



2010 first half-year results

August 5, 2010

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Welcome

Bill Burns, Chief Executive Officer



First half 2010 highlights

- Positive trends across the communications industry driven by the demand for data connectivity worldwide
- Increasing demand for our solutions to test data center, mobile backhaul and LTE equipment, networks, devices and applications
- Product innovation by Spirent continues unabated
- Customer endorsements by Verizon Wireless, Novatel Wireless, China Telecom and NTT Communications
- Strong financial performance with profit before tax up 37%

Key performance indicators H1 2010

104

Book to Bill

(H1 2009: 91)

+9%

Revenue

H1 2010: \$227.2m

(H1 2009: \$208.7m)

+36%

Operating Profit

H1 2010: \$49.0m

(H1 2009: \$36.1m)

21.6%

Return on Sales

(H1 2009: 17.3%)

\$33.4m

Free Cash Flow

(H1 2009: \$40.7m)

+33%

Adjusted EPS⁽¹⁾

H1 2010: 5.05c

(H1 2009⁽²⁾: 3.81c)

Performance Analysis

Financial highlights

(\$ millions)	H1 2010	H1 2009	% change
Orders	181.2	143.6	26%
Sales	170.3	153.8	11%
Operating Profit	41.5	32.9	26%
Return on Sales	24.4%	21.4%	

First half 2010 highlights

- Financial:
Strong order intake recovery
- Customer wins:
Verizon LTE, Novatel Wireless, China Telecom EVDO RevB and NTT Communications
- New product introductions:
Spirent TestCenter Mobile Backhaul, Avalanche Virtual (Best of Interop Award) and Wi-Fi positioning

Division testing focus



Ethernet,
data center,
cloud
computing &
applications



Wireless
device &
infrastructure



Satellite
navigation

Service Assurance

Financial highlights

(\$ millions)	H1 2010	H1 2009	% change
Sales	27.7	27.4	1%
Operating Profit	6.1	3.9	56%
Return on Sales	22.0%	14.2%	

First half 2010 highlights

- Financial:
Profitability increased due to higher software content
- Customer wins:
Top cable operators in North America for field test, European Ethernet Assurance
- New product introductions:
Spirent TestCenter Live

Division testing focus



Assurance
& diagnostics



Field test



In home test

Systems

Financial highlights

(\$ millions)	H1 2010	H1 2009	% change
Sales	29.2	27.5	6%
Operating Profit	5.0	3.2	56%
Return on Sales	17.1%	11.6%	

First half 2010 highlights

- Financial:
Exchange rate benefit year-on-year
- Customer wins:
New commercial applications
- New product introductions:
AC pallet truck controller

Division focus



Motorised wheelchair



Commercial & industrial



Low speed electric vehicles

Financial review

Eric Hutchinson, Chief Financial Officer

Comparative results H1 2010

(\$ millions)	H1 2010	H1 2009	% change
Sales	227.2	208.7	9%
Gross Profit	148.8	136.1	
<i>Gross Margin</i>	<i>65.5%</i>	<i>65.2%</i>	
Product development	38.2	37.7	
Selling & distribution	42.0	38.1	
Administration	19.6	24.2	
Operating Profit	49.0	36.1	36%
<i>Return on Sales</i>	<i>21.6%</i>	<i>17.3%</i>	
Finance expense net	(0.2)	(0.6)	
Pre Tax Profit	48.8	35.5	37%
Tax expense ⁽¹⁾	(15.7)	(11.4)	
Adjusted Net Income ⁽¹⁾	33.1	24.1	
Adjusted EPS ⁽¹⁾ (cents)	4.92	3.63	36%
Adjusted EPS Before Items ⁽²⁾ (cents)	5.05	3.81	33%

- Operating leverage delivered 36% profit growth
- Maintained gross margin, kept overheads in line
- Order book increased by \$8.4 million
- EPS up 33% excluding tax distortion

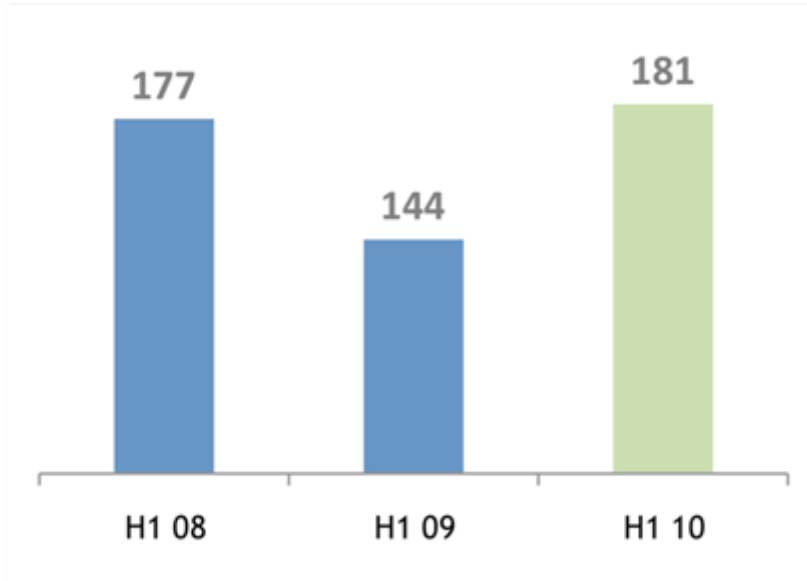
Performance Analysis review

(\$ millions)	H1 2010	H1 2009	% change
Sales	170.3	153.8	11%
Gross Profit	120.6	109.7	
<i>Gross Margin</i>	<i>70.8%</i>	<i>71.3%</i>	
Product development	30.9	30.2	
Other expenses	48.2	46.6	
Operating Profit	41.5	32.9	26%
<i>Return on Sales</i>	<i>24.4%</i>	<i>21.4%</i>	

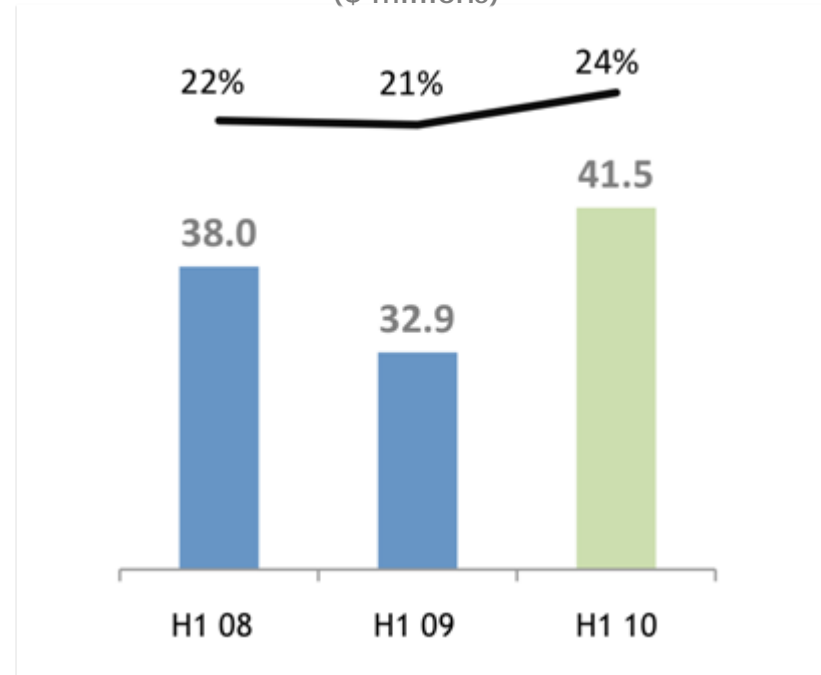
- Revenue growth at high end of expectations
- Order book increased by \$10.9 million
- Gross margin impacted by large contract volume discounts
- Profit growth 26%, increase in RoS to 24.4%

Performance Analysis - half yearly progress

Order intake
(\$ millions)



Operating profit & RoS
(\$ millions)



- Order intake ahead of H1 2008, the last pre-recessionary period
- Operating profit also ahead by \$3.5 million, up 9%
- Increase in return on sales

Service Assurance review

(\$ millions)	H1 2010	H1 2009	% change
Sales	27.7	27.4	1%
Gross Profit	17.8	15.9	
<i>Gross Margin</i>	<i>64.3%</i>	<i>58.0%</i>	
Product development	5.2	5.6	
Other expenses	6.5	6.4	
Operating Profit	6.1	3.9	56%
<i>Return on Sales</i>	<i>22.0%</i>	<i>14.2%</i>	

- Revenue broadly flat as expected
- Gross margin increased due to high software content; more usual sales mix expected in H2
- Significant increase in return on sales to 22%

Systems review

(\$ millions)	H1 2010	H1 2009	% change
Sales	29.2	27.5	6%
Gross Profit	10.4	10.4	
<i>Gross Margin</i>	<i>35.6%</i>	<i>37.8%</i>	
Operating Profit	5.0	3.2	56%
<i>Return on Sales</i>	<i>17.1%</i>	<i>11.6%</i>	

- Revenue growth at high end of range
- Gross margin reduction as a result of Medicare reimbursement requiring product cost reduction
- Exchange rate hedge losses of \$1.7 million in H1 2009 not repeated
- Return on sales increase to 17.1%

Free cash flow

(\$ millions)	H1 2010	H1 2009
Operating profit	49.0	36.1
Depreciation	5.9	7.2
Intangible amortisation and share-based payment	0.9	1.2
Working capital	(6.9)	6.3
Cash flow from operations	48.9	50.8
Tax	(8.2)	(5.8)
Net cash flow from operating activities	40.7	45.0
Net interest income	0.3	0.3
Net capital expenditure	(7.6)	(4.6)
Free cash flow	33.4	40.7

- Closing cash of \$183.3 million
- Free cash flow of 4.96 cents per share
- Investment in the business for growth

Dividend & EPS

- EPS
 - Basic EPS rose 12% to 5.08c
 - Adjusted basic EPS 4.92c; increase 36% at constant 32% tax rate
- Ordinary dividend
 - Maintain high dividend cover
 - Sustainable, progressive dividend policy
- Interim dividend up 18% 1.10c per share
 - Payable in £ (at \$1.59:£1) 0.69p per share (2009: 0.55p)
 - Increase 25% in sterling terms
 - Total cash \$7.4 million
 - Dividend cover 4.5x

Strategy update and outlook

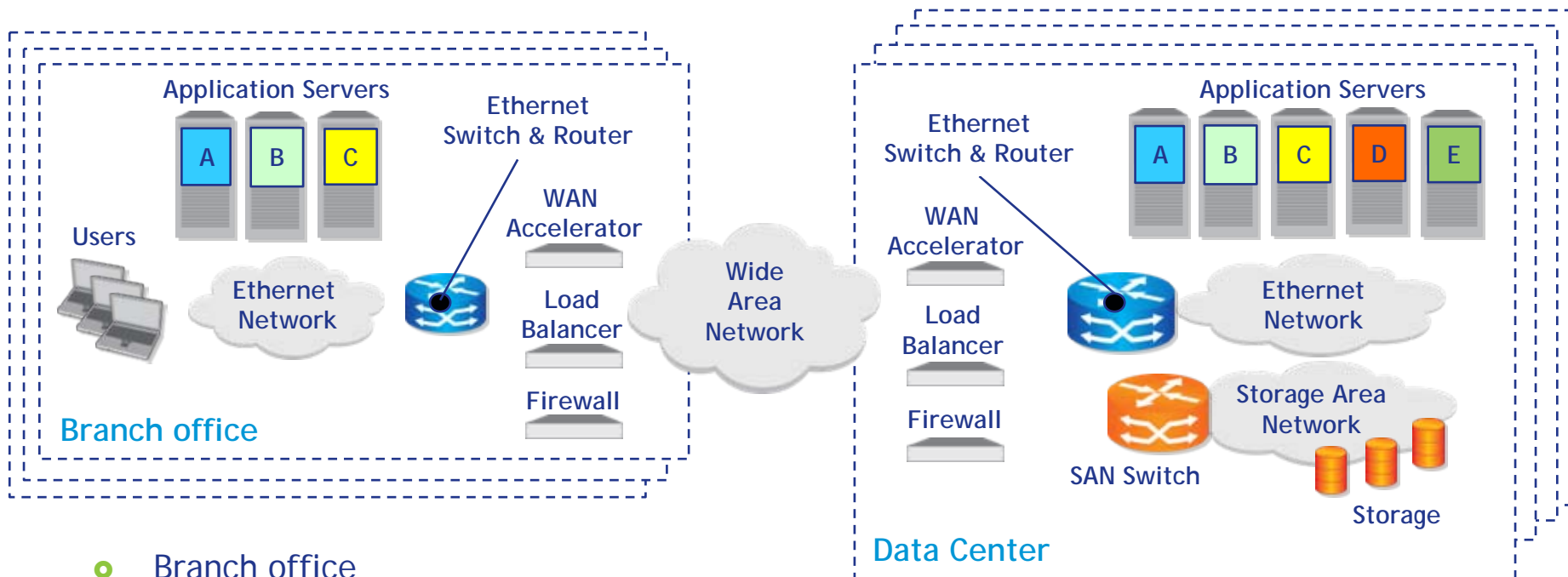
Bill Burns, Chief Executive Officer

Our strategy



Data center consolidation overview

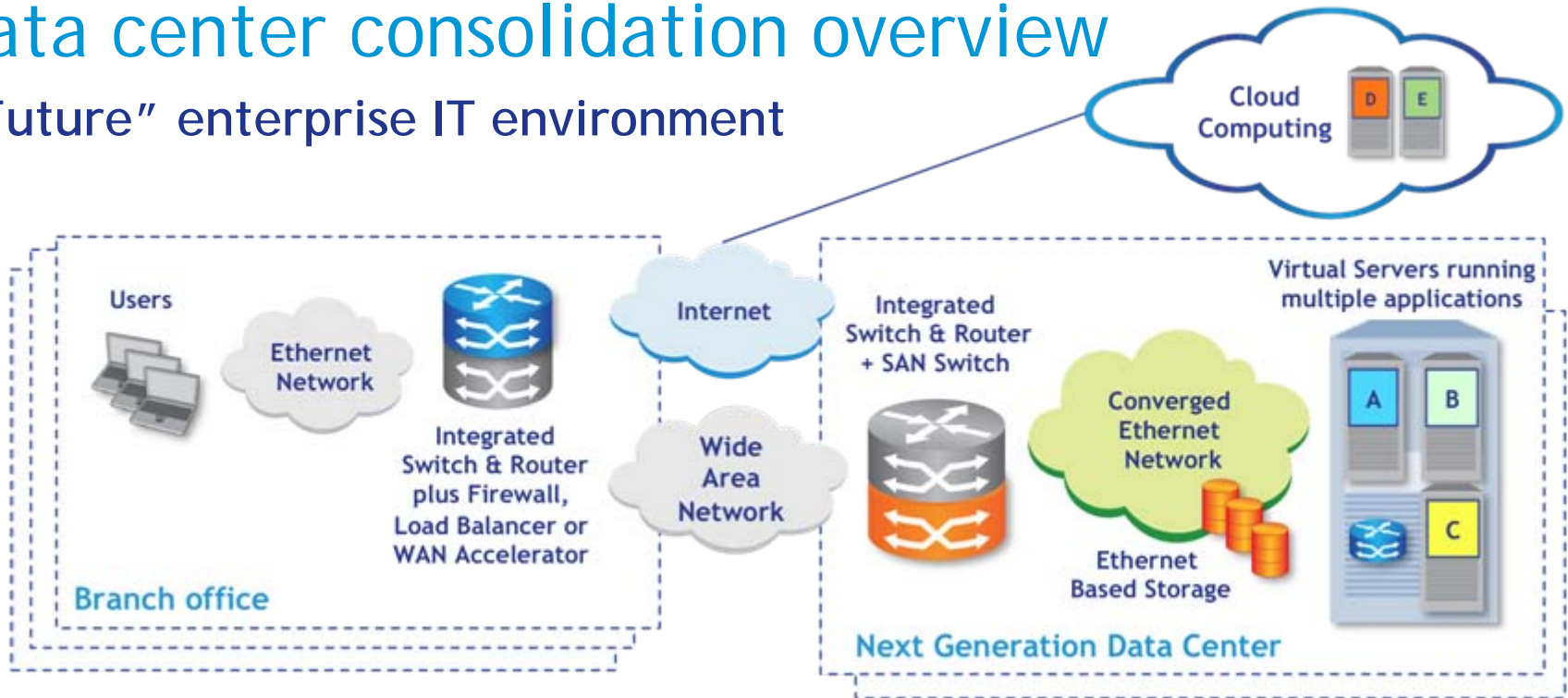
“Current” enterprise IT environment



- Branch office
 - Application servers decentralized, difficult to manage, update and secure
 - Required functionality delivered by multiple network elements
- Data center
 - Need to manage and maintain two separate networks - Ethernet and Storage
 - Low utilization of server resources
 - Applications delivered by internal resources

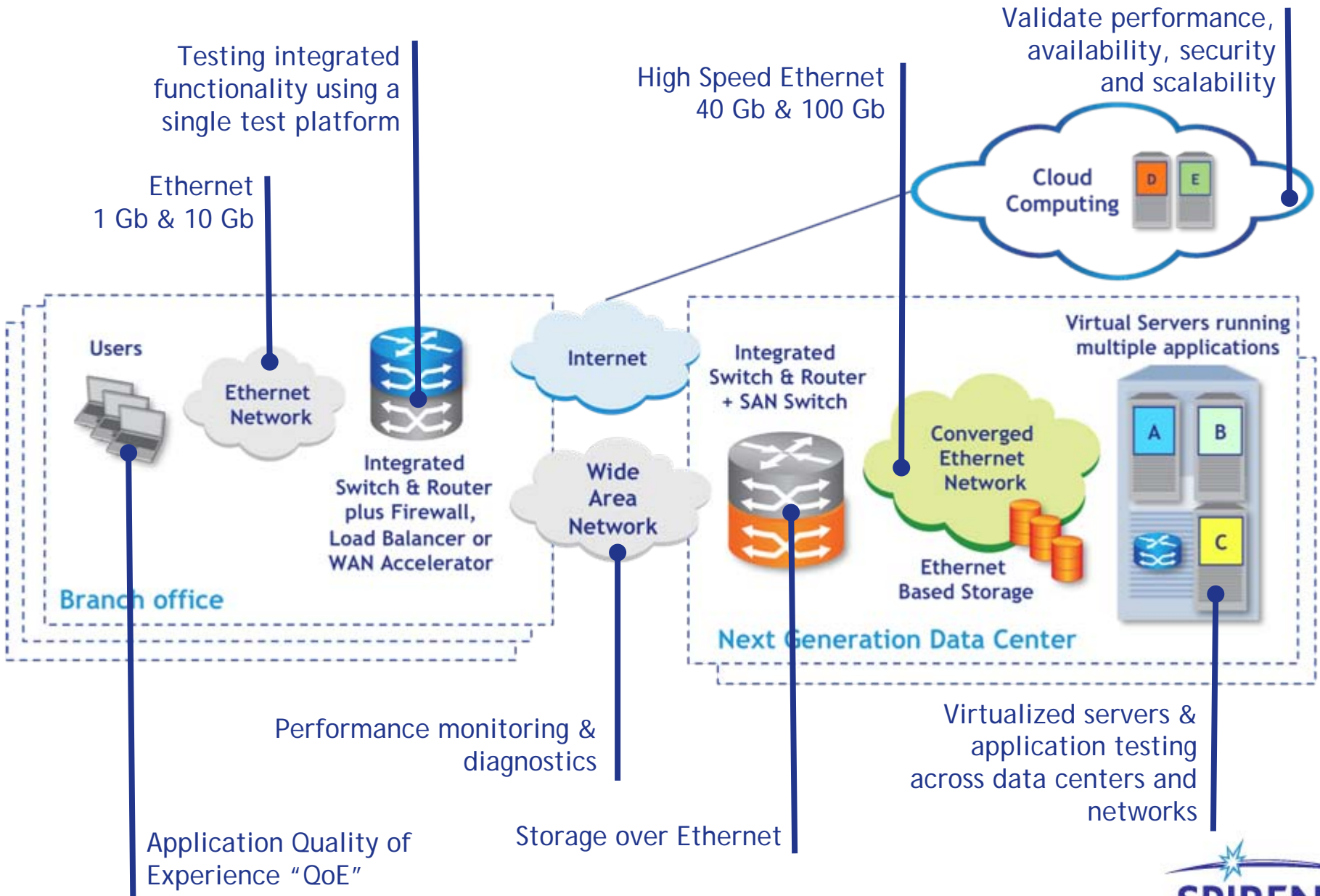
Data center consolidation overview

“Future” enterprise IT environment



- Branch office
 - Application servers moved to data centers making them easier to manage, update and secure
 - Integrated network elements deployed to simplify management and reduce cost
- Data center
 - Storage over Ethernet eliminates need for dedicated Storage network
 - Virtualized servers and network elements to improve utilization of data center resources
- Cloud computing
 - Applications hosted externally and delivered over the Internet

What we test with Spirent TestCenter?



Executing on our data center strategy

Focus on growing and emerging markets

- High Speed Ethernet market growing 18% annually⁽¹⁾
- Cloud computing market growing 25% annually⁽²⁾

Investing in our solutions portfolio

- Industry's most comprehensive data center testing solution
- Test coverage of all emerging technologies

Innovations

- Industry 1st virtual application test solution
- Industry 1st test methodology for cloud computing

'Right Solution' at the 'Right Time'

- Most cost effective, highest density 40GbE test solution
- A leader in Ethernet, cloud & virtual testing

Global reach

- Leveraging our global presence
- Customers: Chip, NEMs, Service Providers & Enterprise

Summary & outlook

- Positive momentum across the communications industry over the last three quarters
- Spirent is a substantial test and measurement company now beginning to realise its potential
- Developing new innovative solutions, while thoughtfully managing costs
- Best in class profitability now coupled with top line growth
- Well placed to achieve profitable growth during the second half-year



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Communications