

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

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

**Philippe Ozanian**

Thank you Karena, before I ask David Forlizzi, our CFO, to go into the detail of our financial performance during Q1, let me first talk about some of the business highlights and introduce the important partnership we've announced today.

I think everybody on this call will agree that the economic situation has deteriorated significantly since we last spoke in July. Despite the worrisome environment, I'd like to start the call by maintaining our objective of 6% net margin for full fiscal year 09. Some of you may consider that in the current situation, growth may be difficult to achieve and I won't disagree. This is why, despite the solid progress we've made on the top line in the past quarter, we will further optimize our cost structure, in R&D, to secure a 6% net margin this year. Our R&D costs grew too much over the past 5 quarters and we are taking appropriate actions to reverse this without impacting the overall quality and time-to-market of our solutions.

Let me now start with a quick overview of our business by region.

We have done pretty well in EMEA with a 35% growth over the first quarter of last year and a 14% growth excluding the contribution of 5View. This is even more

notable as traditionally in EMEA, the summer quarter is affected by negative seasonality. This quarter, however, not only have we been able to increase productivity in our mature markets – France, the UK, Germany, etc. where we've had an established presence for many years – but we also seized new opportunities in emerging countries. It is important to note here as well that we were able to achieve this strong level of growth with fewer sales resources than in the prior year.

In emerging countries, markets that are new for us, we booked deals in Russia, the Czech Republic, Saudi Arabia and Tunisia. Most of these deals were secured with the help of local or global Partners. For example, for the Atheeb Telecom deal in Saudi Arabia, we partnered with Wipro. Our customers in these regions are either the incumbent telecoms operators, such as Tunisie Telecom, or Tier 2 service providers. All these deals have been won against tough competition to provide Service Level agreement reporting or capacity reporting.

Success in new markets is one thing, but it doesn't mean we have dropped the ball with existing customers. A good example of this is the large deal we won in Germany with Vodafone Global. Because of InfoVista's strong presence with Vodafone units in many key regions, such as the UK, Egypt or Italy, when Vodafone Global came looking for a performance solution for their joint European IP backbone network to serve 13 countries and 6 different NOCS, they naturally turned to us. Needless to say, we were up against stiff competition. However, the superior quality of InfoVista's credentials, solutions and our partners for that deal, Dimension Data, made us stand out from the crowd for Vodafone Global.

This kind of win during the quarter is very good news, and you may ask whether we should expect the same kind of performance in the coming quarter? Well I am pleased to say that the pipeline for the second quarter is solid and that we are progressing well at this stage. Therefore I'm expecting a solid revenue quarter in EMEA for Q2.

In Americas as well as in Asia Pac, we had a flat quarter in constant dollar terms as compared to the previous year. Overall, in both regions, we had a reasonable quarter given the environment and the fact that our sales resources have been

reduced as compared to last year. However, we expect the coming quarters to get tougher in the Americas region. Our pipeline in this region is solid at this stage but its dependent on large deals and in the current environment these deals could well be either scaled back or postponed. You also have to keep in mind that traditionally about 10% of our license revenues in the US is done with financial institutions, and realistically we might have a problem matching these revenues from the financial segment in the coming quarters. Despite this, and assuming we close a few of the largest deals we have in our pipe, we should be able to deliver the same level of full-year revenues as in the prior year in Americas.

In Asia Pac, where, as you'll remember, we've significantly transformed our team; we booked several deals from repeat customers such as Indosat and Optus, and won a new customer in Australia, Rail Corp. All these wins were secured by leveraging our local partners, Dimension Data and its subsidiary Datacraft. These successes demonstrate that the new team in place is beginning to deliver results, which is highly encouraging.

Now that we have covered the business for the quarter let me briefly touch upon our solutions and the significant evolution of our flagship product VIN which is Vistalnsight for Networks.

As I told you during our last earnings call, VIN3.1 will be released on time on December 1<sup>st</sup>. As you see, our goal to improve execution is also going to be met in Product Development, as we keep our promises by delivering key products on time. VIN3.1 serves three segments of the telecoms market: business services, mobile services, and broadband services. VIN3.1 incorporates new modules, which will be sold incrementally to Mobile operators and to Broadband operators. From the core network to the access layers, we will monitor the network and provide an end-to-end perspective for Service Level Agreement reporting and capacity reporting.

Let me end now with a quick comment on the partnership we have announced today.

Leveraging partners is a key component of our business model, as shown by the solid repeat business we have booked with Dimension Data, Accenture or more recently Wipro. Because of this, we feel we need to accelerate this component of our revenue stream. By ourselves, with a slim sales organization, we do not have the size and sales resources to address all the opportunities that exist in the Service Provider market around the world. Building a sales organization to cover all these opportunities is not an option. The only way for us to leverage the competitiveness of our technology while keeping operating costs in line with our current and expected level of revenues is to build solid business agreements with large players. The partnership we have announced today will clearly give us access to incremental revenues while leveraging our operating costs.

Tektronix is a billion-dollar organization. Their Network management division is N°1 in probes for the mobile and NGN VOIP markets. Tektronix wanted to augment their value proposition by adding to their probes offering a software performance solution, primarily for Network Operating Centers for Mobile Operators. When Tektronix contacted us as a potential supplier of OEM solutions to resell on top of their probes, we were understandably thrilled, as this represents for InfoVista access to an incremental market that we haven't really addressed to date. It's too early to say how much business could be derived from this partnership, but we have already identified potential deals on which we will start working together.

In this fiscal year, we will be first working on getting this partnership up to speed. A second partnership with a worldwide player in our industry will be announced in the coming weeks. Assuming we execute well on these 2 partnerships, we should gain access to additional revenues in FY10 and I look forward to updating you on the progress of these partnerships in the coming quarters.

With that, let me pass the call to David who will go over our financials for the quarter.

**David Forlizzi**

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

Our operational team has remained focused on delivering quarterly results in line with our guidance, while diligently working with an eye on FY2010 and beyond. Let me now spend a few minutes to provide you with some key financial highlights for the first quarter of FY2009.

Starting at the top of our income statement, total revenues increased 8 per cent year-on-year to 11 million euros in Q1. On a constant dollar basis, Q1 total revenues would have increased by 14 per cent to 11.6 million euros. In addition, on a constant dollar basis, we recorded a 6% year-on-year organic growth, which excludes the revenue contribution from our 5View business unit that was acquired after the first quarter of last year.

To further breakdown revenues....License revenues increased 21 per cent to end Q1 at 5.3 million euros, compared to 4.4 million euros last year, while service revenues decreased by 2 per cent year-on-year to end the quarter at 5.7 million euros. The majority of this quarterly license revenue growth can be credited to our EMEA region that scored an impressive 81% of organic growth, or more than doubled its license revenues when we include the 5View contribution. Moving across the pond, Americas' license revenues contained 2 million euros coming from the multi-year contract signed with Microsoft in December 2006. With regards to services revenues, the decrease is mainly due to an unfavorable US dollar rate. At a constant dollar basis, service revenues would have been 6 million euros, slightly ahead of last year. And we continue to enjoy a solid maintenance renewal rate.

Let's now review the main cost lines of the P&L, starting with cost of revenues. With added focus on service margins, we were able to book gross margin of 78% in the first quarter, which is consistent with the comparable quarter last year. The stability in our gross margins comes despite the increase in cost of revenues coming from our 5View product line.

First quarter sales and marketing expenses stood at 3.8 million euros, which was flat year-on-year. Our focus on sales productivity continues to pay off as this line item has dropped from 37 per cent of total revenues in last year's Q1 to 35 per cent this quarter. This improvement is especially worth noting because Q1 sales

costs this year were higher from the strengthening US dollar against the Euro as well as the additional costs from the 5View sales team acquired after Q1 last year.

Moving to the next cost line, R&D expenses increased year-on-year to 2.8 million euros representing 25 per cent of total revenues and a 20 per cent year-on-year increase. Although the inclusion of the 5View product line was certainly a factor in this increase, this is still too high. The effects of the initiatives we've taken to lower R&D costs should already be visible in our Q2 numbers and continue in the second half of the fiscal year.

And finally G&A expenses in the first quarter totaled 1.5 million euros representing 13 per cent of total revenues, versus 16 per cent last year. This amounts to an 11 per cent year-on-year decline. The entire team remains focused on cost optimization, especially in regards to professional fees.

From an operating perspective, we continued our streak of posting positive operating results with 430 thousand euros of operating profit for first quarter, over 165 thousand euros in Q1 last year. The first quarter performance is an encouraging first step on the way to achieving our 6% operating margin objective for the fiscal year.

Now let's have a look at the financial income and cost section of our income statement. We recorded 150 thousand of positive investment income with no further losses in the financial assets previously placed in money market funds affected by the US subprime crisis. As of September 30<sup>th</sup>, InfoVista no longer held any of these assets.

So to sum things up for the P&L .....in Q1, we recorded a net profit of 508 thousand euros, as compared to a net loss of 227 thousand euros in the same quarter last year. An overall bottom line improvement of more than 700 thousand euros.

Now I would like to cover two key highlights on our September 30 balance sheet. First, cash and cash equivalents stood flat at 22 million euros unchanged from June 30. During this past quarter, we used approximately 750 thousand euros to

purchase treasury shares, so in fact cash generated from operations was positive in the quarter.

Secondly, our DSO for the quarter was 77 days as compared to 97 days at the end of Q4 last year and 65 days at the end of Q1 last year. First quarter DSOs have experienced a strong benefit from the multi-year contract with Microsoft where the cash receipt coincides with revenue recognition. In addition, receivables remain clean, despite the macro-economic situation. We, of course, continue to closely monitor receivables.

Well that about covers all the key points for quarter, now Philippe and I will be pleased to take any questions you may have for us. 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 and your continued support for InfoVista. As always, we are always available to answer your questions, so feel free to contact any one of us. Good afternoon and morning everyone and have a great summer.