market-leading accurate, repeatable and automated wireless test solutions and methodologies to the wireless industry. Its test solutions leverage patented technology to provide automated Wi-Fi and 5G testing in emulated real-world environments, including the Wi-Fi 6 and 6E technologies. The acquisition will enable the Group to consolidate its leadership in Wi-Fi test.

octoScope has been incorporated into our Lifecycle Service Assurance operating segment along with our emerging Wi-Fi revenue stream previously residing in our high-speed Ethernet business within the Networks & Security operating segment.

Of the acquisition related performance payments, amounts of up to $16.2 million are linked to post-acquisition service and therefore will be charged to the income statement in the relevant post-acquisition period, and amounts up to $1.6 million, which are not linked to post acquisition service and only to revenue growth targets, have been included as contingent consideration on acquisition and a liability recorded.

In the first half of 2021, $2.4 million of acquisition related performance payments have been charged to other items in the income statement (note 4). On acquisition date, the fair value of the contingent consideration was estimated at $0.7 million and a liability recorded for this amount. On 30 June 2021, the liability had a fair value of $0.8 million and was remeasured through other items in the income statement (note 4).

The provisional fair values of the identifiable net assets acquired are set out below:

$ million	**Book value**	**Fair value adjustment**	**Fair value**
Intangible assets	**-**	**26.8**	**26.8**
Property, plant and equipment	**0.8**	**-**	**0.8**
Right-of-use assets	**1.2**	**-**	**1.2**
Inventories	**1.7**	**-**	**1.7**
Trade and other receivables	**3.1**	**0.9**	**4.0**
Current tax asset	**0.4**	**-**	**0.4**
Cash and cash equivalents	**6.6**	**-**	**6.6**
Trade and other payables	**(3.7)**	**-**	**(3.7)**
Contract liabilities	**(2.2)**	**-**	**(2.2)**
Lease liabilities	**(1.2)**	**-**	**(1.2)**
Deferred tax asset/(liability)	**3.0**	**(5.6)**	**(2.6)**
Total identifiable net assets	**9.7**	**22.1**	**31.8**
Goodwill on acquisition			**26.8**
Total consideration			**58.6**
Satisfied by			
Initial cash consideration			**57.9**
Contingent consideration accrued			**0.7**
			58.6
Cash flows:			
Initial cash consideration			**57.9**
Cash acquired			**(6.6)**

9 Business combinations continued

The fair value adjustments arose in relation to the recognition of acquired intangible assets net of the associated deferred tax liability, and on the recognition of a receivable in relation to an indemnification asset in respect of a loan that existed on acquisition date. The trade and other receivables acquired were mainly trade receivables due from customers and the book value on acquisition date approximated the fair value. All of the receivables acquired are expected to be collected.

The intangible assets acquired represent current technology, customer relationships and brand. These intangible assets have been assigned a useful life of between three and six years.

The goodwill arising of $26.8 million consists largely of the synergies and economies of scale expected from the combination together with intangible assets not qualifying for separate recognition, such as workforce in place. The goodwill recognised is not expected to be deductible for income tax purposes.

Acquisition related costs of $1.8 million have been expensed to other items within the income statement in the first half of 2021 (note 4).

From the date of acquisition to 30 June 2021, octoScope contributed $6.1 million of revenue and $1.4 million of profit before tax to the results of the Group before charging $1.8 million of acquisition related costs and $1.5 million of acquired intangible asset amortisation. If the combination had occurred at the beginning of the financial year, revenue of $8.1 million and a profit before tax of $0.1 million would have been included in the Group result before charging $1.8 million of acquisition related costs and $2.3 million of acquired intangible asset amortisation.

There were no business combinations in the first half of 2020.

10 Reconciliation of profit before tax to cash generated from operations

$ million	**First half 2021**	First half 2020
Profit before tax	**34.8**	36.0
Adjustments for:		
Finance income	**(0.4)**	(1.1)
Finance expense	**0.6**	0.7
Intangible asset amortisation	**2.2**	0.7
Depreciation of property, plant and equipment	**6.2**	6.3
Depreciation of right-of-use assets	**4.0**	4.1
Loss on the disposal of property, plant and equipment	**0.1**	-
Share-based payment	**2.8**	1.9
Changes in working capital:		
Increase in inventories	**(1.5)**	(9.6)
Decrease in receivables	**14.8**	52.7
Decrease in payables	**(12.3)**	(21.4)
Increase in contract liabilities	**11.8**	6.8
(Decrease)/increase in provisions	**(0.8)**	0.7
Defined benefit pension plan employer contributions net of administration expenses paid by the plan	**(8.2)**	(3.1)
Deferred compensation plan	**0.4**	0.1
Cash flow from operations	**54.5**	74.8

11 Fair value

The Directors consider that the carrying amounts of the financial instruments included within trade and other receivables, trade and other payables and contractual provisions approximates their fair value.

Corporate owned life insurance, included within trade and other receivables, is designated as financial assets at fair value through profit or loss, and is at Level 1 in the fair value hierarchy as the valuation of the linked investments is based on quoted prices in active markets, amounted to $3.8 million at 30 June 2021 (31 December 2020: $3.6 million).

12 Employee Share Ownership Trust

During the first half of 2021, 0.9 million shares were purchased and placed into the Employee Share Ownership Trust (ESOT) at a cost of $3.1 million (first half 2020: 2.0 million shares at a cost of $4.7 million) and 2.0 million shares were transferred from the ESOT to satisfy options exercised under the Spirent employee share plans (first half 2020: 2.7 million transferred). At 30 June 2021, the ESOT held 1.8 million Ordinary Shares (31 December 2020: 2.9 million Ordinary Shares).

<u>Statement of Directors' responsibilities</u>

The Directors confirm that to the best of their knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the IASB and endorsed and adopted by the United Kingdom.

The half year management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the 2020 Annual Report.

The Directors of Spirent Communications plc are listed below and are unchanged from the Spirent Communications plc Annual Report at 31 December 2020 with the exception of Margaret Buggie who was appointed on 29 April 2021.

Sir William Thomas
Eric Updyke
Paula Bell
Jonathan Silver
Gary Bullard
Wendy Koh
Edgar Masri
Margaret Buggie

By order of the Board of Spirent Communications plc.

E A Updyke
Chief Executive Officer
5 August 2021

Independent review report to Spirent Communications plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of other comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the United Kingdom.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the United Kingdom and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report
This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK
5 August 2021

Appendix

Alternative Performance Measures (APM)

The performance of the Group is assessed using a variety of APMs which are presented to provide users with additional financial information that is regularly reviewed by management. The APMs presented are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

In management's view, the APMs reflect the underlying performance of the Group and provide an alternative basis for evaluating how the Group is managed and measured on a day-to-day basis. Such APMs are non-GAAP measures and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The APMs and key performance indicators are aligned to the Group's strategy and collectively are used to measure the performance of the Group and form the basis of the metrics for Director and management remuneration. The Group's key performance indicators are presented within the Strategic Report of its 2020 Annual Report.

Order intake

Order intake represents commitments from customers to purchase goods and/or services from Spirent that will ultimately result in recognised revenue.

Order intake is a measure of operating performance used by management to assess whether future activity levels are increasing or slowing and therefore how effective we have been in the execution of our strategy. Order intake is a key performance indicator used to measure Group, operating segment and regional performance for internal reporting purposes.

Book to bill

Book to bill is the ratio of orders booked to revenue recognised in the period and is a measure of the visibility of future revenues at current levels of activity. Book to bill is a key performance indicator used to measure Group and operating segment performance for internal reporting purposes.

Adjusted operating profit

Adjusted operating profit is reported operating profit excluding exceptional items and acquisition related costs, amortisation of acquired intangible assets and share-based payment. Management uses adjusted operating profit, in conjunction with other GAAP and non-GAAP financial measures, to evaluate the overall operating performance of the Group as well as each of the operating segments and believes that this measure is relevant to understanding the Group's financial performance, as specific items (adjusting items) are identified and excluded by virtue of their size, nature or incidence, as they do not reflect the underlying trading performance of the Group. Specifically, items are excluded from adjusted operating profit if they are acquisition related in nature or if their exclusion allows for more meaningful comparisons with peer companies. The exclusion of adjusting items from adjusted operating profit is consistent from period to period.

Adjusted operating profit is also used in setting Director and management remuneration targets and in discussions with the investment analyst community.

Adjusted operating margin

Adjusted operating margin is adjusted operating profit as a percentage of revenue. It is a measure of the Group's overall profitability and how successful we are in executing on our overall strategy, and demonstrates our ability to improve margin through efficient operations and cost management, whilst being mindful of the need to invest for the future.

Adjusted basic earnings per share
Adjusted basic earnings per share (EPS) is adjusted earnings attributable to owners of the parent Company divided by the weighted average number of Ordinary Shares outstanding during the year. Adjusted earnings is reported profit before tax excluding exceptional items and acquisition related costs, amortisation of acquired intangible assets, share-based payment, tax on adjusting items and over/under provisions in respect of prior year tax.

Adjusted basic EPS is a measure of how successful we are in executing on our strategy and ultimately delivering increased value for shareholders. Adjusted basic EPS is also used in setting Director and management remuneration targets and in discussions with the investment analyst community. The Group sets out the calculation of adjusted basic EPS in note 6 of Notes to the full year condensed consolidated financial statements.

Product development spend as a percentage of revenue
Product development as a percentage of revenue in the period. It is a measure of how much the Group is investing to support further organic growth initiatives in line with the strategic objectives, whilst driving improved productivity and effectiveness.

Free cash flow
Free cash flow is cash flow generated from operations, less tax and net capital expenditure, lease liability principal repayments and lease liability interest paid, add interest received and lease payments received from finance leases, excluding acquisition related items and one-off employer contributions to the UK pension scheme.

Free cash flow is a measure of the quality of the Group's earnings and reflects the ability to convert profits into cash and ultimately to generate funds for future investment. It gives us financial strength and flexibility and the ability to pay sustainable dividends to our shareholders. Free cash flow is an important indicator of overall operating performance as it reflects the cash generated from operations after capital expenditure, financing and tax which are significant ongoing cash flows associated with investing in the business and financing operations.

Free cash flow excludes corporate level cash flows that are independent of ongoing trading operations such as dividends, acquisitions and disposals and share repurchases and therefore is not a measure of the funds that are available for distribution to shareholders.

A reconciliation of cash generated from operations, the closest equivalent GAAP measure, to free cash flow is provided within the Financial review on page 17.

Free cash flow conversion
Free cash flow conversion is the ratio of free cash flow to adjusted earnings, presented as a percentage.

Free cash flow conversion is a measure used in conjunction with free cash flow to assess the Group's ability to convert profit into cash and ultimately to generate funds for future investment.