

Vecima Reports Fiscal 2012 Q3 Results

VICTORIA – (May 15, 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 third quarter ended March 31, 2012. All figures are in Canadian dollars and in accordance with International Financial Reporting Standards (“IFRS”) unless otherwise stated.

SUMMARY OF OPERATING RESULTS

<i>(CAD dollars in millions except percentage and per share data)</i>	Q3 FY2012	Q2 FY2012	Q3 FY2011
Revenue	25.8	21.2	17.0
Gross Margin	35.3%	37.0%	13.4%
EBITDA ¹	9.6	10.0	(5.1)
Adjusted EBITDA ¹ <i>(excludes gains on sale of assets)</i>	2.7	2.1	(5.6)
Net income / (loss)	6.2	6.2	(6.1)
Earnings (loss) per share <i>(based on weighted average number shares outstanding)</i>	\$0.28	\$0.28	\$(0.28)
Cash and cash equivalents	14.1	12.6	6.6
¹ EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that EBITDA should not be construed as an alternative to net income, determined in accordance with IFRS, as an indicator of our financial performance or as a measure of our liquidity and cash flows. For a reconciliation of EBITDA, investors should refer to Management's Discussion and Analysis for the current quarter.			

Vecima’s fiscal 2012 third quarter revenue increased 22% to \$25.8 million compared to the second quarter. Had the Canadian dollar remained constant during Q3, Vecima would have reported sales of \$26.3 million. Strong Converged Wired Solutions sales, particularly Terrace A, OEM QAM Modules and TerraceQAM, were the primary cause of revenue growth in the third quarter.

“Our Q3 sales of \$25.8 million reflects a significant and continued increase from \$20.0 million in Q1 and \$21.2 million in Q2 as we continue to execute on our strategy to shift revenue from legacy product sales to recently introduced and new product lines,” said Dr. Surinder Kumar, CEO of Vecima. “We were able to achieve this growth while realigning our production resources to increase efficiency.”

Vecima has diligently monitored operating expenses while adding additional resources where necessary to meet revenue targets, resulting in a return to operational profitability in the third quarter.

Gross margin decreased slightly to 35% for Q3, providing a gross profit of \$9.1 million, compared with a gross margin of 37% for Q2, providing a gross profit of \$7.8 million. Gross margin was negatively impacted by about 3% due to certain effects within the third quarter. The appreciation of the Canadian

dollar during the quarter accounted for 2% and a one-time cost related to the end of life of a legacy OEM module accounted for about 1%.

The Company's cash position was \$14.1 million at quarter end, up from \$12.6 million at the end of the second quarter of fiscal 2012. Subsequent to quarter end, on April 3, 2012, the Company announced it had successfully concluded phase 2 of an agreement to sell a portion of its radio spectrum licenses in the 3.5GHz band for \$7.3 million to Xplornet Broadband Inc.

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

Terrace A is a device that provides multiple channels of video when a cable operator transitions to all digital thereby increasing the capacity of the network tenfold. Sales in Terrace A increased to \$8.9 million in Q3 from \$6.1 million in Q2, primarily due to strong cable MSO sales. Terrace A revenue growth in the third quarter was unusually strong due to TC1200 sales. Revenue from the Company's Terrace TC600, a recently introduced addition to the Terrace A family of products, is the most rapidly growing Terrace A product and the Company expects sales in this product to continue to increase.

OEM QAM Modules

QAM technology is used by cable operators to provide digital video, high definition television, high speed data, video on demand, and other services. OEM QAM Module sales increased to \$4.1 million in the third quarter, representing a 27% increase from \$3.2 million in Q2.

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 two quarters.

TerraceQAM

TerraceQAM provides cable system operators with market leading technology delivering HD digital video streams in a secure format connecting directly to newer flat panel TVs, eliminating the need for an additional digital set top box. The product allows cable companies to service the emerging demand for HD content in hotels. This provides a new source of revenue for cable MSOs. Sales of TerraceQAM in Q3 were \$2.4 million, representing an increase of 124% from \$1.1 million in the second quarter.

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Early in the third quarter, Vecima successfully completed another phase of approval testing which led to this increase in revenue. We expect strong sales growth in future quarters.

Concierge

Concierge is a solution for hospitality facilities such as hotels, resorts, hospitals, assisted living residences, and universities requiring a cost effective solution for providing HD channels with content delivered by satellite based service providers. We are in the initial stage of introducing this product with Q3 sales totaling \$0.3 million. The sales were from a market leader in the hospitality industry and we expect to receive greater uptake from this customer through calendar 2012. We have provided demo equipment to multiple hospitality integrators and have received positive feedback from these trials to date.

Fleet Management

The introduction and adoption of this new wireless product has been slower than expected. We have an extensive list of interested customers and are pursuing multiple opportunities.

FINANCIAL HIGHLIGHTS OF BROADBAND WIRELESS AND SERVICE SEGMENT

Broadband wireless and YourLink revenue for the third quarter was \$2.4 million and \$3.1 million respectively, both unchanged from the prior quarter.

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.

CONFERENCE CALL

A conference call and live audio webcast will be held on May 15, 2012 at 1 p.m. ET to discuss the Company's third quarter results. Vecima's unaudited condensed interim consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2012 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/vecima120515.html> and will be archived on the Vecima website at http://www.vecima.com/events_ir.php.

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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)

	March 31, 2012	June 30, 2011	July 1, 2010
Assets			
Current assets			
Cash and cash equivalents	\$ 14,120	\$ 5,095	\$ -
Marketable securities	-	4	795
Accounts receivable	25,117	16,001	27,999
Income tax receivable	4,883	4,879	2,754
Inventories	30,989	32,526	36,702
Current portion of leases receivable	-	239	281
Prepaid expenses	1,010	836	864
Other current assets	-	12	12
	76,119	59,592	69,407
Non-current assets			
Leases receivable	-	-	214
Property, plant and equipment	29,651	32,474	35,879
Intangible assets	9,756	11,538	12,180
Investment tax credit asset	28,868	25,805	24,829
Deferred tax asset	16,253	16,737	12,665
	\$ 160,647	\$ 146,146	\$ 155,174
Liabilities			
Current liabilities			
Bank indebtedness	\$ -	\$ -	\$ 5,934
Accounts payable and accrued liabilities	11,842	10,632	14,509
Provisions	661	695	550
Income tax payable	1,540	-	-
Deferred revenue	2,274	2,313	2,452
Current portion of long-term debt	3,771	3,958	250
	20,088	17,598	23,695
Non-current liabilities			
Other long-term liabilities	555	528	25
Provisions	1,431	1,125	1,065
Long-term debt	-	-	3,958
	22,074	19,251	28,743
Shareholders' equity			
Share capital	34,482	34,482	34,482
Contributed surplus	2,744	2,678	2,511
Retained earnings	101,347	89,735	89,438
	138,573	126,895	126,431
	\$ 160,647	\$ 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 March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Sales	\$ 25,838	\$ 17,004	\$ 67,055	\$ 63,403
Cost of sales	16,709	14,733	42,775	45,103
Gross margin	9,129	2,271	24,280	18,300
Operating expenses				
Research and development	2,893	3,322	8,741	9,721
Sales and marketing	1,567	1,955	3,814	5,058
General and administrative	4,585	6,507	14,130	16,278
Stock-based compensation	16	52	66	166
Other (income)	(7,118)	(1,100)	(15,543)	(16,843)
	1,943	10,736	11,208	14,380
Operating income (loss)	7,186	(8,465)	13,072	3,920
Finance costs	58	98	272	389
Finance income	220	(42)	835	110
Income (loss) before income taxes	7,348	(8,605)	13,635	3,641
Income tax expense	1,192	(2,459)	2,023	1,077
Net income (loss) and total comprehensive income (loss)	\$ 6,156	\$ (6,146)	11,612	\$ 2,564
Net income (loss) per share				
Basic and diluted	\$ 0.28	\$ (0.28)	\$ 0.52	\$ 0.11
Weighted average number of Common Shares outstanding - basic and diluted	22,316,767	22,316,767	22,316,767	22,316,767

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VECIMA NETWORKS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited - in thousands of Canadian dollars)

	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	-	-	2,564	2,564
Share-based payment expense	-	114	-	114
Balance as at March 31, 2011	\$ 34,482	\$ 2,625	\$ 92,002	\$ 129,109
Balance as at June 30, 2011	\$ 34,482	\$ 2,678	\$ 89,735	\$ 126,895
Net income and total comprehensive income	-	-	11,966	11,612
Share-based payment expense	-	66	-	66
Balance as at March 31, 2012	\$ 34,482	\$ 2,744	\$ 101,701	\$ 138,573

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

	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Cash flows from operating activities				
Net income (loss) and total comprehensive income (loss)	\$ 6,156	\$ (6,146)	\$ 11,612	\$ 2,564
Add (deduct) items not requiring cash				
Gain on the sale of property, plant and equipment	(5)	(591)	(275)	(2,110)
Gain on sale of intangible assets	(6,896)	-	(14,619)	(14,000)
Amortization of property, plant and equipment	1,401	1,420	4,009	4,246
Amortization of deferred development costs	779	2,131	3,299	5,916
Amortization of finite-life intangible assets	23	38	106	111
Stock-based compensation	16	52	66	166
Deferred income tax expense	311	(2,459)	484	1,077
Interest expense	58	98	272	389
Increase in other long-term liabilities	(55)	(9)	306	294
Increase in provisions	(34)	2	272	27
Increase in investment tax credit asset	(1,058)	(1,342)	(3,063)	(4,240)
Net change in non-cash working capital relating to operations	(4,921)	6,381	(5,084)	12,186
Interest paid	(68)	-	(262)	(274)
	(4,293)	(425)	(2,877)	6,352
Cash flows provided by investing activities				
Purchase of property, plant and equipment	(772)	(692)	(2,483)	(3,340)
Proceeds from the sale of property, plant and equipment	12	1,893	1,572	2,643
Proceeds from the sale of intangible assets	7,262	-	15,509	14,000
Proceeds from the sale of marketable securities	-	-	4	-
Deferred development costs, net of investment tax credits	(445)	(2,307)	(2,308)	(6,901)
Purchase of finite-life intangible assets	(191)	(18)	(205)	(22)
	5,866	(1,124)	12,089	6,380
Cash flows used in financing activities				
Repayment of long-term debt	(62)	(62)	(187)	(187)
	(62)	(62)	(187)	(187)
Increase (decrease) in cash during the period	1,511	(1,611)	9,025	12,545
Cash (bank indebtedness), beginning of period	12,609	8,222	5,095	(5,934)
Cash, end of period	\$ 14,120	\$ 6,611	\$ 14,120	\$ 6,611