SPIRENT COMMUNICATIONS PLC
Results for the six months ended 30 June 2022
Strong performance, record orderbook, well positioned to deliver growth in the short and long-term

$ million	**First half 2022**	First half 2021	Change (%)
Order intake[1]	**295.5**	263.8	+12
Orderbook[2]	**283.6**	218.2	+30
Revenue	**280.1**	255.1	+10
Gross margin (%)	**72.0**	72.1	-0.1pp
Adjusted operating profit[3]	**49.0**	44.7	+10
Adjusted operating margin[4] (%)	**17.5**	17.5	-
Adjusted profit before tax[5]	**49.2**	44.5	+11
Adjusted basic earnings per share[6] (cents)	**6.97**	6.23	+12
Reported operating profit	**40.1**	35.0	+15
Reported profit before tax	**40.3**	34.8	+16
Reported basic earnings per share (cents)	**5.70**	4.87	+17
Closing cash	**188.8**	156.4	+21
Interim dividend per share[7] (cents)	**2.63**	2.39	+10

Eric Updyke, Chief Executive Officer, commented:
"Spirent delivered another half year of strong performance with double-digit growth in orders, revenue and profit. We are executing well on our strategy of moving deeper into the exciting structural growth areas of our industry, from wireless 5G networks to the Internet of Things (IoT) and Cloud assurance."

"The launch of our next-generation Live Assurance solution, Vantage, is a great example of our relentless innovation, positioning us well to take advantage of current and future opportunities among our growing customer base. We continue to make investment in both product development and sales resource to meet increasing demand globally, and driving increased software-based services and managed solutions."

"Operating in a market underpinned by sustainable, long-term growth dynamics and committed, highly visible non-discretionary spend, our customers are seeking faster, safer, more reliable and innovative connectivity solutions. We enter the third quarter with strong momentum and an increased orderbook. The Board remains confident in our ability to deliver on our growth plan for the year."

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Performance highlights

- A strong performance across all our end markets, with a record orderbook bringing greater revenue visibility.
- 5G once again proved to be a strong, enduring growth driver, with over 350 new contracts from more than 130 customers in the first half.
- We increased our sales investment, developing our focus on strategic growth sectors such as hyperscaler providers and chipset vendors while further expanding our successful key account programme, resulting in strong order intake growth.
- Services and managed solutions growth continued with multiple large wins, delivering revenue growth of 17 per cent over the first half of 2021.
- Resilient and experienced supply chain management enabled the Group to handle component delays well with minimal impact to delivery schedules. We anticipate further active management of supply chain risks will be required through the remainder of the year.
- 10 per cent growth in interim dividend reflects a strong balance sheet and confidence in the Group's prospects.
- Revenue in our **Lifecycle Service Assurance** segment, which accounts for 45 per cent of Group revenue in the first half of 2022, grew 10 per cent.
- We launched our next-generation Live Assurance solution (Vantage – the next-generation of VisionWorks, our 5G mobility service assurance solution) to meet growing demand outside of North America.
- **Networks & Security** revenue up 9 per cent as increases in data traffic and Cloud growth drove data centre upgrades.
- Good growth in Wi-Fi test following our successful acquisition, octoScope, last year, reaffirming our position as the market leader.

Current trading and outlook

- The strength of the Group's results in the first half demonstrates the enduring resilience of Spirent's highly cash generative business model and differentiated growth strategy.
- We continue to grow our orderbook. Opportunities in the live network continue to grow above market rate, where we see higher levels of software and higher gross margin.
- We remain confident in the Group's ability to deliver value through the cycle.
- While vigilant of the macro-economic backdrop, the Board remains confident in the Group's long-term prospects and the outlook for the full year remains unchanged.

Notes
1. Order intake represents commitments from customers in the period to purchase goods and/or services that will ultimately result in recognised revenue.
2. Orderbook is an alternative performance measure as defined in the appendix on page 37.
3. Adjusted operating profit is before acquired intangible asset amortisation, share-based payment and other adjusting items totalling $8.9 million (first half 2021: $9.7 million).
4. Adjusted operating profit as a percentage of revenue in the period.
5. Before items set out in note 3.
6. 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.
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 2022 of 2.63 cents per Ordinary Share is equivalent to 2.16 pence per Ordinary Share (first half 2021: 1.72 pence).

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Enquiries

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The Company will host an in-person results presentation for sell-side analysts today at 9.15am for 09.30am UK time at UBS Limited, 5 Broadgate, London EC2M 2QS. A simultaneous webcast of the presentation will be available on 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

An attractive industry with long-term structural growth drivers

We are exposed to attractive, structural market drivers, which present an exciting opportunity to deliver long-term growth and value for our shareholders through the cycle. Our addressable market continues to grow, driven by enduring secular drivers and we are likely to benefit from continued investment in innovation and committed non-discretionary spending as faster, more resilient, more reliable networks become ever more critical today and in tomorrow's world. Attractive market trends include:

- **5G - the enduring driver:** with its disaggregated, cloud-native architecture, 5G is a dramatically more complex technology than 4G. With 5G network rollouts still in their infancy, especially standalone ("true") 5G, it is imperative that operators monetise their 5G networks through agile and innovative new services and business models and assure the quality of their customers' experience. Major updates to the standards that drive 5G technology are expected at regular intervals throughout this decade and will require ongoing validation and certification in the lab. The deployment of 5G private networks is gathering pace, with new entrants looking to take advantage of this trend.
- **Expansion of hyperscalers:** hyperscalers are focusing on the telco space, assembling new ecosystems with the ambition to disrupt 5G core, edge computing, open RAN and private networks. Meanwhile, growth in traffic and demand for bandwidth in their data centres is driving a need for higher-speed (800G) Ethernet deployments.
- **Work from anywhere:** as the world adjusts to the new paradigm of working from anywhere, ensuring the performance and security of fixed, mobile and satellite broadband (including Wi-Fi) has never been more critical.
- **Emergence of the metaverse:** AR/VR and other advances are driving innovation in devices and IoT and associated cloud-native platforms and placing a new emphasis on optimising the latency performance of networks, all of which need to be validated.
- **Location awareness as a key enabler:** innovation in devices, drones and automotive relies not only on GNSS to determine location but also makes use of other sensors. Spirent is a global leader in testing applications that rely on this "sensor fusion".

The consequence of these attractive and strong market trends are:

- Our customers are dealing with increasing complexity, needing to release new services faster. As a result, they require more assurance and testing from Spirent to support their investment plans.
- Growing demand for assurance solutions in the live network (rather than the development lab) is resulting in increasing demand for software solutions with attractive gross margins.
- Growth in large deals as customers buy a business solution with additional services content.
- The opportunity to sell to a new category of customers such as hyperscalers.

Spirent's unique strengths
We are uniquely positioned to seize these opportunities due to the strength of our differentiated model and proposition. We have a number of core strengths which provide distinct competitive advantages in our chosen markets and position us strongly to build on our track record of long-term growth.

- We are a critical enabler in the accelerated shift to a more connected and digitised world in a vast and growing mobile communications market.
- Our deep customer focus means we are a trusted partner to some of the world's most innovative companies in the telecommunications and networking industries.
- Our business is exposed to non-discretionary and committed spending decisions by companies delivering critical connectivity solutions for their own customers.
- We are deeply embedded in the supply chains of our clients, with our live network solutions securing larger, longer-term, multi-year contracts that enhance our revenue visibility and predictability.
- As the pace of technological advancement accelerates for our clients, resulting in increased software assurance solutions particularly in the live network, we have evolved our offering and routes to market to focus more on high-quality, high-growth, high-margin, software-centric solutions.
- We operate a disciplined investment policy and are focused on growing the business organically and through highly-selective, earnings accretive acquisitions.
- In summary, we are very well positioned, both operationally and strategically, to continue our proven track record of sustainable value creation, reliable and highly visible recurring revenue growth and strong cash generation.

Our strategy to drive sustainable, profitable growth
The strength of our strategy was once again in evidence during the first half of 2022 and is focused around three core pillars:

1. **Customer Centricity**
   Our focus on customer centricity means we put the customer first, and our deep understanding and relationship with our customers has proven essential. To deepen our customer relationships further, we continue to invest in our world-class sales team. Our focus on winning new business with hyperscalers – operators of data centres, such as Amazon Web Services (AWS) that offer scalable Cloud computing services - is resulting in strong growth in this strategically-important segment. Our Key Account Management programme enables us to become a more strategic partner to our biggest customers and to solve mission-critical business problems on their behalf. We continue to expand our partner ecosystem to broaden our reach, including with global systems integrators. Our focus on solutions and services is delivering differentiated value across the customer lifecycle.

2. **Innovation for Growth**
   Innovation is vital to our market leadership. We continue to invest in R&D across the business, developing new, easy-to-use solutions to the business problems of today and tomorrow. We were first to market with our 800G solution for high-speed Ethernet. Our newest live network solution, Vantage (the next-generation of VisionWorks), utilises our market leading expertise in active assurance in an easy-to-deploy, scalable solution which is expected to drive increased demand at customers outside of North America.

3. **Operational Excellence**

Spirent's operational excellence has been vital to our resilience. We continue to expertly navigate global external challenges. Our superior supply chain management has enabled us to continue to deliver for our customers while managing component shortages and extended lead times. We have minimised disruption to customer orders while also handling growing demand and an increasing orderbook.

FuturePositive

Sustainability is a key priority for Spirent and is fundamental to our operational excellence and the overall success of our business. FuturePositive, our sustainability programme, made great progress over the first half. 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, investing in people, and prioritising sustainability in our product design, operations, and supply chain.

Business review

Relentless execution of our strategy continued to yield sustainable, profitable growth in the first half of 2022, with our markets proving to be resilient in the face of increased global uncertainty. Coming out of the first half of 2022, we continue to see strong momentum across the business.

- Our live network portfolio continued to grow with multiple large deals secured, including a first win with a leading European telecoms operator. We also completed the development of a next-generation active assurance solution for live networks, Vantage, which was successfully launched in July.
- Our services and managed solutions business grew once again. Leading with services, we won multiple large 5G-related deals and extended our geographic footprint.
- We saw renewed growth in our high-speed Ethernet testing business as relentless data traffic and Cloud growth drove the need for network and data centre upgrades, and we established 800G Ethernet test leadership.
- We continued the investment in our sales organisation to support our growth. In H1 we increased our focus on hyperscalers and chipset vendors, added another two global accounts to our successful key account programme, and enhanced sales enablement and our partnership capacity with global system integrators.
- Thanks to our experienced and agile supply chain management, we demonstrated continued strong resilience with very little impact to customer delivery schedules.

<u>Lifecycle Service Assurance</u> – Strong momentum in our lab to live journey

$ million	**First half 2022**	First half 2021
Revenue	**125.6**	113.8
Adjusted operating profit[1]	**21.3**	22.6
Adjusted operating margin[2] (%)	**17.0**	19.9

Notes
1. Before other adjusting items of $0.1 million charged in the first half of 2022 (first half 2021: $0.3 million).
2. Adjusted operating profit before other adjusting items as a percentage of revenue in the period.

Lifecycle Service Assurance grew revenue by $11.8 million or 10.4 per cent over the first half of 2021, with good growth across the portfolio including a key first win with a leading European telecom operator, resulting in orderbook growth in the first half of 2022.

Strong demand continued for our VisionWorks live network assurance offering and our 5G device test solutions. We also continued to benefit from our leadership position in the Wi-Fi test market following the acquisition of octoScope in the prior year. We saw accelerated growth in our hyperscaler accounts as we supported innovation in 5G core and edge networks and devices. We delivered 21 per cent growth in our services and managed solutions offerings, winning large 5G-related deals in areas such as network benchmarking, network fault isolation, device certification, and emergency service (E911) performance. We also expanded our North American services-led footprint in Canada.

Adjusted operating profit was held back after a temporary increase of product development resource, predominantly incurred in developing our new Vantage solution. This next-generation live network assurance solution is a powerful, Cloud-native platform that is easy to deploy and use, and which was commercially released in July.

<u>Networks & Security</u> – Cloud growth drives strong demand for high-speed Ethernet testing

$ million	**First half 2022**	First half 2021
Revenue	**154.5**	141.3
Adjusted operating profit[1]	**32.0**	26.8
Adjusted operating margin[2] (%)	**20.7**	19.0

Notes
1. Before other adjusting items of $0.6 million charged in the first half of 2022 (first half 2021: $0.6 million).
2. Adjusted operating profit before other adjusting items as a percentage of revenue in the period.

Networks & Security delivered revenue growth of $13.2 million or 9.3 per cent over the first half of 2021 driven by strong growth in our high-speed Ethernet testing business. Adjusted operating profit increased by $5.2 million, benefitting from both higher revenue and robust and effective cost management, with the adjusted operating margin up 1.7 percentage points to 20.7 per cent.

We delivered solid growth in our high-speed Ethernet test business, with relentless data traffic and Cloud growth driving the need for network and data centre upgrades. We expanded our leadership in 800G high-speed Ethernet test with the release of the industry’s first test platform and won several new deals, including a large deal at a leading global network equipment vendor.

We saw success with our Security Solutions portfolio, taking share at leading network equipment providers and securing a large 5G security Test-as-a-Service deal at a top-tier North American operator.

Our Positioning business saw good bookings growth in its US Government and hyperscaler markets. Positioning also broadened its footprint in commercial space applications, benefiting from large, well-publicised investments in low earth orbit (LEO) satellite constellations.

Financial review

Group financial performance

We are focused on driving an agenda to deliver sustainable profitable growth by improving the visibility of our business as we move from lab to live network assurance and deliver good growth in our managed solutions and services contracts. Embedding ourselves within our customers' live networks will create opportunities for larger, longer-term contracts and we continue to secure multi-year deals.

The financial performance in the first half of 2022 was strong with order intake growth of 12 per cent and revenue growth of 10 per cent. Book to bill of 105 means strong growth in our orderbook, positioning us well as we enter the second half of the year.

Adjusted operating profit grew 10 per cent to $49.0 million in first half of 2022 and effective supply chain management meant gross margins were maintained at 72 per cent. Adjusted operating margin for the first half of 2022 was broadly consistent with the comparator period, reflecting our disciplined approach to investments and strong cost base management.

Reported operating profit was $40.1 million in the first half of 2022 (first half 2021: $35.0 million), after charging adjusting items of $8.9 million (first half 2021: $9.7 million).

The effective tax rate decreased slightly from 14.8 per cent to 14.0 per cent as a result of an increase in the US FDII (foreign derived intangible income) deduction resulting from the US R&D Capitalization rules coming into effect on 1 January 2022 as well as the mix of locations of profit generation by region.

Adjusted basic earnings per share increased by 12 per cent to 6.97 cents. Reported basic earnings per share was up by 17 per cent from 4.87 cents to 5.70 cents.

Cash conversion continued to be robust, resulting in closing cash of $188.8 million on 30 June 2022 (first half 2021: $156.4 million), following payment of the ordinary dividend of $25.0 million.

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 Lifecycle Service Assurance, to align with key customers' investment cycles.

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

$ million	**First half 2022**	First half 2021	Change (%)
Order intake[1]	**295.5**	263.8	+12
Orderbook[2]	**283.6**	218.2	+30
Revenue	**280.1**	255.1	+10
Gross profit	**201.6**	184.0	+10
Gross margin (%)	**72.0**	72.1	-0.1pp
Adjusted operating costs[3]	**152.6**	139.3	+10
Adjusted operating profit[3]	**49.0**	44.7	+10
Adjusted operating margin[4] (%)	**17.5**	17.5	-
Reported operating profit	**40.1**	35.0	+15
Reported profit before tax	**40.3**	34.8	+16
Effective tax rate[5] (%)	**14.0**	14.8	-0.8pp
Adjusted basic earnings per share[6] (cents)	**6.97**	6.23	+12
Reported basic earnings per share (cents)	**5.70**	4.87	+17
Free cash flow[7]	**46.7**	48.1	-3
Closing cash	**188.8**	156.4	+21
Interim dividend per share[8] (cents)	**2.63**	2.39	+10

Notes
1. Order intake represents commitments from customers in the period to purchase goods and/or services that will ultimately result in recognised revenue.
2. Orderbook is an alternative performance measure as defined in the appendix on page 37.
3. Before acquired intangible asset amortisation, share-based payment and other adjusting items totalling $8.9 million (first half 2021: $9.7 million).
4. Adjusted operating profit as a percentage of revenue in the period.
5. Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax.
6. 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.
7. 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 other adjusting items and one-off contributions to the UK pension scheme.
8. 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 2022 of 2.63 cents per Ordinary Share is equivalent to 2.16 pence per Ordinary Share (first half 2021: 1.72 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. The reported GAAP measures give the complete measure of financial performance.

Revenue

$ million	**First half 2022**	**%**	First half 2021	%
Revenue by segment				
Lifecycle Service Assurance	**125.6**	**44.8**	113.8	44.6
Networks & Security	**154.5**	**55.2**	141.3	55.4
	280.1	**100.0**	255.1	100.0
Revenue by geography				
Americas	**151.0**	**53.9**	140.1	54.9
Asia Pacific	**99.7**	**35.6**	90.0	35.3
Europe, Middle East and Africa	**29.4**	**10.5**	25.0	9.8
	280.1	**100.0**	255.1	100.0

Overall Group revenue increased by 10 per cent, with Lifecycle Service Assurance and Networks & Security up 10 per cent and 9 per cent, respectively, compared to the same period last year. Lifecycle Service Assurance revenue growth was driven by demand for our VisionWorks live network solution offering, as customers invested to verify and assure their 5G networks. In addition, we experienced strong demand for our 5G device test solutions and in our Wi-Fi business following the acquisition of octoScope in the first half of 2021. The growth in Networks & Security primarily came from our core high-speed Ethernet business driven by network and data centre upgrades and strong 800G demand.

Geographically, we saw progress in all regions driven by continued investment in 5G and increased data traffic and Cloud growth and as a percentage of total revenue the regions are similar compared to the same period last year.

Gross margin

$ million	**First half 2022**	**%**	First half 2021	%
Lifecycle Service Assurance	**92.9**	**74.0**	83.5	73.4
Networks & Security	**108.7**	**70.4**	100.5	71.1
	201.6	**72.0**	184.0	72.1

Gross profit increased by 10 per cent to $201.6 million and gross margin was maintained at 72 per cent despite supply chain cost increases which were managed effectively.

Adjusted operating costs

$ million	**First half 2022**	First half 2021
Product development	**57.2**	52.5
Selling and marketing	**67.1**	61.8
Administration[1]	**28.3**	25.0
Adjusted operating costs[1]	**152.6**	139.3
Lifecycle Service Assurance	**71.6**	60.9
Networks & Security	**76.7**	73.7
Corporate	**4.3**	4.7
Adjusted operating costs[1]	**152.6**	139.3

Notes
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items totalling $8.9 million (first half 2021: $9.7 million).

We continued to exercise strong financial management of our cost base and a disciplined approach to our investment spend to drive our growth agenda. Adjusted operating costs in the first half of 2022 increased by $13.3 million compared to the same period last year. The cost increase included salary inflation, additional sales resource to support our revenue growth plans and product development, focusing on our high growth areas.

Administration costs reflected investment into our support functions and infrastructure to support our growth agenda. As usual, we would expect second half costs to reflect higher levels of sales commissions, bonus accruals and travel expenses.

Cost inflation is being managed carefully. We have enhanced our family friendly benefits and worked to support the welfare of our employees, resulting in a higher than industry average employee retention rate.

Operating profit

$ million	**First half 2022**	**Adjusted operating Margin[1,2] (%)**	First half 2021	Adjusted operating Margin[1,2] (%)
Lifecycle Service Assurance	**21.3**	**17.0**	22.6	19.9
Networks & Security	**32.0**	**20.7**	26.8	19.0
Corporate	**(4.3)**		(4.7)	
Adjusted operating profit[1]	**49.0**	**17.5**	44.7	17.5
Adjusting items charged in arriving at operating profit:				
Acquired intangible asset amortisation	**(2.4)**		(1.8)	
Share-based payment	**(4.1)**		(2.6)	
Other adjusting items	**(2.4)**		(5.3)	
Reported operating profit	**40.1**		35.0	

Notes
1. Before acquired intangible asset amortisation, share-based payment and other adjusting items totalling $8.9 million (first half 2021: $9.7 million).
2. Adjusted operating profit as a percentage of revenue in the period.

Adjusted operating profit improved by 9.6 per cent in the first half of 2022, an increase of $4.3 million to $49.0 million with a consistent adjusted operating margin of 17.5 per cent. There was continued investment in product development and selling at both our business segments in the first half of 2022, but to a greater extent at Lifecycle Service Assurance where we completed our next-generation live network assurance solution, Vantage, which held back adjusted operating margin in the period. In the second half of the year we plan for reduction of the additional temporary subcontracted resource that we deployed to deliver this. Also, the investment in 2021 was more second half weighted, representing a lower cost comparator in the period.

Other items charged in arriving at operating profit of $8.9 million (first half 2021: $9.7 million) includes an increased share-based payment expense due to an expansion of employee share schemes and increased acquired intangible asset amortisation in respect of the octoScope acquisition that completed in March 2021. Additionally, other adjusting items charged in the first half of 2022 were $2.4 million (first half 2021: $5.3 million) and comprised $0.6 million (first half 2021: $0.5 million) in relation to continuation of our global R&D engineering facility plan and $1.8 million (first half 2021: $4.8 million) for acquisition related items, mostly relating to the acquisition and integration of octoScope.

Reported operating profit for the first half of 2022 increased by $5.1 million to $40.1 million, from $35.0 million in the first half of 2021.

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 $0.1 million arising from transactional exposure, reflected in administration costs, compared to a $0.4 million loss over the same period in 2021.

Finance income and costs
Finance income in the first half of 2022 comprised bank interest received of $0.3 million (first half 2021: $0.2 million) and $0.4 million (first half 2021: $0.2 million) of interest income in relation to the UK defined benefit pension plans.

Finance costs in the first half were $0.5 million (first half 2021: $0.6 million), being interest on lease liabilities.

Tax
The reported tax charge for the Group for the first half of 2022 was $5.7 million (first half 2021: $5.2 million). The adjusted tax charge, excluding the tax credit on the adjusting items of $1.2 million, was $6.9 million (first half 2021: $6.6 million), resulting in an effective tax rate of 14.0 per cent of adjusted pre-tax profit. This compared with an effective tax rate of 14.8 per cent for the first half of 2021. As expected, for the full year 2022 the effective tax rate will be in the region of 14-15 per cent.

Earnings per share

Adjusted basic earnings per share grew 12 per cent to 6.97 cents, reflecting the improvement in trading performance. There were 607.0 million weighted average shares in issue (first half 2021: 608.4 million). Reported basic earnings per share was 5.70 cents compared with 4.87 cents for the first half of 2021. See note 6 of Notes to the half year condensed consolidated financial statements on page 27 for the calculation of earnings per share.

Financing and cash flow

Cash flow from operations increased by $12.9 million to $67.4 million in the first half of 2022 driven by the higher profit before tax and a reduction in deficit contributions to the UK pension scheme during the period.

Cash flow conversion remained strong in the first half of 2022 at 110 per cent which gave rise to a free cash flow of $46.7 million, slightly down on the comparative period which was 127 per cent. Improved cash flow from operations was partially offset by increased tax payments due to R&D cost capitalisation rules in the US coming into effect on 1 January 2022. The new rules require that, for tax purposes, product development costs are deferred and unwound over a number of years rather than deducted in the year in which they are incurred. This results in a timing difference only so does not directly impact the Group’s effective tax rate.

Free cash flow is set out below:

$ million	**First half 2022**	First half 2021
Cash flow from operations	**67.4**	54.5
Tax paid	**(14.1)**	(5.8)
Net cash inflow from operating activities	**53.3**	48.7
Interest received	**0.2**	0.2
Net capital expenditure	**(4.1)**	(5.3)
Payment of lease liabilities, principal and interest	**(4.8)**	(5.2)
Lease payments received from finance leases	**0.3**	0.3
Acquisition related other adjusting items (*note 4*):		
– Direct acquisition transaction costs	**0.6**	1.8
– Acquisition related performance payments	**1.1**	2.5
– Acquisition integration costs	**0.1**	0.5
One-off employer contribution to UK pension scheme	**-**	4.6
Free cash flow	**46.7**	48.1

Free cash flow includes a cash outflow in respect of non-acquisition related other adjusting items charged in the first half of 2022 and the second half of 2021 of $0.1 million in total (first half 2021 and second half of 2020: $1.0 million).

Net capital expenditure of $4.1 million was marginally lower than over the same period last year and was predominantly incurred on demonstration and test equipment.

In the first half of 2022, the final dividend for 2021 of $25.0 million was paid and 0.6 million shares were purchased and placed into the Employee Share Ownership Trust (ESOT) at a cost of $1.6 million (first half 2021: 0.9 million shares at a cost of $3.1 million).

Following these payments, cash and cash equivalents closed at $188.8 million at 30 June 2022, compared with $174.8 million at 31 December 2021. 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 2022 gave rise to a net surplus of $39.7 million, compared with a net surplus of $37.8 million at 31 December 2021. The 30 June 2022 position reflects a re-assessment of the underlying assumptions generating a reduction in liabilities together with cash contributions to the scheme during the first half in line with the previously agreed deficit funding plan, partially offset by a remeasurement loss on plans' assets. See note 8 of Notes to the half year condensed consolidated financial statements on page 29 for more information on the defined benefit pension plans and key financial assumptions. Contributions to the plans paid under the deficit reduction plan were $1.2 million during the first half of 2022 (first half 2021: $3.6 million). The reduction is due to the scheme reaching self-sufficiency at certain points in the first half of 2022.

During the period, agreement was reached with the Pension Trustee in relation to the 2021 triennial valuation, performed as at 31 March 2021. The triennial valuation concluded that on a funding basis a deficit of £12.5 million existed at the valuation date. As a result, the Company will make deficit funding contributions of £5.4 million per annum, increasing at CPI on an annual basis, until funding self-sufficiency is reached.

There is also a liability for an unfunded plan in the UK of $0.6 million (31 December 2021: $0.7 million).

The Group operates a deferred compensation plan for employees in the United States. At 30 June 2022, the deficit on this deferred compensation plan amounted to $6.5 million (31 December 2021: $6.6 million).

Balance sheet and dividend
The consolidated balance sheet is set out on page 19.

Net assets increased by $7.1 million to $454.6 million at 30 June 2022, from $447.5 million at 31 December 2021, largely as a result of the operating performance in the period, partially offset by payment of the final dividend.

Inventories increased by $13.6 million in the first half of 2022 to $39.6 million driven by the business need to hold higher levels of materials in order to navigate supply chain challenges and fulfil customer demand. Current trade and other receivables at 30 June 2022 have decreased by $36.6 million to $127.5 million from $164.1 million at 31 December 2021 as customer invoices from the year end have been collected during the period.

Current trade and other payables have decreased by $13.8 million at 30 June 2022 to $73.8 million (31 December 2021: $87.6 million), resulting from payment of the 2021 year end accrued compensation costs and sales commissions during the period.

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 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 principal risks and uncertainties. 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 2.63 cents per Ordinary Share, a 10 per cent increase over the dividend declared for the first half 2021 of 2.39 cents. This is equivalent to 2.16 pence per Ordinary Share at an exchange rate of $1.22:£1 (first half 2021: 1.72 pence). The payment will be approximately $15.9 million. The dividend will be paid to Ordinary shareholders on 16 September 2022 and to ADR holders on 23 September 2022. The dividend is payable to all shareholders on the Register of Members at the close of business on 12 August 2022.

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

Principal risks and uncertainties

The principal risks and uncertainties facing the Group for the remainder of the year are unchanged from those reported in the Annual Report 2021. The uncertainties arising from the macro-economic backdrop and inflationary pressures are covered by existing risks and these continue to be closely monitored.

The Group's principal risks and uncertainties at 31 December 2021 were detailed on pages 59 to 64 of the Annual Report 2021, and related to the following areas: macro-economic change; technology change; business continuity; customer dependence/customer investment plans; competition, acquisitions; and employee skill base. A copy of the Annual Report 2021 is available on the Company's website at https://corporate.spirent.com/

Condensed consolidated income statement

		First half 2022			First half 2021		
$ million	Notes	**Adjusted**	**Adjusting items[1]**	**Reported**	Adjusted	Adjusting items[1]	Reported
Revenue	3	**280.1**	**-**	**280.1**	255.1	-	255.1
Cost of sales		**(78.5)**	**-**	**(78.5)**	(71.1)	-	(71.1)
Gross profit		**201.6**	**-**	**201.6**	184.0	-	184.0
Product development	3	**(57.2)**	**-**	**(57.2)**	(52.5)	-	(52.5)
Selling and marketing		**(67.1)**	**-**	**(67.1)**	(61.8)	-	(61.8)
Administration		**(28.3)**	**(8.9)**	**(37.2)**	(25.0)	(9.7)	(34.7)
Operating profit		**49.0**	**(8.9)**	**40.1**	44.7	(9.7)	35.0
Adjusting items:							
Acquired intangible asset amortisation		**-**	**(2.4)**	**(2.4)**	-	(1.8)	(1.8)
Share-based payment		**-**	**(4.1)**	**(4.1)**	-	(2.6)	(2.6)
Other adjusting items	4	**-**	**(2.4)**	**(2.4)**	-	(5.3)	(5.3)
Adjusting items		**-**	**(8.9)**	**(8.9)**	-	(9.7)	(9.7)
Finance income		**0.7**	**-**	**0.7**	0.4	-	0.4
Finance costs		**(0.5)**	**-**	**(0.5)**	(0.6)	-	(0.6)
Profit before tax		**49.2**	**(8.9)**	**40.3**	44.5	(9.7)	34.8
Tax	5	**(6.9)**	**1.2**	**(5.7)**	(6.6)	1.4	(5.2)
Profit for the period attributable to owners of the parent Company		**42.3**	**(7.7)**	**34.6**	37.9	(8.3)	29.6
Earnings per share (cents)	6						
Basic		**6.97**		**5.70**	6.23		4.87
Diluted		**6.90**		**5.65**	6.16		4.81

Note
1. Adjusting items comprise amortisation of acquired intangible assets, share-based payment, other adjusting items and tax on adjusting items.

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 alternative performance measures are presented in the appendix. The reported GAAP measures give the complete measure of financial performance.

Condensed consolidated statement of comprehensive income

$ million	Note	**First half 2022**	First half 2021
Profit for the period attributable to owners of the parent Company		**34.6**	29.6
Other comprehensive (loss)/income			
Items that may subsequently be reclassified to profit or loss:			
– Exchange differences on retranslation of foreign operations		**(8.1)**	1.1
Items that will not subsequently be reclassified to profit or loss:			
– Re-measurement of the net defined benefit pension asset	8	**4.7**	11.0
– Income tax effect of re-measurement of the net defined benefit pension asset		**(1.3)**	(4.0)
		3.4	7.0
Other comprehensive (loss)/income		**(4.7)**	8.1
Total comprehensive income for the period attributable to owners of the parent Company		**29.9**	37.7

Condensed consolidated balance sheet

$ million	Note	**30 June 2022**	30 June 2021	Audited 31 December 2021
Assets				
Non-current assets				
Intangible assets		**205.2**	211.8	208.2
Property, plant and equipment		**21.8**	25.6	23.7
Right-of-use assets		**22.2**	22.5	26.0
Trade and other receivables		**6.4**	7.3	7.6
Assets recognised from costs to obtain a contract		**0.5**	0.5	0.8
Defined benefit pension plan surplus	8	**39.7**	32.6	37.8
Deferred tax asset		**24.4**	18.1	18.6
		320.2	318.4	322.7
Current assets				
Inventories		**39.6**	25.5	26.0
Trade and other receivables		**127.5**	119.8	164.1
Assets recognised from costs to obtain a contract		**0.7**	0.6	1.1
Other financial assets		**-**	-	0.1
Current tax asset		**4.0**	4.0	2.5
Cash and cash equivalents		**188.8**	156.4	174.8
		360.6	306.3	368.6
Total assets		**680.8**	624.7	691.3
Liabilities				
Current liabilities				
Trade and other payables		**(73.8)**	(65.2)	(87.6)
Contract liabilities		**(76.2)**	(75.0)	(72.1)
Lease liabilities		**(8.2)**	(8.2)	(8.4)
Other financial liabilities		**-**	(0.1)	-
Current tax liability		**(2.3)**	(0.5)	(3.2)
Provisions		**(4.2)**	(6.8)	(5.4)
		(164.7)	(155.8)	(176.7)
Non-current liabilities				
Trade and other payables		**(0.5)**	(0.8)	(0.4)
Contract liabilities		**(24.3)**	(22.9)	(27.5)
Lease liabilities		**(17.3)**	(18.5)	(21.4)
Deferred tax liability		**(9.0)**	(7.1)	(8.0)
Defined benefit pension plan deficit	8	**(7.1)**	(6.8)	(7.3)
Provisions		**(3.3)**	(2.3)	(2.5)
		(61.5)	(58.4)	(67.1)
Total liabilities		**(226.2)**	(214.2)	(243.8)
Net assets		**454.6**	410.5	447.5
Capital and reserves				
Share capital		**24.7**	28.3	27.5
Share premium account		**24.5**	28.0	27.2
Capital redemption reserve		**16.0**	18.3	17.8
Other reserves		**20.8**	11.4	13.5
Translation reserve		**2.7**	12.2	10.8
Retained earnings		**365.9**	312.3	350.7
Total equity attributable to owners of the parent Company		**454.6**	410.5	447.5

Condensed consolidated statement of changes in equity

		Attributable to the equity holders of the parent Company						
$ million	Notes	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
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
At 1 January 2022 (audited)		**27.5**	**27.2**	**17.8**	**13.5**	**10.8**	**350.7**	**447.5**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**34.6**	**34.6**
Other comprehensive income		**-**	**-**	**-**	**-**	**(8.1)**	**3.4**	**(4.7)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(8.1)**	**38.0**	**29.9**
Share-based payment[1]		**-**	**-**	**-**	**-**	**-**	**4.2**	**4.2**
Tax charge on share incentives		**-**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Equity dividends	7	**-**	**-**	**-**	**-**	**-**	**(25.0)**	**(25.0)**
Employee Share Ownership Trust	12	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Exchange adjustment		**(2.8)**	**(2.7)**	**(1.8)**	**7.3**	**-**	**-**	**-**
At 30 June 2022		**24.7**	**24.5**	**16.0**	**20.8**	**2.7**	**365.9**	**454.6**

Note
1. Includes $0.2 million (first half 2021: $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 2022**	First half 2021
Cash flows from operating activities			
Cash flow from operations	10	**67.4**	54.5
Tax paid		**(14.1)**	(5.8)
Net cash inflow from operating activities		**53.3**	48.7
Cash flows from investing activities			
Interest received		**0.2**	0.2
Purchase of property, plant and equipment		**(4.3)**	(5.6)
Proceeds from sale of property, plant and equipment		**0.2**	0.3
Lease payments received from finance leases		**0.3**	0.3
Acquisition of subsidiary, net of cash acquired	9	**-**	(51.3)
Net cash used in investing activities		**(3.6)**	(56.1)
Cash flows from financing activities			
Lease liability principal repayments		**(4.3)**	(4.6)
Lease liability interest paid		**(0.5)**	(0.6)
Dividend paid	7	**(25.0)**	(69.1)
Hedge contracts relating to dividend payments	7	**-**	(0.5)
Share purchase into Employee Share Ownership Trust	12	**(1.6)**	(3.1)
Net cash used in financing activities		**(31.4)**	(77.9)
Net increase/(decrease) in cash and cash equivalents		**18.3**	(85.3)
Cash and cash equivalents at the beginning of the period		**174.8**	241.2
Effect of foreign exchange rate changes		**(4.3)**	0.5
Cash and cash equivalents at the end of the period		**188.8**	156.4

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 2021 were approved by the Board of Directors on 10 March 2022 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 2022 were approved by the Directors on 4 August 2022.

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 2021. 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.

Presentation
The line item "Other items", as presented in the first half 2021 consolidated income statement, has been included within "Administration" expenses as this more appropriately represents the nature of the costs. "Other items" has been renamed to "Adjusting items". The presentation of the comparative amounts in the consolidated income statement has also been amended to reflect this change. This reclassification had no impact on the Group's income statement reported in the first half 2021.

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 2021.

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 2022, management have reviewed goodwill for indicators of impairment and have considered the trading performance, the Group's principal risks and uncertainties 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.

2 Accounting policies continued

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 page 16.

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 2022, the Group had cash balances of $188.8 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 2022, as well as the business plan and cash flows for the six months ending 30 June 2023. The Directors have also considered the period to the end of 2025 which forms part of the Group's longer term viability assessment. In addition, they have considered the principal risks faced by the Group, 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 2022 that are applicable to the Group or that has had any material impact on the financial statements and related notes as at 30 June 2022.

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 acquired intangible asset amortisation, share-based payment and other adjusting items. 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 2022				
Revenue				
Nature of products and services				
Sale of hardware and software	**68.0**	**122.1**	**-**	**190.1**
Maintenance and support services	**57.6**	**32.4**	**-**	**90.0**
	125.6	**154.5**	**-**	**280.1**
Primary geographical markets				
Americas	**83.2**	**67.8**	**-**	**151.0**
Asia Pacific	**29.5**	**70.2**	**-**	**99.7**
Europe, Middle East and Africa	**12.9**	**16.5**	**-**	**29.4**
	125.6	**154.5**	**-**	**280.1**
Profit before tax				
Adjusted operating profit	**21.3**	**32.0**	**(4.3)**	**49.0**
Other adjusting items *note 4*	**(0.1)**	**(0.6)**	**(1.7)**	**(2.4)**
Total reportable segment profit	**21.2**	**31.4**	**(6.0)**	**46.6**
Unallocated amounts:				
– Acquired intangible asset amortisation				**(2.4)**
– Share-based payment				**(4.1)**
Operating profit				**40.1**
Finance income				**0.7**
Finance costs				**(0.5)**
Profit before tax				**40.3**
Other information				
Product development	**27.9**	**29.3**	**-**	**57.2**
Intangible asset amortisation – other	**0.3**	**-**	**-**	**0.3**
Depreciation of property, plant and equipment	**2.4**	**3.1**	**0.1**	**5.6**
Depreciation of right-of-use assets	**1.7**	**1.9**	**0.2**	**3.8**

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
Other adjusting items *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

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 $8.0 million (first half 2021: $5.4 million).

Americas includes United States revenue of $144.6 million (first half 2021: $131.9 million).

Asia Pacific includes China revenue of $56.7 million (first half 2021: $50.8 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 2022 or 2021.

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

4 Other adjusting items

$ million	**First half 2022**	First half 2021
R&D engineering plan	**0.6**	0.5
Direct acquisition transaction costs	**0.6**	1.8
Acquisition related performance payments	**1.1**	2.5
Acquisition integration costs	**0.1**	0.5
Total charge in the income statement	**2.4**	5.3

In the first half of 2021, the Group commenced implementation of a global R&D engineering plan to rationalise the number of sites and extend the Group's flexibility to serve its global customers, incurring $0.5 million of employee severance costs. This plan continued through 2021 into the first half of 2022, where $0.6 million was incurred in relation to employee retention bonuses.

On 4 March 2021, the Group completed the acquisition of octoScope, Inc. Acquisition related performance payments of $1.1 million and $0.1 million in relation to post acquisition integration were incurred during the first half of 2022 (first half 2021: $2.5 million and $0.5 million, respectively). The acquisition related performance payments to key employees of the former octoScope business are contingent on meeting revenue growth targets for 2021 and 2022 and a continuing employment requirement. In addition, direct transaction related costs of $0.6 million (first half 2021: $1.8 million) were incurred comprising advisor fees. See note 9 for further details.

The tax effect of other adjusting items is a credit of $0.5 million (first half 2021: $0.9 million credit). The total cash outflow in respect of other adjusting items charged in the first half of 2022 is anticipated to be $2.4 million, $0.1 million of which was paid in the period (first half 2021: $5.3 million total cash outflow with $2.1 million paid in the period). The cash outflow in the first half of 2022 in respect of other adjusting items charged in 2021 was $0.8 million (first half 2021: $0.5 million).

The total cash outflow in respect of other adjusting items is reported within cash flows from operating activities in the condensed consolidated cash flow statement.

5 Tax

$ million	**First half 2022**	First half 2021
Current income tax		
UK tax	**1.7**	1.1
Foreign tax	**10.5**	0.6
Total current income tax charge	**12.2**	1.7
Deferred tax		
Recognition of deferred tax assets	**(1.0)**	(1.5)
Reversal of temporary differences	**(5.5)**	5.0
Total deferred tax	**(6.5)**	3.5
Tax charge in the income statement	**5.7**	5.2

The effective tax rate for the first half of 2022 is 14.0 per cent (first half 2021: 14.8 per cent), being the current period tax charge, excluding tax on adjusting items, 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 2022**	First half 2021
Profit for the period attributable to owners of the parent Company	**34.6**	29.6
Number million		
Weighted average number of Ordinary Shares in issue – basic	**607.0**	608.4
Dilutive potential of employee share incentives	**5.7**	6.4
Weighted average number of Ordinary Shares in issue – diluted	**612.7**	614.8
Cents		
Earnings per share		
Basic	**5.70**	4.87
Diluted	**5.65**	4.81

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:

- acquired intangible asset amortisation;
- share-based payment;
- other adjusting items; and
- tax effect on the above items

		First half 2022		First half 2021
	$ million	**EPS cents**	$ million	EPS cents
Profit for the period attributable to owners of the parent Company	**34.6**	**5.70**	29.6	4.87
Acquired intangible asset amortisation	**2.4**		1.8	
Share-based payment	**4.1**		2.6	
Other adjusting items *note 4*	**2.4**		5.3	
Tax effect on the above items	**(1.2)**		(1.4)	
Adjusted basic	**42.3**	**6.97**	37.9	6.23
Adjusted diluted		**6.90**		6.16

7 Dividends paid and proposed

		First half 2022		First half 2021
	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	**4.37**	**25.0**	3.87	23.7
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)	**2.63**	**15.9**	2.39	14.5

An interim dividend of 2.63 cents per Ordinary Share (2021: 2.39 cents per Ordinary Share) was declared by the Board on 4 August 2022 and will be paid to Ordinary shareholders on 16 September 2022 and to ADR holders on 23 September 2022. 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 12 August 2022.

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 $1.22:£1.

Reconciliation of dividends charged to equity to cash flow statement:

$ million	**First half 2022**	First half 2021
Dividends charged to equity	**25.0**	69.6
Hedge contracts relating to payment of dividends (cash flow statement)	**-**	(0.5)
Dividends paid (cash flow statement)	**25.0**	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 2021, 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 2022 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 2022**	First half 2021	Year 2021
Schemes in net asset position			
UK defined benefit pension plan – Staff Plan	**38.6**	30.8	35.8
UK defined benefit pension plan – Cash Plan	**1.1**	1.8	2.0
	39.7	32.6	37.8
Schemes in net liability position			
UK unfunded plan	**(0.6)**	(0.7)	(0.7)
US deferred compensation plan	**(6.5)**	(6.1)	(6.6)
	(7.1)	(6.8)	(7.3)
Net pension plan surplus on the balance sheet	**32.6**	25.8	30.5

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

$ million	**First half 2022**	First half 2021	Year 2021
Fair value of defined benefit pension plans' assets	**238.3**	328.7	330.3
Present value of defined benefit pension plans' obligations	**(198.6)**	(296.1)	(292.5)
Net UK funded defined benefit pension plan surplus on the balance sheet	**39.7**	32.6	37.8

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

%	**First half 2022**	First half 2021	Year 2021
Inflation – RPI	**3.4**	3.3	3.5
Inflation – CPI (pre-2030)	**RPI less 1.0% pa**	2.5	RPI less 1.0% pa
Inflation – CPI (post-2030)	**RPI less 0.1% pa**	2.5	RPI less 0.1% pa
Rate of increase in pensionable salaries	**CPI**	2.5	CPI
Rate of increase for pensions in payment			
– Pre 2001 service	**3.8**	3.7	3.8
– 2001 to 5 April 2005 service	**3.2**	3.2	3.3
– Post 5 April 2005 service	**2.1**	2.2	2.2
Rate of increase in deferred pensions	**CPI**	2.5	CPI
Rate used to discount plan liabilities	**3.8**	1.8	1.8

There was no charge to operating costs (first half 2021: nil) and finance income of $0.4 million (first half 2021: $0.2 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 2022, the deferred compensation deficit amounted to $6.5 million (31 December 2021: $6.6 million). There was no re-measurement at 30 June 2022 (31 December 2021: $0.2 million loss recognised directly in the statement of comprehensive income).

9 Business combinations

There were no business combinations in the first half of 2022.

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, there are acquisition related performance payments of up to $17.8 million 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.

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 2022, $1.3 million (first half 2021: $2.4 million) of acquisition related performance payments have been charged to other adjusting 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. In the first half of 2022, the liability was remeasured down by $0.2 million (first half 2021: $0.1 million remeasurement up) through other adjusting items in the income statement (note 4). On 30 June 2022, the liability had a fair value of $0.3 million (31 December 2021: $0.5 million).

The 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	(5.4)	(2.4)
Total identifiable net assets	9.7	22.3	32.0
Goodwill on acquisition			26.6
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 $26.6 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 were expensed to other adjusting 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.

10 Reconciliation of profit before tax to cash generated from operations

$ million	**First half 2022**	First half 2021
Profit before tax	**40.3**	34.8
Adjustments for:		
Finance income	**(0.7)**	(0.4)
Finance expense	**0.5**	0.6
Intangible asset amortisation	**2.7**	2.2
Depreciation of property, plant and equipment	**5.6**	6.2
Depreciation of right-of-use assets	**3.8**	4.0
Loss on the disposal of property, plant and equipment	**-**	0.1
Share-based payment	**4.3**	2.8
Changes in working capital:		
Increase in inventories	**(14.3)**	(1.5)
Decrease in receivables	**36.5**	14.8
Decrease in payables	**(12.4)**	(12.3)
Increase in contract liabilities	**2.6**	11.8
Decrease in provisions	**(0.2)**	(0.8)
Defined benefit pension plan employer contributions	**(1.2)**	(8.2)
Deferred compensation plan	**(0.1)**	0.4
Cash flow from operations	**67.4**	54.5

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 $3.3 million at 30 June 2022 (31 December 2021: $4.0 million).

12 Employee Share Ownership Trust

During the first half of 2022, 0.6 million shares were purchased and placed into the Employee Share Ownership Trust (ESOT) at a cost of $1.6 million (first half 2021: 0.9 million shares at a cost of $3.1 million) and 2.3 million shares were transferred from the ESOT to satisfy options exercised under the Spirent employee share plans (first half 2021: 2.0 million transferred). At 30 June 2022, the ESOT held 2.8 million Ordinary Shares (31 December 2021: 4.5 million Ordinary Shares).

Statement of Directors' responsibilities

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 2021 Annual Report.

The Directors of Spirent Communications plc are listed below and are unchanged from the Spirent Communications plc Annual Report at 31 December 2021.

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

By order of the Board of Spirent Communications plc.

E A Updyke
Chief Executive Officer
4 August 2022

Independent review report to Spirent Communications plc

Conclusion
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 2022 which comprises the income statement, the statement of other comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, and related notes 1 to 12.

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 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 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.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information
In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 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, United Kingdom
4 August 2022

Appendix

Alternative Performance Measures (APM)

The performance of the Group is assessed using a variety of alternative performance measures (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 2021 Annual Report.

Order intake

Order intake represents commitments from customers to purchase goods and/or services from Spirent during the period that will ultimately result in recognised revenue. Where there can reasonably be changes to the scope or duration of an order, the Group exercises judgement on the amount of the order that is booked.

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.

Orderbook

Orderbook comprises the value of all unsatisfied orders from customers and provides an indication of the amount of revenue that has been secured and will be recognised in future periods. Orderbook represents the transaction price allocated to wholly and partially unsatisfied performance obligations, including amounts held in contract liabilities at the period end. There is no comparable IFRS measure.

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 amortisation of acquired intangible assets, share-based payment and other adjusting items. 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 and therefore can lead to period-on-period fluctuations that can make it difficult to assess financial performance.

Specifically, items are excluded from adjusted operating profit if they are acquisition related in nature, including acquired intangible asset amortisation which is dependent on being able to identify intangible assets and assessing their useful economic lives, or if their exclusion allows for more meaningful comparisons with peer companies such as share-based payment which can fluctuate from period to period. 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.

Effective tax rate
Effective tax rate is the adjusted tax charge, before tax on adjusting items, expressed as a percentage of adjusted profit before tax. The adjusted tax charge is the reported tax charge excluding the tax effect on adjusting items and adjustments made to provisions in respect of prior year tax.

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 amortisation of acquired intangible assets, share-based payment, other adjusting items, 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 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 other adjusting 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 14.

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.