



**Semi-Annual Financial Statements**

**December 31, 2007**

**Certification by the person responsible for the semi-annual financial statements as of December 31, 2007.**

To the best of my knowledge, I hereby certify that the data set forth in these condensed statements are prepared 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 report and the semi-annual report of activity herewith presents an accurate picture of important events that occurred during the first six months of the year, their impact on the accounts of major transactions between related parties and a description of the principal risks and uncertainties for the main remaining six months of the year.

Chairman and CEO  
Alain Tingaud

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SEMI-ANNUAL PERIOD ENDED DECEMBER 31, 2007**

**INFOVISTA  
CONSOLIDATED BALANCE SHEETS**  
(In thousands, except for share and per share data)

	Note	As of	
		December 31, 2007	June 30, 2007
<b>ASSETS</b>			
Goodwill	6	€ 9,371	€ -
Other intangible assets, net	7	2,924	1,268
Tangible assets, net		1,859	1,887
Financial assets	8	6,616	-
Other non-current assets		615	491
<b>Total non-current assets</b>		<b>21,385</b>	<b>3,646</b>
Accounts receivables, net		11,618	9,778
Other current assets		2,233	1,580
Financial assets	8	-	28,910
Cash and cash equivalents		17,150	7,352
<b>Total current assets</b>		<b>31,001</b>	<b>47,620</b>
<b>Total assets</b>		<b>€ 52,386</b>	<b>€ 51,266</b>
<b>EQUITY</b>			
Issued capital		€ 10,710	€ 10,653
Share premium		84,687	85,072
Treasury shares		(5,051)	(5,627)
Currency translation differences		(1,837)	(1,543)
Accumulated deficit		(51,061)	(51,286)
<b>Total equity</b>		<b>37,448</b>	<b>37,269</b>
<b>LIABILITIES</b>			
Deferred revenues – non-current		712	851
Other non-current liabilities		920	184
<b>Total non-current liabilities</b>		<b>1,632</b>	<b>1,035</b>
Accounts payables		2,235	1,774
Accrued salaries and commissions		1,888	1,771
Accrued social equity and payroll taxes		1,884	1,461
Accrued VAT		822	548
Deferred revenues – current		5,524	7,245
Other current liabilities		953	163
<b>Total current liabilities</b>		<b>13,306</b>	<b>12,962</b>
<b>Total liabilities and equity</b>		<b>€ 52,386</b>	<b>€ 51,266</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,	
		2007	2006
<b>Revenues</b>			
License revenues		€ 10,426	€ 9,235
Service revenues		11,139	10,258
<b>Total revenues</b>	<b>5</b>	<b>21,565</b>	<b>19,493</b>
<b>Cost of revenues</b>			
Cost of licenses		404	365
Cost of services		4,165	3,473
<b>Total cost of revenues</b>		<b>4,569</b>	<b>3,838</b>
<b>Gross profit</b>		<b>16,996</b>	<b>15,655</b>
<b>Operating expenses</b>			
Sales and marketing expenses		7,907	8,763
Research and development expenses		5,045	3,867
General and administrative expenses		3,375	3,915
Amortization or acquired intangible assets		38	-
<b>Total</b>		<b>16,365</b>	<b>16,545</b>
<b>Operating income (loss)</b>	<b>5</b>	<b>631</b>	<b>(890)</b>
<b>Other income (expense):</b>			
Financial revenue		455	524
Financial costs	<b>8</b>	(857)	(12)
Net foreign currency transaction losses		(173)	(70)
<b>Financial (loss) profit</b>		<b>(575)</b>	<b>442</b>
<b>Profit (loss) before income taxes</b>		<b>56</b>	<b>(448)</b>
Income tax benefit (expense)		169	(116)
<b>Profit (loss)</b>		<b>€ 225</b>	<b>€ (564)</b>
Basic net income (loss) per share		€ 0.01	€ (0.03)
Diluted net income (loss) per share		€ 0.01	€ (0.03)
Basic weighted average shares outstanding		18,654,085	17,976,533
Diluted weighted average shares outstanding		19,049,631	17,976,533

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

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

	<b>For the six months ended December 31, 2007</b>	<b>For the six months ended December 31, 2006</b>
<b>Cash flow related to operations</b>		
Net income (loss)	€ 225	€ (564)
<b>Elimination of items that have no influence on cash flow or which are not directly related to operating activities:</b>		
Costs related to share payments	72	327
Amortization of intangible and tangible assets	673	683
Loss on disposal of intangible and tangible assets	11	20
Bad debt provisions	262	(100)
Net purchase (sale) of financial assets held for trading	22,294	(466)
Impairment loss on equity investment	19	-
<b>Variation in working capital requirements related to operating activities:</b>		
Accounts receivable	(1,044)	981
Other current assets	(336)	(330)
Other non-current assets	(95)	29
Accounts payable	299	292
Deferred revenues	(1,651)	(2,326)
Accruals and other current liabilities	478	(1,040)
Non-current liabilities	(227)	(69)
<b>Net cash flow generated by (used in) operating activities</b>	<b>20,980</b>	<b>(2,563)</b>
<b>Cash flow related to investing activities</b>		
Purchase of intangible and tangible assets	(316)	(335)
Purchase of financial investments	(19)	-
Business combination, net of cash and cash equivalents acquired	(10,655)	-
<b>Net cash flow generated by (used in) investing activities</b>	<b>(10,990)</b>	<b>(335)</b>
<b>Cash flow related to financing activities</b>		
Proceeds from the exercise of stock options	346	973
Purchase of treasury shares	(619)	(4 133)
Sale of treasury shares	450	1 019
<b>Net cash flow from financing activities</b>	<b>177</b>	<b>(2 141)</b>
Effect of variations in exchange rates on cash flow	(369)	(86)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,798</b>	<b>(5,125)</b>
Cash and cash equivalents at the beginning of the period	7,352	12,034
Cash and cash equivalents at the end of the period	€ 17,150	€ 6,909

*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 ordinary shares	Number of treasury shares	Issued Capital	Share premium	Treasury shares	Currency translation differences	Accumulated deficit	Total
<b>June 30, 2006</b>	<b>19,527,564</b>	<b>1,184,121</b>	<b>€ 10,545</b>	<b>€ 84,629</b>	<b>€ (5,421)</b>	<b>€ (1,466)</b>	<b>€ (47,711)</b>	<b>€ 40,576</b>
Variation in currency translation difference	-	-	-	-	-	(83)	-	(83)
<b>Variation in value recognized for the period</b>	-	-	-	-	-	-	-	(83)
Net loss	-	-	-	-	-	-	(564)	(564)
<b>Total income and costs recognized for the period</b>	-	-	-	-	-	-	-	(647)
Exercise of stock options	342,225	(2,250)	185	779	9	-	-	973
Cost related to share payments	-	-	-	327	-	-	-	327
Purchase of treasury shares	-	845,635	-	-	(4,133)	-	-	(4,133)
Sales of treasury shares	-	(185,319)	-	293	726	-	-	1,019
<b>December 31, 2006</b>	<b>19,869,789</b>	<b>1,842,187</b>	<b>€ 10,730</b>	<b>€ 86,028</b>	<b>€(8,819)</b>	<b>€ (1,549)</b>	<b>€ (48,275)</b>	<b>€ 38,115</b>
<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
Purchase 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>

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

**INFOVISTA**  
**NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands)

**1 – DESCRIPTION OF BUSINESS**

InfoVista S.A. and its subsidiaries (the "Group") design and develop software, which monitors, analyses, and reports on the performance and quality of service of information technology ("IT") infrastructure, including networks, servers and applications. The acquisition of Accellent provides the Group with an enhanced and extended solution offering to its customers and prospects. In addition, the Group provides service support for the installation, implementation, training and maintenance of its products. The Group products are part of the software market segment known as Service Level Management ("SLM"). The Group markets its products to telecommunication companies, Managed Service Providers ("MSPs") and large enterprises. The Group maintains its headquarters in Les Ulis (near Paris), France with subsidiaries located in Europe, Americas and Asia.

**2 – INTERIM FINANCIAL CONSOLIDATED STATEMENTS PRINCIPLES**

**Basis of presentation**

As per the European regulation no. 1606/2002 dated July 19, 2002, our consolidated financial statements for the year ended June 30, 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), decreed by the International Accounting Standard Board ("IASB") applicable from June 30, 2007, and as approved by the European Union.

The interim consolidated financial statements of the Group for the six-month period ended December 31, 2007 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, 2007.

**Significant accounting principles**

Accounting principles applied by the Group for the consolidated interim financial statements as of December 31, 2007 are identical to the accounting principles applied by the Group for the consolidated financial as of June 30, 2007.

**Business combinations (IFRS 3)**

The Group accounts for business combinations using the purchase method. The Group identifies intangible assets acquired in separately from goodwill at their fair value, if it meets the definition of an intangible asset. The Group allocates the cost of the business combination to the fair value of the acquired assets, liabilities and intangible assets. The excess of the cost is allocated to goodwill.

The acquired intangible assets arising from business combinations are amortized using the straight-line method over a period of four years.

### **Correction of the interim financial consolidated statements 2006/07**

On or around October 17, 2007, InfoVista's President and Chief Financial Officer discovered that its fiscal year 06/07 results include revenues of €1.1 million that should not have been recognized. This revenue was recognized on the basis of a firm order and a certification letter that were properly signed by a reputable international partner. In this particular instance, however, these documents had been obtained improperly by the Senior Vice President of InfoVista in charge of EMEA sales operations, who concealed that he had additionally and simultaneously signed a side-letter with the partner giving it a right to exchange or return the software solution sold.

The revenue of this contract would not have been recognized, had the Group been aware of the existence of this contractual agreement.

As a result, the fiscal year 2006/07 financial statements were modified by the correction of the annual report filed with the AMF on September 28, 2007 under number D 07-870. The financial statements for the semi annual period ended December 31, 2006 have been adjusted for such modifications.

As of December 31, 2006, stockholder's equity stood at €39,122 thousand before adjustment. After adjustment, the corrected stockholder's equity stood at €38,115 thousand.

For the six months ended December 31, 2006, the consolidated revenues and net profit stood at € 20,500 thousand and €443 thousand, respectively. After adjustment, the corrected consolidated revenues and net loss stood at €19,493 thousand and €564 thousand, respectively.

The consolidated cash flow statement has been corrected as well. As of December 31, 2006, "Accounts receivable", "Other current assets" and "Deferred revenues" have been impacted by €1,398 thousand, €(198) thousand and €(192) thousand.

For the six months ended December 31, 2006, basic and diluted net profit (loss) per share have been impacted by a decrease from €0.02 to €(0.03).

### **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, 2007 could be substantially modified as of June 30, 2008.

### **4 - RECENT ACCOUNTING PRONOUNCEMENTS**

IFRS 8 "Operating Segment": this standard will replace IAS 14 "Segment Information" for fiscal years beginning after January 1, 2009. The concepts of primary and secondary segments shall not longer apply and a single level of information will be disclosed, which will highlight data used by the management to make their decisions. This standard is currently being analyzed by the Group and will be implemented from fiscal year beginning on July 1, 2009.

IFRS 10 “Interim Financial Reporting and impairment” : According to this standard, an impairment loss recognized in a previous interim period in respect of Goodwill or an investment in either an equity instrument or a financial asset carried at cost should not be reversed. This interpretation is not applicable to the Group, as goodwill has not been written off, as of December 31, 2007.

## 5 – SEGMENT INFORMATION

The Group operates in a single business segment, software sales and related services. The structure of the internal organization and management of the Group and its system of internal financial information is prepared according to this single business segment, regarded as the primary segment. The risks and returns of the Group are uniform, regardless of the products and services it offers.

The Group focuses its operations in three geographical areas, EMEA, Americas and Asia-Pacific.

The Group has two levels of segment information:

- Software sales and services,
- Geographical area (EMEA, Americas and Asia-Pacific)

Revenue is detailed as follows:

	Six months ended December, 31	
	2007	2006
Licenses revenues	€ 10,426	€ 9,235
Services revenues	11,139	10,258
<b>Total revenues</b>	<b>€ 21,565</b>	<b>€ 19,493</b>

Information by geographic region is detailed below depending on the billing location and localization of the assets.

### Allocation of revenues

	Six months ended December, 31	
	2007	2006
France	€ 2,796	€ 2,208
Others	7,934	8,069
EMEA	10,730	10,277
Americas	8,437	7,414
Asia-Pacific	2,398	1,802
<b>Total revenues</b>	<b>€ 21,565</b>	<b>€ 19,493</b>

### Geographical allocation of segment assets' book value

	Six months ended December, 31			
	2007		2006	
France	€	30,375	€	34,108
Others		7,016		7,136
EMEA		37,391		41,244
Americas		5,281		5,745
Asia-Pacific		2,483		3,786
<b>Total net book value of segment assets</b>	<b>€</b>	<b>45,155</b>	<b>€</b>	<b>50,775</b>

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 non-current financial assets are not taken into account for calculating segment assets.

### Geographical allocation of costs incurred for acquiring intangible and tangible assets

	As of December 31,			
	2007		2006	
France	€	11,704	€	438
Others		16		6
EMEA		11,720		444
Americas		48		78
Asia-Pacific		6		31
<b>Total costs incurred for acquiring intangible and tangible assets</b>	<b>€</b>	<b>11,774</b>	<b>€</b>	<b>553</b>

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

### Geographical allocation of operating income (loss)

	Six months ended December, 31			
	2007		2006	
France	€	(8,329)	€	(8,225)
Others		5,530		5,919
EMEA		(2,799)		(2,306)
Americas		2,757		1,047
Asia-Pacific		673		369
<b>Total operating income (loss)</b>	<b>€</b>	<b>631</b>	<b>€</b>	<b>(890)</b>

For the six months ended December 31, 2006, the geographical allocation of operating income (loss) presented above includes a change in presentation adopted for the year ended June 30, 2007. From now, those data are presented excluding intra-group transactions.

### Information about major customers

The Group achieved 10% of its consolidated net revenues with one of its customers for the six months ended December 31, 2007. No customer individually accounted for more than 10% of consolidated net revenues for the six months ended December 31, 2006.

## 6 – ACQUISITION OF ACCELLENT

On November 22, 2007, the Group announced that it has finalized the acquisition of 100% of the shares of Accellent, a France-based, privately held company, whose application-centric network monitoring solutions are used by large international and French organizations. This acquisition adds advanced application response and traffic monitoring to the Group's solutions that already include best-in-class infrastructure performance management and end-to-end application and service quality monitoring capabilities. The acquisition price was € 13,500 thousand plus € 189 thousand costs related to the acquisition. This amount was fully paid in cash in November 2007. An earn-out component is also payable in 2011 for up to € 6,000 thousand and will be determined based on three year cumulative revenue growth objectives, between €15,000 thousands and €23,920 thousands. Since November 30, 2007, Accellent was fully consolidated in the Group consolidated financial statements.

As of the date of acquisition, acquisition costs have been allocated as follows:

Net assets as of November 30, 2007	€	2,488
<i>Including acquired cash and cash equivalents</i>		<i>3,035</i>
Intangible assets		1,830
- <i>Technology value</i>		<i>1,212</i>
- <i>Maintenance contracts value</i>		<i>618</i>
Goodwill		9,371
<b>Total acquisition cost</b>	<b>€</b>	<b><u>13,689</u></b>

For the six months ended December 31, 2007, Accellent's contribution to revenues and profit was € 286 thousand and € 140 thousand, respectively. Assuming Accellent was acquired on July 1, 2007, Accellent's contribution to revenue and profit would have been €2,424 thousand and €391 thousand, respectively, for the six months ended December 31, 2007.

Assuming Accellent was acquired on July 1, 2007, the Group's revenues and profit would have been €23,703 thousand and €476 thousand, respectively.

During the six months ended December 31, 2007, goodwill has evolved as follows:

<b>Gross value</b>	<b>Balance as of July 1, 2007</b>	<b>Acquisitions</b>	<b>Balance as of December 31, 2007</b>
Goodwill Accellent	€ -	€ 9,371	€ 9,371
<b>Total</b>	<b>€ -</b>	<b>€ 9,371</b>	<b>€ 9,371</b>

In accordance with IFRS 3 "Business Combinations", the Group may record purchase price adjustments for a period of twelve months from the date of acquisition. Accordingly, the goodwill is subject to change during fiscal year 2007/08 and 2008/09.

## 7 – OTHER INTANGIBLE ASSETS, NET.

Other intangible assets, net are composed of the following items:

<b>Gross value</b>	<b>Balance as of June 30, 2007</b>	<b>Acquisitions</b>	<b>Sale or disposals</b>	<b>Exchange effect</b>	<b>Balance as of December 31, 2007</b>
Purchased software	€ 1,318	€ 90	€ (268)	€ (13)	€ 1,127
Licensed technologies	2,733	-	-	-	2,733
Value of Accellent technology	-	1,212	-	-	1,212
Value of Accellent maintenance	-	618	-	-	618
<b>Total</b>	<b>€ 4,051</b>	<b>€ 1,920</b>	<b>€ (268)</b>	<b>€ (13)</b>	<b>€ 5,690</b>

<b>Accumulated amortization</b>	<b>Balance as of June 30, 2007</b>	<b>Depreciation expense</b>	<b>Sale or disposals</b>	<b>Exchange effect</b>	<b>Balance as of December 31, 2007</b>
Purchased software	€ 1,064	€ 95	€ (267)	€ (13)	€ 879
Licensed technologies	1,719	130	-	-	1,849
Value of Accellent technology	-	25	-	-	25
Value of Accellent maintenance contracts	-	13	-	-	13
<b>Total</b>	<b>€ 2,783</b>	<b>€ 263</b>	<b>€ (267)</b>	<b>€ (13)</b>	<b>€ 2,766</b>
<b>Net book value</b>	<b>€ 1,268</b>	<b>€ 1,657</b>	<b>€ (1)</b>	<b>€ 0</b>	<b>€ 2,924</b>

## **8 – IMPACT OF THE LIQUID ASSETS CRISIS ON THE SECURITIZATION MARKET FOR CERTAIN 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 holds 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 are blocked, therefore, the Group no longer has access to its investments. As of June 30, 2007, €23,552 thousand were invested in these funds. In September 2007, the Group received a significant reimbursement for its investments. Moreover, at the beginning of July 2007, the Group had already decided to reduce part of its investments in the aforementioned funds.

The financial establishment provides a per unit net asset value of the funds on a weekly basis. The valuation method of the majority of the underlying investments in these funds follows a Mark to Market. However, a significant portion of the underlying investments in these funds follows a Mark to Model approach based on the ABX index, including financial assets which do not hold 100% of subprime investments. The ABX index (Asset Backed Securities Index) is a 100-based index measuring the value of American security backed loans. It is divided into several categories (AAA, AA, A, BBB, BBB-), according to the rating given to each of the securities. Each index consists of several underlying subprimes depending on their issue date. The information related to the valuation method was communicated to the Group solely by the financial establishment since summer 2007. At the approval date of the interim financial consolidated statements, the aforementioned information represents all material information known to the Group.

As of December 31, 2007, these financial assets are valued at €6,616 thousand. Some of the underlying investments of these funds hold subprime investments. For 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. Due to the lack of visibility on the reimbursement date of these financial assets, which are blocked, and the outcome of the ongoing process of dissolution, the value of those assets is uncertain. Therefore, the redemption value by the financial institution may be different than the value included in the interim financial accounts as of December 31, 2007. In addition and because of uncertainty over the date of reimbursement, the Group reclassified the outstanding amount of €6,616 thousand from financial assets -current to financial assets - non current as of December 31, 2007.

As of February 21, 2008, these financial assets are valued at €4,537 thousand.

Between December 31, 2007 and February 21, 2008, the decrease of the outstanding in financial assets is due in the application of an illiquidity discount by the financial establishment in February 2008 and the decrease of the ABX index. Between January 1, 2008 and February 21, 2008, the loss valued at €2,078 thousand.

This loss represents a subsequent event that does not lead to an adjustment to the condensed financial interim consolidated accounts as of December 31, 2007 in accordance with IAS 10 (§ 3(b), § 10 and § 11).

## **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 emergent 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 September 28, 2007 under number D07-870, and particularly chapter 2 section 3 – risk factors, chapter 4 – operating and financial review – and chapter 3 – financial statements in the correction of the annual report files with the AMF on November 16, 2007.

### **Significant events for the six months ended December 31, 2007**

#### **Acquisition of Accellent**

On November 22, 2007, the Group announced that it has finalized the acquisition of 100% of the shares of Accellent, a France-based, privately held company, whose application-centric network monitoring solutions are used by large international and French organizations. This acquisition adds advanced application response and traffic monitoring to the Group's solutions that already include best-in-class infrastructure performance management and end-to-end application and service quality monitoring capabilities.

#### **Impact of the Liquid Assets Crisis on the Securitization Market for Certain 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 holds investments decided to suspend subscriptions and redemptions and dissolve in advance their dynamic monetary funds in which the Group had been investing. In September 2007, the Group received a significant reimbursement for its investments. Moreover, at the beginning of July 2007, the Group had already decided to reduce part of its investments in the aforementioned funds. As of

December 31, 2007, these financial assets amount to €6,616 thousand. The valuation method of the major part of the underlying investments in these funds follows a Mark to Model approach based on the ABX index. The funds provide the net asset value on a weekly basis. For the six months ended December 31, 2007, the Group accounted a loss on these investments for an amount of €775 thousand included in financial costs.

### **Six months ended December 31, 2007 and 2006**

#### **Revenues**

Total revenues were €21.5 million for the six months ended December 31, 2007, which represents an increase of €2.1 million or 11% over the corresponding prior period.

License revenues were €10.4 million and €9.2 million for the six months ended December 31, 2007 and 2006, respectively. The increase in license revenues is primarily due to an increase in sales volume and to the deal agreed with Microsoft in America. Accellent brought a €0.2 million license revenue contribution. Asia experienced a €0.1 million license revenue increases that was due to the Australian activities. However, this increase was slightly offset by a license revenue decrease in EMEA, during the six months ended on December 31, 2007.

Service revenues, including maintenance, training, and professional services, were €11.1 million and €10.3 million for the six months ended December 31, 2007 and 2006, respectively. This increase was primarily due to the rise of maintenance revenues in EMEA and Asia along with a strong rise of professional services revenues across our Asia and Americas region.

#### **Cost of Revenues**

Cost of revenues was €4.6 and €3.8 million for the six months ended December 31, 2007 and 2006, respectively.

Cost of license revenues consists primarily of license fees paid to third party software vendors whose software is embedded in our products. Cost of license revenues, as a percentage of license revenues, were 3.9% and 4% respectively for the six months ended December 31, 2007 and 2006. This percentage decrease was mainly due to less third party license costs for the InfoVista licenses that were commercialized during the six months ended December 31, 2007.

Cost of service revenues consist primarily of salaries and related benefits, employee travel costs, third party subcontract fees and related facility expenses. Cost of service revenues, as a percentage of service revenues, were 37.4%, and 33.9% for the six months ended December 31, 2007 and 2006, respectively. The percentage increase was primarily due to an increase in subcontractor costs for customer consulting projects and higher personnel costs primarily due to the transfer of headcount from Sales and Marketing department. Headcount in customer services as of December 31, 2007 and 2006 was 53 and 48 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 €7.9 million and €8.8 million for the six months ended December 31, 2007 and 2006, respectively. This decrease can be attributed primarily attributed to less personnel costs, due to the transfer of headcount to the customer service department, and to lower stock compensation charges. Headcount in sales and marketing as of December 31, 2007 and 2006 was 72 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 €5.0 million and €3.9 million for the six months ended December 31, 2007 and 2006. This 30% increase was primarily due to higher personnel costs due to headcount increase along with higher subcontractor costs (launch of EDC in Bangalore). Headcount in research and development as of December 31, 2007 and 2006 was 79 and 68 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 €3.4 million and €3.9 million for the six months ended December 31, 2007 and 2006, respectively. The decrease was primarily due to less personnel costs related to the departure of the former CEO. Headcount in general and administration as of December 31, 2007 and 2006 was 28 and 30, respectively.

## **Financial Income (Expense)**

Financial loss was €575 thousand and financial income was €442 thousand for the six months ended December 31, 2007 and 2006, 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, 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, following the future complete transfer of assets and liabilities with a fiscal retroactive effect on July 1, 2007. In accordance with IAS 14, 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, cash equivalents, and financial assets totaled €23.8 million as of December 31, 2007, a decrease of €12.5 million from June 30, 2007.

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 used by operating activities for the six months ended December 31, 2007 was €23.9 million and net cash used by operating activities for the six months ended December 31, 2006 was €2.6 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.

Cash used by investing activities totaled €10.9 million and €0.3 million for the six months ended December 31, 2007 and 2006, 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 10.6 million and software and computer equipment purchase for €0.3 million.

Cash generated (used) by financing activities totaled €0.2 million and €(2.1 million) for the six months ended December 31, 2007 and 2006, respectively. 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. During the six months ended December 31, 2006, cash used on financing activities was primarily on the net purchase of treasury shares for €3.1 million, less the €1.0 million of cash provided by stock option exercises.

Management believes that cash from future operations together with existing cash, cash equivalents, and marketable equitable securities will be sufficient to meet the company's cash requirements through at least the next 12 months. From time to time, in the ordinary course of business, the Group evaluates potential acquisitions of businesses, products or technologies.

### **Period-to-Period Variability**

The Group's business has experienced and may continue to experience significant seasonality. Sales of its products are typically adversely affected in the quarter ending September 30, as many clients reduce their business activities during the summer months. In addition, the typical timing of budget and investment spending at its clients for the quarter ending March 31 may lead to an adverse seasonal effect. The Group believes that these trends are likely to continue to result in significant seasonal fluctuations in its quarterly results.

### **Related Party Disclosures**

For the six months ended December 31, 2007, the Group did not record any significant related party transaction.

*This is a free translation into English of the statutory auditor's review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## **Statutory auditor's review report on the first half-year financial information for 2007**

**Period from June 30, 2007 to December 31, 2007**

To the Shareholders

In our capacity of statutory auditors and in accordance with the requirements of article L. 232-7 of the French Commercial Law (the Code de Commerce), we hereby report to you on:

- the review of the accompanying (condensed) half-year consolidated financial statements of InfoVista S.A., for the period June 30, 2007 to December 31, 2007,
- the verification of information contained in the half-year management report.

These condensed half-year 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.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information 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 does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to Interim financial information.

Without qualifying the conclusion expressed above, we draw attention to note 8 "Impact of the liquid assets crisis on the securization market for certain financial assets" which sets out the accounting treatment of certain of these financial assets and the uncertainty related to their recoverable value.

In accordance with professional standards applicable in France, we have also verified the information given in the interim half-year financial report commenting the condensed half-year consolidated financial statements subject to our review.

To the exception of the potential impact of the facts explained above, we have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris and Paris-La-Défense, February 27, 2008

*French original signed by the statutory auditors*

Grant Thornton

Ernst & Young Audit

Vincent Papazian

Jean-Yves Jégourel