



**SEMI-ANNUAL REPORT**  
**DECEMBER 31, 2008**

## **CERTIFICATION BY THE PERSON RESPONSIBLE FOR THE SEMI-ANNUAL REPORT**

I hereby certify, that to the best of my knowledge, the condensed consolidated financial statements for the period ended December 31, 2008 have been established in accordance with applicable accounting standards and give a true picture of the assets, liabilities, financial position and results of the Company and all companies included in the consolidation, and the semi-annual report of activity herewith presents an accurate picture of important events that occurred during the first six months of the fiscal year, of their impact on the accounts, of major transactions between related parties and a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

CEO

Philippe Ozanian

**PART 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SEMI-ANNUAL PERIOD ENDED DECEMBER 31, 2008**

**INFOVISTA  
CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands)

|   | Note | As of                |                  |
|---|------|----------------------|------------------|
|   |      | December 31,<br>2008 | June 30,<br>2008 |
| <b>ASSETS</b>                           |      |                      |                  |
| Goodwill                                |      | € 9,268              | € 9,268          |
| Other intangible assets, net            |      | 2,265                | 2,660            |
| Tangible assets, net                    |      | 1,457                | 1,689            |
| Other non-current assets                |      | 1,209                | 680              |
| <b>Total non-current assets</b>         |      | <b>14,199</b>        | <b>14,297</b>    |
| Accounts receivables, net               |      | 9,476                | 11,993           |
| Other current assets                    |      | 1,725                | 1,641            |
| Financial assets                        | 6    | -                    | 4,173            |
| Cash and cash equivalents               |      | 23,128               | 17,751           |
| <b>Total current assets</b>             |      | <b>34,329</b>        | <b>35,558</b>    |
| <b>Total assets</b>                     |      | <b>€ 48,528</b>      | <b>€ 49,855</b>  |
| <b>EQUITY</b>                           |      |                      |                  |
| Issued capital                          |      | € 10,071             | € 10,449         |
| Share premium                           |      | 80,122               | 82,562           |
| Treasury shares                         |      | (2,373)              | (3,525)          |
| Currency translation differences        |      | (1,616)              | (1,997)          |
| Accumulated deficit                     |      | (51,213)             | (52,627)         |
| <b>Total equity</b>                     |      | <b>34,991</b>        | <b>34,862</b>    |
| <b>LIABILITIES</b>                      |      |                      |                  |
| Deferred revenues – non-current         |      | 546                  | 461              |
| Other non-current liabilities           |      | 272                  | 232              |
| <b>Total non-current liabilities</b>    |      | <b>818</b>           | <b>693</b>       |
| Accounts payables                       |      | 2,325                | 2,144            |
| Accrued salaries and commissions        |      | 1,802                | 2,036            |
| Accrued social equity and payroll taxes |      | 2,018                | 1,923            |
| Accrued VAT                             |      | 365                  | 432              |
| Deferred revenues – current             |      | 6,058                | 7,591            |
| Other current liabilities               |      | 151                  | 174              |
| <b>Total current liabilities</b>        |      | <b>12,719</b>        | <b>14,300</b>    |
| <b>Total liabilities and equity</b>     |      | <b>€ 48,528</b>      | <b>€ 49,855</b>  |

*The accompanying notes are an integral part of the consolidated financial statements.*

**INFOVISTA**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except for share and per share data)

|   | Note     | For the six months ended December 31, |               |
|---|----------|---------------------------------------|---------------|
|   |          | 2008                                  | 2007          |
| <b>Revenues</b>                             |          |                                       |               |
| License revenues                            |          | € 10,600                              | € 10,426      |
| Service revenues                            |          | 12,126                                | 11,139        |
| <b>Total revenues</b>                       | <b>5</b> | <b>22,726</b>                         | <b>21,565</b> |
| <b>Cost of revenues</b>                     |          |                                       |               |
| Cost of licenses                            |          | 542                                   | 404           |
| Cost of services                            |          | 4,526                                 | 4,165         |
| <b>Total cost of revenues</b>               |          | <b>5,068</b>                          | <b>4,569</b>  |
| <b>Gross profit</b>                         |          | <b>17,658</b>                         | <b>16,996</b> |
| <b>Operating expenses</b>                   |          |                                       |               |
| Sales and marketing expenses                |          | 8,112                                 | 7,907         |
| Research and development expenses           | <b>7</b> | 5,230                                 | 5,045         |
| General and administrative expenses         |          | 2,913                                 | 3,375         |
| Amortization or acquired intangible assets  |          | 229                                   | 38            |
| <b>Total</b>                                |          | <b>16,484</b>                         | <b>16,365</b> |
| <b>Operating income</b>                     | <b>5</b> | <b>1,174</b>                          | <b>631</b>    |
| <b>Other income (expense)</b>               |          |                                       |               |
| Financial revenue                           |          | 408                                   | 455           |
| Financial costs                             | <b>6</b> | (21)                                  | (857)         |
| Net foreign currency transaction losses     |          | (47)                                  | (173)         |
| <b>Financial profit (loss)</b>              |          | <b>340</b>                            | <b>(575)</b>  |
| <b>Profit before income taxes</b>           |          | <b>1,514</b>                          | <b>56</b>     |
| Income tax (expense) benefit                |          | (100)                                 | 169           |
| <b>Profit</b>                               |          | <b>1,414 €</b>                        | <b>225</b>    |
| Basic net income per share                  |          | € 0.08                                | € 0.01        |
| Diluted net income per share                |          | € 0.08                                | € 0.01        |
| Basic weighted average shares outstanding   |          | 17,897,093                            | 18,654,085    |
| Diluted weighted average shares outstanding |          | 17,923,220                            | 19,049,631    |

*The accompanying notes are an integral part of the consolidated financial statements.*

**INFOVISTA**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
(In thousands)

|  | <b>For the six months<br/>ended December 31,<br/>2008</b> | <b>For the six months<br/>ended December 31,<br/>2007</b> |
|--|---|---|
| <b>Cash flow related to operations</b>   |   |   |
| Net income   | € 1,414   | € 225   |
| <i>Elimination of items that have no influence on cash flow or which are not directly related to operating activities:</i> |   |   |
| Costs related to share payments  | 16  | 72  |
| Amortization of intangible and tangible assets   | 841   | 673   |
| Loss on disposal of intangible and tangible assets   | -   | 11  |
| Bad debt provisions  | (34)  | 262   |
| Sale of financial assets held for trading  | 4,172   | 22,294  |
| Impairment loss on equity investment   | -   | 19  |
| <i>Variation in working capital requirements related to operating activities:</i>  |   |   |
| Accounts receivable  | 2,831   | (1,044)   |
| Other current assets   | (58)  | (336)   |
| Other non-current assets   | (502)   | (95)  |
| Accounts payable   | 124   | 299   |
| Deferred revenues  | (1,944)   | (1,651)   |
| Accruals and other current liabilities   | (235)   | 478   |
| Non-current liabilities  | 46  | (227)   |
| <b>Net cash flow generated by operating activities</b>   | <b>6,671</b>  | <b>20,980</b>   |
| <b>Cash flow related to investing activities</b>   |   |   |
| Purchase of intangible and tangible assets   | (124)   | (316)   |
| Purchase of financial investments  | -   | (19)  |
| Business combination, net of cash and cash equivalents acquired  | -   | (10,655)  |
| <b>Net cash flow used in investing activities</b>  | <b>(124)</b>  | <b>(10,990)</b>   |
| <b>Cash flow related to financing activities</b>   |   |   |
| Proceeds from the exercise of stock options  | -   | 346   |
| Purchase of treasury shares  | (1,770)   | (619)   |
| Sale of treasury shares  | 88  | 450   |
| <b>Net cash flow (used in) generated by financing activities</b>   | <b>(1,682)</b>  | <b>177</b>  |
| Effect of variations in exchange rates on cash flow  | 512   | (369)   |
| <b>Net increase in cash and cash equivalents</b>   | <b>5,377</b>  | <b>9,798</b>  |
| Cash and cash equivalents at the beginning of the period   | 17,751  | 7,352   |
| Cash and cash equivalents at the end of the period   | € 23,128  | € 17,150  |

*The accompanying notes are an integral part of the consolidated financial statements*

**INFOVISTA**  
**CONSOLIDATED SHAREHOLDER'S EQUITY VARIATION STATEMENTS**  
(In thousands, except for share data)

|   | Number of<br>ordinary<br>shares | Number of<br>treasury<br>shares | Issued Capital  | Share<br>premium | Treasury<br>shares | Currency<br>translation<br>differences | Accumulated<br>deficit | Total           |
|---|---------------------------------|---------------------------------|-----------------|------------------|--------------------|--|------------------------|-----------------|
| <b>June 30, 2007</b>                                    | <b>19,727,376</b>               | <b>1,093,090</b>                | <b>€ 10,653</b> | <b>€ 85,072</b>  | <b>€ (5,627)</b>   | <b>€ (1,543)</b>                       | <b>€ (51,286)</b>      | <b>€ 37,269</b> |
| Variation in currency translation difference            | -                               | -                               | -               | -                | -                  | (294)                                  | -                      | (294)           |
| <b>Variation in value recognized for the period</b>     | -                               | -                               | -               | -                | -                  | -                                      | -                      | (294)           |
| Net income  | -                               | -                               | -               | -                | -                  | -                                      | 225                    | 225             |
| <b>Total income and costs recognized for the period</b> | -                               | -                               | -               | -                | -                  | -                                      | -                      | (69)            |
| Exercise of stock options                               | 106,453                         | (59,040)                        | 57              | (80)             | 369                | -                                      | -                      | 346             |
| Cost related to share payments                          | -                               | -                               | -               | 72               | -                  | -                                      | -                      | 72              |
| Purchases of treasury shares                            | -                               | 181,186                         | -               | -                | (620)              | -                                      | -                      | (619)           |
| Sales of treasury shares                                | -                               | (134,928)                       | -               | (377)            | 827                | -                                      | -                      | 450             |
| <b>December 31, 2007</b>                                | <b>19,833,829</b>               | <b>1,080,308</b>                | <b>€ 10,710</b> | <b>€ 84,687</b>  | <b>€ (5,051)</b>   | <b>€ (1,837)</b>                       | <b>€ (51,061)</b>      | <b>€ 37,448</b> |
| <b>June 30, 2008</b>                                    | <b>19,349,829</b>               | <b>1,060,693</b>                | <b>€ 10,449</b> | <b>€ 82,562</b>  | <b>€ (3,525)</b>   | <b>€ (1,997)</b>                       | <b>€ (52,627)</b>      | <b>€ 34,862</b> |
| Variation in currency translation difference            | -                               | -                               | -               | -                | -                  | 381                                    | -                      | 381             |
| <b>Variation in value recognized for the period</b>     | -                               | -                               | -               | -                | -                  | -                                      | -                      | 381             |
| Net income  | -                               | -                               | -               | -                | -                  | -                                      | 1,414                  | 1,414           |
| <b>Total income and costs recognized for the period</b> | -                               | -                               | -               | -                | -                  | -                                      | -                      | 1,795           |
| Cost related to share payments                          | -                               | -                               | -               | 16               | -                  | -                                      | -                      | 16              |
| Purchases of treasury shares                            | -                               | 876,459                         | -               | -                | (1,770)            | -                                      | -                      | (1,770)         |
| Cancellations of treasury shares                        | (700,000)                       | (700,000)                       | (378)           | (2,367)          | 2,745              | -                                      | -                      | -               |
| Sales of treasury shares                                | -                               | (45,877)                        | -               | (89)             | 177                | -                                      | -                      | 88              |
| <b>December 31, 2008</b>                                | <b>18,649,829</b>               | <b>1,191,275</b>                | <b>€ 10,071</b> | <b>€ 80,122</b>  | <b>€ (2,373)</b>   | <b>€ (1,616)</b>                       | <b>€ (51,213)</b>      | <b>€ 34,991</b> |

*The accompanying notes are an integral part of the consolidated financial statements.*

**INFOVISTA**  
**NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except for share and per share data)

**1 – DESCRIPTION OF BUSINESS**

InfoVista S.A. and its subsidiaries (the “Group”) is a software developer of service quality management solutions. The Group designs and develops hi-tech software, which monitors, analyses, and reports on the performance and quality of service of information technology (“IT”) infrastructure, including networks, servers and applications. The recent acquisition of Accellent provides the Group with advanced application response and traffic monitoring to our existing solutions. In addition, the Group provides service support for the installation, implementation, user training and maintenance of all our products. Our products are part of the software market segment known as Service Level Management (“SLM”). The Group markets our products to telecommunication companies, Managed Service Providers (“MSPs”) and large enterprises. The Group maintains our headquarters in Les Ulis (near Paris), France with subsidiaries located in Europe, Americas and Asia.

**2 – INTERIM FINANCIAL CONSOLIDATED STATEMENTS PRINCIPLES**

**Basis of presentation**

Due to our listing in a country of the European Union and as per the European regulation no. 1606/2002 dated July 19, 2002, the consolidated financial statements of InfoVista S.A. and our subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European union (available on the internet at the following address: [www.ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm#adopted-commission](http://www.ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission)) at the date of finalization of the consolidated financial statements by the Board of Directors on January 29, 2009. These standards comprise of those approved by the International Accounting Standard Board (“IASB”), including the International Reporting Standards (“IFRS”), the International Accounting Standards (“IAS”) and its interpretations published by the International Financial Reporting Interpretation Committee (“IFRIC”) or its preceding Standing Interpretation Committee (“SIC”).

The interim consolidated financial statements of the Group for the six-month period ended December 31, 2008 have been prepared in conformity with IAS 34 “Interim Financial Reporting”. The results of operations for the interim periods are not necessarily indicative of the results of operations expected for the entire fiscal year. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2008.

**Acquisition of Accellent**

Since November 30, 2007, Accellent was fully consolidated in the Group consolidated financial statements. Consequently, the semi-annual financial statements as of December 31, 2007, include one month of activity of Accellent. The semi-annual accounts as of December 31, 2008, include six months of activity of Accellent.

**Significant accounting principles**

Accounting principles applied by the Group for the consolidated interim financial statements as of December 31, 2008 are identical to the accounting principles applied by the Group for the consolidated financial as of June 30, 2008, with the exception of amendment to IAS 39 and IFRS 7 – reclassification of Financial Assets, which have no impact on the Group.

**3 - ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in conformity with IAS34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are used most notably for provisions and accruals, estimated economic useful life of intangible and fixed assets, impairment of long term assets, deferred tax valuation allowance and the calculation of stock based compensation charges. Actual results could differ from these estimates, so estimates used as of December 31, 2008 could be substantially modified as of June 30, 2009.

### **Impairment test**

An impairment test compares the net book value of the intangible assets, including the goodwill, and their fair value. The Group performs an impairment test once per fiscal year, at June 30, or at any other date in the event that the Group has an indication of loss in value of its intangible assets. As of December 31, 2008, the Group did not identify any indication of loss of value of its intangible assets.

### **Earn-out payment – acquisition of Accellent**

An earn-out component is payable in 2011 for up to €6 million and will be determined based on three year cumulative revenue growth objectives, between €15 million and €23.9 million. As of December 31, 2008, based on the uncertainty of this payment, no additional price has been recognized in the acquisition cost.

## **4 - RECENT ACCOUNTING PRONOUNCEMENTS**

### *Standards, amendments and interpretations that could be anticipated*

- IFRS 8 “Operating Segments”
- Amendment to IAS 1 « Presentation of Financial Statements »
- Amendment to IAS 23 « Borrowing Costs »
- Amendment to IFRS 2 « Vesting conditions and cancellations »
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 14 : IAS 19 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

None of these standards were applied by the Group in anticipation. The impact of these new texts on the Group’s consolidated accounts is being analyzed.

### *Standards, amendments and interpretations published by the IASB that could not be anticipated without the adoption by the European Union*

- IFRS 3 revised, « Business Combinations »
- Amendment to IAS 27, « Consolidated and Separate Financial Statements »
- Amendment to IAS 32 and IAS 1 « Puttable Financial Instruments and Obligations Arising on Liquidation»
- Amendment to IFRS 1 and IAS 27 « Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate»
- Annual Improvements, applicable in fiscal years open from January 1, 2009, unless the texts state another date
- Amendment to IAS 39 « Eligible Hedged Items »
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distributions of Non-cash Assets to Owners”

The impact of these new texts on our consolidated accounts is being analyzed.

## 5 – SEGMENT INFORMATION

### *Information by geographical area*

Information per geographical area is detailed below according to the invoicing location and the location of the assets and liabilities.

The amounts are presented excluding intra-group transactions.

|  | <b>Six months ended December 31, 2008</b> |                             |                   |                 |                     |              |
|--|---|-----------------------------|-------------------|-----------------|---------------------|--------------|
|  | <b>France</b>                             | <b>Other EMEA countries</b> | <b>Total EMEA</b> | <b>Americas</b> | <b>Asia-Pacific</b> | <b>Total</b> |
| Revenues   | € 4,707                                   | € 8,068                     | € 12,775          | € 7,316         | € 2,635             | € 22,726     |
| Operating income (loss)                            | € (8,367)                                 | € 5,785                     | € (2,582)         | € 2,437         | € 1,319             | € 1,174      |
| Amortization and depreciation of segment assets    | € 722                                     | € (16)                      | € 706             | € 84            | € 16                | € 806        |
| Segment assets                                     | € 34,697                                  | € 6,430                     | € 41,127          | € 3,769         | € 2,422             | € 47,318     |
| Costs for acquiring intangible and tangible assets | € 131                                     | € 1                         | € 132             | € 25            | € 14                | € 171        |
| Segment liabilities                                | € 6,655                                   | € 2,979                     | € 9,634           | € 3,054         | € 849               | € 13,537     |

|  | <b>Six months ended December 31, 2007</b> |                             |                   |                 |                     |              |
|--|---|-----------------------------|-------------------|-----------------|---------------------|--------------|
|  | <b>France</b>                             | <b>Other EMEA countries</b> | <b>Total EMEA</b> | <b>Americas</b> | <b>Asia-Pacific</b> | <b>Total</b> |
| Revenues   | € 2,796                                   | € 7,934                     | € 10,730          | € 8,437         | € 2,398             | € 21,565     |
| Operating income (loss)                            | € (8,329)                                 | € 5,530                     | € (2,799)         | € 2,757         | € 673               | € 631        |
| Amortization and depreciation of segment assets    | € 575                                     | € 29                        | € 604             | € 81            | € 261               | € 946        |
| Segment assets                                     | € 30,375                                  | € 7,016                     | € 37,391          | € 5,281         | € 2,483             | € 45,155     |
| Costs for acquiring intangible and tangible assets | € 11,704                                  | € 16                        | € 11,720          | € 48            | € 6                 | € 11,774     |
| Segment liabilities                                | € 8,347                                   | € 3,082                     | € 11,429          | € 2,760         | € 749               | € 14,938     |

Segment assets are defined in IAS 14 « Segment Reporting » as the sum of intangible assets (including goodwill), tangible assets and current assets. Financial assets and other non-current assets are not taken into account for calculating segment assets.

Costs incurred for acquiring intangible and tangible assets represent the amounts capitalized during the period and not the amounts paid out for these acquisitions over the same period.

During the six months ended December 31, 2008 and 2007, the French operating loss is attributable to the Group's organization. The headquarters in France support most of the external cost and employee cost related to the research and development department.

### ***Information on main clients***

During the six months ended December 31, 2008, no client achieved revenues amounting to 10% of our consolidated net revenues. During the six months ended December 31, 2007, the Group achieved 10% of its consolidated net revenues with one of its customers.

## **6 – FINANCIAL ASSETS**

Due to the liquidity crisis that took place on the American securitization market in July 2007, one of the financial establishments with which the Group held investments decided to suspend subscriptions and redemptions and dissolve in advance their dynamic monetary funds in which the Group had been investing. In other words, those dynamic monetary funds were blocked, therefore, the Group no longer had access to its investments. During the six months ended December 31, 2007, the Group accounted for a loss on these financial assets for an amount of €775 thousand that are included in financial costs on the income statement.

As of December 31, 2008, these financial assets amounted to € 0. After several actions taken, the Group recovered the total value of these financial assets, €4,173 thousand as of June 30, 2008. Consequently, the Group did not account for any further financial losses during the six month period ended December 31, 2008.

## **7 – RESEARCH AND DEVELOPMENT EXPENSES**

### ***Research tax credit***

As of December 31, 2008, the Group accounted for a French R&D tax credit related to the calendar years 2006 and 2007. This R&D tax credit was recognized in deduction of the research and development expenses in the income statement for a net amount of €418 thousand, during the six months ended December 31, 2008.

## **8 – RELATED PARTY DISCLOSURES**

For the six months ended December 31, 2008, the Group did not record any significant related party transactions.

## **9 – SUB SEQUENT EVENTS**

### ***Restructuring program during the second half***

To improve the competitiveness and efficiency of its operations, the Group announced a cost-reduction program. This plan should reduce the Group's workforce by approximately 30 positions (about two-thirds in France and one-third in other markets), or 12% of the Group's worldwide headcount as of December 31, 2008. In addition, this program targets further reductions in sub-contracting and other operational costs. As a result of this program, a restructuring charge of approximately €1.5 million should be booked during the second half of the 2008/09 fiscal year.

## **ITEM 2. SEMI-ANNUAL REPORT**

The present document includes opinions, assumptions or estimates. These are prepared in accordance with the Group's prospects; they contain risks and uncertainties and are based on assumptions, in particular for the following points:

- Risks and uncertainties inherent to emerging companies that operate in fast moving markets, in particular companies who operate in the very competitive software environment,
- Assumption that acceptance of the Group's products by the market will progress or remain at its actual level,
- Liquidity and valuation risks of certain of the Group's financial assets,
- Valuation risk of acquired intangible assets,
- Risks that the telecommunication market remains unstable,
- Assumption that the Group will continue to obtain licenses for its software at reasonable terms and conditions,
- Risk dependant on the capacity of the Group to develop new technologies and products or to improve new versions of our products within a convenient time frame,
- Risk to protect its intellectual property, its trademarks in an adequate manner,
- And the assumption that other accounting rules or interpretations of existing rules, change our actual accounting methods.

Besides the cases envisaged by the law, it is not an obligation to disclose to the public an updated version or revised perspectives taking into account new information, future events or any other circumstances. Taking the risks into consideration, and its associated uncertainties and assumptions, it may be that future events mentioned in this document do not occur.

The following information should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of this semi-annual report. The Group also urge readers to review and consider its disclosures describing various factors that affect its business in its Annual Report filed as "document de référence" with the AMF (Autorité des Marché Financiers) on October 1, 2008 under number D08-0650, and particularly chapter 4 – risk factors, chapter 20 – operating and financial review.

### **Significant events for the six months ended December 31, 2008**

As of December 31, 2008, the Group accounted for a R&D tax credit related to the calendar years 2006 and 2007. This R&D tax credit was recognized in deduction of the research and development expenses in the income statement for a net amount of €418 thousand, during the six months ended December 31, 2008.

### **Six months ended December 31, 2008 and 2007**

#### **Revenues**

Total revenues were € 22.7 million for the six months ended December 31, 2008, which represents an increase of € 1.1 million or 5% over the corresponding prior period. Total revenues for the six months ended December 31, 2008 included € 2.5 million of 5View revenues compared to a one-month € 0.3 million contribution in the previous year's same period.

License revenues were € 10.6 million and € 10.4 million for the six months ended December 31, 2008 and 2007, respectively. The increase in license revenues is primarily due to EMEA region which benefited from the 5View acquisition for € 1.7 million products revenue for the six months ended December 31, 2008 compared to a one-month € 0.2 million contribution in the previous year's same period.

In the Americas, license revenues decreased by € 1.3 million during the six months ended December 31, 2008 primarily due to the economic downturn in the United States. Asia experienced a € 0.1 million license revenue increases during the six months ended December 31, 2008.

Service revenues, including maintenance, training, and professional services, were € 12.1 million and € 11.1 million for the six months ended December 31, 2008 and 2007, respectively. This increase was primarily due to the rise of maintenance revenues in EMEA by the additional maintenance revenue brought by 5View products.

### **Cost of Revenues**

Cost of revenues was € 5.1 and € 4.6 million for the six months ended December 31, 2008 and 2007, respectively.

Cost of license consists primarily of license fees paid to third party software vendors whose software is embedded in our products. Cost of license, as a percentage of license revenues, were 5.1% and 3.9% respectively for the six months ended December 31, 2008 and 2007. This percentage increase was mainly due to higher 5View product revenues that carry lower margin compared to the traditional InfoVista product suite.

Cost of service consists primarily of salaries and related benefits, employee travel costs, third party subcontract fees and related facility expenses. Cost of service, as a percentage of service revenues, were 37.3%, and 37.4% for the six months ended December 31, 2008 and 2007, respectively. The cost of service increase of € 0.4 million was primarily due to the additional cost from Accellent acquisition. Headcount in customer services as of December 31, 2008 and 2007 was 59 and 55 employees, respectively.

### **Sales and Marketing Expenses**

Sales and marketing expenses primarily consist of salaries, commissions to sales personnel and agents, employee travel costs, advertising, promotional activities and related facility expenses. Sales and marketing expenses were € 8.1 million and € 7.9 million for the six months ended December 31, 2008 and 2007, respectively. This increase can be attributed primarily to additional costs with the Accellent acquisition for € 0.6 million but slightly offset with the decrease of marketing activities for € 0.2 million along with less other operating expenses for € 0.2 million. Headcount in sales and marketing as of December 31, 2008 and 2007 was 78 and 76 employees, respectively.

### **Research and Development Expenses**

Research and development expenses primarily consist of personnel costs associated with software product development, technological acquisitions and related facility expenses. Research and development expenses were € 5.2 million and € 5.0 million for the six months ended December 31, 2008 and 2007. This 3.7% increase was primarily due to higher personnel costs due to the acquisition of Accellent with the development center in Tours for € 0.4 million along with higher subcontractor costs (EDC in Bangalore) for € 0.2 million but offset with the R&D tax credit for a net amount of € 0.4 million. Headcount in research and development as of December 31, 2008 and 2007 was 87 and 86 employees, respectively (excluding EDC headcount in Bangalore).

### **General and Administrative Expenses**

General and administrative expenses primarily consist of salaries and related facility costs for financial, administrative and management personnel, professional fees for accounting and legal services, insurance costs and allowances for doubtful accounts. General and administrative expenses were € 2.9 million and € 3.4 million for the six months ended December 31, 2008 and 2007, respectively. The decrease was primarily due to lower provision for doubtful receivables couple with less professional fees. Headcount in general and administration as of December 31, 2008 and 2007 was 33 and 31, respectively.

### **Financial Income (Expense)**

Financial income was € 340 thousand and financial loss was € 575 thousand for the six months ended December 31, 2008 and 2007, respectively. During the six months ended December 31, 2007, the Group incurred financial costs due to write-down in its financial assets in money market funds affected by the US subprime market.

### **Income Tax benefit (expense)**

For the six months ended December 31, 2008, the Group recorded an income tax expense of € 100 thousand. This income tax expense is primarily due to withholding taxes. For the six months ended December 31, 2007, the Group recorded an income tax benefit of € 169 thousand. This income tax benefit is primarily due to the cancellation of the income tax liability in Accellent's accounts for € 162 thousand, as of November 30, 2007. In accordance with IAS 34, income tax has been calculated by applying the profit before income tax for the interim period the estimated effective rate average for the annual period. This rate was estimated zero for the current year.

### **Liquidity and Capital Resources**

Cash and cash equivalents totaled € 23.1 million as of December 31, 2008, an increase of € 5.4 million from June 30, 2008.

Cash and cash equivalents totaled € 17.1 million as of December 31, 2007, an increase of € 9.8 million from June 30, 2007. Net cash generated by operating activities for the six months ended December 31, 2008 was € 6.7 million and net cash generated by operating activities for the six months ended December 31, 2007 was € 21.0 million, respectively. This fluctuation is mainly due to the divestment of certain financial assets for € 22.3 million into cash equivalents during the six months ended on December 31, 2007 and € 4.2 million into cash equivalents during the six months ended on December 31, 2008.

Cash used by investing activities totaled € 0.1 million and € 11.0 million for the six months ended December 31, 2008 and 2007, respectively. During the six months ended December 31, 2007, investing activities primarily consisted of Accellent's acquisition net of cash and cash equivalents acquired for 10.7 million and software and computer equipment purchase for € 0.3 million. During the six months ended December 31, 2008, investing activities primarily consisted of software and computer equipment purchase for € 0.1 million.

Cash (used) generated by financing activities totaled € (1.7 million) and € 0.2 million for the six months ended December 31, 2008 and 2007, respectively. During the six months ended December 31, 2008, cash used on financing activities was primarily on the net purchase of treasury shares for € 1.7 million. During the six months ended December 31, 2007, cash generated on financing activities was primarily on the € 0.4 million of proceeds from stock option exercises, less a net purchase of treasury shares for € 0.2 million.

### **Recent events**

To improve the competitiveness and efficiency of its operations, the Group announced a cost-reduction program in January 2009. This plan should reduce the Group's workforce by approximately 30 positions (about two-thirds in France and one-third in other markets), or 12% of the Group's worldwide headcount. In addition, this program targets further reductions in sub-contracting and other operational costs. As a result of this program, a restructuring charge of approximately €1.5 million should be booked during the second half of the 2008/09 fiscal year.

# STATUTORY AUDITORS' REPORT

To the Shareholders,

In compliance with the assignment entrusted to us by shareholders' meetings and in accordance with articles L.232-7 of French commercial code (code de commerce) and L.451-1-2 III of French monetary and financial code (code monétaire et financier), we hereby report to you on:

our review of the accompanying (condensed) half-yearly consolidated financial statements of InfoVista SA, for the period from July 1<sup>st</sup>, 2008 to December 31, 2008, and the verification of the information contained in the interim management report.

These (condensed) half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

## **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently can only provide moderate assurance that the financial statements, taken as a whole, do not contain any material misstatements. This level of assurance is less than can be obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

## **2. Specific verification**

We have also verified the information provided in the interim management report in respect of the half-yearly financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly financial statements.

Paris and Paris-La-Défense, February 5, 2009

The Statutory Auditors