

Vecima Reports Fiscal 2010 Q3 Results

VICTORIA – (May 13, 2010) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its fiscal 2010 third quarter financial results for the three months and nine months ended March 31, 2010. (All dollar amounts are in Canadian funds unless otherwise stated.)

“Vecima ended the third quarter with a very healthy sequential revenue growth of 7% over Q2,” said Dr. Surinder Kumar, Chairman and CEO. “The Canadian dollar strengthened by 2% relative to the US dollar from Q2 to Q3 and without this effect, revenue would have grown 9% sequentially. Vecima grew revenue by 49% to \$30 million in the third quarter compared to the same period last year, despite the dramatic strengthening of the Canadian dollar by 11% between these periods. This is an indication of continued recovery and is in line with a general strengthening of forecasts.”

Fiscal 2010 Q3 financial highlights:

- revenue increased by 49% to \$30.0 million in Q3 compared to \$20.1 million in the same quarter last year;
- gross margin in the third quarter decreased to 35%, providing a gross profit of \$10.5 million, compared with a gross margin of 48% for the three months ending March 31, 2009 that provided a gross profit of \$9.6 million. This decline was driven by the mix of products manufactured and by the strengthening of the Canadian dollar since last year;
- operating expenses for the three months ended March 31, 2010 was \$10.7 million, or 36% of sales, compared to \$8.3 million, or 41% of sales, for the three months ended March 31, 2009;
- net income for the third fiscal quarter decreased 30% to \$0.9 million, compared with \$1.2 million in the three months ended March 31, 2009.

In the 2010 fiscal year we have made progress on a number of fronts including:

- signing a multi-year worldwide supply agreement with a major networking company to private label and exclusively sell a platform providing encrypted High Definition (HD) video to newer flat panel HDTVs. The contract calls for a minimum of \$10 to \$15 million annual revenue and allows Vecima the rights to sell the platform directly to a single leading US-based multiple system operator (MSO). 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. Vecima is carrying on an extensive field trial for the platform in parallel with certification testing at both the MSO and the large original equipment manufacturer (OEM) customer for worldwide sales;

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- shipping healthy volumes of our world leading TerraceA solution throughout the first nine months of fiscal 2010. Our TerraceA multiunit digital transport adaptor (M-DTA) is in rapid deployment in multiple North American cable systems. The TerraceA delivers breakthrough technology to provide a headend quality line-up 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. All major MSOs are deploying TerraceA or are certifying the product and expect to deploy in the near term. Currently, 17 North American MSOs have deployed the TerraceA, 19 additional North American MSOs are evaluating the product, and we expect to launch additional evaluation trials in the next few months;
- expanding the deployment of our custom-designed 700 MHz solution to Télébec, a member of Bell Aliant, for wide-spread wireless broadband service in rural Québec;
- we previously announced that Vecima had sold a portion of its wireless spectrum asset to a Canadian wireless internet service provision company. An additional 3% of Vecima's total spectrum holding was sold in the third quarter for approximately \$1.2 million. Vecima has now sold about 9% of the Company's total wireless spectrum holdings for approximately \$3.5 million. Vecima's wireless spectrum is a very valuable asset which the company believes will appreciate. 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. We now have an agreement to sell one of the two buildings we own in Victoria for a capital gain of about \$1.5 million. We have initiated design of our new headquarters building in Colwood as previously announced and will continue to pursue opportunities to sell our commercial spectrum and real estate assets and derive value for shareholders from these assets as economic conditions improve;
- in November we announced the beginning of a full-scale deployment of our 3.5 GHz WiMAX equipment by one of Canada's largest oil production and distribution companies in a multi-million dollar, 3-year program to bring most of its system onto this modern 4G data network. In the third quarter, the Company received additional commitment from our customer more than doubling the size of the current deployment as forecasted in our November announcement. Vecima's solution delivers a sophisticated network while producing significant operations cost savings for the company by adding advanced applications including SCADA, remote office data management, well site security, real time video surveillance and IP based communication. This is strong evidence of the effectiveness of our solution for this growing market segment;

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- in November Vecima announced an agreement with SaskTel to install and operate a new network providing residential broadband internet service to 12 underserved remote communities. The deployment was initiated in the third quarter utilizing Vecima's tower construction services and wireless products. Vecima remains committed to expanding wireless broadband access in Canadian rural communities and is pleased that this deployment will help fulfill that objective;
- in addition to the deployments already mentioned, we have made significant progress towards further deployments of our broadband wireless WiMAX family of products in the utility and resource markets. In addition to the utility and resource sectors, Vecima's WiMAX products are currently deployed by 44 Internet Service Providers; and
- Vecima has staged 1.8 GHz WiMAX compliant live trials for Canadian electric utilities that have special rights to license this frequency. Vecima has also set up a demonstration of smart metering and smartgrid applications utilizing Vecima's WiMAX technology at our Saskatoon RND facility. The demonstration includes applications such as meter reading and data collection, IP video surveillance, Voice over IP, and WiMAX backhaul.

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 2010.

The Company's full consolidated financial statements and management's discussion and analysis for the three months and nine months ended March 31, 2010 are posted on www.SEDAR.com.

Vecima's consolidated financial statements and accompanying notes for the three months and nine months ended March 31, 2010 are available at http://www.vecima.com/financials_ir.php.

A conference call and live audio webcast will be held on May 13, 2010 at 1 p.m. ET to discuss the results. To participate in the teleconference, dial 800-291-5365 or 617-614-3922 and enter the code 89327959. The third quarter fiscal 2010 earnings call webcast is available at http://www.vecima.com/events_ir.php.

About Vecima Networks

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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 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 March 31,		Nine months ended March 31,	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
Sales	\$ 30,006	\$ 20,093	\$ 86,402	\$ 93,740
Cost of sales	19,519	10,479	55,037	48,144
Gross margin	10,487	9,614	31,365	45,596
Operating expenses				
Research and development	3,386	2,187	8,291	7,402
Sales and marketing	1,835	1,665	4,858	4,877
General and administrative	5,214	4,195	14,325	13,493
Stock-based compensation	14	135	104	405
Interest expense	205	83	326	304
	10,654	8,265	27,904	26,481
Gain on the sale of assets	1,156	1,080	3,755	1,080
Operating income	989	2,429	7,216	20,195
Foreign exchange (loss) gain	178	(861)	(617)	(6,163)
Other income	8	210	517	370
Income before income taxes	1,175	1,778	7,116	14,402
Income taxes	304	534	2,081	4,339
Net income and Comprehensive income	871	1,244	5,035	10,063
Retained earnings, beginning of period	95,430	87,373	91,266	78,580
Reduction of common shares purchased for cancellation	-	(533)	-	(559)
Retained earnings, end of period	96,301	88,084	\$ 96,301	\$ 88,084
Net income per share				
Basic and diluted	\$ 0.04	\$ 0.05	\$ 0.22	\$ 0.44
Weighted average number of Common Shares outstanding - basic and diluted	22,983,367	22,951,290	22,983,367	23,002,061

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

	As at March 31, 2010	As at June 30, 2009
	(unaudited)	
Assets		
Current assets		
Cash	\$ -	\$ -
Marketable securities	590	898
Accounts receivable	28,669	14,707
Inventories	40,209	49,058
Current portion of leases receivable	313	413
Prepaid expenses	969	516
Other current assets	53	65
Current future tax assets	830	861
	71,633	66,518
Leases receivable	164	246
Capital assets	36,463	37,592
Deferred development costs	11,355	7,495
Intangible assets	2,361	2,496
Investment tax credit asset	32,872	28,989
Future tax assets	3,630	4,445
	\$ 158,478	\$ 147,781
Liabilities		
Current liabilities		
Bank indebtedness	\$ 5,487	\$ 335
Accounts payable and accrued liabilities	12,523	12,158
Warranty accrual	500	500
Deferred revenue	1,698	1,471
Current portion of long-term debt	250	250
	20,458	14,714
Long-term debt	4,021	4,208
	24,479	18,922
Shareholders' equity		
Share capital	35,317	35,317
Contributed surplus	2,381	2,276
Retained earnings	96,301	91,266
	133,999	128,859
	\$ 158,478	\$ 147,781

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

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from (used in) operating activities				
Net income	\$ 871	\$ 1,244	\$ 5,035	\$ 10,063
Add (deduct) items not requiring cash				
Gain on the sale of capital assets	-	(1,080)	(413)	(1,080)
Gain on the sale of intangible assets	(1,156)	-	(3,342)	-
Amortization of capital assets	1,588	1,516	4,438	4,357
Amortization of deferred development costs	1,554	914	4,249	2,383
Amortization of other assets	8	10	25	30
Stock-based compensation	14	135	104	405
Net change in non-cash working capital relating to operations	(1,672)	(4,606)	(7,565)	(2,665)
	1,207	# (1,867)	# 2,531	13,493
Cash flows from (used in) investing activities				
Purchase of capital assets	(1,507)	(1,396)	(4,048)	(6,836)
Proceeds from the sale of capital assets	-	2,700	1,152	2,700
Proceeds from the sale of intangible assets	1,177	-	3,477	-
Proceeds from the sale of marketable securities	-	-	56	-
Deferred development costs	(2,884)	(4,622)	(8,109)	(9,204)
Purchase of other assets	(2)	22	(24)	48
	(3,216)	(3,296)	(7,496)	(13,292)
Cash flows from (used in) financing activities				
Purchase and cancellation of shares	-	(720)	-	(762)
Repayment of long-term debt	(62)	(62)	(187)	(187)
	(62)	(782)	(187)	(949)
Increase (decrease) in cash during the period	(2,071)	# (5,945)	(5,152)	(748)
Cash beginning of period,	(3,416)	7,207	(335)	2,010
Cash (Bank indebtedness), end of period	\$ (5,487)	\$ 1,262	\$ (5,487)	\$ 1,262