InfoVista SA
Q3 FY07/08 Financial Results
Conference Call Script
May 6th 2008

Philippe Ozanian

Thank you Karena and good morning and afternoon everyone.

Q3 has been another step in the turnaround of our company. We have achieved top line growth and positive operating result that are above our previously announced objectives. Furthermore our new acquisition, Accellent, has performed according to plan.

This good performance, however, was affected by a substantial financial loss due to the further depreciation of our investment in money market funds. On the other hand, we are confident that we will not see any further depreciation after this one.

Before providing you with more details on that, let me first start by reviewing our top line performance.

Q3 total revenues rose to 12.2 million euros, up 8 per cent sequentially and 27 per cent year on year. On a constant dollar basis, total revenues would have increased by 34 per cent to 12.8 million euros. Our recent acquisition, Accellent, provided 1.2 million euros in revenues. Excluding this contribution, InfoVista would have still produced a 15 per cent growth year on year. Normalized from the dollar effect, the growth would have been 22 per cent. These results demonstrate the continued improvement of our operations from a purely organic standpoint.

As we drill down into the revenue drivers, you will see that licenses at 6.9 million euros now represent the majority of our revenues. This also represents a significant growth of 50 per cent against last year's performance. And on a constant dollar basis, growth was 57 per cent.

Excluding the contribution from Accellent, our license performance this quarter remains strong, with licenses at 6.1 million euros, representing more than 30 per cent growth as compared to last year and more than 40 per cent on a constant $ basis.

Total service revenues for the Group stood at 5.3 million euros, representing a 6 per cent year-on-year increase. On a constant dollar basis, total service revenues for the Group would have been 5.6 million euro or 12 per cent increase. We expect service revenues to improve on a sequential and year on year basis next quarter. Please bear in mind that more than 75 per cent of our service revenues are from maintenance and a significant number of maintenance contracts are expressed in $ terms. Therefore a persistent decline of the US dollar will affect maintenance revenue growth despite continued high renewal rate. Professional Services represent approximately 20 per cent of Service revenues. They stood at 1.3 million euros in Q3 and on a constant dollar basis, total professional Services revenues would have grown 30 per cent year-on-year.

Now let’s go to key deals and the performance in the regions.

Total Revenues from EMEA reached 6.2 million euros as compared to 4.2 million euros the same period last year. The 2 million euros increase in licenses was partly due to the contribution from Accellent operation for roughly 0.9 million euros. From a purely organic standpoint, EMEA licenses grew by more than 20 per cent, boosted by a million euro deal won in Germany at Telefonica O2 and repeat orders from existing customers such as Cable and Wireless and France Telecom. We are also increasing our footprint at Vodafone, a long-term customer of ours, by providing our solutions to their operations in Egypt.

In the Americas, Q3 revenues amounted to 5.1 million euros versus 3.8 million euros a year ago. The increase is even more impressive on a constant dollar basis as the revenues increased 50 per cent from 5 million dollars to 7.5 million dollars. If we bear in mind that the Microsoft contributions in each of these two quarters were similar at 2 million dollars, the turnaround of our activities in that region is evident. This performance in the US is in line with our expectations and previous guidance.

I want to illustrate this performance with 2 major wins of Q3. They are very different in nature and size but will provide a clear indication of what we can accomplish in that region.

First is a multi-million deal secured with a new customer: Embarq. Embaq is a Service Provider headquartered in Kansas and was seeking a customer-reporting solution that supports Metro Ethernet technologies. Our Carrier Ethernet thought leadership and the superiority of our ViN Solutions were determinant in that win. The second deal that I'm sure will be interesting to you is a renewed order from Microsoft that is outside of the multi-million dollar deal that we'd previously signed with them. Although the total order is relatively small at less than 200 thousand dollars, it is worth mentioning as our first sale of Accellent product at Microsoft. This deal speaks to the strength and capability of the Accellent technology. It also demonstrates the potential of the 5View product line for InfoVista as we leverage our installed base. Finally, it shows that 5View can benefit from international expansion.

In Asia, our Q3 performance was modest at 1 million euros, down from 1.5 million euros a year ago.

Telekom Malaysia and SingTel were two major wins but we are not fully satisfied with the progress made over the past quarters in that part of the world. We have made various changes, including recruiting a new leader for Asia Pac.

Let's now review the main lines of our cost structure.

First our cost of sales, composed of cost of licenses and cost of services stood at 2.4 million euros, yielding a gross margin of more than 80%, slightly above our 3-year strategic plan objective.

Now, looking at sales and marketing, you will notice both a sequential and year on year increase. This expected increase is mainly due to the consolidation of Accellent into our P&L in Q3, for an additional 600 thousand euros. We have also incurred further sales and marketing expenses due to the Embarq deal that yielded referral fees to Accenture. In percentage of total revenues, sales and marketing expenses stood at 42 per cent which is higher than our objective of 38 per cent. However, our year-to date sales and marketing expenses remain roughly in line with our full year objectives.

R&D expenses increased year-on-year to 2.6 million euros representing 22 per cent of total revenues and a 24 per cent year-on-year increase. Investing in R&D is critical to the success of our company and Alain will be providing you with more details in a minute.

G&A expenses totaled 1.6 million euros representing 13 per cent of total revenues, versus 19 per cent last year.

Now let’s have a look at the bottom line. For the third quarter in a row, our operating results have been positive at roughly 200 thousand euros. On a year to date basis, operating results before amortization of intangibles stood at almost one million euros. Therefore, in nine months, we‘ve met our target for the full year.

Now let me spend some time in explaining our net result performance and what you should expect going forward.

In Q3, we incurred a financial loss of approximately 2.4 million euros primarily due to a further write down in investment made in money market funds affected by the US subprime crisis. As the market remains illiquid, the depreciation is primarily the result of the liquidity stress applied by the manager to our holdings in these money market funds taking into account the overall difficult market conditions. As of March 31st, we have approximately 4.2 million euros still blocked in these money market funds. However, we do not expect further depreciation in the future as we strongly believe that at 4.2 million euros, our assets in these funds are fairly valued and that we shall recover at least this amount as soon as the markets become liquid.

With regards to our balance sheet, let me first mention that cash and cash equivalent, excluding non current financial assets, stood at 21.8 million euros which is a significant increase from Q2’s 17.2 million euros. This is mainly due to a high cash collection, which by the way also explains our low DSO at 70 days.

Before handing the call over to Alain, let me conclude with the decision made by our Board of Directors last week to cancel 500 thousand shares held in our treasury. Our Board also gave their approval to pursue a buyback program to purchase up to 800 thousand of our own shares. Now let me turn the call to Alain for additional information and remarks on InfoVista's products and business strategy. Alain, please?

Alain Tingaud

Thank you Philippe. I want to talk to you briefly about our progress in the implementation of our strategy this quarter.

But before I do this, I'd like to add a few words on the mention that Philippe just made of our Board of Directors meeting last week. In addition to the re-launch of our share buyback program and to the decision to cancel 500 thousand treasury shares, the non-executive board members have also committed to holding at least 15,000 shares each. Philippe and I, who are the two executives on the board, have also decided to reinforce our respective positions.

Four quarters ago, we launched our **Transformation and Execution Plan** and it is delivering the expected results. This is very much due to our Employees, who have ensured that the **Transformation** is in progress everywhere within InfoVista. Let me stress the three main achievements of Q3:

- **A growth rate of 27%** compared to the same quarter last year, which becomes an even more impressive **34%** if adjusted for the changes in the Euro versus dollar exchange rate
- **The acquisition and integration of Accellent** has been completed in less than 5 months and its Q3 Top Line at **1.2 million euros** has been above our guidance
- We've also achieved our third consecutive quarter with a positive Operating Margin Operating Margin of **0.2 million euros in Q3 or 0.8 million euros** for the first nine months of our current fiscal year

Now let me briefly review our progress with the Product Roadmap that will sustain our Execution plan and also bring innovation to InfoVista's solution portfolio.

1. ***Expand our addressable market***

Our **VistaInsight for Networks or VIN3.0** available since December 2007**,** is confirming its tremendous business value in the NGN Carrier Ethernet market; we are far ahead of the competition in terms of performance and available features as well as in terms of equipment vendor KPIs supported right out of the box by our solutions.

Our new version of **VistaInsight for Networks 3.1** is under development and is targeted to be in Beta for September 2008. General availability for customers is forecast in the last quarter of this calendar year**.** It will include major Enhancements and more End to End Infrastructure Coverage.

Here are some Highlights

- **On our NGN/Carrier Ethernet offering**
    - We will integrate Cisco Ethernet OAM and Adva Etherjack probes for accurate Service Reporting
    - We will support Tellabs multi-service 88xx routers on Device/Interface/OSPF/MPLS reporting
    - We will enhance our Cisco support for CBQoS
- **On Triple Play Services ,we will provide KPI's for**
    - Juniper ERX series
    - Huawei/Alcatel DSLAM
    - Cisco PIX (Firewall) with Device, Interface and connection KPIs
- **For the Mobile market, we will introduce**

- The coverage of New devices like **Ericsson** GGSN and SGSN and **Cisco** Content Service Gateway
- We will propose Features such as
  - Service Level Reporting (for example the blackberry) for error, performance and utilization counters
  - Correlation & drill down to the underlying IP path performance
  - **Topological sectionalization** for enhanced troubleshooting
  - Roaming data session KPIs
  - Monitor billing processes of Cisco Content Service Gateway

And we will offer **Out of the Box Portal Page Packages for mobile operators**

2. *Unlock our VistaFoundation Technology Value*

Over the coming quarters, we will leverage our Technological Platform with new solutions. Access for our Partners and Customers to develop their own solutions based on our VistaFoundation will also be facilitated.

A number of complementary products initiatives are currently in progress

- **VistaBridge TX** is a new mediation software that will allow us to build solutions for CDR management and Troubleshooting. VistaBridge TX is the result of the overwhelming request from all our Service Providers
- **VistaAPI** is a new standardized**, Web Services API that provides** access to our high valuable repository of Information and KPI's
- **A new release of our Core Platform** will include Major enhancements targeting **ease of use** and other critical improvements to reduce **cost of ownership** like **ad-hoc reporting**

Our **new solutions for Operations: VistaInsight for Operations** (VIO) will benefit from all what we have just described. It will propel InfoVista into the Service Providers Operations by providing a unique solution for Performance problem troubleshooting on sensitive services like VoIP and IPTV.

VIO VistaInsight for Operations will deliver

- Service performance problem detection
- Root Cause Analysis workflows using time base correlation and a unique service model
- Service impact analysis, to help operator prioritize work
- External event integration and
- Advanced troubleshooting Procedures

Reflecting our R&D priorities, we have pushed back the launch of VIO until December 2008, with general availability scheduled for the first quarter of 2009.

3. Engage InfoVista in Services

As we've already mentioned, there has been huge demand for new Services based on our VistaInsight Solutions and 5View Products by our customers.

We have also recently presented our Managed Service offering in the US to one or two major Service Providers, who have shown interest in this solution, and we expect a POC during this quarter.

Our services strategy is on track, and we're working on a number of developments that we'll be talking about with you next quarter. However, we are first and foremost a software company and we're developing our service strategy cautiously to preserve our margins.

4. Reach Critical Mass

Accellent with its 5view products has opened access for InfoVista to Services and Applications as well as Traffic Analysis and Management capabilities.

Phase 1 has been completed where 5View product interface integration has been released and now our Customers can access Traffic and Application Management User Interface through our InfoVista Portal.

We are now working on **Phase 2** which is about collecting and storing 5View Data and Alarm for services, traffic and applications in our central repository.

During Q3, a team of four new employees has been put in place. They are already up and running as an extension to our Sales and Marketing resources to deliver our 5View appliances through new Channels in both EMEA and Americas. We expect to sign around 10 Resellers in the US and 5 in EMEA during Q4. We are also expecting our first Orders from our International Channels.

Now allow me to conclude with the outlook;

Despite the decline of the US dollar against the euro and the expected economic slowdown we may go through over the coming quarters, we are confident that our TEP Plan will ensure we reach our overall objectives for this fiscal year.

For this June quarter, if the dollar remains more or less at current levels, we expect total revenues for InfoVista Group, including our Accellent Business Unit, to be in the range of **11.5 to 12 million** euros. For the fourth quarter in a row, **operating profit should be positive**, therefore, the Company expects to beat its TEP (Transformation and Execution Plan) operating margin objective for the full fiscal year of **2%**.

With that Philippe and I will be pleased to take any questions you may have. Operator?