

Vecima Reports Fiscal 2010 Q2 Results

VICTORIA – (February 12, 2010) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its fiscal 2010 second quarter financial results for the three months and six months ended December 31, 2009. (All dollar amounts are in Canadian funds unless otherwise stated.)

“Vecima’s second quarter results show continued recovery,” said Dr. Surinder Kumar, Chairman and CEO. “In the last six months, our sales increased 39% as compared to the previous six months. The introduction of leading edge new products contributed to this positive momentum.”

Recent operational highlights:

- in January 2010, we announced that Vecima had signed a multi-year worldwide supply agreement with a major networking company to private label and exclusively sell a platform providing secure High Definition (HD) video. Under the terms of the agreement, Vecima will retain the rights to sell the platform directly to a single leading US Multiple Service Operator (MSO). The new cable network product is designed to provide 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 result is a cleaner and more reliable installation offering a broader range of video services and a simplified user experience. This new technology is highly desired by the hospitality industry, hospitals, schools, universities and other institutions because it streamlines infrastructure requirements and reduces costs. Driven by the upcoming large scale transition to HD in hotels, the market is expected to grow to a cumulative \$600 million worldwide over the next ten years and creates opportunities for operators to deploy all-digital services to new market segments. In return for providing this customer the exclusive right to sell this product, the contract calls for a minimum annual revenue of \$10 to \$15 million. This product will start shipping in the first half of calendar 2010, ramping up rapidly thereafter;
- also in January 2010, we announced that Vecima had sold a portion of its wireless spectrum asset to a Canadian wireless internet service provision company. The wireless spectrum covers a medium population density market in central Canada. Under the terms of the agreement, Vecima sold about 6% of the Company’s total wireless spectrum holdings for approximately \$2.3 million. As previously announced, part of Vecima’s growth strategy involves maximizing and monetizing the value of our non-core assets, such as some real estate and wireless spectrum holdings. In line with this strategy, the Company has sold real estate in Victoria, BC and Yorkton and Saskatoon, SK for approximately \$5.2 million with a capital gain of approximately \$2.1 million;

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- late in the 2009 fiscal year, we began delivering production units of our new TerraceA multiunit digital transport adaptor (M-DTA) designed under a multi-year engineering, supply and maintenance contract with a leading, US-based cable MSO. The TerraceA delivers breakthrough technology to provide a headend quality lineup of services at the entry to multiple dwelling units and allows the MSO to create the capacity for hundreds of HD channels or gigabits per second of high speed data as part of the all-digital transition. In Q2, our leading MSO customer deployed the TerraceA in additional markets and Vecima shipped production volumes of the product. Meanwhile, all remaining major MSO's are deploying or are certifying the product and expect to deploy in the near term. Currently, 15 North American MSO's have deployed the TerraceA, 20 additional North American MSO's are evaluating the product, and we expect to launch approximately 20 more evaluation trials in the next few months;
- in October 2009, Vecima's TerraceA MDU Gateway received a prestigious 5 out of 5 Diamond rating in the 2009 Broadband Gear Report Diamond Technology Review and Vecima's Terrace QAM Hospitality Gateway received a 4 Diamond rating. The annual review is conducted by a panel of MSO executives and evaluates leading-edge technology in the cable industry. The Diamond awards were announced at the annual SCTE Cable-Tec expo, where the launch of TerraceA and Terrace QAM was a highlight of the show. Both products were exceptionally well received by MSOs who are eager to deploy the gateway solutions. Vecima is the world leader in gateways for the all-digital transition. Further, our decryption capacity is several times greater than any other solution;
- in November 2009, we announced that WiMAX equipment designed and manufactured by Vecima is being installed by one of Canada's largest oil production and distribution companies. The 3.5 GHz VistaMAX® base stations and customer access equipment, based on the IEEE 802.16 wireless standard, successfully passed extensive, year-long field testing and full scale deployment started earlier in 2009. Vecima has already received purchase orders aggregating approximately \$1.5 million. The entire multi-million dollar deployment is expected to take approximately 3 years as the customer moves to bring most of its system onto this modern data network. We believe that the success of this break-through program will lead to further deployments in other areas and applications across the country. In addition to the deployment already mentioned, we have made significant progress towards further deployments of our broadband wireless WiMAX family of products in the utility and resource markets. Currently, two utility corporations and three resource companies are trialing Vecima's WiMAX family of products. In addition to the utility and resource sectors, Vecima's WiMAX products are currently deployed by 43 Internet Service Providers.

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Outlook:

Vecima's business fundamentals remain strong and the Company is well positioned to capitalize on opportunities as macroeconomic conditions continue to improve.

We remain committed to executing our growth strategy and generating continued improvements in financial performance as the economy recovers in fiscal 2010.

The Company's full consolidated financial statements and management's discussion and analysis for the three months and six months ended December 31, 2009 are posted on www.SEDAR.com.

Vecima's consolidated financial statements and accompanying notes for the three months and six months ended December 31, 2009 are available at http://www.vecima.com/financials_ir.php.

A conference call and live audio webcast will be held on February 12, 2010 at 11 a.m. EDT to discuss the results. To participate in the teleconference, dial 866-543-6407 or 617-213-8898 and enter the code 37069571. The second quarter fiscal 2010 earnings call webcast is available 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. 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

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conditions, 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 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, 2009, 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, whether as a result of new information, future events or otherwise, except as required by law.

Vecima Networks

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VECIMA NETWORKS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND RETAINED EARNINGS

(in thousands of Canadian dollars except net income per share data)

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	\$ 28,017	\$ 36,874	\$ 56,396	\$ 73,647
Cost of sales	17,257	19,574	35,518	37,665
Gross margin	10,760	17,300	20,878	35,982
	38%	47%		
Operating expenses				
Research and development	2,752	2,765	4,905	5,215
Sales and marketing	1,622	1,722	3,023	3,212
General and administrative	4,781	5,344	9,111	9,298
Stock-based compensation	45	135	90	270
Interest expense	48	207	121	221
	9,248	10,173	17,250	18,216
Gain on the sale of capital assets	2,599	-	2,599	-
Operating income	4,111	7,127	6,227	17,766
Foreign exchange (loss) gain	(216)	(5,698)	(795)	(5,302)
Other income	321	12	509	160
Income before income taxes	4,216	1,441	5,941	12,624
Income taxes	1,270	430	1,777	3,805
Net income and Comprehensive income	2,946	1,011	4,164	8,819
Retained earnings, beginning of period	92,484	86,383	91,266	78,580
purchased for cancellation	-	(21)	-	(26)
Retained earnings, end of period	95,430	87,373	\$ 95,430	\$ 87,373
Net income per share				
Basic and diluted	\$ 0.13	\$ 0.04	\$ 0.18	\$ 0.38
Weighted average number of Common Shares outstanding - basic and diluted	22,983,367	22,955,983	22,983,367	22,969,740

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VECIMA NETWORKS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

	As at December 31, 2009	As at June 30, 2009
	(unaudited)	(unaudited)
Assets		
Current assets		
Cash	\$ -	\$ -
Marketable securities	842	898
Accounts receivable	23,502	14,707
Inventories	45,129	49,058
Current portion of leases receivable	368	413
Prepaid expenses	695	516
Other current assets	57	65
Current future tax assets	1,026	861
	<u>71,619</u>	<u>66,518</u>
Leases receivable	216	246
Capital assets	36,544	37,592
Deferred development costs	10,025	7,495
Intangible assets	2,389	2,496
Investment tax credit asset	31,430	28,989
Future tax assets	3,618	4,445
	<u>\$ 155,841</u>	<u>\$ 147,781</u>
Liabilities		
Current liabilities		
Bank indebtedness	\$ 3,416	\$ 335
Accounts payable and accrued liabilities	13,343	12,158
Warranty accrual	500	500
Deferred revenue	1,134	1,471
Current portion of long-term debt	250	250
	<u>18,643</u>	<u>14,714</u>
Long-term debt	4,083	4,208
	<u>22,726</u>	<u>18,922</u>
Shareholders' equity		
Share capital	35,317	35,317
Contributed surplus	2,368	2,276
Retained earnings	95,430	91,266
	<u>133,115</u>	<u>128,859</u>
	<u>\$ 155,841</u>	<u>\$ 147,781</u>

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

	Three months ended		Six months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Cash flows from (used in) operating activities	(unaudited)		(unaudited)	
Net income	\$ 2,946	\$ 1,011	\$ 4,164	\$ 8,819
Add (deduct) items not requiring cash				
Gain on the sale of capital assets	(413)	-	(413)	-
Gain on the sale of intangible assets	(2,186)	-	(2,186)	-
Amortization of capital assets	1,460	1,430	2,850	2,841
Amortization of deferred development costs	1,433	843	2,695	1,469
Amortization of other assets	(17)	10	17	20
Stock-based compensation	45	135	90	270
Net change in non-cash working capital relating to operations	(2,836)	11,678	(5,893)	1,941
	432	15,107	1,324	15,360
Cash flows from (used in) investing activities				
Purchase of capital assets	(1,993)	(2,477)	(2,541)	(5,440)
Proceeds from the sale of capital assets	1,152	-	1,152	-
Proceeds from the sale of intangible assets	2,300	-	2,300	-
Proceeds from the sale of marketable securities	-	-	56	-
Deferred development costs	(2,794)	(2,801)	(5,225)	(4,582)
Purchase of other assets	(22)	23	(22)	26
	(1,357)	(5,255)	(4,280)	(9,996)
Cash flows from (used in) financing activities				
Purchase and cancellation of shares	-	(28)	-	(42)
Repayment of long-term debt	(63)	(63)	(125)	(125)
	(63)	(91)	(125)	(167)
Increase (decrease) in cash during the period	(988)	9,761	(3,081)	5,197
Cash beginning of period,	(2,428)	(2,554)	(335)	2,010
Cash (Bank indebtedness), end of period	\$ (3,416)	\$ 7,207	\$ (3,416)	\$ 7,207

See accompanying notes

Supplemental information

Cash interest paid	\$ 141	\$ 182	\$ 192	\$ 210
Cash taxes paid	\$ -	\$ -	\$ -	\$ -