



FIRST QUARTER RESULTS

Management's Discussion & Analysis

For the three months ended September 30, 2018

VECIMA NETWORKS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 8, 2018

This Management's Discussion and Analysis (MD&A) provides a review of significant developments that have affected the performance of Vecima Networks Inc. ("Vecima" or the "Company") during the three months ended September 30, 2018.

Our MD&A supplements, but does not form part of, our unaudited condensed interim consolidated financial statements and related notes for the three months ended September 30, 2018. Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended September 30, 2018 and September 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Our MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes.

The content of this MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to our expectations related to general economic conditions and market trends and their anticipated effects on our business segments, as well as our expectations related to customer demand. For additional information related to forward-looking statements and material risks associated with them, please see the "Forward-Looking Information" section of this MD&A.

Additional information regarding Vecima, including our Annual Information Form, can be found on SEDAR at www.sedar.com.

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Company Overview

Founded in 1988, Vecima Networks Inc. (TSX:VCM) is a Canadian company with offices in Saskatoon, Burnaby, Victoria, Atlanta and Tokyo.

We are a globally recognized leader in creating breakthrough technology solutions that empower network service providers to connect people and enterprises to information and entertainment worldwide.

On December 31, 2017, we acquired the Video Content Delivery and Storage business of Concurrent Computer Corporation ("Concurrent") through our new subsidiary Concurrent Technology (Canada) Inc.. Concurrent has offices in Atlanta, Georgia, and Tokyo, Japan, along with sales and support staff across Europe. The combined operations significantly enhance Vecima's global reach.

Concurrent is a global software and solutions company that develops advanced applications focused on storing, protecting, transforming, and delivering high value media assets. It serves industries and customers that demand uncompromising performance, reliability and flexibility to gain a competitive edge, drive meaningful growth and confidently deliver best-in-class solutions that enrich the lives of millions of people around the world every day.

As a result of this acquisition, our business is organized into three segments:

- 1) **Video and Broadband Solutions** includes platforms and modules that process data from the cable network and deliver it in formats suitable to be consumed on televisions and Internet devices. Terrace and TerraceQAM are two key product families in this segment which meet the needs of the business services vertical including MDU (multi-unit dwellings) and Hospitality (including hotels, motels and resorts).
- 2) **Content Delivery and Storage** includes solutions & software for industries and customers that focus on storing, protecting, transforming, and delivering high value media assets.
- 3) **Telematics** provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo, Nero Global Tracking, and FleetLynx brands.

Industry Developments

Video and Broadband Solutions

The cable industry's move to distributed access architectures (DAA) under the latest DOCSIS 3.1 standard is expected to roll out with top tier players starting in calendar 2018 and 2019, and continuing for several years thereafter. Released by CableLabs in 2014, DOCSIS 3.1 unlocks gigabit broadband speeds over existing coaxial cable by allowing data transmission up to 10 Gigabits per second (Gbps) for download speed and 3 Gbps upload speed, making DOCSIS 3.1 comparable to the speed provided by fiber optic connections, but without the added infrastructure cost. Global cable operators expect to benefit from a flexible migration given that DOCSIS 3.1 modems can coexist with older versions and build on top of the previously deployed capacity. The higher efficiency of DOCSIS 3.1 technology also enables significant cost per bit reductions relative to DOCSIS 3.0 network solutions. According to the latest industry analysis, 80% of cable operators have committed to DAA deployment plans.

We have been focused on addressing this industry transition through the development of our next generation platform, Entra, which is a distributed access architecture solution. The Entra Distributed Access Platform is Vecima's realization of the next generation of HFC nodes as optical transport moves away from analog RF distribution to all-digital Ethernet.

Entra Distributed Access Platform

The Entra Distributed Access solution comprises three components:

- An access node that can operate as Remote-PHY or Remote MAC-PHY and provides a modular platform for deployment of access technologies;
- Unified control software for management and monitoring of access nodes; and
- A Legacy QAM Adapter that provides a simple solution to adapt existing video QAM infrastructure for distributed access.

Entra Access Switch

The Entra family also includes the Entra Access Switch, an 8 port x 10 GbE weatherproof switch capable of supporting Carrier Ethernet services in almost any deployment environment. It is designed to extend the capacity of networks with insufficient fibers while minimizing the use of expensive digital optics.

Content Delivery and Storage

Global demand for IP video content delivery and storage is growing, driven by the rapidly increasing consumption of IP video as consumers turn to streaming services and cable operators make vast arrays of new IP video content available to subscribers. Service providers are also pursuing new DVR opportunities that shift delivery and storage away from traditional set top storage to cloud-based models.

With the acquisition of Concurrent Computer Corporation's IP video content delivery and storage business, Vecima now has access to the two large-scale markets created as a result of these evolutions. The Concurrent business focuses specifically on cable MSO's video delivery and storage needs, marketing relevant products under the newly launched brand family, MediaScaleX™ which includes the product categories: Storage, Cache, Origin and Transcode.

Telematics

As the technology broadens beyond fleet management and tracking to new initiatives associated with asset management for asset-intensive industries such as manufacturing, construction, energy and aerospace, Vecima is developing products to capitalize on segments of these markets.

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next generation platforms such as our new DOCSIS 3.1 platform, Entra, as well as new IP video storage and distribution technologies being developed under the MediaScaleX™ brand within the Content Delivery and Storage segment. We also intend to continue pursuing profitable growth both organically and when appropriate, through value enhancing strategic acquisitions.

First Quarter 2019 Highlights

Company and Financial Highlights

- Generated revenue of \$21.3 million, up from \$14.9 million in the first quarter of fiscal 2018
- Achieved gross margin of 52.5% and adjusted EBITDA of \$1.9 million
- Ended the quarter in strong financial position with \$53.4 million in cash
- Declared a dividend of \$0.055 per share payable on December 17, 2018 to shareholders of record on November 23, 2018. This represents the 18th consecutive quarterly dividend since October 28, 2014 representing \$21.3 million returned to shareholders through regular dividends
- Aligned Vecima and Concurrent's customer-facing sales and marketing departments to expand global reach, increase direct engagement with customers, and leverage the combined strengths of our operations and platforms

Video and Broadband Solutions

- Completed lab testing of Legacy QAM Adapter with a major MSO; now readying for field trials
- Introduced Remote-PHY Monitor, an innovative new product that enables MSOs to proactively manage their physical Distributed Access Architecture (DAA) assets with particular emphasis on operationalizing DAA nodes at SCTE, the cable industry's largest tech show, and was awarded 4 Diamonds in BTR 2018 Diamond Technology Reviews
- Further advanced integration testing for Remote-PHY Access Node in Tier 1 MSO customer labs
- Secured supply agreement and first purchase order for Terrace DVB platform with a major Tier 1 MSO in Europe. Terrace DVB, a new version of Vecima's highly successful Terrace series of platforms, is used by the hospitality industry to provide video services to customers

Content Delivery and Storage

- Introduced the MediaScaleX™ trademark, which organizes and integrates our suite of media delivery and storage products and platforms under a common brand identity
- Released an upgraded version of MediaScaleX//Origin™ platform
- Achieved strong sales for MediaScaleX//Storage™, setting an all-time record for this recently introduced product
- Announced a major IPTV/OTT upgrade with a large European MSO which is expected to drive revenue growth with this customer for the next three years

Telematics

- Launched Nero Equipment Tracking, a new GPS beacon tracking system designed for smaller moveable assets used by construction and renovation companies

Outlook

The North American cable industry continues to prepare for the new DOCSIS 3.1 standard with MSOs at various stages of planning. While the timing of the volume phase of the transition remains difficult to predict, we are working closely with our MSO customers and see significant potential for our new Entra DOCSIS 3.1 platforms. We will continue to invest in Entra in fiscal 2019 with a focus on further differentiating and enhancing the competitive advantages of our platform. We anticipate that demand for our legacy cable products will continue to taper off in 2019 as the industry begins to evolve to the new technologies.

Demand for Content Delivery and Storage products is expected to grow in 2019, albeit with quarter-to-quarter revenue variations that are typical of this business. The Company's MediaScaleX™ suite of content delivery and storage products broadly address the growing demand for IP-oriented video technologies and the Company is focused on capitalizing on its strong customer relationships in this sector.

We expect demand for our Telematics products to continue in 2019 with incremental growth in the existing fleet tracking market while pursuing new opportunities in asset tracking.

Overall, we expect fiscal 2019 to be a year of continued investment and development as we position Vecima for industry leadership in the DOCSIS 3.1 market and the IP video content delivery and storage space. With a strong financial position, we are well positioned to pursue our product strategies, while also continuing to assess attractive acquisitions that provide significant accretion and give rapid access to technologies that will help drive our growth and success.

Assets Held For Sale and Discontinued Operations

We completed the sale of the telecommunications assets of the YourLink business in British Columbia in fiscal 2017, and in Q1 fiscal 2018, completed the final transaction on the sale of the telecommunication assets of the YourLink business in Saskatchewan. Financial results attributable to the disposal of all YourLink assets have been presented as discontinued operations.

Consolidated Results of Operations

Amounts are presented in thousands of Canadian dollars except percentages, employees, dividends and per share amounts. This information should be read in conjunction with our financial statements for the relevant periods, including the related notes, and the balance of this MD&A.

Consolidated Statements of Comprehensive Income Data	Three months ended			
	September 30,			
	2018		2017	
Sales	\$21,335	100 %	\$14,882	100 %
Cost of sales	10,144	48 %	6,404	43 %
Gross profit	11,191	52 %	8,478	57 %
Operating expenses				
Research and development ⁽¹⁾	4,604	21 %	3,163	21 %
Sales and marketing	3,200	15 %	1,108	7 %
General and administrative	4,003	19 %	2,610	18 %
Restructuring costs	757	3 %	-	%
Stock-based compensation	34	- %	13	- %
Other (income) expense	(88)	- %	(82)	- %
	12,510	58 %	6,812	46 %
Operating (loss) income	(1,319)	(6)%	1,666	11 %
Finance income	222	1 %	298	2 %
Foreign exchange (loss) gain	(517)	(2)%	(670)	(4)%
(Loss) income before taxes	(1,614)	(7)%	1,294	9 %
Income tax (recovery) expense	(518)	(2)%	330	2 %
Net (loss) income from continuing operations	(1,096)	(5)%	964	7 %
Net income from discontinued operations	-	- %	7,062	47 %
Net (loss) income	\$(1,096)	(5)%	\$ 8,026	54 %
Other comprehensive loss	\$ (418)	(2)%	\$ -	- %
Comprehensive (loss) income	\$(1,514)	(7)%	\$ 8,026	54 %
Net (loss) income per share⁽²⁾				
Basic	\$ (0.05)		\$ 0.36	
Basic from continuing operations	\$ (0.05)		\$ 0.04	
Diluted	\$ (0.05)		\$ 0.36	
Diluted from continuing operations	\$ (0.05)		\$ 0.04	
Other Data				
Total research and development expenditures ⁽³⁾	\$ 7,806		\$ 5,818	
Adjusted EBITDA ⁽⁴⁾	\$ 1,933		\$ 2,874	
Adjusted earnings per share ⁽⁵⁾	\$ (0.05)		\$ 0.04	
Number of employees ⁽⁶⁾	384		334	

(1) Net of investment tax credits and capitalized development costs

(2) Based on weighted average number of common shares outstanding

(3) See "Total Research and Development Expenditures"

(4) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. See "EBITDA and Adjusted EBITDA"

(5) Adjusted EPS does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Adjusted Earnings per Share"

(6) The number of employees is determined as of the end of the period

Consolidated Statements of Financial Position Data

(unaudited - in thousands of dollars except number of common shares)	September 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 12,247	\$ 11,034
Short-term investments	\$ 41,139	\$ 46,660
Working capital	\$ 73,230	\$ 77,403
Total assets	\$ 208,030	\$ 210,039
Long-term debt	\$ 1,917	\$ 1,979
Shareholder's equity	\$ 186,417	\$ 189,285
Number of common shares outstanding ⁽¹⁾	22,373,122	22,414,944

⁽¹⁾ Based on weighted average number of common shares outstanding

Adjusted Earnings per Share

The following table reconciles net income for the period to adjusted net income as well as earnings per share to adjusted earnings per share. The term "adjusted net income" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for gains and losses on sale of non-core property, plant and equipment ("PP&E"), intangible assets, and assets held for resale, impairments of intangible assets, and the tax effect of these adjusted items. We believe that adjusted earnings and adjusted earnings per share provides supplemental information for management and our investors because they provide for the analysis of our results exclusive of certain items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted earnings and adjusted earnings per share do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Calculation of Adjusted Earnings Per Share	Three months ended September 30,	
(unaudited - in \$000's except per share amounts)	2018	2017
Net (loss) income	\$ (1,096)	\$ 8,026
(Gain) loss on sale of spectrum licenses, net of tax	-	(7,076)
Adjusted net (loss) income	\$ (1,096)	\$ 950
(Loss) earnings per share	\$ (0.05)	\$ 0.36
(Gain) on sale of spectrum licenses, net of tax	-	(0.32)
Adjusted (loss) earnings per share	\$ (0.05)	\$ 0.04

EBITDA and Adjusted EBITDA

The following table reconciles net income for the period to EBITDA and Adjusted EBITDA. The term "EBITDA" refers to net income or net loss as reported in the IFRS financial statements, excluding any amounts included in net income or net loss for income taxes, interest expense, and depreciation and amortization for property plant and equipment (PP&E) and intangible assets. The term "Adjusted EBITDA" refers to EBITDA adjusted for: gains and losses on sale of PP&E, intangible assets, and assets held for sale; impairment of PP&E; impairment of deferred development costs; restructuring costs; and stock compensation expense. We believe that Adjusted EBITDA is useful supplemental information for management and for our investors because it provides for the analysis of our results exclusive of certain non-cash items and other items which do not directly correlate to our business of selling broadband access products, content delivery and storage products and services or supplying telematic services. Adjusted EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, or as an indicator of our financial performance or as a measure of our liquidity and cash flows.

Calculation of Adjusted EBITDA	Three months ended	
	September 30,	
	2018	2017
Net (loss) income	\$ (1,096)	\$ 8,026
Income tax (recovery) expense	(518)	1,358
Interest expense	24	21
Depreciation of PP&E	611	404
Amortization of deferred development costs	1,169	907
Amortization of finite-life intangible assets	941	235
EBITDA	1,131	10,951
Gain on sale of assets held for sale	-	(8,109)
Loss (gain) on sale of PP&E	11	19
Restructuring costs	757	-
Stock-based compensation	34	13
Adjusted EBITDA	\$ 1,933	\$ 2,874
Adjusted EBITDA margin (%)	9 %	19 %

Total Research and Development Expenditures

The following table reconciles research and development expense reported in accordance with IFRS as shown on the consolidated statements of comprehensive income (research and development expense) to our actual cash research and development expenditures (total research and development expenditure).

Calculation of Research and Development Expenditures	Three months ended	
	September 30,	
	2018	2017
Research and development expense	\$ 4,604	\$ 3,163
Deferred development costs	4,343	3,542
Investment tax credits	28	69
Amortization of deferred development costs	(1,169)	(907)
Government grant	-	(49)
Total research and development expenditure	\$ 7,806	\$ 5,818
Percentage of sales	37 %	39 %

Summary of Quarterly Results of Operations

The following information has been derived from our consolidated financial statements for the three months ended September 30, fiscal 2018 and fiscal 2017 in accordance with IFRS. This information should be read in conjunction with those financial statements and their related notes as well as with the balance of this MD&A.

	2019	Fiscal Year 2018				Fiscal Year 2017			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Sales	21,335	24,346	24,124	14,752	14,882	14,629	15,718	20,227	
Cost of sales	10,144	11,075	11,743	7,032	6,404	7,171	7,506	9,745	
Gross profit	11,191	13,271	12,381	7,720	8,478	7,458	8,212	10,482	
Operating expenses									
Research and development	4,604	4,427	4,466	3,045	3,163	3,074	2,969	2,857	
Sales and marketing	3,200	4,227	4,015	1,113	1,108	1,423	1,404	1,161	
General and administrative	4,003	3,979	4,119	2,540	2,610	2,521	2,471	2,419	
Impairment of intangible assets	-	22	-	-	-	174	-	-	
Restructuring costs	757	-	-	-	-	986	-	-	
Stock-based compensation	34	31	22	14	13	120	67	66	
Other (income) expense	(88)	(92)	(54)	(89)	(82)	(169)	(123)	13	
	12,510	12,594	12,568	6,623	6,812	8,129	6,788	6,516	
Operating (loss) income	(1,319)	677	(187)	1,097	1,666	(671)	1,424	3,966	
Finance income	222	211	237	386	298	771	48	62	
Foreign exchange (loss) gain	(517)	454	846	300	(670)	(331)	150	493	
Income (loss) before taxes	(1,614)	1,342	896	1,783	1,294	(231)	1,622	4,521	
Income tax (recovery) expense	(518)	554	194	454	330	(94)	603	1,168	
Net (loss) income from continuing operations	(1,096)	788	702	1,329	964	(137)	1,019	3,353	
Net income (loss) from discontinued operations	-	(45)	1	1	7,062	(6)	9,356	420	
Net (loss) income	\$ (1,096)	\$ 743	\$ 703	\$ 1,330	\$ 8,026	\$ (143)	\$ 10,375	\$ 3,773	
Other comprehensive (loss) income	\$ (418)	\$ 450	\$ 627	\$ -	\$ -	\$ -	\$ -	\$ -	
Total comprehensive (loss) income	\$ (1,514)	\$ 1,193	\$ 1,330	\$ 1,330	\$ 8,026	\$ (143)	\$ 10,375	\$ 3,773	
Net (loss) income per share									
Basic	\$ (0.05)	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.36	\$ (0.01)	\$ 0.46	\$ 0.17	
Diluted	(0.05)	0.03	0.03	0.06	0.36	(0.01)	0.46	0.17	
Adjusted EBITDA as reported	\$ 1,933	\$ 4,352	\$ 3,753	\$ 3,557	\$ 2,874	\$ 2,415	\$ 3,430	\$ 7,360	

Quarter-to-Quarter Sales Variances

There are many factors that contribute to the overall variances of our sales. Traditionally, one of the main factors has been that we continually develop new products to replace products that are reaching the end of their lifecycle. The timing of development can vary based on the size of the projects. The timing of regulatory certification and customer acceptance of new products can also affect the timing of sales.

Within the industry, spending by cable operators is impacted by new technology adoption such as the industry migration to DOCSIS 3.1. The budgeting cycles of larger cable operators can also result in quarter-to-quarter variability in customer orders around their budgeting season and installation schedules. We are currently experiencing a slowdown in demand for some of our legacy Video and Broadband Solutions products as customers complete their digital networks and migrate to DOCSIS 3.1. We expect our sales to recover as our new products in the DOCSIS 3.1 Entra platform are commercialized.

The addition of our new Content Delivery and Storage segment following our acquisition of the Concurrent business has also contributed to variation in our quarterly sales. Quarterly sales fluctuations are typical of this business due to the timing of large customer orders.

Segmented Information

Sales

Segment	Three months ended September 30,	
	2018	2017
Video and Broadband Solutions	\$ 11,345	\$ 13,600
Content Delivery and Storage	8,626	-
Telematics	1,364	1,282
Total sales	\$ 21,335	\$ 14,882

Three-Month Sales

We generated total sales of \$21.3 million in the first quarter of fiscal 2019, a 43% increase compared to \$14.9 million in Q1 2018, but an 12% decrease from the \$24.3 million generated in Q4 fiscal 2018. Acquisition-based growth was the key factor in the higher year-over-year sales, with our new Content Delivery and Storage segment, contributing first quarter revenues of \$8.6 million.

Video and Broadband Solutions sales were \$11.3 million in the first quarter of fiscal 2019, compared to \$13.6 million in Q1 fiscal 2018 and \$11.1 million in Q4 fiscal 2018.

- First quarter sales of the Terrace family of products decreased 4% to \$7.0 million, from \$7.3 million in the first quarter of fiscal 2018. The sales result reflects a continuation of purchasing activity of the TC600E by a Tier 1 MSO undertaking a network wide all digital conversion, but at a slightly slower pace.
- First quarter fiscal 2019 sales of TerraceQAM were \$1.7 million, compared to \$3.4 million in the first quarter of 2018, a 49% decrease. We believe our customer's need for new systems is nearing saturation and sales will remain at reduced levels until the next generation platform is completed.

Content Delivery and Storage sales were \$8.6 million in the first quarter of fiscal 2019, compared to \$nil in Q1 fiscal 2018 and \$12.0 million in Q4 2018. The 28% decrease in sequential quarterly sales reflects strong order flow in Q4 fiscal 2018, followed by a drop in the first quarter sales activity due to delayed customer orders. We continue to anticipate strong results from this business on a full-year basis, but note that quarterly sales variances in this segment can be pronounced. Segment sales for the period included \$5.4 million of product sales and \$3.2 million of services revenue.

Telematics sales were \$1.4 million in the first quarter of fiscal 2019, up 6% from \$1.3 million in Q1 fiscal 2018 and 4% higher than sales of \$1.3 million in Q4 fiscal 2018. Results for the quarter were in line with our expectations.

Cost of Sales

Cost of sales consists primarily of product manufacturing and assembly expenses, with component parts, employee and third party supplier costs representing a significant portion of these costs. Costs associated with Video and Broadband Solutions sales include related overhead, compensation, final assembly, quality assurance inventory management costs, and sales commissions, as well as support costs and payments to contract manufacturers that perform printed circuit board assembly functions. Costs associated with Content Delivery and Storage sales include the cost of the computer systems sold, including amortization of software development costs, depreciation, labour, material, overhead and third-party product costs, as well as the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation, support activities and sales commissions. Costs associated with Telematics sales consist of hardware amortization, inventory management costs, order fulfillment, wireless fees, server hosting services, mapping licenses and sales commissions.

Gross Profit and Gross Margin

Segment	Three months ended	
	September 30,	
	2018	2017
Video and Broadband Solutions	\$ 5,496	\$ 7,561
Content Delivery and Storage	4,773	-
Telematics	922	917
Total gross profit	\$ 11,191	\$ 8,478
Video and Broadband Solutions	48.4 %	55.6 %
Content Delivery and Storage	55.3 %	- %
Telematics	67.6 %	71.5 %
Total gross margin	52.5 %	57.0 %

Three-Month Results

For the three months ended September 30, 2018, we generated a gross margin of 52.5%, providing a total gross profit of \$11.2 million. This compares to a gross margin of 57.0% (total gross profit of \$8.5 million) in the same period last year, and a gross margin of 55% (total gross profit of \$13.3 million) in Q4 fiscal 2018.

Gross margin from the Video and Broadband Solutions segment was 48% (gross profit of \$5.5 million) in the first quarter of fiscal 2019, as compared to 56% (gross profit of \$7.6 million) during the same period in fiscal 2018. Gross margin in the current quarter was impacted by the weakening Canadian dollar year-over-year, lower prices for certain Terrace family products sales, by the reduced overall sales in Q1 fiscal 2019 as compared to Q1 fiscal 2018 and sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15.

In the Content Delivery and Storage segment, first quarter gross margin of 55% (gross profit of \$4.8 million) compared to 60% (gross profit of \$7.2) in Q4 fiscal 2018. The sequential quarterly decrease reflects a change in product and customer mix between the two periods, sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15 and the impact of lower sales in the Q1 fiscal 2019 period. This was the third quarter of operations for the Content Delivery and Storage segment following our December 31, 2017 acquisition of assets of Concurrent Computer Corporation.

Gross margin from the Telematics segment was 68% (gross profit of \$0.9 million) in the first quarter of fiscal 2019, as compared to 72% (gross profit of \$0.9 million) in Q1 fiscal 2018. The year-over-year decrease reflects sales commissions now being classified in cost of sales as a result of the adoption of IFRS 15, partially offset by higher sales quarter over quarter.

Operating Expenses

Segment	Three months ended	
	September 30,	
	2018	2017
Video and Broadband Solutions	\$ 6,595	\$ 5,996
Content Delivery and Storage	5,226	-
Telematics	689	816
Total operating expense	\$ 12,510	\$ 6,812

Three-Month Results

For the three months ended September 30, 2018, total operating expenses increased to \$12.5 million, from \$6.8 million in Q1 fiscal 2018 and on par with \$12.6 million in Q4 fiscal 2018. The year over year increase primarily reflects the addition of the Concurrent operations.

Video and Broadband Solutions operating expenses for the first quarter were higher at \$6.6 million, as compared to \$6.0 million in Q1 2018. The year-over-year increase is a result of the restructuring costs in Q1 fiscal 2019 offset by acquisition costs incurred in Q1 fiscal 2018 and sales commissions now being classified in cost of sales in Q1 fiscal 2019 as a result of the adoption of IFRS 15. On a sequential quarterly basis, operating expenses were \$0.7 million higher than the \$6.0 million recorded in Q4 fiscal 2018 mainly a result of the restructuring costs in Q1 fiscal 2019.

Content Delivery and Storage operating expenses were \$5.2 million in Q1 fiscal 2019. On a sequential quarterly basis, operating expenses were \$0.6 million lower than the \$5.8 million recorded in Q4 fiscal 2018, mainly reflecting sales commissions now being classified in cost of sales in Q1 fiscal 2019 as a result of the adoption of IFRS 15.

Telematics operating expenses decreased to \$0.7 million in Q1 fiscal 2019, from \$0.8 million in Q1 fiscal 2018. This \$0.1 million year-over-year decrease primarily reflects lower research and development expense in the current quarter. On a sequential quarterly basis, Telematics operating expenses were similar in both Q4 fiscal 2018 and Q1 fiscal 2019.

Research and development expenses for the three months ended September 30, 2018 increased to \$4.6 million, or 22% of sales, from \$3.2 million, or 21% of sales in the same period of fiscal 2018. We continue to invest in research and development to support the launch of our new products. Until these products are in commercial production, the development costs are deferred to future periods. Total research and development costs before deferrals, amortization of deferred development costs and income tax credits for the three months ended September 30, 2018 increased to \$7.8 million, or 37% of sales, from \$5.8 million, or 39% of sales in Q1 fiscal 2018. The increase was primarily the result of the acquisition of Concurrent and higher staffing costs, offset by lower subcontracting costs and prototyping costs in the current period.

Sales and marketing expenses increased to \$3.2 million, or 15% of sales in Q1 fiscal 2019, from \$1.1 million, or 7% of sales last year. This increase reflects the addition of sales and marketing expenses related to the Concurrent operations offset by lower inventory allowances for slow-moving finished goods inventory and sales commissions now being classified in costs of sales as a result of the adoption of IFRS 15.

General and administrative expenses increased to \$4.0 million in Q4 fiscal 2018, from \$2.6 million in Q1 fiscal 2018. The year-over-year increase reflects the addition of the Concurrent operations.

Restructuring costs were \$0.8 million in Q1 fiscal 2019 and represent severance costs related to the reorganization of manufacturing operations.

Stock-based compensation expense increased to \$0.03 million in Q1 fiscal 2019, from \$0.01 million in Q1 fiscal 2018.

Other income decreased to \$0.09 million for the three months ended June 30, 2018, from \$0.08 million in the same period last year.

Operating Income

	Three months ended	
	September 30,	
	2018	2017
Video and Broadband Solutions	\$ (1,099)	\$ 1,565
Content Delivery and Storage	(453)	-
Telematics	233	101
Total operating income	\$ (1,319)	\$ 1,666

Operating loss of \$1.3 million was reported in Q1 fiscal 2019, as compared to operating income of \$1.7 million in Q1 fiscal 2018. This change was mainly driven by decreased contribution in the Video and Broadband Solutions segment, and also by the operating loss in the Content Delivery and Storage segment in the current quarter, together with increased operating income from the Telematics segment year-over-year.

Video and Broadband Solutions reported a first quarter operating loss of \$1.1 million, as compared to operating income of \$1.6 million in Q1 fiscal 2018. The year-over-year change reflects the \$2.1 million reduction in gross profit and the \$0.6 million increase in operating expenses. The latter was largely attributable to the \$0.8 million restructuring charge in the current quarter.

Content Delivery and Storage reported a first quarter operating loss of \$0.5 million, as compared to operating income of \$1.3 million in Q4 fiscal 2018. The quarter-over-quarter decrease in operating income reflects the \$2.4 million reduction in gross profit, partially offset by operating expenses that were \$0.6 million lower.

Telematics operating income increased to \$0.2 million in Q1 fiscal 2019, from \$0.1 million in Q1 fiscal 2018. Lower research and development expenses were the main factor in this improvement.

Finance income decreased to \$0.2 million in Q1 fiscal 2019, from \$0.3 million in the same period last year. This reflects a \$0.1 million decrease in interest income.

Foreign exchange loss for the three months ended September 30, 2018 was \$0.5 million, a \$0.2 million improvement from the foreign exchange loss of \$0.7 million recorded in the prior year period.

Income tax recovery was \$0.5 million in Q1 fiscal 2019 and compared to an income tax expense of \$0.3 million in Q1 fiscal 2018.

Net income from discontinued operations was \$nil in Q1 fiscal 2019, compared to \$7.1 million in Q1 fiscal 2018. Discontinued operations represented the sale of the YourLink operations in Saskatchewan in Q1 fiscal 2018.

Net loss for Q1 fiscal 2019 was \$1.1 million or \$0.05 per share, and compares to net income of \$8.0 million or \$0.36 per share in Q1 fiscal 2018. Results from Q1 fiscal 2018 included the \$7.1 million of proceeds from the sale of the YourLink operations in Saskatchewan.

Other comprehensive loss was \$0.4 million in Q1 fiscal 2019 as compared to \$nil for the same period in fiscal 2018. The year-over-year change reflects foreign exchange differences on the translation of the foreign operations of our Content Delivery and Storage segment to Canadian dollars.

Net loss and total comprehensive loss for Q1 fiscal 2019 was \$1.5 million or \$0.07 per share, compared to net income of \$8.0 million or \$0.36 per share in Q1 fiscal 2018. Results from Q1 fiscal 2018 included the \$7.1 million proceeds from the sale of the YourLink operations in Saskatchewan.

Cash from Operating Activities

For the three months ended September 30, 2018, cash flow from operating activities provided cash of \$0.7 million, compared to \$9.1 million for the three months ended September 30, 2017. The \$8.4 million change reflects a \$6.8 million decrease in cash flow from non-cash working capital, and a \$1.6 million decrease in operating cash flow.

Investing Activities

Cash flow used in investing activities decreased to \$0.4 million in Q1 fiscal 2019 from \$21.7 million in the same period last year. The cash provided by investing activities represents the net sale of short-term investments of \$5.5 million (Q1 fiscal 2018 - \$16.8 million), deferred development expenditures of \$4.3 million (Q1 fiscal 2018 - \$3.5 million), and purchase of property, plant and equipment of \$0.7 million (Q1 fiscal 2018 – \$0.2 million).

Financing Activities

For the three months ended September 30, 2018 we repaid \$0.06 million of our long-term debt (Q1 fiscal 2018 - \$0.04 million repaid). We repurchased commons shares for \$0.06 million (Q1 fiscal 2018 - \$nil).

Liquidity and Capital Resources

We manage our liquidity and capital resources to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. We believe we have the flexibility to obtain from internal sources the funds needed to fulfil our cash requirements during the following financial year. Our liquidity requirements are met primarily by funds generated from operations.

As at September 30, 2018, we had access to our full revolving loan facility of \$14.0 million (\$14.0 million at June 30, 2018), of which no amount was drawn as an operating line of credit (June 30, 2018 - \$nil was drawn). We had term credit of \$2.2 million as at September 30, 2018 (June 30, 2018 - \$2.2 million). We believe that our current cash and short term investments of \$53.4 million together with anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

Capital expenditures for Q1 fiscal 2019 were \$0.7 million compared to \$0.2 million in Q1 fiscal 2018. The quarter-over-quarter increase is a result of Concurrent capital expenditures.

Working Capital

Working capital represents our current assets less current liabilities. Our working capital decreased to \$73.2 million at September 30, 2018, from \$77.4 million at June 30, 2018. This largely reflects the decrease in cash generated from operations and the cash dividend payable in the current quarter. We note that working capital balances can also be subject to significant swings from quarter to quarter. Our product shipments are "lumpy", reflecting the requirements of our major customers. It is not unusual to ship \$5 or \$6 million of product in a one-week period. If this level of sales occurs in the first week of a succeeding quarter, we would expect to experience an increase in inventory levels and a drop in receivables in the prior quarter. Other timing issues, like contracts with greater than 30 day payment terms, also affect working capital, particularly if shipments are backend weighted for a quarter.

Accounts receivable balance decreased to \$15.3 million at September 30, 2018, from \$18.0 million at June 30, 2018. This decrease reflects the timing of sales, with more orders shipped later in Q4 2018 which resulted in higher accounts receivable as at June 30, 2018.

Income tax receivable balance remained unchanged at \$2.5 million. The balance represents income tax paid in respect of a January 2017 CRA re-assessment (see Commitments below for details) and a \$0.5 million income tax receivable that we expect to collect in fiscal 2019.

Inventory increased by \$2.5 million to \$17.5 million at September 30, 2018, from \$15.0 million as at June 30, 2018. Finished goods inventories were \$8.8 million at September 30, 2018, compared to \$7.5 million at June 30, 2018. Raw material inventory increased to \$7.0 million at September 30, 2018, compared to \$6.7 million at June 30, 2018. Work-in-process inventories increased to \$1.7 million as at September 30, 2018, from \$0.8 million at June 30, 2018. We manufacture and assemble products, with the result that inventory levels will be substantially higher than for other companies in the industry that outsource manufacturing and assembly.

Investment tax credits were \$23.3 million at September 30, 2018 up from \$22.7 million at June 30, 2018. For every dollar we spend on eligible research and development in Canada, we generate approximately fifteen cents in income tax credits. These credits are used to offset our income tax payable.

Accounts payable and accrued liabilities increased to \$12.6 million at September 30, 2018 representing 72 days for payables to be outstanding. This compares to \$12.2 million at June 30, 2018, representing an average of 65 days for payables to be outstanding.

Long-term debt, including current portion, remained the same at \$2.2 million at September 30, 2018 from \$2.2 million at June 30, 2018.

Dividends

Declaration Date	Dividend Amount (per share)	Record Date	Payable Date
November 7, 2017	\$0.055	November 24, 2017	December 18, 2017
February 6, 2018	\$0.055	February 26, 2018	March 19, 2018
May 8, 2018	\$0.055	May 25, 2018	June 19, 2018
September 25, 2018	\$0.055	October 12, 2018	November 2, 2018

Contractual Obligations

We have lease commitments for production equipment, service vehicles and facilities amounting to \$1.8 million within one year, \$5.6 million after one year but not more than five years and \$0.5 thereafter.

Commitments

In January 2017, we received a re-assessment from the Canada Revenue Agency ("CRA") regarding our tax treatment of gains on the sale of radio spectrum licenses in 2012 to 2014. The CRA has re-assessed the gains on the sale of these radio spectrum licenses as active business income, which would result in additional income taxes, penalties and interest payable of approximately \$4.1 million. We, and our advisors, have reviewed the applicable tax law and believe our original treatment of these sales as capital gains was appropriate. We filed a Notice of Objection in March 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements. To avoid further penalties, 50% of the re-assessment was paid.

In March 2017, we received a re-assessment from the CRA regarding the eligibility of certain Scientific Research and Experimental Development ("SR&ED") claims on our 2015 tax return. The CRA re-assessment would result in a reduction of SR&ED expenditures claimed of \$1.3 million (\$0.4 million tax affected). We and our advisors have reviewed the applicable tax law and believe our original treatment of these SR&ED claims was appropriate. We filed a Notice of Objection in regards to this matter in June 2017. The outcome of this matter cannot be determined at this time with reasonable certainty. No provision for this matter has been recognized in the financial statements.

Foreign Exchange

Approximately 95% of our revenues are denominated in U.S. dollars. We translate U.S. dollar sales to Canadian dollars on the date of delivery and subsequently when the account receivable is collected. If the U.S. dollar appreciates relative to the Canadian dollar after we collect the accounts receivable in U.S. dollars, we will receive more Canadian dollars when the U.S. dollars are converted to Canadian dollars in subsequent months. We also enjoy a natural hedge since the majority of our materials and components purchases are in U.S. dollars.

As at September 30, 2018, the exchange rate on the Canadian dollar weakened to \$1.292 against the U.S. dollar from Canadian \$1.314 against the U.S. dollar as at June 30, 2018. This \$0.022 exchange difference decreased the value of our \$28.4 million U.S. dollar net assets by approximately \$0.6 million Canadian.

Financial Instruments

We periodically enter into forward contracts to partially manage our exposure to currency fluctuations between Canadian and U.S. dollars. Forward contracts are entered into based on our projected requirements for converting U.S. to Canadian dollars. We do not recognize these contracts in the consolidated financial statements when they are entered into, nor do we account for them as hedges. Instead, the contracts are marked to fair value at each balance sheet date. Changes to fair value are recorded in income. The fair value of these contracts is included in accounts receivable when in an asset position or accounts payable when in a liability position.

As at September 30, 2018, we did not have any forward contracts (June 30, 2018 - \$nil).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial performance or financial conditions.

Transactions Between Related Parties

We lease a building in Saskatoon under a 10-year lease from Dr. Surinder Kumar, the Chairman of Vecima. The lease was entered into in 2010 at prevailing market rates at that time and expires in 2019. The rental expense from this transaction was \$0.1 million for the three months ended September 30, 2018 (September 30, 2018 - \$0.1 million).

Proposed Transactions

There are no proposed asset or business acquisitions or dispositions that our Board of Directors have decided to proceed with or for which our senior management believes confirmation by the Board of Directors is probable.

Critical Accounting Estimates

The preparation of our unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Use of judgment and estimates are disclosed in Note 3 of the unaudited condensed interim consolidated financial statements for the three months ended September 30, 2018 as well as in the Business Combination section below in this MD&A.

Accounting Pronouncements

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances where there is uncertainty over income tax treatments. The standard is effective for periods beginning on or after January 1, 2019 with earlier application permitted. We are currently reviewing the standard to determine the potential impact on our consolidated financial statements.

Disclosure Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed, or caused to be designed, disclosure controls and procedures to provide reasonable assurance that material information relating to Vecima is made known by us to others, particularly during the period in which annual filings are being prepared, and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Our CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures as defined under rules adopted by the Canadian securities regulatory authorities. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as at September 30, 2018.

Internal Control over Financial Reporting

Our CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of internal controls. Because of its inherent limitations, internal controls of financial reporting may not prevent or detect misstatements. Accordingly, even if internal controls are effective, they can only provide reasonable assurance of achieving their controls.

Our CEO and CFO have evaluated the effectiveness of the internal control over financial reporting as at September 30, 2018 in accordance with Internal Control - Integrated Framework (2013), published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our CEO and CFO have determined that the internal control over financial reporting is effective as at September 30, 2018.

Our CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the Concurrent business, which we acquired on December 31, 2017. We have accordingly availed ourselves of provision 3.3(1)(b) of National Instrument 52-109, which permits exclusion of this acquisition in the design and operating effectiveness assessment of our ICFR for a maximum period of 365 days from the end of the financial period in which the acquisition occurred.

The following summary financial information pertains to the acquisition that was included in our unaudited interim condensed consolidated financial statements for the period ended September 30, 2018:

Sales	\$	8,626
Net income	\$	(289)
Current assets	\$	11,925
Non-current assets	\$	32,400
Current liabilities	\$	6,199
Non-current liabilities	\$	614

Business Combination

On December 31, 2017, we acquired substantially all of the operating assets of Concurrent Computer Corporation for aggregate consideration of approximately \$37.5 million - US\$29.0 million plus a working capital adjustment of US\$0.8 million.

We determined and allocated the purchase price on acquisition to the tangible and intangible assets acquired and liabilities assumed as of the business combination date in accordance with IFRS 3 Business Combinations. The purchase price allocation process requires that we use significant estimates and assumptions, including fair value estimates, as of the acquisition date.

Goodwill recorded in connection with the acquisition is primarily attributable to: the expected future earnings potential as a result of expected synergies arising from the combination of Concurrent and Vecima's existing business; expected growth in the underlying markets in which Concurrent serves; and the strength of the assembled workforce.

Legal Proceedings

From time to time, we may be involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. We do not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

If it becomes probable that we will be held liable for claims against our Company, we will recognize a provision during the period in which the change in probability occurs, which could be material to our consolidated statements of income or consolidated statements of financial position.

Risk and Uncertainties

Our financial performance, share price, business prospects and financial condition are subject to numerous risks and uncertainties, and are affected by various factors outside the control of management. Prior to making any investment decision regarding Vecima, investors should carefully consider, among other things, the risks described herein (including the factors outlined under the heading "Forward-Looking Information" below) and the risk factors set forth in our Annual Information Form for our most recently completed fiscal year, which are incorporated by reference herein. These risks and uncertainties are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business. If any of such risks actually occur, our financial performance, share price, business prospects and financial condition could be materially adversely affected.

Outstanding Share Data

As at November 8, 2018, we had 22,370,621 common shares outstanding as well as options outstanding that are exercisable for an additional 531,491 common shares.

On November 30, 2017, we filed a notice of intention with the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 600,000 common shares of the Company. We acquired 6,667 common shares of Vecima for cancellation in Q1 fiscal 2019. The normal course issuer bid expires on November 29, 2018.

Additional Information

Financial Governance

Our management is responsible for the preparation and presentation of the unaudited condensed interim consolidated financial statements and notes thereto and the MD&A. Additionally, it is management's responsibility to ensure that we comply with the laws and regulations applicable to our activities.

Our management is accountable to the Board of Directors, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the unaudited interim condensed consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors all of whom are independent.

The auditors are appointed annually by the shareholders to conduct an audit of the annual consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Forward-Looking Information

This MD&A contains "forward looking information" within the meaning of applicable securities laws. Forward looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions.

Forward-looking information in this MD&A includes, but is not limited to statements that we believe that our current cash and short term investments of \$53.4 million together with anticipated cash flow from operations will be sufficient to meet our working capital requirements and capital expenditure requirements for the foreseeable future. We believe our customer's need for new TerraceQAM systems is nearing saturation and sales will remain at reduced levels until the next generation platform is completed. Forward-looking information also includes our Strategy, our Industry Developments and our Outlook in this MD&A.

In connection with the forward-looking information contained in this MD&A, we have made numerous assumptions, regarding, among other things: the strength of our balance sheet; the present or potential value of our core technologies, business operations and asset holdings; we are able to continue our relationships with a few key customers; we are able to deliver products associated with key contracts; we can manage our business and growth successfully; we can meet customers' requirements for manufacturing capacity; we are able to develop new products and enhance our existing products; we can expand current distribution channels and can develop new distribution channels; we are able to recruit and retain management and other qualified personnel crucial to our business; we are not required to change our pricing models to compete successfully; our third party suppliers and contract manufacturers upon which we rely continue to meet our needs; our intellectual property is not infringed upon; we are not subject to warranty or product liability claims that harm our business; we are able to successfully implement acquisitions; we are able to manage risks associated with our international operations; currency fluctuations do not adversely affect us; growth in our key markets continues; we are able to adapt to technological change, new products and standards; we are not subject to increased competition that has an adverse effect on our business; we are not subject to competition from new or existing technologies that adversely affect our business; we are not subject to any material new government regulation of our products; and, no third parties allege that we infringe on their intellectual property. While we consider these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

There are known and unknown risk factors which could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained in this MD&A. Known risk factors include, among others: our statement of financial position, as well as the value of our core technologies, business operations and asset holdings may be significantly weaker than we currently estimate; our operating results are expected to fluctuate; we derive a substantial part of our revenue from a few key customers; we may be unable to deliver products associated with key contracts; failure to manage our business or growth successfully may adversely affect our operating results; if we cannot meet our customers' requirements for manufacturing capacity, sales may suffer; our success depends on our ability to develop new products and enhance our existing products; we are dependent on the expansion of our current distribution channels and the development of new distribution channels; the budgeting cycles of larger cable operators can also result in quarter to quarter variability in customer orders generally large

in volume, while availability of parts and production capacity can influence the timing of product deliveries; our ability to recruit and retain management and other qualified personnel is crucial to our business; if we are required to change our pricing models to compete successfully, our margins and operating results may be adversely affected; our reliance on third party suppliers and contract manufacturers reduces our control over our performance; if our intellectual property is not adequately protected, we may lose our competitive advantage; successful warranty or product liability claims could harm our business; acquisitions could divert management's attention and financial resources, may negatively affect our operating results and could cause significant dilution to shareholders; risks associated with our international operations; currency fluctuations may adversely affect us; growth in our key markets may not continue; our inability to adapt to technological change, new products and standards could harm our business; increased competition could have an adverse effect on our business; competition from new or existing technologies may adversely affect our business; government regulation of our products and new government regulation could harm our business; and, third parties may allege that we infringe on their intellectual property. A more complete discussion of the risks and uncertainties facing us is disclosed under the heading "Risks and Uncertainties" above and under the heading "Risk Factors" in our Annual Information Form for our most recently completed fiscal year, as well as in our continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward-looking information in this MD&A is qualified in its entirety by this cautionary statement and we disclaim any obligation to revise or update such forward-looking information to reflect future results, events or developments, except as required by law.