

Welcome to InfoVista's third quarter results for the fiscal year 2008/2009 conference call. At this time, all participants have been placed in listen-only mode. Later, we'll conduct a question and answer session, for which we will provide instructions at that time. As a reminder, today's call is being recorded and may not be reproduced without written permission from InfoVista. I'd like to hand over the call now to InfoVista's Investor Relations Manager, Karena D'Arcy. Please go ahead.

KDA : Thank you Operator. And welcome everyone to our call. With me today are, Philippe Ozanian, CEO and David Forlizzi, CFO. Before we begin, please be reminded that the comments made on this call and the responses to your questions may contain forward-looking information. These statements are subject to risks and uncertainty as described in our press release. You can find our press release at infovista.com. Now, Philippe, could you begin, please.

Philippe Ozanian

Thank you, Karena.

Although our top-line results, like many others in the industry, show that we have been impacted by the current economic crisis, we have also demonstrated our resilience and our ability to respond quickly to the challenging environment.

Let me start by emphasizing what I believe are encouraging signs for the future:

First, in the past quarter, we have reduced our operating costs year-on-year by **24%**. This has triggered a net result of **10%** excluding restructuring costs. On this particular and important achievement, I will let Dave provide you with the details in a moment.

Second, and even more importantly, this quarter we have introduced industry first solutions that leverage the technical assets we have acquired, through Accellent, just over a year ago. InfoVista is now the only software vendor to provide a truly unified platform for Infrastructure and Application performance. We expect quick adoption of this new solution by our existing customers and have received encouraging signs from those to whom we have already presented these

new products. I will provide more details on these new offerings in a few moments but before I do, I'd like to spend a little time reviewing some of the key operational highlights of the past quarter.

Total revenues in the March quarter were **10.9 million euros**, a decline of **11%** from the comparable quarter a year ago. This decline is primarily due to the delay of a few large projects in the United States and in EMEA. The good news is that since the end of March, we have received some of these delayed deals. And this gives us a solid foundation going into the current quarter. Our total service revenues represented a solid base of **5.8 million euros**. This should not be overlooked when considering InfoVista in terms of investment opportunity. Let's not forget that we enjoy a loyal customer base, mainly composed of Fortune 500 companies. Having a solid recurring multimillion revenue stream, quarter after quarter, is something that should not be discounted these days!

So let's now take a look at our operational performance by region. Total EMEA revenues in Q3 stood at **5.4 million euros**, or 49% of the total. EMEA revenues were down 13% from the same quarter a year ago as a result of a slowdown in our traditional markets in Europe. As you know, we have been strategically targeting our sales efforts in emerging markets over the past quarters, and these generated sustained revenues in Q3. In these regions that encompass Africa, Eastern Europe and the Middle East, we continue to see good momentum. Our customers and prospects there recognize that InfoVista's leading position amongst the Global Service Providers makes its solution truly carrier-class. This is why, despite fierce competition and no real presence on the ground in the different territories I've mentioned, we regularly beat the competition.

In the Americas, business has remained difficult, especially in the United States, as a result of lengthening sales cycles, postponement of projects and tougher market conditions across the board. Total revenues amounted to just **4.4 million euros**, representing a **14%** decline from the comparable quarter a year ago. However, and as I said earlier, we have seen a few deals coming in since the beginning of April, giving us confidence that we will show a better performance in the Americas in Q4.

In Asia Pacific, revenues amounted to **1.1 million euros**, representing a **19%** year-on-year increase.

Let me now speak about the new offerings we have recently announced.

With the launch of VIN3.1, our flagship product, we introduced specific features for the mobile and the broadband markets. This expands our reach into the mobile data service market and enables our customers to increase visibility into triple play access network through our broadband pack. To date these two new modules have received significant levels of interest. Despite the fact that the sales cycle is traditionally 9 to 12 months, we have already booked our first Broadband knowledge pack customer in the past quarter.

Today however I'd like to speak about the next exciting episode in our offering specifically targeting the Business Services market, namely the managed service market or MSP.

Most of our MSP customers are benefiting from solid and significant revenues from their managed VPN services. However, they have started to see price erosion and realize that providing a plain-vanilla VPN service is no longer enough. Their clients need more such as visibility to manage the quality of the hundreds if not thousands of applications they are running over their IP-based VPN and WAN networks. These clients are also under constant budget pressure to operate in a "do more for less" environment. Thus, maximizing bandwidth cost, getting more for less is important for them and WAN optimization solutions offers a method to achieve this.

We believe that these drivers have given rise to an opportunity for MSPs to "up-sell" on top of their traditional network offerings with application-aware services. Application usage visibility over a VPN and WAN optimization are two areas that could help our MSP customers defend margins and revenues. In the current economic environment providing such a benefit is certainly essential for the adoption of a new technology. How does it work? Our "Advanced Business Services" encompasses two solutions: one that provides Traffic analysis or application usage visibility, the second supplying visibility, monitoring and

reporting capabilities on a WAN-optimized network. Each can be offered separately or they can work jointly, complementing one another.

The uniqueness of our Application Usage Visibility solution derives from our ability to provide seamless integration between infrastructure performance and application performance monitoring. The infrastructure performance element is based on VistaFoundation while the application performance monitoring comes from 5View, the two legacy components now being perfectly integrated. Using this solution, an MSP will provide to its clients a single view of application and infrastructure performance. The integration of these two elements was carried out to meet the specific requirements of one of our largest MSP customers so as to ensure carrier-class qualification. This MSP has now also become the first customer for our new solution.

The next addition is the application optimization manager solution. This product addresses the fast-growing market for WAN Optimization, and in this release we are supporting specifically Cisco's Wide Area Application Services (or WAAS).

These two solutions, regrouped under the umbrella of Advanced Business Services, are primarily aimed at further leveraging our installed base, providing them all the benefits of our 5View appliances, plus our new software solution for application usage visibility and our new software solution for WAN optimization. Needless to say that for our prospects, our value proposition will augment and thus the competitiveness of our solutions will be significantly enhanced as a result of these innovations.

Let me end with a quick comment on our recently announced partnerships. We continue to invest time and resources in the development of our Cisco and Tektronics partnership agreements. I was pleased that we received a first order from Cisco CSC division, whereby Cisco will use InfoVista software for performance management reporting. This is the first step in leveraging the Cisco partnership. The team and I are working diligently to create additional streams of revenue to benefit next fiscal year.

With that, let me hand the call over to David to review our financials for the quarter. Dave, please?

David Forlizzi

Thank you Philippe. And good morning and afternoon to everyone.

With today's earnings announcement, you will have seen that our hard work is already paying off. An operating margin of 10%, excluding restructuring charges, is a solid achievement for InfoVista, especially considering the tough economic environment. Now let's go through the key points of the quarter:

Total revenues stood at **10.9 million euros** in Q3, a decrease of **11%** compared to last year's third quarter. While service revenues continued to grow, license revenues dropped from **6.9 million euros** in the third quarter of last year to **5.1 million** in the quarter. License revenues in our EMEA region benefited from emerging markets such as Czech Republic and Tunisia; conversely mainland Europe suffered from the economic slowdown. Our Americas region also continued to be negatively impacted by the downturn in the United States, while Asia posted stable results, sustained by a large deal with an Australian telecommunication operator. In addition, Q3 revenues included **1.5 million euros** of license revenues from the multi-year contract with Microsoft. For your information, this contract shall conclude in Q4 of this fiscal year with a last piece recognized for \$1 million.

Despite the slowdown in license activity, services revenues increased by **10%** year-on-year to end the quarter at **5.8 million euros**. Maintenance revenues make up the majority of service revenues that supported this overall increase. Our solid maintenance revenue base underscores the importance that our customers give to our technology and service. It provides a sound level of sustainability in our overall business model. Another point worth mentioning is that consulting revenues increased by 30% compared to last quarter, which demonstrates the benefit from our push in selling additional services to our existing customer base.

Moving along, gross margin was 76% in the third quarter, compared to 80% last year. Gross margins have been impacted mainly by the higher mix of service revenues in the quarter.

With respect to our operating expenses, they were dramatically reduced in the third quarter, especially compared to the same quarter a year ago. Excluding restructuring charges of **1.5 million euros**, operating expenses dropped by more than 24% year-on-year to **7.3 million euros** a year earlier. Every operating cost line item decreased this quarter to achieve InfoVista's lowest amount of quarterly operating expenses, since fiscal year 2005. In January, the company announced the launch of a cost-reduction program aimed at generating savings of approximately €3 million on an annual basis. This plan reduced InfoVista's workforce by approximately 30 positions or 12% of the Company's worldwide headcount. The cost of this program fell in line with our guidance provided 3 months ago, which was **1.5 million euros**. As of March 31, 2009, 0.7 million of the 1.5 million euro charge has already been paid.

Furthermore, year-on-year sales and marketing expenses were reduced by almost 30% to **3.6 million euros**, representing **33%** of total revenues. The cost reduction plan fully impacted selling & marketing costs in the third quarter.

Moving to R&D expenses, the restructuring plan will enable us to reach a quarterly level of approximately **2.5 million euros** starting in Q4. This is an impressive reduction, as compared to the almost **3 million euros** quarterly run rate that we've been averaging in recent quarters. The cost reduction program had minimal impact on Q3, the **22%** year-on-year drop to **2.1 million euros** primarily stems from our ability to secure nearly **600 thousand euros** of additional government R&D funding for calendar year 2008.

Last of all, G&A expenses declined by 14% year-on-year to amount to **1.4 million euros**, representing 13% of total revenues. This compares to **1.6 million euros** in the third quarter a year ago. With tight cost management, we have been successful in squeezing out further cost reductions in the quarter.

To wrap things up from an operating perspective, we recorded operating profit of 10% or **1 million euros** for third quarter, excluding the restructuring charge of **1.5 million euros**. This exceeds the 6% annual objective that we have provided at the beginning of our fiscal year.

With regards to the financial income and cost section of our income statement, we recorded **110 thousand euros** of investment income.

Therefore, our bottom line result was **1.2 million euros** (excluding restructuring charges), as compared to a net loss of **2.2 million euros** in the same quarter last year. I remind you that the net loss for the quarter last year included **2.5 million euros** of financial losses on certain investments that were impacted by the US subprime crisis.

Now, I would like to cover a few key points on our March 31 balance sheet. First, cash and cash equivalents, and financial assets remained stable in the quarter at **23 million euros**, despite **0.7 million euros** of cash spent on the restructuring plan.

Our receivable balance at the end of the quarter of **11.2 million euros** resulted in a DSO of 92 days for the quarter as compared to 97 days at the end of Q4 last year and 70 days at the end of Q3 last year. With a greater portion of revenues coming from emerging countries, we are experiencing slightly slower payment terms. However, we don't expect any payment difficulties and we have not raised our bad debt provisions at the end of March.

So, to sum up, despite the fact that revenues have fallen short of our expectation for the fiscal year due to the tough environment, we were able to significantly reduce operating costs through a well-executed cost reduction plan.

We are well on our way to achieving – and maybe even surpassing – our annual 6% operating margin objective, excluding restructuring charges.

Well that about concludes the financial highlights for the quarter, now Philippe and I will be pleased to take any questions you may have for us. Operator, can you please provide instructions for the Q&A session?

After the Q&A session - Philippe

Thank you Operator. And thank you everyone for attending and your continued support for InfoVista. As always, we are available to respond to your questions, so feel free to contact any one of us. Good afternoon and morning everyone and enjoy the rest of your day.