

Vecima Reports Q3 Fiscal 2013 Results

Improved Gross Margin Drives Adjusted EBITDA 15% Higher

VICTORIA – (May 14, 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 March 31, 2013. 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>	Q3FY2013	Q2FY2013	Q3FY2012
Revenue	\$21.6	\$23.6	\$25.8
Gross Margin	44%	41%	35%
EBITDA ¹	\$4.6	\$12.9	\$9.6
Adjusted EBITDA ¹ <i>(removes gains on sale of assets and stock-based compensation)</i>	\$4.5	\$3.9	\$2.7
Net Income	\$2.0	\$9.1	\$6.2
Earnings per share <i>(based on weighted average number shares outstanding)</i>	\$0.09	\$0.41	\$0.28
Cash and marketable securities	\$25.0 ²	\$41.4	\$14.1
Headcount	596	617	612
<p>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.</p> <p>² Cash and marketable securities totaled \$25.0 million at March 31, 2013. The Company completed a special cash distribution on March 27, 2013 of approximately \$22.3 million.</p>			

“Gross margin improved to 44% and this is the third consecutive quarter with margins exceeding 40%,” said Dr. Surinder Kumar, CEO of Vecima.

Adjusted EBITDA increased to \$4.5 million in Q3 up from \$3.9 million in Q2 despite revenue dropping by approximately \$2 million as lower margin product transitioned to end of life. The improvement was primarily driven by an increase in the volume of newer, higher margin products sold. Vecima recorded earnings per share of \$0.09 for the quarter.

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"Our MSO Business Services products continue to be major contributors to our overall revenue. Vecima experienced an almost 50% increase in Terrace QAM sales in Q3 compared to the prior quarter," stated Kumar. At quarter end, cash and marketable securities totaled \$25.0 million even after the Company completed a special cash distribution earlier in the quarter of approximately \$22.3 million.

MSO BUSINESS SERVICES

Terrace Family

- Sales decreased to \$5.0 million compared to \$6.8 million in Q2 FY13.
- As expected, Terrace Family revenue has leveled off from its peak in FY12 which was attributed to pent up demand for a new version from our MSO customers.

Terrace QAM

- Sales increased 48% from \$5.0 million in Q2 FY13 to \$7.3 million this quarter. The increase is attributed to greater uptake by MSO customers who are rapidly deploying high definition video services within the hospitality market space.

CABLE HEADEND

OEM QAM Modules

- As the product continues to move towards end of life, we saw sales drop to \$0.4 million in Q3.

OEM Return Path Demodulator and CableVista

- Sales for our OEM return path demodulator increased from \$1.2 million to \$1.5 million; while CableVista sales decreased from \$1.5 million to \$1.1 million from Q2 to Q3 FY13.

Digital Broadband Access Platform

- Our new digital broadband access platform progressed through multiple MSO end customer trials which were led by our OEM customer during Q3. Feedback has been very positive and we expect to start shipping in commercial volume during Q4 FY13.

FLEET MANAGEMENT - FLEETLYNX

- Subsequent to Q3, the Company hired a General Manager for its FleetLynx product line to intensify focus on the commercial rollout and to capitalize on customer opportunities.

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BROADBAND WIRELESS

- Sales increased from \$2.1 million in Q2 FY13 to \$2.4 million this period. The increase is attributed to an improvement in software defined radio sales.

YOURLINK

- Revenue remained relatively flat at \$3.2 million for Q3 FY13.

OUTLOOK

We expect our FY13 gross margins will be above our historical range of 35 to 40%. As a result of improving margins and controlling costs, we expect our FY13 adjusted EBITDA will improve by over 40% versus FY12. We are lowering our estimate for capital expenditures for FY13 to be in the range of \$2.8 million to \$3.5 million.

We expect our cash position to further strengthen in future quarters.

CONFERENCE CALL

A conference call and live audio webcast will be held on May 14, 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 March 31, 2013 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.ca/links/vecima140513.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

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

	March 31, 2013	June 30, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 14,471	\$ 19,549
Marketable securities	10,577	-
Accounts receivable	14,588	23,818
Income tax receivable	4,459	13,600
Inventories	29,922	29,663
Prepaid expenses	1,127	1,076
	75,144	87,706
Non-current assets		
Property, plant and equipment	26,160	28,158
Assets held for resale	-	385
Intangible assets	12,287	10,819
Investment tax credit asset	36,416	30,384
Deferred tax asset	2,313	5,129
	\$ 152,320	\$ 162,581
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,721	\$ 13,653
Provisions	761	974
Income tax payable	568	806
Deferred revenue	1,477	1,311
Current portion of long-term debt	250	250
	12,777	16,994
Non-current liabilities		
Other long-term liabilities	355	342
Provisions	1,478	1,522
Long-term debt	3,292	3,479
	17,902	22,337
Shareholders' equity		
Share capital	12,183	34,482
Reserves	2,800	2,761
Retained earnings	119,435	103,001
	134,418	140,244
	\$ 152,320	\$ 162,581

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

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,	
	2013	2012	2013	2012
Sales	\$ 21,630	\$ 25,838	\$ 70,133	\$ 67,055
Cost of sales	12,010	16,709	40,746	42,775
Gross margin	9,620	9,129	29,387	24,280
Operating expenses				
Research and development	1,823	2,893	5,976	8,741
Sales and marketing	1,369	1,567	3,748	3,814
General and administrative	4,462	4,585	13,442	14,130
Stock-based compensation	9	16	39	66
Other (income)	(266)	(7,118)	(13,635)	(15,543)
	7,397	1,943	9,570	11,208
Operating income	2,223	7,186	19,817	13,072
Finance costs	52	58	333	272
Finance income	556	220	894	835
Income before income taxes	2,727	7,348	20,378	13,635
Income tax expense	711	1,192	3,944	2,023
Net income and total comprehensive income	\$ 2,016	\$ 6,156	\$ 16,434	\$ 11,612

Net income per share

Basic	\$ 0.09	\$ 0.28	\$ 0.74	\$ 0.52
Diluted	\$ 0.09	0.28	\$ 0.73	\$ 0.52

Weighted average number of Common

Shares outstanding - basic	22,322,328	22,316,767	22,322,328	22,316,767
Shares outstanding - diluted	22,455,545	22,316,767	22,455,545	22,316,767

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

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	-	-	11,612	11,612
Share-based payment expense	-	66	-	66
Balance as at March 31, 2012	\$ 34,482	\$ 2,744	\$ 101,347	\$ 138,573
Balance as at June 30, 2012	\$ 34,482	\$ 2,761	\$ 103,001	\$ 140,244
Net income and total comprehensive income	-	-	16,434	16,434
Shares issued by exercising options	23	-	-	23
Return of capital to shareholders	(22,322)	-	-	(22,322)
Share-based payment expense	-	39	-	39
Balance as at March 31, 2013	\$ 12,183	\$ 2,800	\$ 119,435	\$ 134,418

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,	
	2013	2012	2013	2012
Cash flows from operating activities				
Net income	\$ 2,016	\$ 6,156	\$ 16,434	\$ 11,612
Add (deduct) items not requiring cash				
Gain on the sale of property, plant and equipment	(44)	(5)	(30)	(275)
Gain on the sale of assets held for resale	-	-	(3,604)	-
Gain on sale of intangible assets	-	(6,896)	(9,358)	(14,619)
Depreciation of property, plant and equipment	1,201	1,401	3,621	4,009
Amortization of deferred development costs	559	779	1,676	3,299
Amortization of finite-life intangible assets	37	23	110	106
Stock-based compensation	9	16	39	66
Deferred income tax expense	820	310	2,816	483
Income tax (recovery) expense	(109)	882	1,128	1,540
Interest expense	52	58	156	272
Interest income	(220)	(25)	(325)	(70)
(Decrease) increase in other long-term liabilities	(53)	149	13	306
(Decrease) increase in provisions	(64)	(44)	(257)	272
Increase in investment tax credit asset	(125)	(335)	(3,401)	(968)
Net change in non-cash working capital relating to operations	(1,520)	(5,997)	8,116	(6,621)
Interest paid	(25)	(67)	(120)	(261)
Income tax paid	(237)	-	(1,366)	-
Interest received	219	25	320	67
Income tax received	6,148	-	6,148	-
	8,664	(3,570)	22,116	(782)
Cash flows provided by investing activities				
Purchase of property, plant and equipment	(469)	(772)	(1,725)	(2,483)
Proceeds from the sale of property, plant and equipment	71	12	132	1,572
Proceeds from the sale of assets held for resale	-	-	3,989	-
Proceeds from the sale of intangible assets	-	7,262	9,738	15,509
Purchase of marketable securities	(26,276)	-	(42,250)	-
Proceeds from the sale of marketable securities	31,673	-	31,673	4
Deferred development costs	(2,255)	(1,168)	(6,245)	(4,403)
Purchase of indefinite and finite-life intangible assets	(12)	(191)	(20)	(205)
	2,732	5,143	(4,708)	9,994
Cash flows used in financing activities				
Proceeds from shares issued through exercised options	18	-	23	-
Return of capital to shareholders	(22,322)	-	(22,322)	-
Repayment of long-term debt	(41)	(62)	(187)	(187)
	(22,345)	(62)	(22,486)	(187)
(Decrease) increase in cash during the year	(10,949)	1,511	(5,078)	9,025
Cash and cash equivalents, beginning of year	25,420	12,609	19,549	5,095
Cash and cash equivalents, end of year	\$ 14,471	\$ 14,120	\$ 14,471	\$ 14,120