

Sandvine Corporation

Consolidated Interim Financial Statements
May 31, 2009
(unaudited)

Sandvine Corporation

Consolidated Interim Balance Sheets

As at May 31, 2009

(in Canadian dollars, amounts in thousands) (unaudited)

	May 31 2009 \$	November 30 2008 \$
Assets		
Current assets		
Cash and cash equivalents	6,314	3,872
Marketable securities	83,734	88,676
Accounts receivable	11,610	19,202
Inventory	12,334	14,960
Other	2,599	1,513
	<u>116,591</u>	<u>128,223</u>
Non current assets		
Plant and equipment	13,839	12,595
Intangible assets	6,087	6,809
Goodwill (note 3)	-	2,425
	<u>19,926</u>	<u>21,829</u>
	<u>136,517</u>	<u>150,052</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,695	8,941
Current portion of deferred revenue	7,366	8,951
	<u>13,061</u>	<u>17,892</u>
Non current liabilities		
Deferred revenue	396	186
Future tax liability	277	196
	<u>673</u>	<u>382</u>
	<u>13,734</u>	<u>18,274</u>
Shareholders' equity		
Share capital (note 4)	146,580	145,103
Contributed surplus	5,791	5,608
Accumulated other comprehensive income (loss)	(179)	46
Deficit	(29,409)	(18,979)
	<u>122,783</u>	<u>131,778</u>
	<u>136,517</u>	<u>150,052</u>

On behalf of the Board:

Roger Maggs
Director

Dave Caputo
Director

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Operations

For the three and six month periods ended May 31, 2009

(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

	Three months ended		Six months ended	
	May 31 2009 \$	May 31 2008 \$	May 31 2009 \$	May 31 2008 \$
Revenue				
Product	10,186	7,955	25,050	12,714
Service	5,023	3,132	8,736	6,661
	<u>15,209</u>	<u>11,087</u>	<u>33,786</u>	<u>19,375</u>
Cost of sales				
Product	2,977	2,048	6,759	3,539
Service	714	465	1,471	1,038
	<u>3,691</u>	<u>2,513</u>	<u>8,230</u>	<u>4,577</u>
Gross margin	<u>11,518</u>	<u>8,574</u>	<u>25,556</u>	<u>14,798</u>
Expenses				
Sales and marketing	5,380	4,190	10,631	8,172
Research and development (note 8)	6,890	5,720	13,988	11,859
General and administrative	2,438	2,176	4,350	4,500
Stock based compensation (notes 4 and 5)	824	795	1,640	1,498
Amortization of intangible assets	535	531	1,033	1,055
Depreciation	1,185	758	2,235	1,445
Goodwill impairment (note 3)	-	-	2,425	-
	<u>17,252</u>	<u>14,170</u>	<u>36,302</u>	<u>28,529</u>
Loss from operations	<u>(5,734)</u>	<u>(5,596)</u>	<u>(10,746)</u>	<u>(13,731)</u>
Interest and other income	134	802	466	1,980
Loss before income taxes	<u>(5,600)</u>	<u>(4,794)</u>	<u>(10,280)</u>	<u>(11,751)</u>
Provision for (recovery of) income taxes				
Current	21	19	68	39
Future	14	(182)	82	(182)
	<u>35</u>	<u>(163)</u>	<u>150</u>	<u>(143)</u>
Net loss for the period	<u>(5,635)</u>	<u>(4,631)</u>	<u>(10,430)</u>	<u>(11,608)</u>
Loss per share				
Basic and diluted	(0.042)	(0.034)	(0.077)	(0.085)
Basic and diluted weighted average number of shares outstanding	<u>135,585,389</u>	<u>136,878,515</u>	<u>135,569,699</u>	<u>136,856,170</u>

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Changes in Shareholders' Equity and Comprehensive Income (Loss)

For the six month period ended May 31, 2009

(in Canadian dollars, amounts in thousands) (unaudited)

	Stated share capital \$	Contributed surplus \$	Retained earnings (deficit) \$	Accumulated other comprehensive income (loss) \$	Total \$
Balance, November 30, 2007	146,568	1,532	401	69	148,570
Opening balance adjustment for adoption of inventory standard	-	-	466	-	466
Balance, December 1, 2007	146,568	1,532	867	69	149,036
Comprehensive loss:					
Net loss	-	-	(11,608)	-	(11,608)
Net unrealized losses on available for sale financial assets	-	-	-	(62)	(62)
Total comprehensive loss					(11,670)
Stock based compensation (notes 4 and 5)	216	1,296	-	-	1,512
Issued as consideration on business acquisition (note 4)	160	-	-	-	160
Common shares repurchased	(573)	-	(179)	-	(752)
Balance, May 31, 2008	146,371	2,828	(10,920)	7	138,286
Balance, November 30, 2008	145,103	5,608	(18,979)	46	131,778
Comprehensive loss:					
Net loss	-	-	(10,430)	-	(10,430)
Net unrealized losses on available for sale financial assets	-	-	-	(46)	(46)
Net unrealized loss on derivative financial instruments designated as cash flow hedges	-	-	-	(245)	(245)
Amount transferred to net loss for derivatives designated as cash flow hedges	-	-	-	66	66
Total comprehensive loss					(10,655)
Stock based compensation (notes 4 and 5)	1,323	183	-	-	1,506
Issued as compensation on business acquisition (note 4)	154	-	-	-	154
Balance, May 31, 2009	146,580	5,791	(29,409)	(179)	122,783

As at May 31, 2009, the total of retained deficit and accumulated other comprehensive loss was \$(29,588) (May 31, 2008 - \$(10,913)).

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Cash Flows

For the three and six month periods ended May 31, 2009

(in Canadian dollars, amounts in thousands) (unaudited)

	Three months ended		Six months ended	
	May 31 2009 \$	May 31 2008 \$	May 31 2009 \$	May 31 2008 \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(5,635)	(4,631)	(10,430)	(11,608)
Items not affecting cash				
Amortization of intangible assets	535	531	1,033	1,055
Depreciation	1,200	785	2,291	1,482
Foreign exchange (gain) loss	(104)	273	(115)	236
Stock-based compensation (notes 4 and 5)	824	795	1,640	1,498
Goodwill impairment	-	-	2,425	-
Future income tax provision	14	(182)	82	(182)
Other	-	-	-	(328)
	(3,166)	(2,429)	(3,074)	(7,847)
Changes in non-current balances	146	-	210	11
Changes in non-cash working capital balances	1,551	(2,631)	4,237	(2,314)
	(1,469)	(5,060)	1,373	(10,150)
Investing activities				
Purchase of plant, equipment and intangible software assets	(1,101)	(1,092)	(3,846)	(2,543)
Purchase of marketable securities	(172,361)	(230,148)	(384,418)	(431,006)
Sale of marketable securities	171,727	235,014	389,313	443,916
	(1,735)	3,774	1,049	10,367
Financing activities				
Proceeds from the issuance of share capital	20	13	20	174
Common shares repurchased	-	(752)	-	(752)
	20	(739)	20	(578)
Net (decrease) increase in cash during period	(3,184)	(2,025)	2,442	(361)
Cash and cash equivalents – Beginning of period	9,498	9,542	3,872	7,878
Cash and cash equivalents – End of period	6,314	7,517	6,314	7,517
Cash and cash equivalents are represented by				
Balances with banks	1,692	4,167	1,692	4,167
Cash equivalents	4,622	3,350	4,622	3,350

See accompanying notes to the consolidated interim financial statements

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Notes to the Consolidated Interim Financial Statements

May 31, 2009

(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

1 Basis of presentation

The consolidated interim financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to interim consolidated financial statements and prepared on a basis consistent with the audited financial statements for the year ended November 30, 2008, except as described in note 2. These consolidated interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the November 30, 2008 audited consolidated financial statements.

The preparation of these consolidated interim financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated interim financial statements and the accompanying notes. Actual results could differ from these estimates. Operating results for the three and six month periods ended May 31, 2009 are not necessarily indicative of the results that may be expected for the full year ending November 30, 2009. In the opinion of management, all normal recurring adjustments considered necessary for fair presentation have been included in these financial statements.

Recently issued accounting standards

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its financial statements.

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that publicly accountable enterprises will be required to use International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, unless modifications or additions to the requirements of IFRS are issued by the AcSB. IFRS must be adopted for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, with restatement for the previous fiscal year.

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2 Accounting policies

Goodwill and Intangible Assets

Effective December 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, *Goodwill and Intangible Assets*. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard required the Company to retroactively reclassify our computer software assets on our consolidated balance sheet from plant and equipment to intangible assets. The net book value of computer software reclassified as of November 30, 2008 was \$1,109. In addition, the amortization of computer software has been reclassified from depreciation expense to amortization of intangible assets. The reclassification of amortization for the three and six month periods ended May 31, 2008 was \$131 and \$255. As of May 31, 2009, computer software of \$1,187 is included within intangible assets. For the three and six month periods ended May 31, 2009, amortization expense of \$135 and \$233 has been recorded relating to computer software.

Hedging

CICA Handbook Section 3865, *Hedges* specifies the criteria that must be met in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value of the derivative financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

During the first quarter of fiscal 2009, the Company has elected to apply hedge accounting for certain forward foreign exchange contracts used to manage foreign currency exposure on anticipated operational expenditures and has designated these as cash flow hedges.

For cash flow hedges which meet the criteria for hedge accounting, the effective portion of the change in fair value of the derivative are initially recorded in other comprehensive income and are reclassified to the consolidated statements of operations in the same period that the hedged anticipated transaction affects earnings. Any ineffective portion of the gain or loss on the derivative is recognized in income immediately. Hedge accounting is discontinued prospectively when it is determined that the hedging relationship is no longer effective, the derivative is terminated or sold, or the Company terminates its designation of the hedging relationship.

The Company formally documents all relationships between the hedging instruments and hedged items. This process includes linking all derivatives to forecasted foreign currency cash flows or to a specific asset or liability. The Company also formally documents and assesses, both at the hedge’s inception and on an ongoing basis, whether the derivative financial instruments that are used in the hedging transactions are highly effective in offsetting the changes in the fair value or cash flows of the hedged items.

The fair value of these derivatives is included in “Other” when in an asset position and in “Accounts payable and accrued liabilities” when in a liability position. Gains or losses arising from hedging activities are reported in the same caption on the consolidated statements of operations as the hedged item.

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3 Goodwill

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is subject to an annual impairment test or more frequently if events or circumstances indicate that the fair value of a reporting unit is below its carrying amount. The impairment test requires the identification of reporting units and a comparison of the estimated fair value of each reporting unit to the carrying value recorded on the Company's consolidated financial statements, including goodwill. Based on the Company's review, only one reporting unit has been identified for the purpose of performing the annual impairment test. If the carrying value of the Company exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the Company's goodwill with its carrying amount to measure the amount of impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination.

During the three months ended February 28, 2009, in connection with a sustained, significant decline of the Company's market capitalization at a level lower than its net book value, the Company concluded that an indicator of impairment was present. As a result, the Company tested goodwill for impairment in the first quarter of 2009. Under step one, the Company's estimate of fair value is principally determined by reference to its externally traded share price over a reasonable period of time prior to performing the impairment test. Based on the first step of the analysis, the Company determined that the carrying value of the reporting unit was in excess of its fair value. As a result, the Company performed the second step of the goodwill impairment test and determined that the fair value of the Company, including both recognized and unrecognized intangible assets, did not support the carrying amount of goodwill. Accordingly the Company recorded a non-cash goodwill impairment charge of \$2,425 during the three months ended February 28, 2009.

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4 Share capital

Share capital consists of the following:

	Common Shares		Common share warrant		Total
	#	\$	#	\$	
Balance, November 30, 2008	135,381,698	144,713	1	390	145,103
Transfer from contributed surplus	256,523	1,298	-	-	1,298
Issued as compensation on business acquisition	-	78	-	-	78
Balance, February 28, 2009	135,638,221	146,089	1	390	146,479
Issued under the employee stock option plan	34,360	20	-	-	20
Transfer from contributed surplus	-	5	-	-	5
Issued as compensation on business acquisition	-	76	-	-	76
Cancelled from the key employee escrow	(5,913)	-	-	-	-
Balance, May 31, 2009	135,666,668	146,190	1	390	146,580

The Company has authorized an unlimited number of common shares.

The Company has one outstanding and authorized common share purchase warrant which entitles the holder to acquire 619,280 common shares for \$0.00001 at any time prior to March 31, 2023. The issuance of this warrant was a non-cash transaction. The Company determined that the fair value of the warrant was \$390 at the time of issue.

On June 30, 2007, the Company acquired all of the outstanding shares of Simplicita Software, Inc. ("Simplicita"), a provider of subscriber mediation software for IP networks, for consideration of 643,395 common shares of the Company valued at approximately \$3,423.

In addition to the purchase consideration, common shares were issued and allocated to a key employee escrow to be released over time contingent on the continued employment of certain individuals over a three year period. On April 24, 2008, the Company cancelled 5,913 shares under the terms of the escrow agreement. Net of share cancellations, 163,192 shares remain issued and allocated to the key employee escrow. During the three and six month periods ended May 31, 2009, the Company released 14,028 and 28,110 shares respectively. The Company will recognize up to a maximum of \$825 as non-cash compensation expense over the period in which the services are rendered. During the three and six month periods ended May 31, 2009 the Company recognized \$76 and \$154 respectively as compensation expense relating to this key employee escrow (May 31, 2008 - \$80 and \$160). As at May 31, 2009, the maximum remaining non-cash compensation to be recognized is \$221.

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On April 14, 2009, the Company obtained the necessary regulatory approvals from the Toronto Stock Exchange ("TSX") to repurchase up to 10,173,673 common shares. This represents approximately 7.5% of the Company's outstanding shares as of the date of approval. During the three and six month periods ended May 31, 2009 no common shares were repurchased by the Company.

5 Stock options

Stock option plan

The Company has adopted a stock option plan for employees and directors. Options granted prior to March 21, 2006 typically vest over a four year and six month term. Options granted subsequent to this date typically vest over a 5 year term. All options have a contractual life of 10 years and allow for the purchase of one common share per option. The exercise price of the options is the volume weighted average share price of the Company's common shares for the five days prior to the date of grant. As at May 31, 2009, there were 3,604,358 options available for future grants under the stock option plan. A summary of the stock option activity is presented below:

	Options	
	Number	Weighted average price \$
Options outstanding, November 30, 2008	9,667,528	2.22
Option activity for the period		
Granted	868,450	0.79
Forfeited	(92,677)	2.62
Options outstanding, February 28, 2009	10,443,301	2.10
Option activity for the period		
Granted	137,500	1.06
Forfeited	(259,132)	2.72
Exercised	(34,360)	0.60
Options outstanding, May 31, 2009	10,287,309	2.07

Sandvine Corporation

Notes to the Consolidated Interim Financial Statements

May 31, 2009

(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

Stock based compensation

Stock based compensation (related to the Company's stock option plan) recognized for the three and six month periods ended May 31, 2009 was \$748 and \$1,486 respectively with a corresponding credit to contributed surplus (May 31, 2008 - \$715 and \$1,338). Previously recognized expense of \$5 for the three and six month periods ended May 31, 2009 relating to options exercised during the period has been transferred from contributed surplus to share capital (May 31, 2008 - \$5 and \$42).

	Three months ended		Six months ended	
	May 31 2009	May 31 2008	May 31 2009	May 31 2008
Number of options issued	137,500	183,000	1,005,950	1,016,425
Weighted average Black-Scholes value of each option	\$0.93	\$1.34	\$0.72	\$2.68
Assumptions				
Risk free interest rate	3.01%	3.68%	2.78%	3.98%
Expected life in years	10	10	10	10
Expected dividend yield	0%	0%	0%	0%
Volatility	100.08%	86.80%	102.05%	71.00%

The following table summarizes information regarding stock options outstanding at May 31, 2009:

Options Outstanding			Options Exercisable		
Range of exercise price \$	Number outstanding at May 31, 2009	Weighted average contractual life (years)	Weighted average exercise price \$	Number outstanding at May 31, 2009	Weighted average exercise price \$
0.40 – 0.82	4,214,282	5.39	0.61	2,988,242	0.56
1.05 – 2.53	3,713,917	8.33	1.62	906,105	2.27
4.11 – 5.50	1,242,504	8.40	4.28	325,166	4.39
6.59 – 6.95	1,116,606	8.15	6.64	211,566	6.69
0.40 – 6.95	10,287,309	7.11	2.07	4,431,079	1.48

Sandvine Corporation

Notes to the Consolidated Interim Financial Statements

May 31, 2009

(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

6 Commitments

Future minimum operating lease payments for premises over the next five years and thereafter are as follows:

	\$
2009	547
2010	802
2011	583
2012	219
2013	-
Thereafter	-
	<hr/>
	2,151
	<hr/>

7 Financial instruments

The Company's objective with regard to its foreign currency risk is to mitigate the impact of foreign exchange movements on the Company's consolidated financial statements. The Company enters into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The following table summarizes the Company's commitments to buy and sell foreign currencies under foreign exchange contracts, all of which have a maturity date of less than one year, as at May 31, 2009:

Designation	Currency Sold	Currency Bought	Notional Amount Sold	Weighted Average Rate
Held for trading	USD	CAD	8,000	1.1349
Held for trading; cash flow hedges	CAD	ILS	2,660	3.3384

Management estimates that a gain of \$135 would be realized if these forward contracts were terminated on May 31, 2009. Forward contracts designated as cash flow hedges have unrealized losses of \$179, which are recorded in Accumulated other comprehensive income (loss) ("AOCI"). The net losses included in AOCI are not expected to affect net income (loss) as the losses will be reclassified to net income (loss) within the next twelve months and will offset the impact of foreign exchange fluctuations on the underlying hedged items. An unrealized gain of \$314 on forward contracts not designated as hedges is included in net income (loss) which offsets losses recorded on the foreign denominated items, namely accounts payable and accounts receivable.

Sandvine Corporation

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8 Government assistance

The Company has an agreement with Technology Partnership Canada (“TPC”) who provided partial funding towards one of the Company’s research and development projects. The Company received \$9,500 over a twenty-two month period which ended during fiscal 2005. The agreement requires the contribution to be repaid in the form of royalties to a maximum of \$16 million. Royalties are charged at 2.5% of the Company’s gross revenues. The obligation to pay royalties expires on November 30, 2013. During the three and six month periods ended May 31, 2009, the Company recognized \$380 and \$845 respectively (2008 - \$277 and \$484) as royalty expense which has been recorded as an increase to research and development expenses. Cumulatively, the Company has accrued or paid total royalties of \$3,481 under the agreement.

A subsidiary of the Company participated in programs sponsored by a foreign government body for the support of research and development activities. The subsidiary is obligated to pay royalties, amounting to 3% - 3.5% on sales and other related revenues generated from the subsidiary’s products up to the amount granted plus interest. The subsidiary’s obligation to pay these royalties is contingent on actual sales of its products, and in the absence of such sales, no payment is required. The Company recognized the fair value of the contingent obligation as an element of the purchase price equation upon acquisition, and is currently carrying a contingent obligation of \$141 USD (\$154 CAD) within “Accounts payable and accrued liabilities”. During the three and six month periods ended May 31, 2009, the subsidiary received additional funding of \$nil and \$723 USD (\$nil and \$885 CAD) under these programs. As of May 31, 2009, the subsidiary has received cumulative grants of \$1,576 USD (\$1,736 CAD) and has paid total royalties of \$173 USD (\$215 CAD) under the agreement.

Non repayable government assistance recorded during the three month period ended May 31, 2009 of \$606 relates to funding received through a Canadian government program in respect of certain research and development activities undertaken by the Company. The Company has been approved to receive up to \$1,000 (in total) under the program.

Government repayments and government assistance have been applied to research and development expense as follows:

	Three months ended		Six months ended	
	May 31 2009	May 31 2008	May 31 2009	May 31 2008
	\$	\$	\$	\$
Research and development	7,309	6,183	14,827	12,241
Government repayments	380	277	845	484
Government assistance / investment tax credits	(799)	(740)	(1,684)	(866)
	6,890	5,720	13,988	11,859

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(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

9 Segment disclosures

The Company has one reportable segment. The Company's operations are substantially all related to the research, design, manufacturing and sales of network management equipment and solutions for broadband service providers. Selected financial information is as follows:

	Three months ended		Six months ended	
	May 31 2009 \$	May 31 2008 \$	May 31 2009 \$	May 31 2008 \$
Sales				
Canada	2,453	1,833	2,619	1,863
United States	5,517	6,298	15,845	13,436
Caribbean and Latin America	759	31	2,649	120
Europe, Middle East and Africa	5,823	2,719	9,818	3,294
Asia Pacific	657	206	2,855	662
	15,209	11,087	33,786	19,375
	%	%	%	%
Sales				
Canada	16.1	16.5	7.8	9.6
United States	36.3	56.8	46.9	69.4
Caribbean and Latin America	5.0	0.3	7.8	0.6
Europe, Middle East and Africa	38.3	24.5	29.1	17.0
Asia Pacific	4.3	1.9	8.4	3.4
	100.0	100.0	100.0	100.0

In instances where a sale is made through a reseller, revenue associated with that sale is attributed to the geographic location of the end customer. For the three and six months periods ended May 31, 2009, revenue from individually significant countries contained within these geographic locations included the United Arab Emirates which represented 12.0% and 5.4% respectively (2008 – nil% and 1.4%).

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For the three and six month periods ended May 31, 2009, major customers, being those that represent more than 10% of total revenues for an individual period, represented 47.1% and 14.3% respectively (2008 – 62.3% and 44.5%). The breakdown of major customers for the three months ended May 31, 2009 is as follows:

	Three months ended		Six months ended	
	May 31 2009 %	May 31 2008 %	May 31 2009 %	May 31 2008 %
Comcast Corporation	12.9	11.3	9.4	17.1
Customer A	11.9	-	5.4	0.5
Customer B	11.5	15.8	5.2	9.1
Customer C	10.8	0.3	14.3	0.4

	May 31 2009 \$	November 30 2008 \$
Plant and equipment, intangibles and goodwill		
Canada	14,316	12,988
United States	2,676	3,968
Europe, Middle East and Africa	2,934	4,873
	<u>19,926</u>	<u>21,829</u>
Total assets		
Canada	130,033	140,731
United States	2,832	4,123
Europe, Middle East and Africa	3,652	5,198
	<u>136,517</u>	<u>150,052</u>

10 Supplemental cash flow information

For the three and six month periods ended May 31, 2009 the Company paid \$10 and \$33 for income tax in cash (2008 - \$29 and \$50). The Company did not pay any interest in cash during the three and six month periods ended May 31, 2009 and May 31, 2008.

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(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

11 Credit facility

The Company has a demand credit facility with a major Canadian chartered bank. Under the terms of the facility, the Company has available to it a \$500 operating line to provide letters of credit and a US\$15 million forward contract line to permit the Company to enter into foreign currency forward contracts. Borrowings made from the facility attract interest at the bank's prime rate of interest. Cash equivalents with a carrying value and fair value of \$2,500 are pledged as security for the credit facility. The assets pledged as security can be called by the lender upon default of the facility or insolvency of the Company. The facility and the related security will remain in effect until the facility, which has no term, is terminated.

As of May 31, 2009 the Company had issued two letters of credit under its operating line for US\$16 (CDN\$18) expiring July 24, 2009 and US\$203 (CDN\$223) expiring February 11, 2010.

12 Comparative figures

Certain of the comparative figures have been reclassified to conform to the current period presentation.