

Vecima Reports Q2 Fiscal 2013 Results

Cash Position Improves From \$25.7 Million to \$41.4 Million

VICTORIA – (February 12, 2013) – Vecima Networks Inc. (TSX:VCM), an experienced designer and manufacturer of innovative technology in the broadband equipment market, today reported financial results for the three months ended December 31, 2012. All figures are in Canadian dollars and in accordance with International Financial Reporting Standards (“IFRS”) unless otherwise stated.

FINANCIAL HIGHLIGHTS

<i>(CAD dollars in millions except percentages, headcount, and per share data)</i>	Q2FY2013	Q1FY2013	Q2FY2012
Revenue	\$23.6	\$24.9	\$21.2
Gross Margin	41%	40%	37%
EBITDA ¹	\$12.9	\$8.4	\$10.0
Adjusted EBITDA ¹ <i>(removes gains on sale of assets and stock-based compensation)</i>	\$3.9	\$4.5	\$2.1
Net Income or (Loss)	\$9.1	\$5.3	\$6.2
Earnings or (Loss) per share <i>(based on weighted average number shares outstanding)</i>	\$0.41	\$0.24	\$0.28
Cash and marketable securities	\$41.4	\$25.7	\$12.6
Headcount	617	619	604
¹ EBITDA and adjusted EBITDA do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures provided by other issuers. Accordingly, investors are cautioned that EBITDA and adjusted 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 and adjusted EBITDA, investors should refer to Management’s Discussion and Analysis for the current quarter. EBITDA and adjusted EBITDA are provided because they provide investors with an alternative measure of Vecima’s financial performance.			

“Vecima sees strong deployment of our Terrace and Terrace QAM families of products by North America’s largest cable MSOs,” said Dr. Surinder Kumar, CEO of Vecima. “I am pleased to report that gross margin remained 40% or higher over the last two quarters. This continued strength in gross margin is attributable to a transition to higher margin products.”

Dr. Surinder Kumar stated that, “Vecima is in a position where its cash at the end of Q2 plus its realizable value of non-core assets is approaching its current market capitalization. We are working hard to unlock hidden value.”

In comparing the first half of fiscal 2013 to the last six months of fiscal 2012, adjusted EBITDA increased to \$8.4 million from \$7.3 million despite revenue decreasing from \$54.5 million to \$48.5 million.

Vecima's cash position improved from \$25.7 million at the end of Q1 fiscal 2013 to \$41.4 million at the end of Q2 fiscal 2013. The increase in cash and marketable securities is attributable to cash flow from operations and the further sale of radio spectrum for proceeds of \$9.4 million.

MSO BUSINESS SERVICES

Terrace Family

- Sales decreased 22% to \$6.8 million compared to \$8.7 million in Q1 of FY13. Our leading MSO customer had pent up demand for our TC1200 in prior quarters that is starting to level off.
- While revenue from the Terrace Family from our lead customer continues to be strong, other MSO customers have taken longer than expected to initiate analog reclamation.

Terrace QAM

- Sales decreased 6% from \$5.3 million in Q1 of FY13 to \$5.0 million this quarter. The number of units deployed varies from quarter to quarter but we expect a sales increase in the coming quarters.

CABLE HEADEND

OEM QAM Modules

- Sales increased from \$1.1 million to \$3.0 million. The uptick was a one-time increase in demand from our customer and is not indicative of sales in future quarters. As indicated previously, sales are expected to decline over fiscal 2013 as the product moves towards end of life.

OEM Return Path Demodulator and CableVista

- Combined sales of these legacy products were relatively flat from Q1 fiscal 2013 to Q2 fiscal 2013. Sales for our OEM return path demodulator dropped from \$1.6 million to \$1.2 million; while CableVista sales improved from \$1.1 million to \$1.5 million.
- Our new OEM digital broadband access platform is expected to start volume shipping in Q4 fiscal 2013.

FLEET MANAGEMENT - FLEETLYNX

- Feedback from our customers confirms that our FleetLynx system solution provides superior benefits as compared to competitive offerings. Our focus is on accelerating sales to address this large and fragmented market.

BROADBAND WIRELESS

- Sales decreased from \$2.3 million in Q1 of fiscal 2013 to \$2.1 million this period. Weakness in sales of both BWIN and WiMAX products were responsible for the revenue drop. Software defined radio sales remained relatively flat quarter over quarter. We have introduced new products in our software defined radio division.

YOURLINK

- Revenue increased slightly to \$3.1 million from Q1 fiscal 2013 to Q2 fiscal 2013. YourLink had net additions to its subscriber base during the period.

OUTLOOK

Vecima remains profitable and we expect both operations and asset monetization to continue to contribute to our cash position. We continue to execute on our strategy of monetizing non-core assets and will pursue opportunities to sell non-core assets over the next 18 months.

On January 21, 2013, Vecima proposed a special cash distribution in the form of a return of capital. Following the proposed distribution, we will have a strong balance sheet and will continue to explore opportunities to maximize shareholder value, including the possibility of future cash dividends or distributions.

In light of adjustments to our customers' sales forecasts, we are revising our fiscal 2013 revenue forecast to be in the range of \$91 to \$98 million. We are managing our costs carefully. With these measures in place, we expect our fiscal year adjusted EBITDA to improve by 20-40% over fiscal 2012.

CONFERENCE CALL

A conference call and live audio webcast will be held on February 12, 2013 at 1 p.m. ET to discuss the Company's second quarter results. Vecima's unaudited condensed interim consolidated financial statements and management's discussion and analysis for the three months ended December 31, 2012 are available under the Company's profile at www.SEDAR.com, and at http://www.vecima.com/financials_ir.php.

February 12, 2013

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.ca/links/vecima120213.html> and will be archived on the Vecima website 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. 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, future shipping volumes, future cash position, revenue expectations, future costs, future operating performance, plans to sell non-core assets, and plans to continue to explore opportunities to maximize shareholder value, including the possibility of future cash dividends and distributions. 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, 2012, 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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February 12, 2013

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

	December 31, 2012	June 30, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 25,420	\$ 19,549
Marketable securities	15,974	-
Accounts receivable	14,614	23,818
Income tax receivable	10,607	13,600
Inventories	30,266	29,663
Prepaid expenses	1,231	1,076
	98,112	87,706
Non-current assets		
Property, plant and equipment	26,919	28,158
Assets held for resale	-	385
Intangible assets	11,558	10,819
Investment tax credit asset	35,349	30,384
Deferred tax asset	3,133	5,129
	\$ 175,071	\$ 162,581
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,967	\$ 13,653
Provisions	792	974
Income tax payable	914	806
Deferred revenue	1,199	1,311
Current portion of long-term debt	250	250
	15,122	16,994
Non-current liabilities		
Other long-term liabilities	408	342
Provisions	1,511	1,522
Long-term debt	3,333	3,479
	20,374	22,337
Shareholders' equity		
Share capital	34,487	34,482
Reserves	2,791	2,761
Retained earnings	117,419	103,001
	154,697	140,244
	\$ 175,071	\$ 162,581

The accompanying notes are an integral part of these condensed interim consolidated financial statements

The financial statements were approved by the Board of Directors and authorized for issue on

February 7, 2013 and were signed on its behalf by:

Barry A Baptie

Director



Surinder Kumar

Director



February 12, 2013

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,	
	2012	2011	2012	2011
Sales	\$ 23,631	\$ 21,236	\$ 48,503	\$ 41,217
Cost of sales	13,907	13,389	28,736	26,066
Gross margin	9,724	7,847	19,767	15,151
Operating expenses				
Research and development	2,255	3,084	4,153	5,848
Sales and marketing	1,353	1,065	2,379	2,247
General and administrative	4,519	4,505	8,980	9,545
Stock-based compensation	13	28	30	50
Other (income)	(9,214)	(8,115)	(13,369)	(8,425)
	(1,074)	567	2,173	9,265
Operating income	10,798	7,280	17,594	5,886
Finance costs	46	78	281	214
Finance income	299	81	338	615
Income before income taxes	11,051	7,283	17,651	6,287
Income tax expense	1,943	1,106	3,233	831
Net income and total comprehensive income	\$ 9,108	\$ 6,177	\$ 14,418	\$ 5,456
Net income per share				
Basic	\$ 0.41	\$ 0.28	\$ 0.65	\$ 0.24
Diluted	\$ 0.41	\$ 0.28	\$ 0.64	\$ 0.24
Weighted average number of Common				
Shares outstanding - basic	22,318,131	22,316,767	22,318,131	22,316,767
Shares outstanding - diluted	22,416,732	22,316,767	22,416,732	22,316,767

February 12, 2013

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

	Share Capital	Reserves	Retained Earnings	Total
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
Balance as at June 30, 2012	\$ 34,482	\$ 2,761	\$ 103,001	140,244
Net income and total comprehensive income	-	-	14,418	14,418
Shares issued by exercising options	5	-	-	5
Share-based payment expense	-	30	-	30
Balance as at December 31, 2012	\$ 34,487	\$ 2,791	\$ 117,419	\$ 154,697

February 12, 2013

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,	
	2012	2011	2012	2011
Cash flows from operating activities				
Net income	\$ 9,108	\$ 6,177	\$ 14,418	\$ 5,456
Add (deduct) items not requiring cash				
Gain on the sale of property, plant and equipment	-	(257)	14	(270)
Gain on the sale of assets held for resale	-	-	(3,604)	-
Gain on sale of intangible assets	(9,005)	(7,644)	(9,358)	(7,723)
Depreciation of property, plant and equipment	1,245	1,325	2,420	2,608
Amortization of deferred development costs	562	1,280	1,117	2,520
Amortization of finite-life intangible assets	36	42	73	83
Stock-based compensation	13	28	30	50
Deferred income tax expense	766	448	1,996	173
Income tax expense	1,177	658	1,237	658
Interest expense	46	78	104	214
Interest income	(65)	(20)	(105)	(45)
(Decrease) increase in other long-term liabilities	(80)	187	66	157
(Decrease) increase in provisions	(92)	(331)	(193)	316
Increase in investment tax credit asset	(3,094)	(499)	(3,276)	(633)
Net change in non-cash working capital relating to operations	8,416	(4,228)	9,636	(627)
Interest paid	(49)	(65)	(95)	(194)
Income tax paid	(242)	-	(1,129)	-
Interest received	64	20	101	45
	8,806	-	13,452	2,788
Cash flows provided by investing activities				
Purchase of property, plant and equipment	(617)	(790)	(1,256)	(1,711)
Proceeds from the sale of property, plant and equipment	61	1,421	61	1,560
Proceeds from the sale of assets held for resale	-	-	3,989	-
Proceeds from the sale of intangible assets	9,375	8,097	9,738	8,247
Purchase of marketable securities	(1,966)	4	(15,974)	4
Deferred development costs	(1,876)	(1,030)	(3,990)	(3,235)
Purchase of indefinite and finite-life intangible assets	(5)	-	(8)	(14)
	4,972	-	(7,440)	4,851
Cash flows used in financing activities				
Proceeds from shares issued through exercised options	3	-	5	-
Repayment of long-term debt	(84)	(63)	(146)	(125)
	(81)	-	(141)	(125)
Increase in cash during the year	13,697	-	5,871	7,514
Cash and cash equivalents, beginning of year	11,723	7,771	19,549	5,095
Cash and cash equivalents, end of year	\$ 25,420	\$ 12,609	\$ 25,420	\$ 12,609