

Vecima Reports Q4 and Fiscal 2011 Year End Results

VICTORIA – (September 28, 2011) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its fiscal 2011 fourth quarter financial results for the three months and twelve months ended June 30, 2011. All dollar amounts are in Canadian funds unless otherwise stated.

“Last year was a challenging year in which company sales decreased by 25% to \$84.5 million for the year ended June 30, 2011 compared with \$113.2 million for the year ended June 30, 2010. Despite this, net income remained flat year over year at \$0.3 million or \$0.01 per share. A number of factors contributed to this picture including the effects of foreign exchange, the general economic uncertainty and slow down as well as transition from legacy products to new products. If the Canadian dollar had not appreciated throughout our fiscal year, we would have reported approximately \$88 million in revenue,” said Dr. Surinder Kumar, Chairman and CEO.

“We remain focused on our strategy to replace declining revenue from legacy products with recently introduced and new products. We have made significant progress and there are quite a few encouraging signs. For example, our revenue in Q4 increased 22% to \$21.1 million, up from a low of \$17.0 million in Q3. While the ramp up of four new products has proven challenging, we are quite encouraged by the recent revenue growth of our Terrace A and OEM QAM module products which were introduced in the last two years. Further, we are expending additional effort towards capturing new customers for existing products,” Dr. Kumar continued.

Fiscal 2011 and Q4 financial highlights:

- Revenue decreased by 21% to \$21.1 million in Q4 compared to \$26.8 million in the same quarter last year. Revenue for the 2011 fiscal year decreased by 25% to \$84.5 million compared to \$113.2 million last year. Revenue increased sequentially from \$17 million in Q3 this year to \$21.1 million in Q4.
- Gross margin increased to 34% for Q4, providing a gross profit of \$7.2 million, compared with a gross margin of 28% for the same period last year that provided a gross profit of \$7.5 million. The company has taken steps to significantly reduce its production workforce and to increase production efficiencies. Gross margin decreased to 30%, providing a gross profit of \$25.5 million during fiscal 2011, compared with a gross margin of 34% for last year that

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provided a gross profit of \$38.4 million. Gross margin was negatively impacted by a write-down of inventory in Q3 fiscal 2011.

- Net loss for the fourth quarter was \$2.3 million or \$0.10 per share, compared with a net loss of \$4.4 million or \$0.19 per share in the three months ended June 30, 2010. The difference was primarily due to the recovery of income taxes in the quarter. Fiscal 2011 net income was favorably impacted by a \$14.0 million gain on the sale of radio spectrum.

The following highlights elaborate on the products and opportunities that are the foundation of our growth strategy:

- Terrace A was first shipped for any significant revenue in Q3 of FY2009. The product was designed under contract with a world leading MSO to enable the transition to an all-digital network at the point of entry to the premises of commercial and MDU properties. While 2011 sales contracted, we expect sales from new customers will result in healthy growth in FY2012. We have also designed two new products in this family in partnership with our lead MSO customer. These will start shipping for small initial revenue in Q1 of FY2012.
- The recently introduced OEM QAM module product started shipping for revenue in Q3 of FY2010. OEM QAM modules are used by OEM customers within their high-density gateway platforms (EdgeQAMs) which are deployed by world leading service providers to provide DOCSIS 3.0 high speed data, high definition television, and on demand video services. We realized 260% growth from Q1 FY2011 to Q4 FY2011. We expect a more moderate growth in 2012.
- The first phase of TerraceQAM was successfully approved by our lead MSO customer in late Q3 of FY2011. Following approval, initial deployments of the first phase began. The second phase, which adds new features intended to enhance positioning in the hospitality HD market for the MSO's service offering, is currently under approval testing by the MSO and field trials are under way. Our new OEM customer for TerraceQAM has also completed its evaluation and is in the process of launching a thorough sales effort for the product. TerraceQAM was designed to convert HD format digital video at the customer premises to a format which is directly viewable on flat panel televisions within the hospitality property, eliminating the need for set top boxes. Customer driven evaluations and approval of this product have taken longer than expected. Vecima plans to derive meaningful revenue from this product in Q2 of FY2012.

- Similar to TerraceQAM, Concierge provides technology enabling Direct Broadcast Satellite service providers and their integrators with equipment required to deliver HD services into the hospitality industry. While revenue for Concierge was negligible in FY2011, we believe that by making minor modifications to the product design in response to customer testing, we will see revenue for this product in Q2 of FY2012.
- We made significant progress in getting our new Fleet Management product certified and production ready. After field trials, our lead customer has launched the product in Q1 of FY2012. This product is designed to address a large, diverse telematics market. The lead customer's application includes vehicle tracking, fleet performance management, logistics optimization (which yields fuel savings), operational efficiency, and reduced operating costs for all manner of vehicular fleets. This product's capabilities are enabled through industry leading ubiquitous connectivity. A number of other customers have indicated their interest in this product and we plan to start generating significant revenue from the product and its variants in FY2012. This revenue stream has very large potential for growth in FY2013.
- A new QAM module that also addresses high density gateways (EdgeQAMs) has been developed and introduced to the market. Initial shipments began in Q1 of FY2012. Subsequent increases will be contingent on the ability of our OEM to successfully capture customers in the highly competitive target markets.
- The demand for legacy products decreased in FY2011. The combined revenues for CableVista, OEM return path demodulator product and the OEM DOCSIS 2 Internet over cable module declined by 31% over FY2010.
- Broadband wireless sales decreased by 51% in FY2011. The sales decrease was due to weakness in BWIN, WiMAX, WaveRider and Software Defined Radio (SDR) products. Most notably, SDR sales dropped from \$13.4 million in FY2010 to \$4.6 million in FY2011.
- Revenue from Yourlink grew by 12% from FY2010 to FY2011. We expect more moderate growth in 2012.

These initiatives and others have positioned Vecima well to recover from the challenging conditions we experienced during the 2011 fiscal year as a result of the recession and material transition away from our legacy product revenue base. Going forward, our growth strategy is focused on the introduction of new products, capitalizing on recently introduced products, and accessing new markets and customers for our products. We will continue to execute our plan to improve financial performance through improvements in gross margin as well as monitoring and containment of expenses. We anticipate that we are on a path to return to healthy revenue growth and profitability.

The Company's full consolidated financial statements and management's discussion and analysis for the three months and twelve months ended June 30, 2011 are posted on www.SEDAR.com.

Vecima's consolidated financial statements and accompanying notes for the three months and twelve months ended June 30, 2011 are available at http://www.vecima.com/financials_ir.php.

A conference call and live audio webcast will be held on September 28, 2011 at 1 p.m. ET to discuss the results. To participate in the teleconference, dial 800-319-4610 or 604-638-5340. The fourth quarter fiscal 2011 earnings call webcast is available at http://www.vecima.com/events_ir.php.

About Vecima Networks

Vecima Networks Inc. (TSX:VCM) designs, manufactures and sells products that enable broadband access to cable, wireless and telephony networks. Vecima's hardware products incorporate original embedded software to meet the complex requirements of next-generation, high-speed digital networks. Service providers use Vecima's solutions to deliver services to a converging worldwide broadband market, including what are commonly known as "triple play" (voice, video and data) and "quadruple play" (voice, video, data and wireless) services. Vecima's solutions allow service providers to rapidly and cost-effectively bridge the final network segment that connects the system directly to end users, commonly referred to as "the last mile", by overcoming the bottleneck resulting from insufficient carrying capacity in legacy, last mile infrastructures. Vecima's products are directed at two principal markets: Converged Wired Solutions and Broadband Wireless. The Company has also developed and continues to focus on developing products to address emerging markets such as Voice over Internet Protocol, fibre to the home and IP video. www.vecima.com

Forward-Looking Statements

Certain statements in this press release may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intentions, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, and/or are beyond our control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include, but are not limited to, the current significant general economic uncertainty and credit and financial market volatility and the distinctive characteristics of Vecima's operations and industry that may have a material impact on, or constitute risk factors in respect of Vecima's future financial performance, as set forth under the heading "Risk Factors" in the Company's Annual Information Form dated September 28, 2011, a copy of which is available at www.sedar.com. In addition, although the forward-looking statements in this press release are based on what management believes are reasonable assumptions, such assumptions may prove to be incorrect. Consequently, readers should not place undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Vecima disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Vecima Networks

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VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND
RETAINED EARNINGS
(in thousands of Canadian dollars except net income per share data)

	Year ended	
	2011	2010
	June 30	(1)
	2011	2010
Sales	\$ 84,533	\$ 113,206
Cost of sales	59,051	74,835
Gross margin	25,482	38,371
Research and development	14,056	13,918
Sales and marketing	6,783	7,405
General and administrative	22,597	18,362
Stock-based compensation	142	116
Foreign exchange gain	(17)	(151)
Other (income)	(17,457)	(4,277)
	26,104	35,373
Operating (loss) income	(622)	2,998
Interest expense	486	403
(Loss) income before income taxes	(1,108)	2,595
Income taxes	(1,400)	2,283
Net income and Comprehensive income	292	312
Retained earnings, beginning of period	89,699	91,157
Reduction of common shares purchased for cancellation	-	(1,770)
Retained earnings, end of period	\$ 89,991	\$ 89,699

(1) Revised as described in Note 26 of the 2011 annual financial statements

Net income per share

Basic and diluted	\$ 0.01	\$ 0.01
Weighted average number of Common Shares outstanding - basic and diluted	22,316,767	22,799,978

VECIMA NETWORKS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

Notes	As at June 30, 2011	As at June 30, ⁽¹⁾ 2010
Assets		
Current assets		
Cash	\$ 5,095	\$ -
Marketable securities	4	795
Accounts receivable	16,001	27,999
Income tax receivable	4,879	2,754
Inventories	32,526	36,702
Current portion of leases receivable	239	281
Prepaid expenses	836	864
Other current assets	12	12
Current future tax assets	633	1,316
	<u>60,225</u>	<u>70,723</u>
Leases receivable	-	214
Property, plant and equipment	32,193	35,631
Intangible assets	11,538	12,180
Investment tax credit asset	25,805	24,829
Future tax assets	16,004	11,247
	<u>\$ 145,765</u>	<u>\$ 154,824</u>
Liabilities		
Current liabilities		
Bank indebtedness	\$ -	\$ 5,934
Accounts payable and accrued liabilities	10,707	14,509
Warranty accrual	570	500
Deferred revenue	2,313	2,452
Current portion of long-term debt	3,958	250
	<u>17,548</u>	<u>23,645</u>
Other long-term liabilities	1,210	648
Long-term debt	-	3,958
	<u>18,758</u>	<u>28,251</u>
Shareholders' equity		
Share capital	34,482	34,482
Contributed surplus	2,534	2,392
Retained earnings	89,991	89,699
	<u>127,007</u>	<u>126,573</u>
	<u>\$ 145,765</u>	<u>\$ 154,824</u>

⁽¹⁾ Revised as described in Note 26 of the 2011 annual financial statements

VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Year ended June 30,	
	2011	2010 ⁽¹⁾
Cash flows from (used in) operating activities		
Net income	\$ 292	\$ 312
Add (deduct) items not requiring cash		
Gain on the sale of property, plant and equipment	(2,062)	(940)
Gain on the sale of intangible assets	(14,000)	(2,363)
Amortization of property, plant and equipment	5,898	5,477
Amortization of deferred development costs	6,752	10,355
Amortization of finite-life intangible assets	148	162
Future tax asset	(4,757)	(6,755)
Increase (decrease) in other long-term liability	562	(136)
(Increase) decrease in investment tax credit asset	(976)	4,160
Stock-based compensation	142	116
Net change in non-cash working capital relating to operations	11,845	(375)
	<u>3,844</u>	<u>10,013</u>
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(4,241)	(5,001)
Proceeds from the sale of property, plant and equipment	3,143	2,418
Proceeds from the sale of intangible assets	14,000	2,453
Proceeds from capital sales lease	-	164
Proceeds from the sale of marketable securities	791	-
Deferred development costs, net of investment tax credits	(6,234)	(12,521)
Purchase of finite-life intangible assets	(24)	(270)
	<u>7,435</u>	<u>(12,757)</u>
Cash flows from (used in) financing activities		
Purchase and cancellation of shares	-	(2,605)
Repayment of long-term debt	(250)	(250)
	<u>(250)</u>	<u>(2,855)</u>
Increase (decrease) in cash during the period	11,029	(5,599)
(Bank indebtedness) cash, beginning of period	(5,934)	(335)
Cash (Bank indebtedness), end of period	\$ 5,095	\$ (5,934)

⁽¹⁾ Revised as described in Note 26 of the 2011 annual financial statements