News Release

SPIRENT COMMUNICATIONS PLC

HALF-YEAR REPORT 2012

London, UK – 2 August 2012: Spirent Communications plc ("Spirent", the "Company" or the "Group") (LSE: SPT), a leading communications technology company, today announces its half-year results for the six months ended 1 July 2012.

Financial highlights

- Performance Analysis revenue up 10% to $219.4 million (first half 2011: $198.8 million) with strong growth in wireless device, mobile packet core and data center test solutions.
- Operating profit of $62.1 million for Performance Analysis was up 22% (first half 2011: $50.7 million).
- The book to bill ratio for Performance Analysis was 94 (first half 2011: 104) reflecting the macro-economic environment during the second quarter.
- Group revenue up 1% to $262.1 million (first half 2011: $260.4 million), impacted by Service Assurance, down 46%, and Systems, down 15%.
- Adjusted Group operating profit up 9% to $63.0 million (first half 2011: $57.8 million). Reported operating profit $56.6 million (first half 2011: $55.2 million).
- Return on sales for the Group, based on adjusted operating profit, was 24% (first half 2011: 22%) after maintaining investment in product development for future growth.
- Basic earnings per share rose 2% to 6.07 cents (first half 2011: 5.94 cents). Adjusted basic earnings per share up 10% to 6.89 cents (first half 2011: 6.25 cents).
- Interim dividend increased by 10% in line with earnings to 1.39 cents per share (equivalent to 0.89 pence per share).
- Acquisition of Mu Dynamics, Inc. announced in April 2012 for a cash consideration of $39.8 million.
- Free cash flow of $50.4 million (first half 2011: $17.1 million); the cash balance at the period end was $234.7 million (31 December 2011: $236.5 million).

Operational highlights

- Fundamental market growth drivers remain in place, despite short term macro-economic uncertainty.
- Performance Analysis is delivering innovative solutions to meet the increasing demand for complex testing of 4G/LTE technology rollouts and smartphone proliferation, cloud computing and data centers, application-aware networks and security, and mobile location based services.
- Spirent continues to invest in its solutions portfolio to address these trends, including:
  - Acquisition of Mu Dynamics for performance and security testing of application-aware networks;
  - Next-generation test appliance to validate performance, availability and security at scale of high speed, application-aware networks;
  - Solutions to test Voice over LTE and LTE/3G/2G mobility in cellular devices.
- These innovations are in turn leading our customers to use our test solutions in new ways:
  - Test of Crossbeam's mobile network security platform with real-world methodology;
  - Unprecedented scale test of Juniper Networks QFabric™ data center network fabric;
  - TD-LTE device testing by China Telecommunications Technology Labs;
  - Validation of performance, scale and reliability of Juniper Networks MobileNext™ packet core solution.

Outlook

The fundamental demand for mobile and data communications remains strong. While we saw growth during the first half-year in Asia Pacific and the United States, as we look at the remainder of 2012 we anticipate that macro-economic uncertainty will cause volatility. As a result our expectations of growth compared to our view at the beginning of the year have moderated. We believe that there will be some growth in Asia Pacific and the United States, however, the level of demand is expected to remain weak in Europe. Overall growth during the second half-year may reduce to mid to low single digit increase compared to the same period in 2011. We have confidence in the future supported by our continuing investment in Spirent's solutions portfolio.

Bill Burns, Chief Executive Officer, commented:

"Spirent made further progress in the first six months of 2012, delivering growth in revenue, profit, earnings per share and cash generation. We also took steps to expand the business in line with our strategic vision, including the successful integration of Mu Dynamics into Performance Analysis. Our solutions portfolio is well positioned in the areas that matter most to our customers."

Results summary

$ million	**First half 2012**	First half 2011	Change (%)
Reported			
Revenue	**262.1**	260.4	1
Operating profit	**56.6**	55.2	3
Profit before tax	**57.3**	55.8	3
Basic earnings per share (cents)	**6.07**	5.94	2
Interim dividend per share[1] (cents)	**1.39**	1.26	10
Free cash flow[2]	**50.4**	17.1	195
Adjusted			
Operating profit[3]	**63.0**	57.8	9
Basic earnings per share[4] (cents)	**6.89**	6.25	10

Notes
1 Dividends are determined in US dollars and paid in sterling at the exchange rate prevailing when the dividend is proposed or declared. The interim dividend declared for 2012 of 1.39 cents per Ordinary Share is equivalent to 0.89 pence per Ordinary Share.
2 Operating cash flow after tax, net interest and net capital expenditure.
3 Adjusted operating profit is before charging exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.
4 Adjusted basic earnings per share is based on adjusted earnings as set out in note 7 of the Notes to the half-year condensed consolidated financial statements.

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Enquiries

Bill Burns, Chief Executive Officer Eric Hutchinson, Chief Financial Officer	Spirent Communications plc	+44 (0)1293 767676
James Melville-Ross/Sophie McMillan/ Emma Appleton	FTI Consulting	+44 (0)20 7831 3113

The Company will host a results presentation today at 9.15am for 9.30am UK time at UBS Limited, 1 Finsbury Avenue, London EC2M 2PP. A simultaneous webcast of the presentation will be available in the Investors section of the Spirent Communications plc website www.spirent.com.

About Spirent Communications plc

Spirent Communications plc is a global leader in test and measurement inspiring innovation within development labs, communication networks and IT organisations. We enable today's communication ecosystem as well as tomorrow's emerging enterprises to deploy life enriching communications networks, devices, services and applications. The Systems group develops sophisticated power control systems for electrical vehicles in the medical mobility and industrial markets. Further information about Spirent Communications plc can be found at www.spirent.com.

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

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.

HALF-YEAR REPORT 2012

Group overview

Spirent made good strategic progress during the first half of 2012 despite the macro-economic concerns in the global economy which have affected certain areas of our business.

We delivered solid financial results, driven by our key Performance Analysis division. Revenue in this division grew 10 per cent and operating profit was up by 22 per cent compared with the first half of 2011. There was strong growth in demand for our wireless device, mobile packet core and data center test solutions, driven by the relentless growth in data traffic as the applications and devices that support them proliferate. Regionally, revenue for Performance Analysis grew in North America by 10 per cent and in Asia Pacific by 28 per cent in the first half of 2012, while in Europe revenue declined by 17 per cent. We experienced caution in capital spending in some markets in the second quarter: in Europe as a result of the macro-economic and fiscal uncertainty and in China as large equipment manufacturers conducted reviews of the timing of their spending plans. These trends have impacted order intake in the second quarter of 2012 resulting in a book to bill ratio for Performance Analysis in the first half of 2012 of 94 (first half 2011: 104).

As had previously been reported, performance in Service Assurance and Systems was much weaker. As a result Group revenue growth was reduced to 1 per cent for the first half of 2012. Group revenue was $262.1 million compared with $260.4 million in the first half of 2011.

There was a rapid decline in legacy revenues in Service Assurance as service providers significantly cut their capital spend. In response, we implemented cost saving measures at the start of the second quarter in order to re-establish the division’s profitability. Revenue for this division was down 46 per cent compared to the first half of 2011.

In Systems, the effects of the changes made in 2011 to the US Medicare reimbursement process are still being felt, delaying demand for high volume commercial wheelchair control systems. Revenue was down by 15 per cent period-on-period.

Adjusted operating profit for the Group at $63.0 million increased by 9 per cent compared with the first half of 2011. This is before charging exceptional items of $2.9 million in relation to Service Assurance, acquisition related expenses of $1.5 million for Mu Dynamics, Inc., acquired intangible asset amortisation of $1.2 million and share-based payment of $0.8 million.

Basic earnings per share increased to 6.07 cents from 5.94 cents, an increase of 2 per cent. Adjusted basic earnings per share was 6.89 cents, up 10 per cent period-on-period.

As a further step in our strategic progress Spirent acquired Mu Dynamics on 23 April 2012 for $39.8 million. Mu provides innovative solutions that enable faster, higher quality deployments of cloud applications and application-aware networks and expands Spirent's capabilities in this growing and emerging technology market.

Free cash flow for the period was $50.4 million (first half 2011: $17.1 million). Cash and cash equivalents closed at $234.7 million (31 December 2011: $236.5 million) after the acquisition of Mu Dynamics, paying the final dividend for 2011 of $10.9 million and share buybacks of $4.4 million.

The Board has declared an interim dividend of 1.39 cents per Ordinary Share, an increase of 10 per cent in US dollar terms, in line with the increase in adjusted basic earnings per Ordinary Share. In sterling, the currency in which this dividend will be paid, the dividend is 0.89 pence per Ordinary Share at an exchange rate of $1.56:£1, representing an increase of 16 per cent compared with the first half of 2011.

Outlook

The fundamental demand for mobile and data communications remains strong. While we saw growth during the first half-year in Asia Pacific and the United States, as we look at the remainder of 2012 we anticipate that macro-economic uncertainty will cause volatility. As a result our expectations of growth compared to our view at the beginning of the year have moderated. We believe that there will be some growth in Asia Pacific and the United States, however, the level of demand is expected to remain weak in Europe. Overall growth during the second half-year may reduce to mid to low single digit increase compared to the same period in 2011. We have confidence in the future supported by our continuing investment in Spirent's solutions portfolio.

BUSINESS REVIEW

Performance Analysis

$ million	First half 2012	First half 2011	Change (%)
Revenue	**219.4**	198.8	10
Operating profit	**62.1**	50.7	22
Return on sales (%)	**28.3**	25.5	

Market conditions

Spirent's Performance Analysis division develops innovative solutions for functional, conformance and performance testing of current and next-generation communications technologies that simulate real-world conditions in the lab, before a commercial launch. The Performance Analysis division generated 10 per cent growth in revenue in the first half of 2012, with revenue of $219.4 million compared with $198.8 million in the first half of 2011.

The principal drivers for Spirent's revenue growth in the first half of 2012 were our customers' increased investment in next-generation mobile networks, devices and services, as well as data center deployments to enable cloud computing and virtualization.

Adoption of cloud computing is accelerating. One result is the building of new data centers with high density, high speed fabric based networks carrying terabits of traffic. As an example of this scale, we announced in March that Network Test had used Spirent TestCenter™ in the industry's largest ever test of its kind, a 1,536 port 10Gb Ethernet test of Juniper Networks QFabric™ data center network fabric.

As the mobile internet drives relentless growth in data traffic, and as applications and the devices that support them proliferate, the need for network upgrades is more urgent than ever but, despite several large scale deployments, adoption of LTE technology globally is still in its early stages. With pressure building on mobile operators to increase quickly network capacity, they are turning to small cells and Wi-Fi offload strategies. Wi-Fi offload is capturing an increasing portion of mobile data traffic and operators have shown considerable interest in managing it more closely and integrating it more tightly with cellular networks. This is prompting leading network equipment manufacturers to develop carrier-grade Wi-Fi offload gateways, and in February Spirent announced the industry's first solution to test their performance.

The complexity and scale of converged elements in the mobile network core is increasing, with the ability to scale up to millions of mobile subscriber data sessions and to provide seamless mobility across 3G and 4G/LTE networks. In March we announced that leading test lab EANTC had used

Spirent TestCenter and Landslide in the largest mobility performance test to date, validating the performance, scale and reliability of Juniper Networks MobileNext™ Broadband Gateway. The testing validated support of up to 8 million mobile subscribers and throughput rates of 434 Gb per second.

Security is a perennial and critical concern in all the markets we serve, whether in public or private cloud, data center or mobility. Intelligence is being added to the network between the data center and user, providing service providers with insight into the traffic running on their network, enabling them to monetise and secure it. Spirent's acquisition of Mu Dynamics in April positions us strongly to address the need for application-aware performance and security testing that emulates real application traffic while generating comprehensive security threats. Integration of the Mu products with Spirent's existing solutions is enabling best-in-class security testing with unprecedented performance and scale.

The need for rapid development and integration of new features on fewer converged network platforms poses huge challenges for equipment manufacturers' testing organisations, which can cause them to fall behind and the initial software quality provided to their customers to suffer. As a result, carriers are demanding that more testing be done by their suppliers, and equipment manufacturers are seeking tools and expertise to improve their testing efficiency. Against this background Spirent iTest® (acquired with Fanfare in 2011), an innovative tool that reduces testing cycles by more than half over traditional approaches and orchestrates testing between all devices in the lab, enjoyed significant success in the first half.

The market for wireless device test equipment is expanding on the back of mobile internet adoption and associated increases in smartphone market share, despite market share challenges experienced by some top-tier mobile device suppliers. Our LTE solutions once again showed very strong growth, with operators shifting priority from minimum performance and interoperability testing of devices to comprehensive performance testing that helps ensure subscriber quality of experience. During the first half of 2012 we announced wins at leading labs, including PCTEST and Cetecom, which offer device acceptance testing services for the leading US operators.

The focus of device developers has been on performance and cost optimization of multi-mode LTE/3G/2G devices and on support for important new services such as Voice over LTE ("VoLTE"). Our device R&D test solution initiative launched in 2011 has benefited from wins in the significant ecosystem of chipset developers targeting LTE devices, positioning Spirent well for downstream sales as those chipsets are designed into devices. Growth in our location technology testing market resulted from the new protocols that are being deployed to support the rapidly expanding scope of location based services ("LBS") enabled by LTE devices. We saw a rapid increase in development of hybrid positioning technologies, which enable accurate user location everywhere, especially indoors.

Wider adoption of over-the-air ("OTA") testing of multiple-input multiple-output ("MIMO") multi-antenna schemes, particularly by operators and government organisations, resulted in additional opportunities for our physical layer test solutions that emulate the radio channel between a transmitter and receiver. With the rollout of the first commercial networks using Time Division LTE ("TD-LTE"), we saw an increase in demand for testing the complex beamforming and multi-user MIMO techniques that enable the performance and capacity of TD-LTE networks. We announced in June that the Spirent VR5 had been chosen by China Telecommunications Technology Labs, a leading government test lab, for TD-LTE testing.

Our positioning test solutions experienced market drivers which included modernisation of the Russian GLONASS system, the development of the European Galileo system and the launch of new navigation satellite systems from India (IRNSS) and China (Compass/Beidou). The near term opportunity for test equipment to address the latter has been limited by delays in the release of full technical specifications for the Compass system. Uncertainty in the US government market surrounding a possible defence budget sequestration at the beginning of 2013 has also adversely impacted purchasing decisions.

Revenue

In Performance Analysis revenue increased by 10 per cent to $219.4 million compared with $198.8 million in the first half of 2011. As discussed above, our wireless device, mobile packet core and data center test solutions, including high speed Ethernet, continued to experience substantial growth.

We experienced caution in capital spending in some markets particularly in the second quarter: in Europe as a result of the macro-economic uncertainty, and in China as large equipment manufacturers conducted reviews of the timing of their spending plans.

Network equipment manufacturers designed new solutions and service providers continue to build out new large scale data centers to address the rapid growth in data traffic on mobile networks. New investment is focused on application-aware networks, with the need to validate performance, security and end user quality of experience. As a result, we saw expansion in demand for our Spirent TestCenter product family, partially offset by a steep decline in legacy revenue.

Revenue from our LTE device test solutions, particularly those targeting location technology and the North American operator ecosystem of top-tier device suppliers, once again experienced very strong growth. Revenue from our UMTS device test solutions was essentially flat, while CDMA solution revenue continued its expected decline. Device test solution revenue grew strongly in North America and in the Asia Pacific region and we continue to expand our development capacity in Asia to be closer to our customers. Our wireless physical layer test solutions had a record half-year, as shipments of our new industry leading VR5 platform ramped up and we saw widespread adoption of OTA testing techniques.

For the Positioning business, aside from the impact of the Compass situation in China, markets in Asia Pacific showed growth. The budget uncertainty mentioned earlier resulted in a fall in US government sector revenue. US commercial business also suffered from a lack of large orders, although the prospect funnel for the second half is healthy.

Profitability

Spirent's high operating leverage resulted in an increase in operating profit of 22 per cent to $62.1 million compared with $50.7 million for the first half of 2011. This represents a return on sales of 28.3 per cent up from 25.5 per cent in the first half of 2011 and, 27.6 per cent for the full year 2011. This return is after increasing product development spend to $38.3 million up from $36.5 million in the first half of 2011.

Product development

Our product portfolio was significantly strengthened as we integrated the functionality of Spirent Studio from Mu Dynamics with Spirent Landslide within three weeks of the Mu acquisition. Combining Landslide's ability to emulate all elements of the mobile network with Studio's ability to accurately recreate application traffic and attacks, gives mobile operators and equipment vendors a single industry leading test platform to validate mobility, data throughput, application awareness and security at scale. We introduced Spirent TestCenter C100, a converged next-generation test appliance that enables carriers, enterprises and equipment manufacturers to validate that their terabit, application-aware networks deliver the required performance, availability and security at scale. With its ability to run applications such as Spirent Studio, Avalanche and Landslide on a single converged platform, the Spirent TestCenter C100 doubles the performance compared with previous generations of test solutions. New functionality was added to Spirent iTest to provide an easy transition path from legacy scripting automation, without the need to recreate existing script-based assets.

Wireless test solutions Spirent delivered in the first half address our customers' 3G and 4G/LTE testing needs. Our latest solutions test the performance of multimode LTE/3G/2G devices, including mobility and handovers and support for VoLTE. Our investment programme is carefully developed to address the evolving performance testing needs of leading mobile network operators. The capabilities of our VR5 wireless channel emulation solution were significantly enhanced with the launch of a new beamforming test solution for TD-LTE and next-generation LTE applications.

Building on Spirent's expertise in the testing of positioning capabilities in mobile devices on production lines, we launched a new GSS6300M simulator to address opportunities for multi-channel, multi-GNSS production testing. Another new solution, the GSS5300, was launched in June, broadening Spirent's total addressable market by providing production testing capability for integrated Bluetooth, Wi-Fi, near field communication and FM capabilities in devices. To address the expanding market for hybrid positioning technology testing, we introduced a new R&D tool to test the performance of algorithms that integrate and optimise inertial sensors and multi-GNSS in devices.

Service Assurance

$ million	**First half 2012**	First half 2011	Change (%)
Revenue	**16.7**	31.0	(46)
Operating (loss)/profit	**(2.3)**	5.3	(143)
Operating profit before exceptional items	**0.6**	5.3	(89)
Return on sales before exceptional items (%)	**3.6**	17.1	

Market conditions

The Service Assurance division provides solutions which allow service providers to diagnose, troubleshoot and determine how to resolve issues with networks and systems within the live network.

Market conditions in service assurance remain uncertain as carriers further tighten capital spending and have shown additional caution in decisions on large system orders. Capital spending by carriers is expected to remain flat for the remainder of 2012, with available budgets targeted at strategic high growth areas including mobility and business Ethernet services. In particular, there is increased demand by mobile carriers for a single service assurance solution to address the testing and performance monitoring needs from the radio access network across the mobile backhaul to the mobile packet core. We have provided value to our customers through automation of service turn-up and network maintenance routines, which has yielded a substantial reduction in the time required to activate new services and resolve maintenance troubles. The field test market remains very challenging for new market entrants, however we have seen some success for in-home testing of triple play services. In addition, interest in 100Gb Ethernet testing and performance monitoring solutions is increasing, and we expect this market to develop in the first half of 2013.

Revenue and profitability

Service Assurance revenue decreased by 46 per cent in the first half of 2012 to $16.7 million, compared with $31.0 million in the first half of 2011. As previously mentioned, uncertain market conditions resulted in carriers reigning in their capital spending and exhibiting caution around decisions on system orders. The largest impact was on legacy product revenue, which declined significantly compared to the same period last year as carriers shifted their spending to Ethernet.

Operating profit was substantially reduced by the rapid fall in legacy revenue and this prompted us to take cost reduction actions at the start of the second quarter. These actions cost $1.7 million and will result in annualised savings of $5.0 million. The fall in legacy revenue has also resulted in the requirement to make a provision of $1.2 million against excess inventory. In total $2.9 million of cost has been incurred which has been treated as an exceptional expense in the period. Excluding exceptional items, operating profit for Service Assurance was $0.6 million compared with $5.3 million for the first half of 2011.

Product development

The Service Assurance business remains focused on expanding its STC Live Test & Diagnostic and Performance Monitoring solutions to address customers' strategic mobile and business Ethernet initiatives. Several new or enhanced products were introduced in the first half targeting mobility, extending our market leading backhaul solution to include testing and performance monitoring for the mobile packet core and radio access networks. Development of 40Gb Ethernet and 100Gb Ethernet solutions is also underway, in anticipation of commercial deployments beginning in 2013.

Systems

$ million	**First half 2012**	First half 2011	Change (%)
Revenue	**26.0**	30.6	(15)
Operating profit	**3.4**	4.6	(26)
Return on sales (%)	**13.1**	15.0	

Market conditions

The Systems group develops and supplies sophisticated electronic control systems for electronically powered vehicles in the medical mobility and industrial markets.

The long term growth trends for the business are underpinned by demographic trends which will result in higher demand for personal mobility, and by the expansion of served markets through investment in new industrial products. In the near term the business is impacted by the changes in US Medicare reimbursement procedures which are delaying demand for consumer wheelchair controllers. Growth in all other product lines was insufficient to offset the decline in consumer wheelchair systems.

Revenue and profitability

Revenue declined 15 per cent from $30.6 million to $26.0 million, due to the factors noted above. Operating profit decreased by $1.2 million to $3.4 million as a result of the decrease in volume.

Product development

Further positive progress has been made in the development of our industrial products, specifically AC pallet truck controllers, where we have established a strong sales pipeline.

FINANCIAL REVIEW

Key performance indicators

	First half 2012	First half 2011	Change (%)
Book to bill ratio[1]	**92**	99	
Revenue ($ million)	**262.1**	260.4	1
Gross profit margin (%)	**67.5**	65.5	
Adjusted operating profit[2] ($ million)	**63.0**	57.8	9
Return on sales[2] (%)	**24.0**	22.2	
Adjusted basic earnings per share[3] (cents)	**6.89**	6.25	10
Free cash flow[4] ($ million)	**50.4**	17.1	195

Notes
1 The ratio of orders booked to revenue in the period.
2 Before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment.
3 Adjusted basic earnings per share is based on adjusted earnings as set out in note 7 of the Notes to the half-year condensed consolidated financial statements.
4 Operating cash flow after tax, net interest and net capital expenditure.

Revenue and order intake

Revenue growth in Performance Analysis was 10 per cent, reflecting the continued positive trends in worldwide data communications and, with particularly strong growth in revenue for our wireless device, mobile packet core and data center test solutions.

Revenue was down in both Service Assurance and Systems by 46 per cent and 15 per cent, respectively, which reduced the overall revenue growth for the Group to 1 per cent.

In Service Assurance, there has been a rapid decline in demand for legacy products coupled with customer spending restraints and longer sales cycles. In Systems, the full effect of the changes in the US Medicare reimbursement rules introduced at the beginning of 2011 have reduced demand for high volume commercial wheelchair control systems.

Order intake was softer in the second quarter for our key Performance Analysis division, following a strong end to 2011 and a robust first quarter. This reflects macro-economic factors, concerns in Europe and a reduction in growth rates in China. The resulting book to bill ratio for the Group was 92 compared with 99 for the first half of 2011.

Geographically, the United States is our largest market and accounts for 48 per cent of Group revenue. Although affected by the fall off in the Service Assurance legacy business which is principally US based, revenue was up 2 per cent period-on-period with Performance Analysis growing well in this region. Asia Pacific is a major market for Spirent, and one in which we saw significant growth in 2011. Asia Pacific now represents 35 per cent of Group revenue with growth of 20 per cent in the first half of 2012. Whilst revenue expansion in China slowed during the period, the rest of the Asia Pacific region performed very well. Europe represents 14 per cent of Group revenue and was down by 23 per cent compared with the first half of 2011. The rest of the world represents the remaining 3 per cent.

Operating profit

Reported operating profit increased by 3 per cent to $56.6 million from $55.2 million for the first half of 2011. Adjusted operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment, improved by 9 per cent to $63.0 million compared with $57.8 million for the first half of 2011.

A reconciliation is set out below:

$ million	**First half 2012**	First half 2011
Adjusted operating profit	**63.0**	57.8
Exceptional - inventory provision	**(1.2)**	-
Exceptional - reorganisation costs	**(1.7)**	-
Acquisition related costs	**(1.5)**	(1.2)
Acquired intangible asset amortisation	**(1.2)**	(1.0)
Share-based payment	**(0.8)**	(0.4)
Reported operating profit	**56.6**	55.2

Return on sales, based on adjusted operating profit, improved to 24.0 per cent, up from 22.2 per cent.

Cost of sales and operating expenses

Gross margin increased to 67.5 per cent (first half 2011: 65.5 per cent) due to a better overall product mix. An excess inventory provision was charged in relation to Service Assurance of $1.2 million in the period as a result of the significantly reduced levels of demand for our legacy products in this division. This provision is reported as an exceptional item in the period. Excluding this provision gross margin was 68.0 per cent.

We maintained a high level of investment in product development of $44.6 million in the first half of 2012, 17 per cent of revenue, up from $44.0 million, and again 17 per cent of revenue, in the first half of 2011, in order to drive profitable growth.

Other operating costs increased to $75.8 million, 29 per cent of revenue, compared with $71.3 million in the first half of 2011, 27 per cent of revenue. These costs include reorganisation costs of $1.7 million in Service Assurance, $0.8 million (first half 2011: $0.4 million) for share-based payment, $1.2 million (first half 2011: $1.0 million) for acquired intangible asset amortisation and

$1.5 million of acquisition related costs in respect of the Mu acquisition (first half 2011: $1.2 million in respect of Fanfare). Excluding these costs, operating costs were $70.6 million compared with $68.7 million in the first half of 2011, an increase of 3 per cent.

Acquired intangible asset amortisation of $0.5 million has been charged in relation to the acquisition of Mu in the first half-year, representing a pro-rata share of the annual amortisation charge of $2.8 million.

Within operating costs corporate costs increased to $3.1 million (first half 2011: $2.8 million).

Net finance income and expense

For the first half of 2012 net finance income was $0.7 million compared with $0.6 million for the first half of 2011. This comprises net interest income for the pension plan of $0.4 million (first half 2011: $0.2 million) and interest income of $0.3 million (first half 2011: $0.4 million net).

Profit before tax

Profit before tax was $57.3 million compared with $55.8 million in the first half of 2011.

Tax

For 2012 the effective tax rate was 29.9 per cent of pre-tax profit before acquired intangible asset amortisation, compared with 28.9 per cent for the first half of 2011. The tax charge for the first half of 2012 was $17.5 million compared with $16.1 million for the first half of 2011. The expected effective tax rate for the full year is 29.9 per cent.

Earnings per share

Basic earnings per share increased by 2 per cent to 6.07 cents compared with 5.94 cents for the first half of 2011. Basic earnings per share as adjusted for exceptional items, acquisition related costs, acquired intangible asset amortisation and share-based payment, rose to 6.89 cents from 6.25 cents for the first half of 2011, an increase of 10 per cent. There were 655.7 million weighted average Ordinary Shares in issue (first half 2011: 668.6 million) with 662.0 million Ordinary Shares in issue at the period end.

Business combinations

On 23 April 2012 the Group acquired 100 per cent of the share capital of Mu Dynamics, Inc. (“Mu”) for a total consideration of $39.8 million in cash. Mu is a security testing pioneer, offering innovative solutions that enable faster, higher quality deployments of cloud applications and application-aware networks. Mu brings additional market leading expertise in cyber security, usability and application emulation to the Spirent solutions portfolio. Combining Mu's software based applications and security testing capabilities with Spirent's market leading performance test platforms will enable the rapid development of best-in-class security test solutions with higher performance and greater scale than any other provider. This acquisition aligns with our strategy of delivering profitable growth by expanding our capabilities in growing and emerging technology markets.

At acquisition the fair value of the assets and liabilities acquired were determined in accordance with accounting standards and this gave rise to $13.9 million of intangible assets, which are being amortised over five years, and goodwill of $20.8 million. In addition, $1.5 million of acquisition related costs have been expensed in the first half of 2012.

Cash flow

Net cash inflow from operations before tax was $71.8 million (first half 2011: $41.5 million). Free cash flow for the Group of $50.4 million was generated in the first half of 2012 (first half 2011: $17.1 million) which represents a cash conversion ratio of 127 per cent of reported earnings (first half 2011: 43 per cent).

Free cash flow is set out below:

$ million	**First half 2012**	First half 2011
Cash inflow from operations	**71.8**	41.5
Tax payments	**(15.0)**	(12.6)
Cash flow from operating activities	**56.8**	28.9
Net interest income	**0.1**	0.5
Net capital expenditure	**(6.5)**	(12.3)
Free cash flow	**50.4**	17.1

The high cash generation for the period compared to the prior year is principally due to a working capital reduction of $6.2 million in the first half of 2012 compared with an increase of $20.4 million in the first half of 2011. Net capital expenditure was $6.5 million (first half 2011: $12.3 million, which included $3.7 million for LTE manufacturing rights). Tax payments were higher in the first half of 2012 at $15.0 million (first half 2011: $12.6 million).

The acquisition of Mu Dynamics absorbed $39.8 million of cash with $1.5 million of expenses incurred. The final dividend for 2011 of $10.9 million was paid in May 2012. Share repurchases resulted in an outflow of $4.4 million in the period, of which $0.8 million related to share repurchases in 2011 (first half 2011: $10.0 million including the purchase of shares placed into trust).

Cash and cash equivalents were $234.7 million at the end of the first half of 2012 (31 December 2011: $236.5 million). Cash and cash equivalents by currency at 1 July 2012 comprise US dollars 81 per cent, sterling 16 per cent, euro 2 per cent and other currencies 1 per cent.

Defined benefit pension plans

The accounting valuation of the funded defined benefit pension plans at 1 July 2012 resulted in a net deficit of $20.6 million compared with a deficit of $11.8 million at 31 December 2011. The deficit increase was due to a rise in the plans' liabilities due to changes in the underlying assumptions, in particular a reduction in the yield on AA-rated corporate bonds, net of an improvement in the value of the assets. The valuation is based on the actuarial valuation at 1 April 2009. The next triennial actuarial valuation at 1 April 2012 has commenced and will be completed in 2013.

In addition there is a liability for an unfunded plan of $0.6 million (31 December 2011: $0.6 million).

Share repurchase

The Company repurchased 2.0 million Ordinary Shares on market in the period, at a cost of $3.6 million (first half 2011: 3.0 million Ordinary Shares on market at a cost of $6.8 million and a further 1.4 million Ordinary Shares at a cost of $3.2 million placed into the Spirent Employee Share Ownership Trust). The Company intends to continue to repurchase shares to manage dilution attributable to its share incentive schemes and as is deemed appropriate.

Dividend

The Board has declared an interim dividend of 1.39 cents per share, a 10 per cent increase over that for the first half of 2011 of 1.26 cents per share, which is in line with earnings growth. This is equivalent to 0.89 pence per share at an exchange rate of $1.56:£1, 16 per cent up in sterling terms. The payment will be approximately $9.1 million and represents dividend cover of five times adjusted earnings. The dividend will be paid to Ordinary shareholders on 13 September 2012 and to ADR holders on 24 September 2012. The dividend is payable to all shareholders on the Register of Members at the close of business on 10 August 2012.

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 2012 remain those as identified on pages 18 and 19 of the Annual Report 2011, a copy of which is available on the Company's website at www.spirent.com.

In summary the principal risks and uncertainties are as follows:

Risk	Description
Macro-economic and industry sector	In common with most businesses Spirent is exposed to the current economic conditions and is particularly exposed to conditions in the telecommunications sector. Although the EU has taken steps to stabilise the euro there still remains significant financial and political uncertainty in the Eurozone, with the potential for a full or partial break-up of the euro. Spirent is exposed to these factors through its operations in the Eurozone, 11 per cent of Spirent's revenue is derived from this region. However, the economic situation in the EU, which is already affecting growth rates in this region, may also affect demand globally.
Technological change and competition	Spirent sells complex solutions in industries that are characterised by rapid technological changes and keeping at the forefront of these technologies is critical to our success and to ensure that we remain competitive in our markets. It is critical that our innovation is directed at the right areas to enable Spirent to develop those solutions that our customers need at the time when they need them.
Reliance on contract manufacturers	We use contract manufacturers for the manufacture of a substantial amount of our products. Our major contract manufacturer is located in Thailand.
Business continuity	Operational risks are present in the Group's businesses. These risks include the risk of failed internal and external processes and systems, human error and external events, such as a natural disaster.
Retention and recruitment of key staff	Spirent is its employees. So attracting and retaining highly qualified and skilled employees is essential in enabling us to deliver on our strategy and to the success of our business.
Intellectual property	Spirent's success is dependent in part on proprietary technology which may be infringed by others inadvertently or otherwise. Companies in the telecommunications industry often aggressively protect and pursue their intellectual property rights.

Condensed consolidated income statement

$ million	Notes	**First half 2012**	First half 2011
Revenue	3, 4	**262.1**	260.4
Cost of sales		**(85.1)**	(89.9)
Gross profit		**177.0**	170.5
Product development	3	**(44.6)**	(44.0)
Selling and distribution		**(49.6)**	(48.2)
Administration		**(26.2)**	(23.1)
Operating profit	3	**56.6**	55.2
Finance income		**0.7**	0.7
Finance costs		**-**	(0.1)
Profit before tax	3	**57.3**	55.8
Tax	5	**(17.5)**	(16.1)
Profit for the period attributable to owners of parent Company		**39.8**	39.7
Earnings per share (cents)	7		
Basic		**6.07**	5.94
Diluted		**6.03**	5.89

Condensed consolidated statement of comprehensive income

$ million	**First half 2012**	First half 2011
Profit for the period attributable to owners of parent Company	**39.8**	39.7
Other comprehensive income		
Exchange differences on retranslation of foreign operations	**0.8**	3.9
Actuarial losses on defined benefit pension plans	**(10.4)**	(2.1)
Irrecoverable element of defined benefit pension plan surplus	**-**	0.1
Deferred tax credit on defined benefit pension plans	**1.9**	-
Other comprehensive income	**(7.7)**	1.9
Total comprehensive income for the period attributable to owners of parent Company	**32.1**	41.6

Condensed consolidated balance sheet

$ million	Notes	**1 July 2012**	3 July 2011	Audited 31 December 2011
Assets				
Non-current assets				
Intangible assets		**155.9**	128.4	123.2
Property, plant and equipment		**34.6**	31.5	35.5
Trade and other receivables		**3.7**	3.6	3.2
Cash on deposit		**0.5**	0.9	0.7
Defined benefit pension plan surplus	9	**0.8**	7.5	0.7
Deferred tax		**34.6**	30.5	29.4
		230.1	202.4	192.7
Current assets				
Inventories		**41.8**	40.2	43.6
Trade and other receivables		**104.3**	112.6	106.1
Cash and cash equivalents		**234.7**	210.1	236.5
		380.8	362.9	386.2
Total assets		**610.9**	565.3	578.9
Liabilities				
Current liabilities				
Trade and other payables		**(115.7)**	(108.7)	(119.3)
Current tax		**(6.3)**	(11.8)	(9.5)
Provisions and other liabilities		**(3.6)**	(3.4)	(3.3)
		(125.6)	(123.9)	(132.1)
Non-current liabilities				
Trade and other payables		**(11.0)**	(9.6)	(10.3)
Defined benefit pension plan deficit	9	**(22.0)**	(0.6)	(13.1)
Provisions and other liabilities		**(1.4)**	(2.1)	(1.2)
		(34.4)	(12.3)	(24.6)
Total liabilities		**(160.0)**	(136.2)	(156.7)
Net assets		**450.9**	429.1	422.2
Capital and reserves				
Share capital	11	**34.6**	35.9	34.3
Share premium account		**31.7**	32.3	31.3
Capital redemption reserve		**18.1**	17.8	17.7
Other reserves		**1.6**	-	2.7
Translation reserve		**20.4**	23.2	19.6
Retained earnings		**344.5**	319.9	316.6
Total equity attributable to owners of parent Company		**450.9**	429.1	422.2

Condensed consolidated cash flow statement

$ million	Notes	**First half 2012**	First half 2011
Cash flows from operating activities			
Cash flow from operations	10	**71.8**	41.5
Tax paid		**(15.0)**	(12.6)
Net cash inflow from operating activities		**56.8**	28.9
Cash flows from investing activities			
Interest received		**0.4**	0.5
Transfer from long term deposit		**0.2**	0.2
Purchase of intangible assets		**-**	(3.7)
Purchase of property, plant and equipment		**(7.4)**	(8.7)
Proceeds from sale of property, plant and equipment		**0.9**	0.1
Acquisition of subsidiaries	12	**(39.8)**	(14.5)
Net cash used in investing activities		**(45.7)**	(26.1)
Cash flows from financing activities			
Interest paid		**(0.3)**	-
Dividend paid		**(10.9)**	(9.4)
Proceeds from the issue of share capital and employee share ownership trust		**2.2**	0.4
Share repurchase		**(4.4)**	(10.0)
Net cash used in financing activities		**(13.4)**	(19.0)
Net decrease in cash and cash equivalents		**(2.3)**	(16.2)
Cash and cash equivalents at the beginning of the year		**236.5**	223.9
Effect of foreign exchange rate changes		**0.5**	2.4
Cash and cash equivalents at the end of the period		**234.7**	210.1

Condensed consolidated statement of changes in equity

$ million	Share capital	Share premium account	Capital redemption reserve	Other reserves	Translation reserve	Retained earnings	Total equity
At 1 January 2011 (audited)	35.3	31.4	17.3	1.6	19.3	302.2	407.1
Profit for the year	-	-	-	-	-	39.7	39.7
Other comprehensive income	-	-	-	-	3.9	(2.0)	1.9
Total comprehensive income	-	-	-	-	3.9	37.7	41.6
Share-based payment	-	-	-	-	-	0.4	0.4
Tax on share incentives	-	-	-	-	-	(1.0)	(1.0)
New shares issued	0.1	0.3	-	-	-	-	0.4
Share cancellation	(0.2)	-	0.2	-	-	-	-
Share repurchase	-	-	-	-	-	(10.0)	(10.0)
Equity dividends	-	-	-	-	-	(9.4)	(9.4)
Exchange adjustment	0.7	0.6	0.3	(1.6)	-	-	-
At 3 July 2011	35.9	32.3	17.8	-	23.2	319.9	429.1
At 1 January 2012 (audited)	**34.3**	**31.3**	**17.7**	**2.7**	**19.6**	**316.6**	**422.2**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**39.8**	**39.8**
Other comprehensive income	**-**	**-**	**-**	**-**	**0.8**	**(8.5)**	**(7.7)**
Total comprehensive income	**-**	**-**	**-**	**-**	**0.8**	**31.3**	**32.1**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Tax on share incentives	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Employee share ownership trust	**-**	**-**	**-**	**-**	**-**	**2.2**	**2.2**
Share cancellation	**(0.1)**	**-**	**0.1**	**-**	**-**	**-**	**-**
Share repurchase	**-**	**-**	**-**	**-**	**-**	**(3.6)**	**(3.6)**
Share buyback obligation	**-**	**-**	**-**	**-**	**-**	**7.8**	**7.8**
Equity dividends	**-**	**-**	**-**	**-**	**-**	**(10.9)**	**(10.9)**
Exchange adjustment	**0.4**	**0.4**	**0.3**	**(1.1)**	**-**	**-**	**-**
At 1 July 2012	**34.6**	**31.7**	**18.1**	**1.6**	**20.4**	**344.5**	**450.9**

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 comparative financial information for the year to 31 December 2011 is based on the statutory accounts for that period, which 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 are unaudited but have been reviewed by the auditor. 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 1 July 2012 were approved by the directors on 2 August 2012.

2 Accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements for the year ended 31 December 2011.

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 and adopted for use in the European Union. This condensed set of half-year financial statements has also been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority.

Going concern
After making the appropriate enquiries, the directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly the going concern basis continues to be used in the preparation of the financial statements.

Adoption of new and current standards
During the period the Group adopted a number of interpretations and amendments to Accounting Standards none of which had a material impact on the consolidated financial statements of the Group.

3 Operating segments

The Group is organised into three reportable operating segments, Performance Analysis, Service Assurance and Systems. The Group evaluates segment operating profit before exceptional items, acquisition related costs, acquired intangible asset amortisation, and share-based payment.

$ million	Performance Analysis	Service Assurance	Systems	Corporate	Total
First half 2012					
Revenue					
External revenue	**219.4**	**16.7**	**26.0**	**-**	**262.1**
Profit before tax					
Total reportable segment profit/(loss) before exceptional items	**62.1**	**0.6**	**3.4**	**(3.1)**	**63.0**
Exceptional items *note 6*	**-**	**(2.9)**	**-**	**-**	**(2.9)**
Total reportable segment profit/(loss)	**62.1**	**(2.3)**	**3.4**	**(3.1)**	**60.1**
Acquisition related costs					**(1.5)**
Acquired intangible asset amortisation					**(1.2)**
Share-based payment					**(0.8)**
Operating profit					**56.6**
Finance income					**0.7**
Profit before tax					**57.3**
Other information					
Product development	**38.3**	**3.9**	**2.4**	**-**	**44.6**
Intangible asset additions (excluding goodwill)	**13.9**	**-**	**-**	**-**	**13.9**
Property, plant and equipment additions	**6.9**	**0.1**	**0.3**	**0.1**	**7.4**
Intangible asset amortisation – other	**0.8**	**-**	**-**	**-**	**0.8**
Depreciation	**6.5**	**0.6**	**0.3**	**0.1**	**7.5**

3 Operating segments continued

$ million	Performance Analysis	Service Assurance	Systems	Corporate	Total
First half 2011					
Revenue					
External revenue	198.8	31.0	30.6	-	260.4
Profit before tax					
Total reportable segment profit/(loss)	50.7	5.3	4.6	(2.8)	57.8
Acquisition related costs					(1.2)
Acquired intangible asset amortisation					(1.0)
Share-based payment					(0.4)
Operating profit					55.2
Finance income					0.7
Finance costs					(0.1)
Profit before tax					55.8
Other information					
Product development	36.5	5.0	2.5	-	44.0
Intangible asset additions (excluding goodwill)	10.3	-	-	-	10.3
Property, plant and equipment additions	8.0	0.5	0.2	-	8.7
Intangible asset amortisation – other	0.4	-	-	-	0.4
Depreciation	5.3	0.7	0.3	0.1	6.4

There was no inter-segment revenue in either of the above periods.

4 Geographical information

$ million	**First half 2012**	First half 2011
Revenue by market		
United States	**124.4**	122.3
Asia Pacific, Rest of World	**100.3**	89.6
Europe	**37.4**	48.5
	262.1	260.4

The geographic information has been restated for the first half of 2011 to reflect a reclassification from the United States to Asia Pacific, Rest of World.

Europe includes United Kingdom revenue of $9.1 million (first half 2011: $8.3 million).

5 Tax

$ million	**First half 2012**	First half 2011
Current income tax		
Overseas tax	**11.9**	11.5
Amounts overprovided in previous years	**-**	(0.3)
Total income tax	**11.9**	11.2
Deferred tax		
Recognition of deferred tax assets	**-**	(1.1)
Origination and reversal of temporary differences	**5.6**	6.0
Total deferred tax	**5.6**	4.9
Tax charge in the income statement	**17.5**	16.1

The effective tax rate for the first half-year is 29.9 per cent (first half 2011: 28.9 per cent), being the current year tax charge excluding any prior year tax, as a percentage of profit before tax before charging acquired intangible asset amortisation.

In arriving at the effective tax rate, the rate of UK corporation tax of 24 per cent, which is enacted, was taken into account. In accordance with IAS 12 “Income Taxes” the effective rate does not take into account the impact in 2012 of the proposed progressive reductions in the UK corporation tax rate from 24 per cent to 22 per cent, these changes will be reflected when the relevant legislation is substantively enacted. The impact of the reduction in the rate on the effective tax rate for the period is not significant.

6 Exceptional items

$ million	**First half 2012**	First half 2011
Reorganisation expenses	**1.7**	-
Excess inventory provision	**1.2**	-
	2.9	-

The exceptional items were incurred in the Service Assurance division in response to the rapid fall in demand for legacy products.

7 Earnings per share

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

$ million	**First half 2012**	First half 2011
Profit for the period attributable to owners of parent Company	**39.8**	39.7

Number million		
Weighted average number of shares in issue – basic	**655.7**	668.6
Dilutive potential of employee share incentives	**4.1**	5.8
Weighted average number of shares in issue – diluted	**659.8**	674.4

Cents		
Earnings per share		
Basic	**6.07**	5.94
Diluted	**6.03**	5.89

The Group is disclosing adjusted earnings per share attributable to owners of parent Company in order to provide a measure to enable period-on-period comparisons to be made of its performance. The following items are excluded from adjusted earnings:

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

A reconciliation is provided below:

		First half 2012		First half 2011
	$ million	**Cents**	$ million	Cents
Profit for the period attributable to owners of parent Company	**39.8**	**6.07**	39.7	5.94
Exceptional items	**2.9**		-	
Acquisition related costs	**1.5**		1.2	
Acquired intangible asset amortisation	**1.2**		1.0	
Share-based payment	**0.8**		0.4	
Tax effect on the above items	**(1.0)**		(0.2)	
Prior year tax credit	**-**		(0.3)	
Adjusted basic	**45.2**	**6.89**	41.8	6.25
Adjusted diluted		**6.85**		6.20

8 Dividends paid and proposed

	First half 2012		First half 2011	
	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	**1.67**	**10.9**	1.40	9.4
Amounts approved by the directors (not recognised as a liability at the balance sheet date)				
Interim	**1.39**	**9.1**	1.26	8.4

An interim dividend of 1.39 cents per Ordinary Share (2011: 1.26 cents per Ordinary Share) was declared by the Board on 2 August 2012 and will be paid to Ordinary shareholders on 13 September 2012 and to ADR holders on 24 September 2012. 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 10 August 2012.

Dividends are declared or proposed in US dollars but will be paid in pounds 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 $1.56:£1.

9 Defined benefit pension plans

The defined benefit pension plans are in the United Kingdom. In addition there is a United Kingdom unfunded plan.

The most recent actuarial valuations, at 1 April 2009, of the plans' assets and the present value of the plans' obligations, using the projected unit credit method, have been used and updated at 1 July 2012.

The key financial assumptions are as follows:

%	**First half 2012**	First half 2011	Year 2011
Inflation RPI	**2.9**	3.5	3.0
Inflation CPI	**1.9**	2.6	2.0
Rate of increase in pensionable salaries	**2.9**	4.0	3.0
Rate of increase for pensions in payment			
pre 2001 service	**3.6**	3.8	3.6
2001 to 5 April 2005 service	**2.8**	3.3	2.9
Post 5 April 2005 service	**1.9**	2.2	2.0
Rate of increase in deferred pensions	**1.9**	2.6	2.0
Rate used to discount plan liabilities	**4.3**	5.6	4.6

An operating charge of $0.2 million (first half 2011: $0.2 million) and net interest income of $0.4 million (first half 2011: $0.2 million) have been recognised.

Changes in the fair value of pension plan assets were largely due to a movement in global stock markets and changes in the present value of liabilities were mainly due to changes in the assumptions.

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

$ million	**First half 2012**	First half 2011	Year 2011
Fair value of defined benefit pension plans' assets	**239.9**	236.3	233.7
Present value of defined benefit pension plans' obligations	**(260.5)**	(226.7)	(245.5)
Net (deficit)/surplus in the plans	**(20.6)**	9.6	(11.8)
Irrecoverable element of pension plan surplus	**-**	(2.1)	-
Net UK funded defined benefit pension plan (deficit)/surplus on the balance sheet	**(20.6)**	7.5	(11.8)

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

$ million	**First half 2012**	First half 2011	Year 2011
Assets			
UK funded defined benefit pension plan surplus	**0.8**	7.5	0.7
Liabilities			
UK funded defined benefit pension plan deficit	**(21.4)**	-	(12.5)
UK unfunded plan	**(0.6)**	(0.6)	(0.6)
	(22.0)	(0.6)	(13.1)

10 Reconciliation of profit before tax to cash generated from operations

$ million	**First half 2012**	First half 2011
Profit before tax	**57.3**	55.8
Adjustments for:		
Finance income	**(0.7)**	(0.7)
Finance costs	**-**	0.1
Depreciation of property, plant and equipment	**7.5**	6.4
Intangible asset amortisation	**2.0**	1.4
Share-based payment	**0.8**	0.4
Changes in working capital		
Deferred income received	**12.4**	7.2
Decrease/(increase) in receivables	**2.7**	(16.4)
Decrease/(increase) in inventories	**2.0**	(2.3)
Decrease in payables	**(11.4)**	(6.8)
Increase/(decrease) in provisions	**0.5**	(2.1)
Defined benefit pension plan	**(1.3)**	(1.5)
Cash flow from operations	**71.8**	41.5

11 Share capital

Number million	**First half 2012**	First half 2011
Issued and fully paid		
At 1 January	**664.0**	674.9
Allotted pursuant to share incentives exercised	**-**	2.2
Cancelled during the period	**(2.0)**	(3.0)
Share capital at the end of the period	**662.0**	674.1

The Company has been operating an on market share repurchase programme. In the first half of 2012 the Company repurchased 2.0 million shares at a cost of $3.6 million (first half 2011: 3.0 million shares at a cost of $6.8 million). Shares repurchased were cancelled. In addition, in the first half of 2011, 1.4 million shares were purchased and placed into the Spirent Employee Share Ownership Trust at a cost of $3.2 million.

12 Business combinations

Mu Dynamics, Inc.

On 23 April 2012 Spirent acquired 100 per cent of the share capital of Mu Dynamics, Inc. (“Mu”) for a cash consideration of $39.8 million. Mu is a security testing pioneer, offering innovative solutions that enable faster, higher quality deployments of cloud applications and application-aware networks. Mu brings additional market leading expertise in cyber security, usability and application emulation to the Spirent solutions portfolio. Combining Mu’s software based applications and security testing capabilities with Spirent’s market leading performance test platforms will enable the rapid development of best-in-class security test solutions with higher performance and greater scale than any other provider. This acquisition aligns with our strategy of delivering profitable growth by expanding our capabilities in growing and emerging technology markets.

12 **Business combinations** continued

From the date of acquisition to 1 July 2012, Mu contributed $2.1 million of revenue and no profit before tax to the results of the Group before charging $1.5 million of acquisition related costs and $0.5 million of acquired intangible asset amortisation. If the combination had occurred at the beginning of the financial year revenue of $5.7 million and a loss before tax of $1.2 million would have been included in the Group result before $1.5 million of acquisition related costs and $0.5 million of acquired intangible asset amortisation.

The goodwill arising of $20.8 million consists largely of the synergies and economies of scale expected from the combination of the entities together with intangible assets not qualifying for separate recognition such as workforce in place.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Mu and the assets and liabilities acquired at the acquisition date. Since the acquisition has taken place recently, the fair values detailed below are provisional.

$ million	**Fair value**
Net assets acquired:	
Intangible fixed assets	**13.9**
Deferred tax asset	**10.0**
Inventories	**0.1**
Trade and other receivables	**1.3**
Trade and other payables	**(4.6)**
Deferred tax liability	**(1.7)**
Total identifiable net assets	**19.0**
Goodwill	**20.8**
Total consideration	**39.8**
Satisfied by:	
Cash	**39.8**

The intangible assets acquired represent computer software, customer relationships and brands and these have been assigned a provisional life of five years.

Acquisition related costs were $1.5 million and these have been expensed and are included in administration costs.

13 Related party transactions

There have been no related party transactions in the first half of 2012 which have materially affected the financial position or the performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2011.

14 Capital commitments and contingent liabilities

There are no material capital commitments. There have been no material changes since 31 December 2011 to the Group's indemnities and contingencies.

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 EU.

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 2011 Annual Report.

The directors of Spirent Communications plc are as listed in the Spirent Communications plc Annual Report for 31 December 2011.

By order of the Board of Spirent Communications plc.

E G Hutchinson
Chief Financial Officer
2 August 2012

Independent review report to Spirent Communications plc

Introduction

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 1 July 2012 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated cash flow statement, Condensed consolidated statement of changes in equity, and related notes 1 to 14. 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.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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 and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. 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 European Union.

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 2410 (UK and Ireland), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 Ireland) 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 1 July 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
2 August 2012

Glossary

2G (Second Generation)	Second generation remains the most common type of wireless cellular communication in use globally. Although its primary focus has been voice service and short message service ("SMS"), it has also been enhanced to allow low rate data communication.
3G (Third Generation)	Third generation of mobile communications that promises data rates of hundreds of kilobits per second to tens of megabits per second.
4G (Fourth Generation)	Fourth generation of mobile communications that promises data rates of tens to hundreds of megabits per second. Future 4G technologies promise data rates in excess of one gigabit per second.
Backhaul	The portion of a network that comprises the intermediate links between the core network, or backbone, and the sub-networks at the "edge" of the entire hierarchical network.
Beamforming	A technique for directional transmission or reception of radio signals, used to increase system capacity in some cellular networks, such as those that employ TD-LTE technology.
Bluetooth	A wireless technology used to exchange data between devices over short distances, generally less than 10 metres (33 feet), using a low power, low cost transceiver in the devices.
Broadband	Generic term for bit rates greater than approximately 1.5 to 2 megabits per second.
CDMA (Code Division Multiple Access)	A digital cellular technology standard which allows numerous signals to occupy a single transmission channel, thus increasing network capacity; used in 2G and 3G radio communications.
Cloud Computing	The delivery of computing as a service rather than a product, whereby shared resources, software, and information are provided to computers and other devices as a metered service over a network (typically the internet).
Compass (also known as BeiDou 2)	China's second generation global satellite navigation system, which is under construction but eventually planned to consist of 35 satellites. Service was launched in China during 2011, with plans to extend it to the Asia Pacific region by 2012 and to provide service globally by 2020.
Converged Network	A single network able to carry voice, video and data. Usually based on Internet Protocol ("IP").
Data Center	A centralised location where computing resources critical to an organisation are maintained in a highly controlled environment.
Ethernet	A family of networking technologies originally developed for local area networks, which migrated to metro area networks and eventually became the dominant standard in wireline networks worldwide.
FDD-LTE (Frequency Division Duplex LTE)	LTE standards accommodate cellular network and subscriber transmissions in different frequency bands (Frequency Division Duplex), as well as in the same frequency band (Time Division Duplex, often referred to as TD-LTE). FDD-LTE has already been widely deployed in North America, as well as parts of Asia and Europe.
FM (Frequency Modulation)	Used to convey information over a carrier wave by varying its instantaneous frequency. Widely used in commercial broadcasting.
Galileo	A global navigation satellite system being built by the European Union and European Space Agency that will offer users anywhere in the world "metre-class" geographic positioning when it becomes operational between 2014 and 2019.
Gateway	An internetworking system capable of joining together two networks that use different base protocols.

GbE (Gigabit Ethernet)	A transmission technology based on the Ethernet frame format and protocol used in local area networks that provides a data rate of 1 billion bits per second (one gigabit) and which is used as the backbone in many enterprise networks.
GLONASS (Global Navigation Satellite System)	A global navigation satellite system operated by the Russian Federation. Deployment began in 1976 and, although the system fell into disrepair in the 1990s, full global service was restored in 2011.
GNSS (Global Navigation Satellite Systems)	The standard generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage. GNSS allows users' receivers to determine their location to within a few metres by employing a triangulation technique that uses information from multiple satellites.
GPS (Global Positioning System)	A global navigation satellite system operated by the United States government for determining a user's location and height at any point on the earth's surface. A receiver uses minute differences in measured time signals from clocks on satellites to calculate these positions and altitudes.
IP (Internet Protocol)	A network protocol used on the internet and other networks devices to facilitate and control the flow of data. Each computer (known as a host) has at least one IP address that uniquely identifies it from all other computers.
IRNSS (Indian Regional Navigational Satellite System)	An autonomous regional satellite navigation system being developed by the Indian government to reduce dependence on GPS. The full constellation of seven satellites (three geo-stationary and four geo-synchronous) is planned to be operational by 2015.
Location Based Services	The delivery of location specific information, mapping, business and public data over a wireless network. These services require the ability to locate a user's mobile device by means of direct satellite or cellular assisted satellite signals.
LTE (Long Term Evolution)	An advanced wireless data communications technology standard (sometimes called "4G") which is an evolution of 3G UMTS standards. In addition to a new wireless interface specification, LTE uses a simplified flat IP-based network architecture.
MIMO (Multiple-Input Multiple-Output)	A wireless technology that employs multiple radio antennas on both the transmitter and receiver to improve the data transmission speeds and capacity of wireless networks.
Mobile Packet Core	An integrated IP-based mobile transport network with the ability to support 2G, 3G and LTE coexistence.
NFC (Near Field Communication)	A standard for smartphones and similar devices which allows them to establish radio communication with each other by touching them together or bringing them into close proximity, usually no more than a few centimetres. Applications include contactless transactions (such as payments) and data exchange.
OTA (Over-the-Air)	Any kind of event, transfer, or transaction that takes place wirelessly using the cellular network, as opposed to using a cable or other local connection. Testing of mobile device performance is commonly carried out using OTA techniques that take into account antenna design and implementation.
Small Cell	A generic term for microcells, picocells and femtocells. Small cells provide network coverage in dead zones within a macrocell (the coverage area of a traditional cellular base station) and extra network capacity by offloading mobile data traffic from macrocells.
TD-LTE (Time Division LTE)	LTE standards accommodate cellular network and subscriber transmissions in different frequency bands (Frequency Division Duplex), as well as in the same frequency band (Time Division Duplex, often referred to as TD-LTE). TD-LTE is expected to be widely deployed in major Asian markets such as China, India and Japan, as well as parts of North America and Europe.

UMTS (Universal Mobile Telecommunications System)	The most common 3G wireless technology globally, which uses WCDMA on its underlying air interface and offers support for data transfer rates from hundreds of kilobits per second to tens of megabits per second.
Virtualization	Technologies designed to provide a layer of abstraction from the physical characteristics of computing resources to simplify the way in which other systems, applications, or end users interact with those resources.
VoLTE (Voice over LTE)	A standards-based scheme adopted by the GSMA, the cellular industry's association, to provide voice service over data-only LTE networks. VoLTE's use of an IP Media Subsystem enables voice to be offered as part of a rich communications solution, integrated with services such as messaging, live video sharing and file transfer.
WCDMA (Wideband CDMA)	An International Telecommunication Union standard derived from CDMA which is used globally in 3G mobile communications.
Wi-Fi	A mechanism that enables devices such as personal computers, video game consoles, smartphones or digital audio players to exchange data wirelessly over a computer network and connect to network resources, such as the internet. Coverage ranges from a few rooms to several square miles, depending on the number of access points used.