

Vecima Reports Fiscal 2012 Q1 Results

VICTORIA – (December 9, 2011) – Vecima Networks Inc. (TSX:VCM), an experienced designer and manufacturer of innovative technology in the broadband equipment market, today reported financial results for the fiscal 2012 first quarter ended September 30, 2011. All figures are in Canadian dollars and in accordance with International Financial Reporting Standards (“IFRS”) unless otherwise stated.

SUMMARY OF OPERATING RESULTS

(CAD dollars in millions except percentage and per share data)	Q1 2012	Q4 2011	Q1 2011
Revenue	20.0	21.1	26.3
Gross Margin	37%	34%	38%
EBITDA	1.7	(2.1)	6.2
Net (loss) / income	(0.7)	(2.3)	1.8
(Loss) / earnings per share (based on weighted average number shares outstanding)	(0.03)	(0.10)	0.08
Cash and cash equivalents	7.8	5.1	(4.9)

Vecima’s first quarter fiscal 2012 revenue of \$20.0 million decreased 5% as compared to the fourth quarter of fiscal 2011 due primarily to further weakening in Vecima’s legacy product orders.

“In spite of the decrease in sales, the Company’s gross margin in the quarter improved, rising to 37% from 34% in Q4 FY2011. We also saw strong improvement in our EBITDA compared to last quarter. This mainly reflects the expense reduction measures the Company took earlier in the calendar year and better production efficiency we achieved this quarter,” said Dr. Surinder Kumar, CEO of Vecima. “There are many encouraging signs that point to improvement in Vecima’s results in the coming quarters.”

Vecima’s loss per share narrowed from the fourth quarter of fiscal 2011 to the first quarter of fiscal 2012, despite posting lower revenue in Q1.

The Company’s cash position was \$7.8 million at quarter end, up from \$5.1 million at the end of the fourth quarter of FY2011.

In fiscal 2011, Vecima announced the \$8.0 million sale of 3.5 GHz radio spectrum and continues to expect the deal to close before December 31, 2011.

“Our drive to profitability is showing positive momentum,” noted Dr. Kumar, “and we will continue to focus on order execution and containing expenses.”

FINANCIAL HIGHLIGHTS OF RECENTLY INTRODUCED PRODUCTS

Sales from these products may fluctuate from quarter to quarter depending on customer demand and the timing of customer purchase decisions. However, over a longer time horizon, the Company expects to see positive trending revenue.

Terrace A

Compared to Q4 FY2011, revenue from Terrace A, the first member of Vecima's Terrace family of products, increased by 33%.

OEM QAM Module

While the quarter over quarter revenue from this product declined by 22%, sales have risen by 92% since the first quarter of 2011.

FINANCIAL HIGHLIGHTS OF NEW PRODUCTS

These new products are in the initial stage of market introduction and sales orders are expected to ramp up over the next four quarters.

TerraceQAM

We continued to make good progress in concluding approval testing of the second phase of TerraceQAM with our lead MSO customer in Q1.

Concierge

While sales for Concierge have not yet ramped up, we have been optimizing the product's final design in response to customer testing and feedback.

Fleet Management

We shipped our fleet management product in Q1 and the first customer continued to perform field trials and conduct its initial launch in multiple fleets.

FINANCIAL HIGHLIGHTS OF LEGACY PRODUCTS

Over the quarter, combined revenue for our OEM return path demodulator product and CableVista declined by more than \$3.0 million.

FINANCIAL HIGHLIGHTS OF BROADBAND WIRELESS AND SERVICE SEGMENT

Broadband wireless revenue for the three months ended September 31, 2011 was \$2.7 million, an increase of 97% over Q4 of fiscal 2011.

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YourLink revenue was \$3.2 million for Q1 FY2012, compared to \$3.3 million last quarter.

OUTLOOK

Revenue for fiscal 2012 is expected to be in the \$90 million to \$100 million range. Vecima is also on track to deliver gross profit margin at the top end of our targeted 30% to 40% range. The Company will diligently monitor operating expenses and prudently add additional resources as necessary to meet our revenue growth objectives and ensure operational profitability.

CONFERENCE CALL

A conference call and live audio webcast will be held on December 9, 2011 at 1 p.m. ET to discuss the Company's first quarter results. Vecima's unaudited condensed interim consolidated financial statements and management's discussion and analysis for the three months ended September 30, 2011 are available under the Company's profile at www.SEDAR.com, and at http://www.vecima.com/financials_ir.php.

To participate in the teleconference, dial 1-800-319-4610 or 1-604-638-5340. The webcast will be available in real time at <http://services.choruscall.com/links/vecima111209.html> and it will be archived on the Vecima web site: 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. More information is available at our website at www.vecima.com

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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 sales and revenue expectations, 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 and customer demand 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, as a result of new information, future events or otherwise, except as required by law.

Vecima Networks

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VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited - in thousands of Canadian dollars)

	September 30, 2011	June 30, 2011	July 1, 2010
Assets			
Current assets			
Cash and cash equivalents	\$ 7,771	\$ 5,095	\$ -
Marketable securities	4	4	795
Accounts receivable	13,996	16,001	27,999
Income tax receivable	4,879	4,879	2,754
Inventories	32,776	32,526	36,702
Current portion of leases receivable	-	239	281
Prepaid expenses	862	836	864
Other current assets	-	12	12
	60,288	59,592	69,407
Leases receivable	-	-	214
Property, plant and equipment	31,986	32,474	35,879
Intangible assets	11,470	11,538	12,180
Investment tax credit asset	26,874	25,805	24,829
Deferred tax asset	16,949	16,737	12,665
	\$ 147,567	\$ 146,146	\$ 155,174
Liabilities			
Current liabilities			
Bank indebtedness	\$ -	\$ -	\$ 5,934
Accounts payable and accrued liabilities	12,052	10,632	14,509
Provisions	1,098	695	550
Deferred revenue	2,458	2,313	2,452
Current portion of long-term debt	3,896	3,958	250
	19,504	17,598	23,695
Non-current liabilities			
Other long-term liabilities	498	528	25
Provisions	1,369	1,125	1,065
Long-term debt	-	-	3,958
	21,371	19,251	28,743
Shareholders' equity			
Share capital	34,482	34,482	34,482
Contributed surplus	2,700	2,678	2,511
Retained earnings	89,014	89,735	89,438
	126,196	126,895	126,431
	\$ 147,567	\$ 146,146	\$ 155,174

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VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited - in thousands of Canadian dollars except net income per share data)

	Three months ended	
	September 30,	
	2011	2010
Sales	\$ 19,981	\$ 26,333
Cost of sales	12,677	16,235
Gross margin	7,304	10,098
Research and development	2,764	2,832
Sales and marketing	1,182	1,446
General and administrative	5,040	4,741
Stock-based compensation	22	52
Other (income)	(310)	(1,463)
	8,698	7,608
Operating (loss) income	(1,394)	2,490
Finance cost	136	119
Finance income	534	203
(Loss) income before income taxes	(996)	2,574
Income tax (recovery) expense	(275)	740
Net (loss) income and comprehensive (loss) income	\$ (721)	\$ 1,834
Net (loss) income per share		
Basic and diluted	\$ (0.03)	\$ 0.08
Weighted average number of Common Shares outstanding - basic and diluted	22,316,767	22,316,767

VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited - in thousands of Canadian dollars except net income per share data)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance as at July 1, 2010	\$ 34,482	\$ 2,511	\$ 89,438	\$ 126,431
Net income and comprehensive income	-	-	1,834	1,834
Share-based payment expense	-	55	-	55
Balance as at September 30, 2010	\$ 34,482	\$ 2,566	\$ 91,272	\$ 128,320
Balance as at June 30, 2011	\$ 34,482	\$ 2,678	\$ 89,735	\$ 126,895
Net loss and comprehensive income	-	-	(721)	(721)
Share-based payment expense	-	22	-	22
Balance as at September 30, 2011	\$ 34,482	\$ 2,700	\$ 89,014	\$ 126,196

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

	Three months ended September 30,	
	2011	2010
Cash flows from operating activities		
Net (loss) income and comprehensive (loss) income	\$ (721)	\$ 1,834
Add (deduct) items not requiring cash		
Gain on the sale of property, plant and equipment	(13)	(1,519)
Gain on the sale of intangible assets	(79)	-
Amortization of property, plant and equipment	1,283	1,406
Amortization of deferred development costs	1,240	2,038
Amortization of finite-life intangible assets	41	36
Stock-based compensation	22	52
Deferred tax asset	63	270
Interest expense	136	119
Income tax (recovery) expense	(275)	740
Increase in other long-term liabilities	244	68
Increase in provisions	640	15
Increase in investment tax credit asset	(1,069)	(1,023)
Net change in non-cash working capital relating to operations	3,271	(28)
Interest paid	(129)	(111)
	4,654	3,897
Cash flows used in investing activities		
Purchase of property, plant and equipment	(921)	(1,131)
Proceeds from the sale of property, plant and equipment	139	750
Proceeds from the sale of intangible assets	150	-
Deferred development costs, net of investment tax credits	(1,270)	(2,429)
Purchase of finite-life intangible assets	(14)	(8)
	(1,916)	(2,818)
Cash flows used in financing activities		
Repayment of long-term debt	(62)	(59)
	(62)	(59)
Increase in cash during the period	2,676	1,020
Cash (bank indebtedness), beginning of period	5,095	(5,934)
Cash (bank indebtedness), end of period	\$ 7,771	\$ (4,914)