

***Welcome to InfoVista's fourth quarter and full year results for the fiscal year 2007/2008 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 head.***

***KDA : Thank you Operator. And welcome, everyone to our call. With me today are Alain Tingaud, Chairman, 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, Alain, could you begin, please.***

### **Alain Tingaud**

Thank you Karena and hello everyone. In fiscal 2008, we made considerable progress in stabilizing InfoVista's business, vision and operations after the severe problems we had the year before, in terms of positioning and execution. For the first time ever, last year, our operating income was positive each and every quarter, and we are now in a healthier situation.

### **Let me go quickly through some Highlights for FY08**

- *InfoVista had revenue growth of 16%, or even 21% on a constant dollar basis, posted a net margin of over 2% of revenue; in particular, InfoVista achieved an impressive turnaround of its activities in the Americas;*
- *InfoVista has refocused its Go to Market approach mainly around MSPs (Managed Service Providers) and CSPs (Carrier Service Providers);*
- *InfoVista has launched a program to unlock its VistaFoundation platform for Systems Integrators, Software and Probe Vendors acting in the OSS Service*

*Assurance Market, for a promising OEM and Development partnership strategy;*

- *InfoVista has gained access to IP monitoring technologies for Application and Traffic Management through the Accellent acquisition, which will drive the development and the release of our SQM (Service Quality Monitoring) and QoE (Quality of Experience) solutions;*
- *InfoVista has confirmed its engagement in professional services, which will powerfully contribute to our future growth and will help maintain the required strategic link with our key customers;*
- *InfoVista has strengthened its management team with talented new employees everywhere (Americas, Asia, R&D, Product Management, Marketing, etc...). In addition, InfoVista has acquired expertise that will help in the development and the release of new solutions in FY09 for Mobile and Broadband Services;*
- *InfoVista has made some clarification regarding its addressable markets around three major directions*
  - *Business Services*
  - *Mobile Services*
  - *Broadband Services*

These achievements were consistent with the TEP plan we had announced in June 2007. Unfortunately, we also ran into major difficulties in FY08, including a heavy write-down of our money market funds and the restatement of our FY07 financial results. We are confident that we have taken the proper corrective actions as well as implemented new procedures to avoid this kind of bad news in the future.

Since March 2007, I have consistently expressed that the time would come for InfoVista to split again the roles of Chairman and CEO, as soon as the company's situation will be on the way to recovery.

This is why I am pleased that Philippe Ozanian has accepted to lead InfoVista in the next stage of its transformation. Philippe has been working with me for many years and in his last eight years with InfoVista, he has been responsible for a whole range of operational and functional roles both at our Paris and Herndon offices, including CFO and head of worldwide operations. Philippe is the right person, who deserves to take the CEO position; he is now fully ready to assume the role that the Board has decided to give him, positioning the Company for sustainable profitability.

As Founder and one of the larger InfoVista shareholders, I will remain Chairman of the board, providing Philippe and his Executive Team any help they may require. I will make sure InfoVista keeps high-quality governance at the board level and also that the shareholders voice and interest be always taken in consideration.

And now, let me pass the call over to Philippe. Philippe, please :

**Philippe Ozanian**

Thank you Alain. I am proud to be taking over the helm of InfoVista. Over the past fiscal year, we've made a lot of progress, to tune the efficiency and the productivity of our operations. We have also successfully restored growth and competitiveness in the Americas. Although I'm encouraged by the progress we have made in just one year, I also know that this is far from satisfactory, and indeed, far from the potential that InfoVista is capable of. We still have a lot of improvement and tough decisions to make, to consistently achieve an optimal financial performance. Before I provide more details on my plans for the new fiscal year, let me first introduce to you David Forlizzi, our newly appointed CFO. Dave, who currently resides near Washington DC and is based in our Herndon office, is a CPA who started his career as an auditor with PWC. During his eight years with InfoVista, Dave has moved quickly through the ranks to being responsible for everything related to the finance team. And recently, Dave added the legal organization under his umbrella. Dave, who is fluent in French, has even spent a few years based out of our Headquarter here in France. It was a natural evolution for Dave to take on the CFO role. Now, I've asked Dave, who is on the

call with us from the US, to comment on our financial performance in Q4 and the fiscal year. David please.

### **David Forlizzi**

Thank you Philippe. And good morning and afternoon to everyone. Prior to getting into the figures, I wanted to share with you the excitement that I have for my new role as CFO at InfoVista. Under Philippe's leadership, I am confident that the entire InfoVista team will be highly focused on driving profitability for the years to come

Now I would like to spend a few minutes to provide you with some key financial highlights so let's start off with the fourth quarter. Total revenues increased 15 per cent year-on-year to end at 11.1 million euros in Q4. On a constant dollar basis, Q4 total revenues would have increased by 22 per cent to 11.8 million euros. And if we remove from the 11.8 million euros the contribution from our 5View product line (which was previously known as Accellent), total revenues would have been 11.2 million on a constant dollar basis. This represents a solid organic growth of 15 per cent from the 9.7 million that we booked during Q4 last year.

Still sticking with the quarter.....License revenues increased 15 per cent to end Q4 at 5 million euros, compared to 4.4 million euros last year, while service revenues increased by 14 per cent year-on-year to end the quarter at 6.1 million euros. The majority of this quarterly license revenue growth can be credited to our Americas region that did not include any license revenues coming from the multi-million dollar contract signed with Microsoft. With regards to the services revenues, solid maintenance renewals along with an increased installed base constitute a major part of services revenues, which increased 10 per cent year on year. Lastly, professional services revenues came in strong at 1.5 million euros for the quarter.

Switching to the fiscal year 2008, total revenues increased 16 per cent year-on-year to 44.9 million euros, while on a constant dollar basis, revenues would have been 47.1 million euros or up 21 per cent. Again, if we remove the 7-month contribution of 5View and using the same dollar exchange rate basis, total

revenues for the full fiscal year would have increased organically to 45 million euros, rising 16 per cent.

Total license revenues increased 23 per cent in the fiscal year to 22.4 million euros, while total service revenues went up by 10 per cent to 22.5 million euros. Once again this growth can be primarily attributed to our Americas region with an impressive 56 per cent license growth (or 75% on a constant exchange basis). This high year-on-year growth fueled professional and maintenance services throughout the year. I am sure Philippe will provide more details about this success in a few minutes.

Let's now review the main lines of our cost structure, starting with cost of revenues. During both the quarter and fiscal year, margin has dipped a point from previous comparable periods from 80% last year to 79% this year. This increase in cost of revenues is coming from our 5View product line and increased professional services. The 5View product line carries a hardware cost that pulls license margin for this product line down to around 82-85% compared to the typical InfoVista license margin of around 95-97%. In addition, professional service revenues have increased as a percentage of revenues. Since they carry margins of around 20%, overall gross margins dropped slightly to 79%.

Let's now cover the operating expenses lines. Q4 sales and marketing expenses stood at 4.5 million euros, representing 40 per cent of total revenues, as compared to the 4.3 million euros or 44 per cent of total revenues in the prior year quarter. Despite the 1.3 million of additional costs related to 5View, sales and marketing expenses remained roughly unchanged at 17.5 million euros, representing 39 percent of total revenues. This is a testimony to the sales teams' accomplishments in 2008 where strong focus leads to high productivity. We will try to build on this success in fiscal 2009, not only to further improve sales productivity but also across other operating cost lines.

Moving further down the P&L, Q4 R&D expenses increased year-on-year to 2.8 million euros representing 25 per cent of total revenues and a 33 per cent year-on-year increase. R&D expenditures increased to 10.6 million euros (or 24% of total revenues), as compared to 8.0 million in fiscal 07. While the inclusion of the

5View product line was certainly a factor in the increase, we also continued our investments for the fiscal year in our Bangalore Extended Development Center and product management group. One of the key objectives that Philippe has given me in my new role as CFO is to meticulously review each and every cost line and in the coming quarters, Philippe and I will be working very closely with the different department heads of R&D to find room for productivity improvement.

And finally G&A expenses in the fourth quarter totaled 1.4 million euros representing 13 per cent of total revenues, versus 18 per cent last year. This amounts to an 18 per cent year-on-year decline. During the past fiscal year, Philippe and I have worked hard to optimize G&A costs and our hard work has certainly paid off with expenses declining to 6.4 million euros, representing 14 per cent of total revenues. This has been done through our NASDAQ delisting as well as other reductions.

We have posted four consecutive quarters of profit, ending the year at 836 thousand euros. Though this level is certainly not sufficient for a software company, it is an important step upward. Building on this, we intend to motivate the whole organization to significantly improve productivity and operating margin.

Now let's have a look at the non-operating activities. As you already know, we have booked financial losses during the first 3 quarters of the past fiscal year due to the 3.2 million euro write down that we've incurred on the investments affected by the US subprime market crisis. We're most relieved that all this has now come to an end! And in Q4, we didn't record any more losses. Lastly, InfoVista does a significant amount of its business outside the euro zone, which exposes us to foreign currency fluctuation, primarily with the US dollar. Losses over each of the past two fiscal years have been approximately 300 thousand euros. During the past fiscal year, the finance team has implemented a hedge program in an effort to reduce our exposure to such fluctuations, which should positively impact our P&L in a weakening US dollar trend.

During the fiscal year, we recorded deferred tax benefits that amounted to 0.7 million euros that related to the legal and tax merger of the Accellent and

InfoVista French legal entities. Going forward, we do not expect any significant tax benefits and this line item should return to a modest expense line, resulting from withholding taxes and minimum taxes across the different countries in which we do business.

So to sum things up for the P&L .....in Q4, we recorded a net profit of 0.7 million euros, as compared to a net loss of 1.6 million euros in the same quarter last year. Then, as a result of the financial losses we've incurred during the first 3 quarters, total net loss of the full fiscal year was 1.3 million euros, still an improvement from the 3.6 million euro loss in fiscal year 2007.

Now I would like to cover two key highlights on our year-end balance sheet. First let's talk about cash, cash equivalents, and short-term financial assets which stood at 17.8 million euros as compared to 21.8 million euros at the end of last quarter and 36.3 million euros at the end of last fiscal year. Please note that the 17.8 and 21.8 million exclude 4.2 million euros of financial assets affected by the subprime market. The quarter on quarter decline is primarily due to an exceptional third quarter of cash receipts that boosted the March end cash balance. A handful of large Q3 deals were in fact paid within the third quarter. The year-on-year cash consumption has resulted from the 11 million euro 5View acquisition, 3 million euros of financial losses, and another million from the share buyback program.

The second key highlight for the balance sheet is our DSO, which was approximately 97 days as compared to 91 days at the end of last year and 70 days at the end of Q3. Year-end receivables remain very clean, despite the fact that our DSO ended the year a bit higher than usual.

Prior to handing the call back to Philippe, please let me take this chance to reconfirm my main objectives as InfoVista's newly appointed CFO, working as right hand man to Philippe. The first goal is to set the foundation for a bottom line that is constantly profitable. Next, support the entire InfoVista team in maximizing return on investment and justifying all costs and investments. We strongly believe that both goals shall maximize shareholder value and the future success of InfoVista.

Now, let me turn the call to Philippe to review our Operational highlights and end with our new fiscal year's strategy. Philippe, please?

### **Philippe Ozanian**

Thank you Dave. Although Q4 was a touch below our expectations, the quarter and the full fiscal year was marked by a number of positive signs. First, I would like to stress the fantastic turnaround of our Americas operations. We have put the right people in charge, accomplishing in a year a significant transformation. With the sales resources on the ground nearly cut by half, we've significantly increased our license revenues. How did we achieve that? 2 simple words: Focus and execution. This is the winning formula. Focusing on what we do well; enabling service providers to maximize return on their networks services and applications and doing it better by monitoring and fine-tuning every single aspect of our execution. This is just simply what we have done, and the numbers speak for themselves. Americas Q4 revenues jumped 29 per cent in euro terms and 50 per cent in dollar terms. On a full year basis, the turnaround is even more visible with total revenues of 17.5 million euros or a 22 per cent year-on-year increase in euro terms and 36 per cent in dollar terms. We won a number of very competitive deals with new customers such as Embarq, Brocade, Terrestar, TNSI and Shaw Communication. We have also seen large existing customers such as CitiGroup and AT&T coming back. Yes I'm proud of what we have accomplished in the Americas in FY08.

But Execution is a never ending business. Every single day, you have to reassess your execution and monitor your performance. And based on this assessment, eventually take tough decisions when things are not well executed or well managed. This is what we have done in Q4 with our Asia Pac team. Over the past fiscal year, I saw performance declining because of poor execution and lack of focus. Thus I made the tough decision to replace a significant part of our operations team there. Now all the organizational changes are completed and I have a seasoned team to cover Australia, South East Asia and India. These changes cost us some disruptions in the business resulting in disappointing results for Q4, with a 40 per cent decline year on year, while on a full fiscal year, total

revenues dropped by 13 per cent. Despite the shortfall in Q4, these changes are well worth it, as they will restore productivity and allow us to better leverage our solid installed base in the region.

Finally let's move on to the EMEA region. Total Revenues in Q4 grew by 21 per cent including revenues from our 5View product line for approximately 0.8 million euros. For the fiscal year, total revenues grew 18 per cent year on year, including 2 million euros from the 5View product line. In other words, despite significant changes that also happened in that region to improve efficiency and productivity, we have achieved an organic growth of 8 per cent year-on-year.

In EMEA we also have reshaped our organization. We've decided to reduce the number of regional sales directors from 4 to 3 to force alignment and focus. We've also started implementing a two-fold strategy. First for the mature countries, we've focused on our large accounts through strategic selling and global account management. Cable & Wireless, Deutsche Telekom, Telefonica, Telecom Italia are some of the large accounts that we are leveraging in the most mature EMEA countries. Secondly, we've gone after additional reservoirs of incremental sales in fast-growing countries. This strategy has started to pay off: we booked new businesses in Egypt, Tunisia, Saudi Arabia and South Africa and all this is very encouraging as there are many other opportunities in fast-growing EMEA countries that we haven't even started to address.

I'd like now to discuss our new 5View product line performance. Over the past 7 months, 5View contributed a little over 2 million euros. Though this is in line with our projections at the time of the acquisition, I am not entirely satisfied with the results and I believe that we can improve our execution and productivity with better focus. 5View's potential will be magnified as soon as its technology is fully integrated within VistaFoundation. This integration will allow us to fully leverage our large installed base and to reap the benefits of the technology we've acquired. To ensure that we give to that objective the maximum focus, we have decided to put on hold the development of an international indirect channel for distributing the 5View product line to mid-sized enterprises.

Before we move to fiscal year 09, let me end my comments on 08 with a few words on our Service strategy. Service is a key component of our growth strategy. We have heard from Dave that we are already doing well in this area in terms of numbers: 17 per cent growth in professional services year-on-year. But we can do better. We are receiving more and more requests from our large customers. Further customization of our solutions and premium consulting services are 2 factors that will further increase revenues in the future. Answering to these opportunities is essential for our future growth, as they solidify customer loyalty, making us more resilient and profitable in tougher times. In the past fiscal year, I have decided to regroup all service activities into one single organization. This decision effective in January 08, has already proven its positive impact. Now don't get me wrong, we're cautiously building this Service Practice step by step, using third party resources as much as possible.

That's the past. Now let us look into the next fiscal year. As you should know already, we've decided to adopt a realistic approach in setting fiscal year 09's top-line objective. As such, we now expect revenue growth to be in about the 10 per cent range. Growth in Services is modeled around 10 per cent with fairly good visibility given our solid and recurrent maintenance business and our already successful push in professional services. Licenses, including the contribution of 5View, is also expected to grow by almost 10 per cent. You might think that we are on the conservative side given the progress we have made in FY08. But at this stage of our development, we prefer to base our cost structure on conservative top line assumptions in order to ensure a decent level of profitability.

Despite our revised top line assumptions, our objective for fiscal 09 is to achieve a 6 per cent net margin. I will state that this must be just an intermediary stage towards at least a 10 percent net margin. In order to reach that objective, various action plans are in place that will result in a cost structure as follows.

First, cost of revenues would be approximately 21 per cent of total revenues or 10.5 million euros. This increase is due to 2 major factors; first the impact of the 5View product line that has a lower gross margin as explained by Dave. Second,

we will continue to push our professional service revenues and thus have to make further investment, mainly with subcontractors.

Next our Sales and Marketing expenses are expected to increase by only 6 percent from 17.5 million euros to 18.5 million euros to represent around 37 percent of total sales. The increase is primarily due to the full-year impact of the 5View organization versus only 7 months in the previous year. The rest of the organization should continue to operate at constant cost structure as I'm expecting to see further productivity improvement as a consequence of the changes that have taken place during the course of fiscal year 08.

Our R&D expenses are expected to increase from 10.5 million euros to 11.5 million euros. The impact of the 5View product line on a full-year basis combined with limited investment in our extended development center in Bangalore constitutes a significant part of the year on year increase. Over the past fiscal year, R&D has benefited from significant investment, and I intend to challenge every project to ensure that it provides immediate pay back.

Thanks to the major R&D push we did in fiscal year 08, we will release version 3.1 of our flagship VistaInsight for Networks solution, before the end of this calendar year. This is a very important release, first, because it represents a major upgrade of a product that accounts for more than 80 per cent of our revenues. Second, this release will have new modules that will be sold incrementally to Mobile operators and eventually to Broadband operators, as the modules will include metric and usage workflows specific to these markets. The purpose in both cases is to continue to extend from the core to the Edge and Access points and provide our customer with a unique end-to-end infrastructure performance management, this is key to their business, whether it is driven by customer base growth or by increasing ARPU and limiting churn.

Lastly and to conclude on our cost structure, with G&A at 6.0 million euros, total costs in fiscal year 09 should be approximately 46.5 million euros, without amortization of intangibles. This is an almost flat cost structure given the fact that most of the increase is related to the full year impact of the 5View product line.

Before we open the floor to questions, I'd like to end with the reminder that going forward, we will only be providing annual guidance. We will continue to give you detailed quarterly reviews and at the half year mark, we will also provide an in-depth update of our progress towards our FY09 objective. And now we will be pleased to take any questions you may have. Operator, can you please provide the instructions for the Q&A session?

**After the Q&A session - Philippe**

Thank you Operator. And thank you everyone for attending and your continued support for InfoVista. As always, we are available to answer your questions, so feel free to contact any one of us. Good bye and have a great summer.