

This is InfoVista's conference call announcing the financial results for the third quarter of fiscal year 2011. Joining us today on the call are Philippe Ozanian, InfoVista's CEO and David Forlizzi, CFO. 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 Mr Ozanian. Please go ahead.

Philippe Ozanian

Thank you Operator. Welcome everyone to our call. Our third quarter results announced today, confirmed that we are clearly engaged on the path to sustained profitable growth. Indeed, over the past 9 months, InfoVista not only grew its license revenues, but have also doubled its operating margin. But before drilling into the details about our third quarter performance, allow me to remind you that the comments made on this call and the responses to your questions may contain forward-looking information. All our statements are subject to risks and uncertainties as described in our press release and annual report that you can easily find at infovista.com.

So for Q3, total revenues grew by **9 percent** year-on-year to reach **11.6 million euros**. Our software product revenues grew by **15 percent** year on year. Operating results almost doubled, growing by **83 percent** as compared to the previous year to **1.0 million euros** or **9 percent** of total revenues.

Over the last nine months, total revenues grew by **12 percent** while license revenues grew by **27 percent**. On a year-to-date basis, operating results reached **2.6 million euros**, more than doubling as compared to the same period a year ago. It now represents **8 percent** of total revenues. With these solid nine months results, we are surely on track to achieve our fiscal year objective of **47 million euros** in total revenues and a **7 to 10 percent** operating margin.

Before letting Dave provide more specific financial details, I would like to highlight a few points on our performance in Q3.

First, we continued to see positive traction from our partnership with Cisco, who resold our software to one of their new customers in West Africa that has selected Cisco's IP NGN solution. I'm mentioning this deal to illustrate one of the benefits we expect to get

from that partnership which is to expand our reach in territories and to customers that we cannot tap with our existing limited direct sales force. As you know, we have around 16 people carrying a quota on a worldwide basis, therefore partnerships are important to us to extend our worldwide scope.

To continue on our partnership with Cisco, I should also mention here that InfoVista was chosen in Q3 by a large European Service Provider to assure the performance of Cisco's Hosted Collaboration Solution, HCS. InfoVista was part of the reference architecture that includes Cisco HCS, VMware for the virtualization platform and EMC for the storage.

Q3 was also marked by the success of our recently launched mobile solution and I would like to take this opportunity to remind everyone about our mobile strategy.

Over the past years, we have seen the increasing relevancy of IP technology in the mobile network and the prominence of data explosion. As such, InfoVista has taken steps towards meeting the markets' demands. First, we extended our network performance visibility to all the mobile infrastructure, including the radio access components. This extension allows mobile operators to standardize on a single network performance solution. In Q3 we have proven the success of this strategy by securing a sizable deal to assure the performance of the backhaul of a large mobile operator in Africa. The inevitable transition from a stable and legacy technology such as TDM to a next generation IP Ethernet infrastructure demands a deep comprehension of the technology deployed. InfoVista works with Service Providers around the world to assure performance of Ethernet based services provided by leading equipment vendors such as Cisco, Alcatel Lucent, Juniper, Huawei and Adva Optical. No doubt that Ethernet is the technology of choice for next generation mobile backhaul and InfoVista has everything to support that fast growing demand.

Continuing on our mobile strategy, as you know the explosion of mobile data services has made it imperative for service providers to ensure positive subscriber experience. Thus, we've also evolved our deep packet inspection offering to get insight into the subscriber experience, browsing behaviors and application usage. This solution, available since last summer, has seen strong interest from our existing customers especially in emerging countries.

To conclude this quick overview on Q3, I'd like to ensure everyone that although we are pleased with our license growth so far, we continue to closely manage our business

model to produce solid operating margin. With that said I would like to hand over the call to David for additional comments on our financial performance.

David Forlizzi

Thank you Philippe. And good morning and afternoon to everyone. As mentioned by Philippe, InfoVista provided solid results in the third quarter with **15 percent** year-on-year software product revenues growth and operating margin improvement of **83 percent** over the same period last year. With one more quarter left to our fiscal year, we remain confident to achieve fiscal year 11 objectives at both the topline and operating margin level.

So let's cover some details on the third quarter. Total revenues were **11.6 million euros** for the third quarter, representing a **9 percent** increase compared to last year. Software product revenues stood at **4.6 million euros** for the third quarter, up **15 percent** compared to the same period last year. Third quarter maintenance service revenues of **5.6 million euros**, increased **9 percent** as compared to last year, while other service revenues were **1.4 million euros**, compared to **1.5 million euros** a year ago. We continue to enjoy recurring business from our installed base that provides predictable revenues and margins each quarter.

On a regional basis, emerging markets, especially in Africa, lifted EMEA revenues by **16 percent** year-on-year in the third quarter. EMEA revenues amounted to **6.7 million euros** or **58 percent** of total revenues. Asia-Pac total revenues rose by **18 per cent**, ending at **1.9 million euros** or **16 percent** of total revenues for the quarter. Asia-Pacific revenues bounced back from a significant software deal booked with an incumbent service provider in Southeast Asia. Lastly, America's revenues for the third quarter amounted to **3 million euros** or **26 percent** of total revenues. Although America's revenues were down **8 percent** year-on-year for the quarter, America's revenues are up **22 percent** on a year-to-date basis as compared to last year.

Next, gross margin came in at **79 percent** of revenues, up **3 points** from last year's third quarter. Higher mix of software revenues that carry higher margins of around **95 percent** boosted overall gross margins for the quarter. Going forward, we continue to expect gross margins to remain strong at around **78 percent**.

In regards to operating costs, research and development along with general and administrative costs remained relatively flat in the third quarter as compared to last year, while decreasing as a percentage of revenues for a combined **3 percentage** points. Research and development costs stood at **2.2 million euros** or **19 percent** of revenues, compared to **20 percent** of revenues a year ago. General and administrative costs were **1.6 million euros** or **13 percent** of revenues, compared to **15 percent** a year ago. As we've done for the past 2 years, we continue to peg these costs at their current levels.

Sales and marketing costs were **4.2 million euros** for the quarter, representing **36 percent** of total revenues. This increase once again comes from higher personnel costs from headcount and commissions. We continue to target, for this fiscal year, around **35 percent** sales and marketing costs as a percentage of total revenues.

So, InfoVista booked **1 million euros** of operating income for the quarter, a remarkable improvement of **83 percent** as compared to last year's third quarter. This represents a **9 percent** operating margin. Since we've put profitability at the forefront of our operating plan a few years ago, we've demonstrated our ability to execute on it.

So to sum things up for the third quarter P&L, we recorded a net profit of **0.8 million euros**, as compared to a net profit of **0.7 million euros** last year. As you'd noticed, Net Profit is lower than operating income improvement as we have incurred financial charges for **80 thousand euros**, as compared to **180 thousand euros of** financial gains last year. Significant swings, especially with the US dollar against the Euro, resulted in **129 thousand euros** of foreign currency transaction losses during the third quarter of this fiscal year.

Moving to our balance sheet, cash, cash equivalents, and short term deposits stood at **26.2 million euros** as compared to **25.8 million euros** at the end of the last quarter. **0.9 million euros** of cash was generated from operating and investing activities in the quarter, while **0.4 million euros** of cash was primarily used to repurchase treasury shares. Our receivables continue to remain clean, with a DSO of **93 days** for the third quarter as compared to **105 days** a year ago.

Well that about covers the main points. Philippe and I will be pleased to take any questions that you may have. Operator, can you please provide the instructions for the Q&A session?

After the Q&A session - Philippe

Thank you Operator.

And thank you everyone for attending this call and your continued support for InfoVista.