



2013 first half-year results

August 1, 2013

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Agenda

- Overview
- 2013 first half financial results
- Market update & second half outlook

2013 First half overview

- ◉ Revenue affected by near-term caution of our customers and shift in wireless technologies
- ◉ Order intake stepped up in second quarter, too late to benefit revenue in H1- book to bill ratio 110
- ◉ Service Assurance reported a much improved overall result
- ◉ Increased investment in our solutions portfolio
- ◉ Free cash flow of \$26.7m used for dividend and share buyback
- ◉ Interim dividend declared of 1.53c up 10%

Key performance indicators H1 2013 - continuing operations

110

Book to Bill

(H1 2012: 91)

\$190.4m

Revenue

(H1 2012: \$236.1m)

\$18.2m

Operating Profit⁽¹⁾

(H1 2012: \$59.1m)

9.6%

Return on Sales⁽¹⁾

(H1 2012: 25.0%)

\$26.7m

Free Cash Flow

(H1 2012: \$44.5m)

2.03c

Adjusted EPS⁽¹⁾⁽²⁾

(H1 2012: 6.33c)

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

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



Eric Hutchinson, Chief Financial Officer



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Comparative results H1 2013 - Continuing operations

(\$ millions)	H1 2013	H1 2012
Revenue	190.4	236.1
Gross Profit ⁽¹⁾	132.6	168.8
Gross Margin⁽¹⁾	69.6%	71.5%
Product development	48.0	42.2
Selling & distribution	47.5	46.5
Administration	18.9	21.0
Operating Profit⁽¹⁾⁽²⁾	18.2	59.1
Return on Sales⁽¹⁾⁽²⁾	9.6%	25.0%
Exceptional and other items ⁽³⁾	3.7	6.4
Reported Operating Profit	14.5	52.7
Net finance income	-	0.1
Profit before Tax	14.5	52.8
Tax	1.1	16.7
Net Income	13.4	36.1
Basic EPS (cents)	2.07	5.51
Adjusted EPS⁽¹⁾⁽²⁾⁽⁴⁾ (cents)	2.03	6.33

- Near-term caution by customers impacted sales
- Order intake down 2% but improving trend in Q2
- Operating profit reflects impact of high gross margin on lower revenue
- Increasing investment in product development to launch new solutions in H2
- Tax 26%, the expected full year rate

Notes: (1) Before exceptional items (2) Before other items (3) Other items are share-based payment, acquired intangible asset amortisation and acquisition expense (4) Before prior year tax and tax in respect of items in note 1 and 2



Spirent's three reporting segments

Networks & Applications



- Ethernet
- Data center/cloud computing
- Applications and security
- Test optimization

Wireless & Positioning



- Wireless devices and infrastructure
- Satellite navigation and global positioning
- Service experience

Service Assurance



- Ethernet business services
- Wireless backhaul
- Field test solutions

Networks & Applications review

(\$ millions)	H1 2013	H1 2012
Revenue	92.2	130.0
Gross Profit	62.4	92.2
<i>Gross Margin</i>	<i>67.7%</i>	<i>70.9%</i>
Product development	27.4	23.9
Other expenses	36.8	38.6
Operating (Loss)/Profit	(1.8)	29.7
<i>Return on Sales</i>	<i>(2.0)%</i>	<i>22.8%</i>

- Delays in capital spend by some network equipment manufacturers (NEMs)
- Continuing investments by major service providers
- Improving order intake in Q2 - Book to bill ratio H1 115
- Gross margin reduced due to lower volumes

Wireless & Positioning review

(\$ millions)	H1 2013	H1 2012
Revenue	80.2	89.4
Gross Profit	56.1	66.3
<i>Gross Margin</i>	<i>70.0%</i>	<i>74.2%</i>
Product development	17.4	14.4
Other expenses	22.1	19.5
Operating Profit	16.6	32.4
<i>Return on Sales</i>	<i>20.7%</i>	<i>36.2%</i>

- 3G wireless demand fell sharply
- Metrico performed well contributing \$13.4m of revenue
- Better results from Positioning due to BeiDou-2 and some recovery in commercial and government spending
- Order intake grew 2% - book to bill ratio 108
- Gross margin at expected level - Metrico services at a lower margin



Service Assurance review

(\$ millions)	H1 2013	H1 2012
Revenue	18.0	16.7
Gross Profit ⁽¹⁾	14.0	10.3
<i>Gross Margin⁽¹⁾</i>	<i>77.8%</i>	<i>61.7%</i>
Product development	3.2	3.9
Other expenses ⁽¹⁾	4.2	5.8
Operating Profit ⁽¹⁾	6.6	0.6
<i>Return on Sales⁽¹⁾</i>	<i>36.7%</i>	<i>3.6%</i>

- Revenue driven by Ethernet projects for LTE rollouts and bandwidth demands of cloud services
- Gross margin benefiting from product mix
- Profitability improved due to cost reductions in H1 2012
- Large order from major service provider expected to benefit fourth quarter 2013 and into 2014

Notes: (1) Before exceptional items



Free cash flow

(\$ millions)	H1 2013	H1 2012
Operating Profit	14.5	52.7
Depreciation and loss on disposal	8.0	7.2
Intangible amortisation and share-based payment	4.0	2.8
Working capital, provisions and pensions	12.0	2.9
Cash Flow From Operations	38.5	65.6
Tax	(4.7)	(15.0)
Net Cash Flow From Operating Activities	33.8	50.6
Net interest income	0.5	0.1
Net capital expenditure	(7.6)	(6.2)
Free Cash Flow - Continuing Operations	26.7	44.5
Free cash flow - discontinued operations	-	5.9
Acquisitions and disposals	-	(39.8)
Dividends and share buyback	(26.4)	(15.3)
Other	0.2	2.4
Exchange	(2.2)	0.5
Closing Cash And Cash Equivalents	246.9	234.7

- High cash conversion ratio, 2.5 times earnings
- Cash used for share buybacks and dividends

Shareholder distributions

Ordinary dividend

- ◉ Progressive dividend policy
- ◉ Interim dividend up 10% to 1.53c per Ordinary Share
- ◉ Payable in sterling at 1.01p per share at \$1.52:£1, 13% up in sterling terms
- ◉ A cash distribution of \$9.8 million
- ◉ Dividend cover 1.3 times adjusted earnings

Share buyback

- ◉ Share buybacks will continue the return of the balance of the proceeds from the 2012 divestment; \$18.3 million remaining

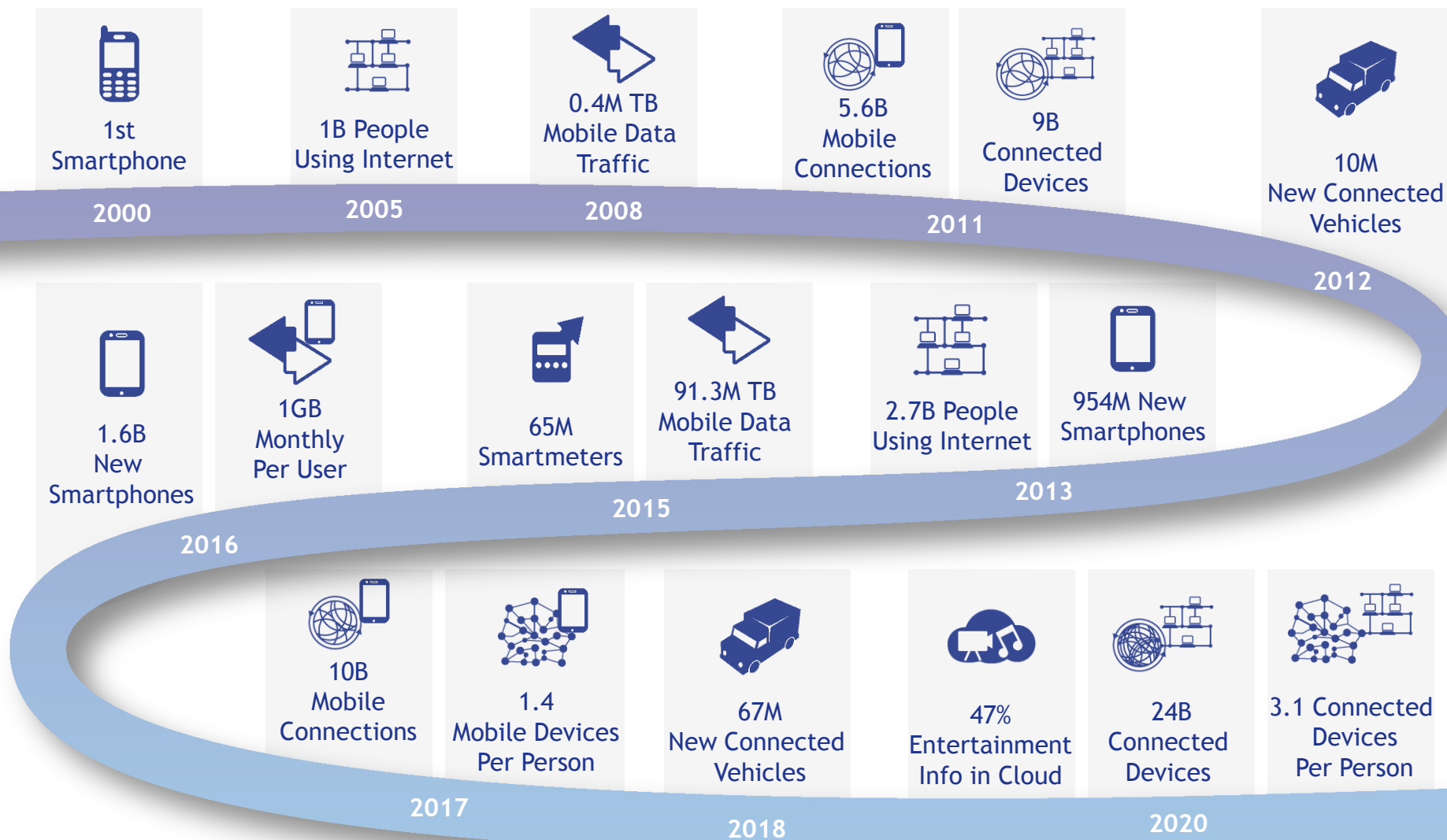


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Market trends

Global connectedness - the Internet of Things - is just getting started...



We are making the right investments...

...to drive on-going long term competitive advantage



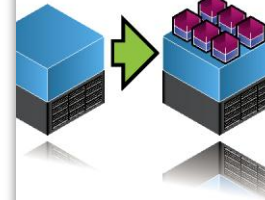
**High-Speed
Ethernet**



**Application-
Aware
Networks**



Security



**Virtualization
& SDN**



Enterprise



**Mobile
Backhaul &
Packet Core**



**4G / Long Term
Evolution (LTE)**



**Mobile User
Experience**



**Global
Positioning**

Networks & Applications

H1 market trends

- Caution in spending by NEMs with capital expenditures delayed to the second half
- Increased investment by some large service providers
- Mobile packet core and application security test
- Launched a new generation of the industry's highest-density hardware in May



Networks & Applications

H2 business drivers

- Build on our leadership in performance and scale with additional new hardware releases
- Testing of end-to-end services (e.g. VoLTE) over 4G/LTE networks and Wi-Fi offload gateways
- Release of high-performance security and application test functionality
- Service provider and NEM demand for virtualization and Software Defined Networking



Networks & Applications

Enterprise initiative



- Launched Spirent Axon enterprise test solution:
 - Entering new served market
 - Building enterprise channels
 - Initial sales achieved
- H2 business drivers:
 - Enterprise network investment
 - Cloud applications and infrastructure
 - End user quality of experience



Wireless & Positioning

Wireless H1 market trends

- Smartphone growth continues - but vendors not benefiting equally
- Continued shift in investment from 3G to 4G/LTE
- Testing required of new technologies and services for widespread deployment in late 2013/2014
 - Voice over LTE (VoLTE)
 - LTE-Advanced



Wireless & Positioning

Wireless H2 business drivers

- VoLTE testing for mobile devices and infrastructure increases prior to large-scale launch
- LTE-Advanced testing for chipsets and devices
- Measurement of VoLTE, video and HD voice user experience on live 4G/LTE networks
- Location services on LTE networks, especially E911 for VoLTE



Wireless & Positioning

Positioning

H1 Market Trends

- Chipset R&D for Chinese BeiDou-2 navigation system
- Some recovery in commercial navigation performance test
- Growth in government contracts

H2 Business Drivers

- Start of BeiDou-2 integration into devices
- GLONASS a “must have” in commercial markets
- Need for navigation solution resilience driving government spend



Service Assurance

H1 Market Trends

- Service provider orders driven by LTE network rollouts and cloud/data center
- Tier 1 service provider order for next-generation handheld devices for in-home testing

H2 Market Drivers

- Preparations for large VoLTE rollouts
- Delivering additional diagnostic capabilities for mobile backhaul and carrier Ethernet deployments



Summary and outlook

- Uncertainty and volatility in demand exhibited by major customers impacted first half trading
- Book to bill ratio increased to 110
- Executing on our new market entry strategy for wireless R&D, service experience and enterprise
- We are investing in new technology areas to drive on-going and long term competitive advantages
- July order intake was satisfactory. Combined with new product launches, this gives us confidence in performance for the third quarter

