Vecima Reports Fiscal 2012 Q2 Results

VICTORIA – (February 14, 2012) – 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 second quarter ended December 31, 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)	Q2 FY2012	Q1 FY2012	Q2 FY2011
Revenue	21.2	20.0	20.0
Gross Margin	37.0%	36.6%	29.6%
EBITDA	10.0	1.7	13.1
Adjusted EBITDA *(excludes gains on sale of assets)*	2.1	1.6	(1.0)
Net income / (loss)	6.2	(0.7)	6.9
Earnings (loss) per share (based on weighted average number shares outstanding)	$0.28	$(0.03)	$0.30
Cash and cash equivalents	12.6	7.8	8.2

Vecima's second quarter fiscal 2012 revenue of $21.2 million increased 6% as compared to the first quarter of fiscal 2012 due primarily to increased sales of recently introduced and new products.

"Increased revenue from our recently introduced and new products signals that the expected revenue shift away from our legacy products is continuing. Our customers have increased confidence in the economy moving forward and as a result, are purchasing equipment to further facilitate their operational requirements," said Dr. Surinder Kumar, CEO of Vecima. "We will continue our focus on containing expenses as we grow sales from new and recently introduced products."

Vecima's earnings per share increased to $0.28 per share from a loss of $0.03 per share in the first quarter of fiscal 2012.

The Company's cash position was $12.6 million at quarter end, up from $7.8 million at the end of the first quarter of FY2012.

On December 20, 2011, Vecima completed its previously announced $8.0 million sale of 3.5 GHz radio spectrum.

"The improvement in gross margin indicates that we're realizing operational savings from decisions that were made in previous quarters," noted Dr. Kumar. "I'm confident that the executive team that I have in place will continue to execute on initiatives that I have set. These initiatives will result in greater improvements in overall performance."

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 revenue growth from these products.

Terrace A

In light of the fact that Q1 FY2012 sales of Terrace A increased by 33% over Q4 FY2011, we were happy to be able to maintain this level of sales and see a marginal increase of 2% in Q2. We expect to increase this revenue as new versions of this family are currently being introduced.

OEM QAM Modules

The quarter over quarter revenue from these products increased by 26%. Our OEM partner has strong sales projections which provide us confidence that there will be continued growth.

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 three quarters.

TerraceQAM

Sales of TerraceQAM in Q2 FY2012 were $1.1 million. This is an encouraging ramp up in sales given that we were still concluding approval testing in the previous quarter. Forecasts indicate that the conclusion of second phase testing will intensify sales in future quarters.

Concierge

Optimization in the product's final design in response to customer testing and feedback lead to some initial sales in Q2 FY2012. The sales were from a market leader in the hospitality industry and we expect to receive greater uptake from this customer through calendar 2012.

Fleet Management

Our first customer for our fleet management solution continued to perform field trials in multiple fleets. We have considerable interest from other large customers for this technology.

FINANCIAL HIGHLIGHTS OF BROADBAND WIRELESS AND SERVICE SEGMENT

Broadband wireless revenue for the three months ended December 31, 2011 was $2.4 million, a decrease of 8% over Q1 of fiscal 2012. The decline in Q2 was primarily a result of weaker sales in the BWIN (wireless DOCSIS) line of products.

YourLink revenue was $3.1 million for Q2 FY2012, compared to $3.2 million last quarter. The decrease in the current period compared to the previous period is primarily due to the discontinuance of wireless cable television broadcasting in Saskatchewan as a result of mandatory spectrum claw-back by Industry Canada. YourLink Inc. continues to broadcast cable television in British Columbia.

OUTLOOK

Revenue for fiscal 2012 is expected to be in our previously announced range of between $90 million to $100 million. Vecima remains 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 achieve operational profitability.

CONFERENCE CALL

A conference call and live audio webcast will be held on February 14, 2012 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 December 31, 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/vecima120214.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

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)

	December 31, 2011	June 30, 2011	July 1, 2010
Assets			
Current assets			
Cash and cash equivalents	$ **12,609**	$ 5,095	$ -
Marketable securities	**-**	4	795
Accounts receivable	**15,672**	16,001	27,999
Income tax receivable	**4,883**	4,879	2,754
Inventories	**33,971**	32,526	36,702
Current portion of leases receivable	**-**	239	281
Prepaid expenses	**1,162**	836	864
Other current assets	**-**	12	12
	68,297	59,592	69,407
Non-current assets			
Leases receivable	**-**	-	214
Property, plant and equipment	**30,287**	32,474	35,879
Intangible assets	**10,288**	11,538	12,180
Investment tax credit asset	**27,810**	25,805	24,829
Deferred tax asset	**16,564**	16,737	12,665
	$ **153,246**	$ 146,146	$ 155,174
Liabilities			
Current liabilities			
Bank indebtedness	$ **-**	$ -	$ 5,934
Accounts payable and accrued liabilities	**11,231**	10,632	14,509
Provisions	**650**	695	550
Income tax payable	**658**	-	-
Deferred revenue	**2,302**	2,313	2,452
Current portion of long-term debt	**3,833**	3,958	250
	18,674	17,598	23,695
Non-current liabilities			
Other long-term liabilities	**685**	528	25
Provisions	**1,486**	1,125	1,065
Long-term debt	**-**	-	3,958
	20,845	19,251	28,743
Shareholders' equity			
Share capital	**34,482**	34,482	34,482
Contributed surplus	**2,728**	2,678	2,511
Retained earnings	**95,191**	89,735	89,438
	132,401	126,895	126,431
	$ **153,246**	$ 146,146	$ 155,174

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 December 31,		Six months ended December 31,	
	2011	2010	**2011**	2010
Sales	**$ 21,236**	$ 20,066	**$ 41,217**	$ 46,399
Cost of sales	**13,389**	14,135	**26,066**	30,370
Gross margin	**7,847**	5,931	**15,151**	16,029
Operating expenses				
Research and development	**3,084**	3,567	**5,848**	6,399
Sales and marketing	**1,065**	1,657	**2,247**	3,103
General and administrative	**4,505**	5,030	**9,545**	9,771
Stock-based compensation	**28**	62	**50**	114
Other (income)	**(8,115)**	(14,280)	(8,425)	(15,743)
	567	(3,964)	**9,265**	3,644
Operating income	**7,280**	9,895	**5,886**	12,385
Finance costs	**78**	172	**214**	291
Finance income	**81**	(51)	**615**	152
Income before income taxes	**7,283**	9,672	**6,287**	12,246
Income tax expense	**1,106**	2,796	**831**	3,536
Net income and total comprehensive income	**$ 6,177**	$ 6,876	**5,456**	$ 8,710
Net income per share				
Basic and diluted	**$ 0.28**	$ 0.31	**$ 0.24**	$ 0.39
Weighted average number of Common Shares outstanding - basic and diluted	**22,316,767**	22,316,767	**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 total comprehensive income	-	-	8,710	8,710
Share-based payment expense	-	114	-	114
Balance as at December 31, 2010	$ 34,482	$ 2,625	$ 98,148	$ 135,255
Balance as at June 30, 2011	$ 34,482	$ 2,678	$ 89,735	$ 126,895
Net income and total comprehensive income	-	-	5,456	5,456
Share-based payment expense	-	50	-	50
Balance as at December 31, 2011	$ 34,482	$ 2,728	$ 95,191	$ 132,401

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

	Three months ended December 31,		Six months ended December 31,	
	2011	2010	**2011**	2010
Cash flows from operating activities				
Net income and total comprehensive income	$ **6,177**	$ 6,876	$ **5,456**	$ 8,710
Add (deduct) items not requiring cash				
Gain on the sale of property, plant and equipment	**(257)**	-	**(270)**	(1,519)
Gain on sale of intangible assets	**(7,644)**	(14,000)	**(7,723)**	(14,000)
Amortization of property, plant and equipment	**1,325**	1,420	**2,608**	2,826
Amortization of deferred development costs	**1,280**	1,747	**2,520**	3,785
Amortization of finite-life intangible assets	**42**	37	**83**	73
Stock-based compensation	**28**	62	**50**	114
Deferred income tax expense	**448**	2,796	**173**	3,536
Interest expense	**78**	172	**214**	291
Increase in other long-term liabilities	**117**	235	**361**	303
Increase in provisions	**(334)**	10	**306**	25
Increase in investment tax credit asset	**(999)**	(1,875)	**(2,005)**	(2,898)
Net change in non-cash working capital relating to operations	**(3,434)**	5,563	**(163)**	5,805
Interest paid	**(65)**	(163)	**(194)**	(274)
	(3,238)	2,880	**1,416**	6,777
Cash flows provided by investing activities				
Purchase of property, plant and equipment	**(790)**	(1,517)	**(1,711)**	(2,648)
Proceeds from the sale of property, plant and equipment	**1,421**	-	**1,560**	750
Proceeds from the sale of intangible assets	**8,097**	14,000	**8,247**	14,000
Proceeds from the sale of marketable securities	**4**	-	**4**	-
Deferred development costs, net of investment tax credits	**(593)**	(2,165)	**(1,863)**	(4,594)
Purchase of finite-life intangible assets	**-**	4	**(14)**	(4)
	8,139	10,322	**6,223**	7,504
Cash flows used in financing activities				
Repayment of long-term debt	**(63)**	(66)	**(125)**	(125)
	(63)	(66)	**(125)**	(125)
Increase in cash during the period	**4,838**	13,136	**7,514**	14,156
Cash (bank indebtedness), beginning of period	**7,771**	(4,914)	**5,095**	(5,934)
Cash, end of period	$ **12,609**	$ 8,222	$ **12,609**	$ 8,222