

**RuggedCom Inc.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
3rd Quarter ended December 31, 2010

**RuggedCom Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands of United States dollars)

	<b>December 31,</b>	<b>March 31,</b>
	<b>2010</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 5)	36,813	33,140
Accounts receivable (note 6)	15,414	13,494
Prepaid expenses and other	2,141	1,825
Inventories (note 7)	14,736	10,497
Income taxes recoverable	-	1,036
Future income taxes	635	637
	69,739	60,629
<b>Future income taxes</b>	-	431
<b>Severance pay fund</b>	544	520
<b>Property and equipment</b>	11,015	11,372
<b>Goodwill</b> (note 4)	2,906	1,928
<b>Intangible assets</b> (note 8)	11,491	11,373
	95,695	86,253
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	7,952	7,618
Current portion of warranty liability	462	604
Income taxes payable	1,640	280
Current portion of deferred income	26	99
Current portion of lease costs	81	26
Current portion of obligations under capital leases	88	105
	10,249	8,732
<b>Future income taxes</b>	92	-
<b>Warranty liability</b>	422	413
<b>Deferred income</b>	81	32
<b>Severance payable</b>	584	558
<b>Obligations under capital leases</b>	35	95
<b>Lease costs payable</b>	293	265
	11,756	10,095
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 9)	49,240	48,886
<b>Contributed surplus</b> (note 11)	3,533	2,538
<b>Accumulated other comprehensive income</b> (note 10)	6,689	4,887
<b>Retained earnings</b>	24,477	19,847
	31,166	24,734
	83,939	76,158
	95,695	86,253

See accompanying notes to consolidated interim financial statements.

**RuggedCom Inc.**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**  
(in thousands of United States dollars except per share information)

	3 month period ended December 31, 2010	3 month period ended December 31, 2009	9 month period ended December 31, 2010	9 month period ended December 31, 2009
	\$	\$	\$	\$
<b>Revenue</b>	25,595	20,600	67,277	53,357
<b>Cost of goods sold</b>	10,525	8,248	27,059	22,035
<b>Gross margin</b>	15,070	12,352	40,218	31,322
<b>Operating expenses</b>				
Research and development	3,210	2,536	8,993	6,341
Sales and marketing	4,457	3,942	12,391	10,405
General and administrative	2,531	2,602	7,357	6,363
Investment tax credits	(569)	(344)	(1,150)	(730)
Loss on foreign exchange	669	335	677	1,864
Amortization	1,357	1,002	3,910	1,903
	11,655	10,073	32,178	26,146
Operating income	3,415	2,279	8,040	5,176
Net interest income	64	25	173	126
<b>Income before income taxes</b>	3,479	2,304	8,213	5,302
<b>Provision for income taxes</b> (note 12)				
Current	1,396	1,001	3,057	1,998
Future	22	110	526	221
	1,418	1,111	3,583	2,219
<b>Net income for the period</b>	2,061	1,193	4,630	3,083
<b>Retained earnings — Beginning of period</b>	22,416	17,552	19,847	15,662
<b>Retained earnings — End of period</b>	24,477	18,745	24,477	18,745
<b>Net earnings per common share</b> (note 14)				
Basic	\$ 0.17	\$ 0.10	\$ 0.38	\$ 0.26
Diluted	\$ 0.16	\$ 0.10	\$ 0.37	\$ 0.25
Basic weighted average number of common shares	12,167,323	12,115,981	12,157,371	12,054,376
Diluted weighted average number of common shares	12,510,324	12,463,263	12,461,507	12,571,357

See accompanying notes to consolidated interim financial statements.

**RuggedCom Inc.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands of United States dollars )

	<b>3 month period ended December 31, 2010</b>	<b>3 month period ended December 31, 2009</b>	<b>9 month period ended December 31, 2010</b>	<b>9 month period ended December 31, 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net income for the period	2,061	1,193	4,630	3,083
Unrealized foreign currency translation gain (note 10)	2,765	1,309	1,802	11,302
Comprehensive income for the period	<u>4,826</u>	<u>2,502</u>	<u>6,432</u>	<u>14,385</u>

See accompanying notes to consolidated interim financial statements.

**RuggedCom Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of United States dollars)

	3 month period ended December 31, 2010	3 month period ended December 31, 2009	9 month period ended December 31, 2010	9 month period ended December 31, 2009
	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income for the period	2,061	1,193	4,630	3,083
Non-cash items				
Amortization of property and equipment	836	459	2,194	1,024
Amortization of other assets	521	542	1,717	877
Future income taxes	22	110	526	221
Stock-based compensation	321	276	1,120	848
Warranty liability	13	(39)	(149)	(9)
Lease costs	41	88	75	252
Net change in non-cash working capital (note 13 (a))	(897)	(5,526)	(3,299)	(9,525)
	2,918	(2,897)	6,814	(3,229)
<b>Investing activities</b>				
Acquisition of subsidiary (note 4(b))	-	(130)	-	(8,100)
Acquisition business assets (note 4(a))	(2,119)	-	(2,119)	-
Additions to property and equipment	(323)	(4,319)	(1,451)	(7,199)
Additions to other assets	(172)	(256)	(535)	(1,251)
	(2,614)	(4,705)	(4,105)	(16,550)
<b>Financing activities</b>				
Repayment of obligations under capital leases	(26)	(66)	(78)	(158)
Receipts from capital lease	-	189	-	189
Repayment of loan (note 4(b))	-	-	-	(4,875)
Issuance of common shares	152	105	228	1,842
	126	228	150	(3,002)
<b>Effect of exchange rates on cash</b>	1,226	1,649	814	9,228
<b>Increase (decrease) in cash and cash equivalents during the period</b>	1,656	(5,725)	3,673	(13,553)
<b>Cash and cash equivalents — Beginning of period</b>	35,157	37,271	33,140	45,099
<b>Cash and cash equivalents — End of period (note 13(b))</b>	36,813	31,546	36,813	31,546

See accompanying notes to consolidated interim financial statements.

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")**

**1. THE COMPANY**

RuggedCom Inc. (the Company) was incorporated under the provisions of the Business Corporations Act (Ontario) on February 22, 2001. The Company provides rugged communications networking solutions designed for mission-critical applications in harsh environments.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements and, accordingly, certain disclosures normally included in annual audited consolidated financial statements prepared in accordance with Canadian GAAP are not provided. These consolidated financial statements have been prepared following accounting principles consistent with those used in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended March 31, 2010, except as disclosed in note 3. The results of operations for the interim period are not necessarily indicative of the results of operations for any other interim period or a full fiscal period.

**Recently issued accounting pronouncements**

Business combinations

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 standard 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 consolidated financial statements.

Consolidated financial statements

In January 2009, the CICA published Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 and should be adopted at the same time as Section 1582. Early adoption is permitted as of the beginning of a fiscal year. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")**

**3. ADOPTION OF NEW ACCOUNTING STANDARDS**

Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption.

The Company has elected to early adopt this abstract prospectively to revenue arrangements with multiple deliverables entered into or materially modified on or after April 1, 2010. Arrangements that were entered into prior to April 1, 2010 will continue to be accounted for under the old accounting standard.

The Company's revenue arrangements may contain multiple elements; however, to date revenue from multiple elements has not been significant. Accordingly the adoption of the new EIC 175 did not have a material impact on the Company's financial statements. The Company is still required to determine the appropriate accounting under EIC 175, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes.

In the past, for arrangements involving multiple elements, the Company allocated revenue to each component of the arrangement using the residual value method, based on vendor-specific objective evidence of the fair value of the undelivered elements. EIC 175 has eliminated the use of the residual value method, and therefore, effective April 1, 2010, the Company has allocated revenue using the relative selling price method of the separate units of accounting. The multiple elements in an arrangement typically might include one or more of the following: hardware, software, installation, and/or other professional service offerings as described in Note 2 of the Company's Annual Financial Statements for 2010. The Company allocates the arrangement fee, in a multiple element transaction, to the separate elements based on their relative selling prices, as indicated by vendor-specific objective evidence or third-party evidence of selling, and if both are not available, estimated selling prices is used. The allocated portion of the arrangement which is undelivered is then deferred.

In some instances, a group of contracts or agreements with the same customer may be so closely related that they are, in effect, part of a single multiple element arrangement and, therefore, the Company will allocate the corresponding revenue among the various components, as described above.

**RuggedCom Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")**

**4. ACQUISITIONS**

**(a) Bow Networks Inc.**

On October 1, 2010 the Company entered into a transaction to acquire the substation automation business of Bow Networks Inc. through a cash purchase of selected assets and intellectual property for \$2,119 (\$2,200 Canadian), including transaction costs of \$84. The transaction was completed October 29, 2010 by way of a Bow Networks Inc. shareholder vote.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations of Bow Networks Inc. have been included in the consolidated financial statements since the date of acquisition. The Company has not yet finalized the allocation of the purchase price.

The following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed on acquisition:

<u>Assets purchased</u>	
Current assets	\$ 33
Property and equipment	19
Technological assets	925
Customer relationships	298
Goodwill	920
	<hr/> 2,195 <hr/>
<u>Liabilities assumed</u>	
Current liabilities	76
Net assets acquired	<hr/> <u>\$ 2,119</u> <hr/>

Goodwill is not amortized but is assessed annually for any potential impairment in value. Other intangibles representing acquired technological assets are being amortized over a period of 8 years and customer relationships are being amortized over a period of 5 years.

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")**

**4. ACQUISITIONS (continued)**

**(b) WiNetworks Ltd.**

On September 17, 2009 the Company completed the acquisition of 100% of the shares of WiNetworks Ltd. for cash of \$8,904, including acquisition costs of \$652.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations of WiNetworks have been included in the consolidated financial statements since the date of acquisition.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed on acquisition:

Assets purchased

Inventory	\$	2,834
Other current assets		657
Property and equipment		1,208
Other assets		160
Future tax asset		1,952
Technological assets		8,228
Agreements		390
Customer list		655
Goodwill		1,628
		<u>17,712</u>

Liabilities assumed

Current liabilities		2,747
Future tax liability		1,952
Loan		4,875
		<u>9,574</u>
Net non-cash assets acquired		8,138
Cash acquired		766
Net assets acquired	\$	<u>8,904</u>

**5. REVOLVING DEMAND FACILITY**

The Company has a \$1,000 Canadian dollar revolving demand facility with a major Canadian financial institution. Funds drawn against this facility bear interest at prime rate. The use of the revolving demand facility has been restricted by \$139 United States dollars as security for guarantees. The bank has a first ranking on \$1,000 Canadian of term deposits and bank balances. As at December 31, 2010 and 2009, there was no balance drawn against this facility.

**6. ACCOUNTS RECEIVABLE**

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	15,496	13,538
Allowance for doubtful accounts	(82)	(44)
	<u>15,414</u>	<u>13,494</u>

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**7. INVENTORIES**

	<b>December 31, 2010</b>	<b>March 31, 2010</b>
	\$	\$
Raw materials	14,034	10,130
Finished goods	702	367
	14,736	10,497

Included in cost of goods sold for the three and nine months ended December 31, 2010 is a provision of \$94 and a recovery of \$209 (2009 - recovery of \$22 and provision of \$127) respectively, recognized in the period for losses of inventories.

**8. INTANGIBLE ASSETS**

	<b>December 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Intangible assets			
Patents	266	105	161
Trademarks	852	337	515
Computer software	3,817	2,432	1,385
Computer software under capital lease	12	12	-
Agreements	416	107	309
Customer assets	1,002	195	807
Technological assets	9,726	1,443	8,283
Other	31	-	31
	16,122	4,631	11,491
	16,122	4,631	11,491
	<b>March 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Intangible assets			
Patents	196	72	124
Trademarks	610	228	382
Computer software	3,546	1,744	1,802
Computer software under capital lease	12	12	-
Agreements	408	26	382
Customer assets	684	46	638
Technological assets	8,596	580	8,016
Other	29	-	29
	14,081	2,708	11,373
	14,081	2,708	11,373

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**9. CAPITAL STOCK**

**Authorized**

Unlimited number of Class A shares  
Unlimited number of common shares

**Issued**

12,188,317 (March 31, 2010 - 12,144,458) common shares

December 31, 2010	March 31, 2010
\$	\$
49,240	48,886

	Number of shares	Amount \$
Balance, March 31, 2010	12,144,458	48,886
Issued for options exercised (a)	12,480	90
Balance, June 30, 2010	12,156,938	48,976
Issued for options exercised (b)	1,737	28
Balance, September 30, 2010	12,158,675	49,004
Issued for options exercised (c)	29,642	236
Balance, December 31, 2010	12,188,317	49,240

(a) Common shares issued for options vested and exercised in the period were 12,480 at a weighted average share price of \$4.64 (\$4.77 Canadian).

(b) Common shares issued for options vested and exercised in the period were 1,737 at a weighted average share price of \$11.07 (\$11.50 Canadian).

(c) Common shares issued for options vested and exercised in the period were 29,642 at a weighted average share price of \$5.13 (\$5.20 Canadian).

**10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents the reconciliation of accumulated other comprehensive income (loss):

	2010	2009
	\$	\$
Balance, March 31	4,887	(8,952)
Unrealized foreign currency translation gain (loss) for the period	(3,548)	4,570
Balance, June 30	1,339	(4,382)
Unrealized foreign currency translation gain for the period	2,585	5,423
Balance, September 30	3,924	1,041
Unrealized foreign currency translation gain for the period	2,765	1,309
Balance, December 31	6,689	2,350

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**11. CONTRIBUTED SURPLUS**

The following table presents the reconciliation of contributed surplus with respect to stock-based compensation:

	<b>2010</b>	<b>2009</b>
	\$	\$
Balance, March 31	2,538	1,559
Stock-based compensation expense	402	278
Fair value of options exercised	(33)	(119)
Balance, June 30	2,907	1,718
Stock-based compensation expense	397	294
Fair value of options exercised	(8)	(19)
Balance, September 30	3,296	1,993
Stock-based compensation expense	321	276
Fair value of options exercised	(84)	(42)
Balance, December 31	3,533	2,227

**12. INCOME TAXES**

	<b>3 month period ended December 31, 2010</b>	<b>3 month period ended December 31, 2009</b>	<b>9 month period ended December 31, 2010</b>	<b>9 month period ended December 31, 2009</b>
	\$	\$	\$	\$
Earnings before income taxes	3,479	2,304	8,213	5,302
Tax at statutory rate (28.28%; 2009 - 31.14%)	983	682	2,321	1,656
Subsidiaries foreign tax rates differential	35	-	99	-
Permanent differences	(77)	45	375	238
Effect of rate change	(7)	(14)	61	(39)
Allowance (net of benefit) for unused tax losses	349	308	568	308
Other	134	90	158	56
	1,418	1,111	3,583	2,219

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

a) Net change in non-cash working capital

	3 month period ended December 31, 2010	3 month period ended December 31, 2009	9 month period ended December 31, 2010	9 month period ended December 31, 2009
	\$	\$	\$	\$
Accounts receivable	(1,319)	(4,854)	(1,586)	(3,626)
Prepaid expenses and other	(447)	1,198	(277)	530
Inventories	(1,045)	(1,414)	(3,881)	(2,644)
Accounts payable and accrued liabilities	710	(443)	99	1,497
Income taxes payable	1,137	(21)	2,343	(5,329)
Deferred income	67	8	3	47
	<u>(897)</u>	<u>(5,526)</u>	<u>(3,299)</u>	<u>(9,525)</u>

b) Cash and cash equivalents

	December 31, 2010	March 31, 2010
	\$	\$
Cash	10,169	3,889
Cash equivalents	26,644	29,251
	<u>36,813</u>	<u>33,140</u>

(c) Supplemental disclosures

	3 month period ended December 31, 2010	3 month period ended December 31, 2009	9 month period ended December 31, 2010	9 month period ended December 31, 2009
	\$	\$	\$	\$
Interest paid	2	7	7	30
Income taxes paid (received)	(3)	717	103	6,626

(d) Included in amortization on intangibles is \$324 of amortization on intangibles from the purchase of WiNetworks.

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")**

**14. EARNINGS PER COMMON SHARE**

The following is a reconciliation of basic and diluted earnings per common share:

	<b>3 month period ended December 31, 2010</b>	<b>3 month period ended December 31, 2009</b>	<b>9 month period ended December 31, 2010</b>	<b>9 month period ended December 31, 2009</b>
Net income and dilutive net income attributable to	<u>\$ 2,061</u>	<u>\$ 1,193</u>	<u>\$ 4,630</u>	<u>\$ 3,083</u>
Common shares outstanding — Beginning of period	12,157,529	12,098,002	12,062,547	11,804,347
Weighted average number of common shares issued in	<u>9,794</u>	<u>17,979</u>	<u>94,824</u>	<u>250,029</u>
Basic weighted average number of common shares	12,167,323	12,115,981	12,157,371	12,054,376
Effect of dilutive securities, stock options and warrants	<u>343,001</u>	<u>347,282</u>	<u>304,136</u>	<u>516,981</u>
Diluted weighted average common shares outstanding — End of period	<u>12,510,324</u>	<u>12,463,263</u>	<u>12,461,507</u>	<u>12,571,357</u>

**15. SEGMENTED INFORMATION**

The Company has determined that it has two reportable segments: RuggedCom and WiNetworks. Each business segment assumes responsibility for its operating results. In the comparative quarter from the prior year, the Company only had one reportable segment.

The RuggedCom segment derives its revenue mainly from the sale of Ethernet-based equipment and the software and services that are associated with these products. The RuggedCom segment includes revenue from the recently acquired substation automation business of Bow Networks. The WiNetworks segment derives its revenues mainly from the sale of RuggedMAX Segments are defined as components for which information is available and is regularly evaluated by the chief operating decision maker or decision making group. The Company also manages its operations on a geographic and industry basis.

For the three and nine month periods ended December 31, 2010, WiNetworks revenue includes \$ 841 and \$1,271 of wired product sales. There were no sales of wired product by WiNetworks in the prior year.

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**15. SEGMENTED INFORMATION (continued)**

a) By business segment

	<b>3 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
	\$	\$	\$
<b>Revenue</b>	23,735	1,860	25,595
Cost of goods sold	9,604	921	10,525
Gross margin	14,131	939	15,070
<b>Operating expenses:</b>			
Research and development	2,076	1,134	3,210
Sales and marketing	4,441	16	4,457
General and administrative	2,032	499	2,531
Investment tax credits	(237)	(332)	(569)
Foreign exchange loss (gain)	729	(60)	669
Amortization	1,196	161	1,357
Total operating expenses	10,237	1,418	11,655
Interest income (expense)	81	(17)	64
Income (loss) before income taxes	3,975	(496)	3,479
Provision for income taxes - current	1,396	-	1,396
Provision for income taxes - future	22	-	22
Net income (loss)	2,557	(496)	2,061
<b>Assets</b>	89,223	6,472	95,695

	<b>3 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
	\$	\$	\$
<b>Revenue</b>	19,891	709	20,600
Cost of goods sold	7,910	338	8,248
Gross margin	11,981	371	12,352
<b>Operating expenses:</b>			
Research and development	1,626	910	2,536
Sales and marketing	3,754	188	3,942
General and administrative	2,271	331	2,602
Investment tax credits	(303)	(41)	(344)
Foreign exchange loss	319	16	335
Amortization	855	147	1,002
Total operating expenses	8,522	1,551	10,073
Interest income (expense)	29	(4)	25
Income (loss) before income taxes	3,488	(1,184)	2,304
Provision for income taxes - current	1,001	-	1,001
Provision for income taxes - future	110	-	110
Net income (loss)	2,377	(1,184)	1,193
<b>Assets</b>	80,143	6,712	86,855

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**15. SEGMENTED INFORMATION (continued)**

	<b>9 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	63,522	3,755	67,277
Cost of goods sold	25,199	1,860	27,059
Gross margin	38,323	1,895	40,218
<b>Operating expenses:</b>			
Research and development	5,851	3,142	8,993
Sales and marketing	12,316	75	12,391
General and administrative	6,113	1,244	7,357
Investment tax credits	(590)	(560)	(1,150)
Foreign exchange loss (gain)	743	(66)	677
Amortization	3,433	477	3,910
Total operating expenses	27,866	4,312	32,178
Interest income	167	6	173
Income (loss) before income taxes	10,624	(2,411)	8,213
Provision for income taxes - current	3,057	-	3,057
Provision for income taxes - future	526	-	526
Net income (loss)	7,041	(2,411)	4,630
<b>Assets</b>	89,223	6,472	95,695

	<b>9 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	52,636	721	53,357
Cost of goods sold	21,644	391	22,035
Gross margin	30,992	330	31,322
<b>Operating expenses:</b>			
Research and development	5,268	1,073	6,341
Sales and marketing	10,204	201	10,405
General and administrative	6,061	302	6,363
Investment tax credits	(666)	(64)	(730)
Foreign exchange loss	1,840	24	1,864
Amortization	1,734	169	1,903
Total operating expenses	24,441	1,705	26,146
Interest income (expense)	131	(5)	126
Income (loss) before income taxes	6,682	(1,380)	5,302
Provision for income taxes - current	1,998	-	1,998
Provision for income taxes - future	221	-	221
Net income (loss)	4,463	(1,380)	3,083
<b>Assets</b>	80,143	6,712	86,855

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**15. SEGMENTED INFORMATION (continued)**

b) By geographic region

	<b>3 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
North America	8,499	1,683	10,182
Latin America	1,786	34	1,820
Asia Pacific	6,295	-	6,295
Europe, Middle East and Africa	7,155	143	7,298
<b>Total</b>	<b>23,735</b>	<b>1,860</b>	<b>25,595</b>

	<b>3 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
North America	8,224	269	8,493
Latin America	2,297	2	2,299
Asia Pacific	4,406	9	4,415
Europe, Middle East and Africa	4,964	429	5,393
<b>Total</b>	<b>19,891</b>	<b>709</b>	<b>20,600</b>

	<b>9 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
North America	25,876	2,911	28,787
Latin America	5,080	171	5,251
Asia Pacific	15,799	8	15,807
Europe, Middle East and Africa	16,767	665	17,432
<b>Total</b>	<b>63,522</b>	<b>3,755</b>	<b>67,277</b>

	<b>9 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
North America	22,719	269	22,988
Latin America	5,097	2	5,099
Asia Pacific	11,191	9	11,200
Europe, Middle East and Africa	13,629	441	14,070
<b>Total</b>	<b>52,636</b>	<b>721</b>	<b>53,357</b>

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")

**15. SEGMENTED INFORMATION (continued)**

c) By industry

	<b>3 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Electric Power (Utilities)	17,447	184	17,631
Transportation Systems	3,912	742	4,654
Industrial Processes	1,104	854	1,958
Military	1,272	19	1,291
Other	-	61	61
<b>Total</b>	<b>23,735</b>	<b>1,860</b>	<b>25,595</b>

	<b>3 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Electric Power (Utilities)	13,057	268	13,325
Transportation Systems	2,646	-	2,646
Industrial Processes	3,052	-	3,052
Military	1,165	-	1,165
Other	(29)	441	412
<b>Total</b>	<b>19,891</b>	<b>709</b>	<b>20,600</b>

	<b>9 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Electric Power (Utilities)	44,370	1,161	45,531
Transportation Systems	11,612	1,197	12,809
Industrial Processes	4,590	947	5,537
Military	3,050	122	3,172
Other	(100)	328	228
<b>Total</b>	<b>63,522</b>	<b>3,755</b>	<b>67,277</b>

	<b>9 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
<b>Sales</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Electric Power (Utilities)	34,527	268	34,795
Transportation Systems	8,129	-	8,129
Industrial Processes	6,712	-	6,712
Military	3,262	-	3,262
Other	6	453	459
<b>Total</b>	<b>52,636</b>	<b>721</b>	<b>53,357</b>

**RuggedCom Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands of United States dollars except for "Number of Shares" and "Per share amounts")**

**15. SEGMENTED INFORMATION (continued)**

d) The following table details our sales allocated by region among countries exceeding 10%:

	<b>3 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
USA	38.0%	27.0%	37.2%
China	11.1%	0.0%	11.1%

	<b>3 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
USA	33.7%	24.7%	33.4%
China	10.8%	0.0%	10.8%

	<b>9 month period ended December 31, 2010</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
USA	36.5%	32.9%	36.3%
China	9.7%	0.0%	9.7%

	<b>9 month period ended December 31, 2009</b>		
	<b>RuggedCom</b>	<b>WiNetworks</b>	<b>Consolidated</b>
USA	35.3%	24.7%	35.3%
China	10.8%	0.0%	10.8%

**16. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the current year's consolidated interim financial statement presentation.