

Vecima Reports Q4 and Fiscal 2010 Year End Results

VICTORIA – (September 28, 2010) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its fiscal 2010 fourth quarter financial results for the three months and twelve months ended June 30, 2010. (All dollar amounts are in Canadian funds unless otherwise stated.)

“During fiscal 2010, we navigated the storm of the global economic recession while positioning the company to take advantage of the opportunities that will result from the eventual economic recovery. The impact of the recession was not without its challenges; Vecima’s sales and net income for the year reflect the impact on our core business where we experienced a marked transition away from historical products that previously contributed significantly to revenue. We replaced that revenue with new products that were launched in the last 12 months. Revenue for the 2010 fiscal year was essentially flat at \$113.2 million, compared to \$114.2 million in fiscal 2009. This was achieved despite an 8% appreciation in the value of the Canadian dollar in 2010. Without this effect, revenue would have increased to \$122.4 million,” said Dr. Surinder Kumar, Chairman and CEO.

“We see continued activity by cable and wireless system operators to upgrade their networks in view of capacity planning for current and future applications such as HDTV, customized channel line-ups for the hospitality industry, and higher tiers of high speed data services. Demand for bandwidth continues to increase. Operators are deploying Vecima products both to enable their transition to all-digital networks and to use freed up capacity on their networks for HDTV and high speed data bandwidth. We are excited that the hard work in R&D during the 2010 fiscal year will deliver increasing new product revenue in 2011,” Dr. Kumar continued.

Fiscal 2010 and Q4 financial highlights:

- Revenue increased by 31% to \$26.8 million in Q4 compared to \$20.5 million in the same quarter last year. Revenue for the 2010 fiscal year decreased by 1% to \$113.2 million compared to \$114.2 million last year.
- Gross margin decreased to 29% for Q4, providing a gross profit of \$7.7 million, compared with a gross margin of 34% for the same period last year that provided a gross profit of \$7.0 million. This decline was driven by the strong Canadian dollar and lower initial margins from new products. Gross margin decreased to 35%, providing a gross profit of \$39.1 million during fiscal 2010, compared with a gross margin of 46% for last year that provided a gross profit of

\$52.6 million. The two most significant factors that contributed to lower margins was a strong Canadian dollar which adversely affected our gross margin by 4%, and lower margins on new product also decreased margin by 3%. The remaining 4% decrease was a result of non recurring engineering fees in the prior year that did not occur in the current year. Management expects that gross margins will stay within our traditional levels of 35%-40% as we gain production efficiencies on new products.

- Net loss for Q4 was \$4.3 million, compared with a net income of \$3.2 million in the same period a year earlier. The decrease in net income is a result of the strong Canadian dollar, an increase in research and development due to a one time write off of a software defined radio project that was cancelled, and lower gross margins. Net margin was -16% for Q4, compared with 16% for the fourth quarter last fiscal year. This was a result of decreased margins and a one time impairment of a software defined radio product in the fourth quarter of fiscal 2010. In the fourth quarter of fiscal 2009, a foreign exchange gain of \$4.2 million was recorded. Net income for fiscal 2010 decreased 94% to \$0.8 million, compared with \$13.2 million last fiscal year. Net margin was 1% for fiscal 2010, compared with 12% last fiscal year.

The following highlights elaborate on the products and opportunities that are the foundation of our strategy in fiscal 2011 and beyond:

- Today, a hotel guest will typically find a state of the art flat panel high definition TV in their room and yet the channels on the TV are low resolution, poor quality analog video. Numerous premium HD channels are available on the cable TV operator's network today, however they are encrypted for residential service where a set top box is required to view the content. The TerraceQAM receives HD programming from the cable network and then processes it and outputs 60 HDTV channels in a format directly viewable on the flat panel televisions hotels are rapidly deploying today (without the requirement for set top boxes). The result is a cleaner and more reliable installation offering a broader range of video services and a simplified user experience at significant cost savings over deploying multiple HD set-tops. Vecima's TerraceQAM is in the final stages of customer testing and will start to be deployed in Q4 of the 2010 calendar year. Vecima's channel to market for TerraceQAM includes both a direct supply agreement with a leading US cable operator as well as an OEM agreement with a major networking company who will sell to all other cable operators worldwide. Vecima estimates the market for hospitality HD platforms to be greater than \$450 million over the next 3 years in the US alone.
- In June 2010, Vecima introduced its Concierge gateway product. The Concierge is a platform also targeted at the upcoming HDTV opportunity in the hospitality market and is suitable for

both cable and direct broadcast satellite operators. The Concierge outputs up to 48 HD channels within a property which can be viewed directly on HD television sets, eliminating the need for a set-top-box in every guest room. Its application is complementary to TerraceQAM in that the two products each address different network designs. Vecima estimates the market for hospitality HD platforms to be greater than \$450 million over the next 3 years in the US alone.

- In July 2010, Vecima signed an agreement to supply next generation digital video and internet over cable modules to a leading US-based OEM. With the recent move by cable operators to all-digital networks, capacity for hundreds of HD channels and a 4 to 5 times increase in high speed internet bandwidth was freed up in their network. Vecima's modules enable cable operators to use their freed up bandwidth to provide services such as digital video, high definition television, high speed data, and video on demand. Using industry research, Vecima estimates the cumulative worldwide market for Edge QAMs will be over \$1.6 billion over the next 4 years. This represents a 4 year cumulative market of about \$500 million for transmitter modules in a market served by numerous Edge QAM competitors.
- New opportunities are expected to mature in Vecima's Broadband Wireless market segment in the utilities and resource sectors for applications including smart metering and smart grid technologies, advanced logistics, WiFi backhaul, voice over IP, and enterprise connectivity. Vecima's broadband wireless technologies are well suited to serve the needs of these market segments, where the principals often have distributed and remote connectivity requirements. Additionally, a substantial new market is emerging for vehicle tracking, fleet performance management and logistics optimization, yielding fuel savings and reduced operating costs for all manners of vehicular fleets. A new wireless product is under development which will be launched in fiscal 2011. This new customized modem works on multiple cellular and WiFi networks. It is a logical extension of our wireless strategy moving from fixed and nomadic solutions into mobile solutions with GPS information. Vecima estimates the cumulative market for this new wireless fleet management product to exceed \$1 billion over the next 5 years. Vecima is close to securing a major lead customer, who will control a significant share of this market.
- Vecima shipped production volumes of our Terrace solution throughout fiscal 2010. Our Terrace multiunit digital transport adaptor (M-DTA) is currently under deployment by multiple North American cable systems. Our customers' prelaunch market forecasts proved to be overly optimistic and sales volumes did not meet our expectations. In addition, other potential customers for our Terrace product have taken far longer than expected in making their launch

decisions at least in part due to global economic conditions. We do expect meaningful revenues from Terrace as other customers deploy.

- Vecima sold a portion of our 3.5 GHz spectrum which represents 6% of our total spectrum holdings for \$2.3 million. We sold one of the two buildings we own in Victoria resulting in a capital gain of approximately \$1.5 million. Vecima will continue to pursue opportunities to sell its non-core commercial wireless spectrum holdings and real estate assets and derive value for shareholders from these valuable assets as market conditions warrant.

These initiatives and others have positioned Vecima well to recover from the challenging conditions we experienced during the 2010 fiscal year as a result of the recession and material transition away from our legacy product revenue base. Going forward, our growth strategy is focused on the introduction of new products as well as accessing new markets and new customers for our products. We will continue to execute our plan to improve financial performance through improvements in gross margin as well as monitoring and containment of expenses. We anticipate that we are on a path to return to healthy revenue growth and profitability. The net loss in our fiscal 2010 fourth quarter was the first unprofitable quarter in Vecima's 22 year history. The end of our first quarter of fiscal 2011 is near and we expect to return to profitability this quarter. Revenue from new products will ramp up in the second half of the fiscal year. Vecima expects to deliver single digit growth in fiscal 2011. Vecima has invested heavily in R&D to get these new products to where they are now very near complete. The combined market size for these new products is about \$2 billion over the next three years.

The Company's full consolidated financial statements and management's discussion and analysis for the three months and twelve months ended June 30, 2010 are posted on www.SEDAR.com.

Vecima's consolidated financial statements and accompanying notes for the three months and twelve months ended June 30, 2010 are available at http://www.vecima.com/financials_ir.php.

A conference call and live audio webcast will be held on September 28, 2010 at 5 p.m. ET to discuss the results. To participate in the teleconference, dial 800-319-4610 or 604-638-5340. The fourth 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

September 28, 2010

"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, 2010, 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)

	Years ended June 30,	
	2010	2009
Sales	\$ 113,206	\$ 114,231
Cost of sales	74,133	61,592
Gross margin	39,073	52,639
Research and development	13,918	8,846
Sales and marketing	7,405	6,445
General and administrative	18,365	17,698
Stock-based compensation	116	415
Foreign exchange (gain) loss	(151)	1,947
Other income	(4,277)	(1,855)
	35,376	33,496
Operating income	3,697	19,143
Interest expense	403	466
Income before income taxes	3,294	18,677
Income taxes	2,487	5,432
Net income and Comprehensive income	807	13,245
Retained earnings, beginning of period	91,266	78,580
Reduction of common shares purchased for cancellation	(1,770)	(559)
Retained earnings, end of period	\$ 90,303	\$ 91,266
Net income per share		
Basic and diluted	\$ 0.04	\$ 0.58
Weighted average number of Common Shares outstanding - basic and diluted	22,799,978	22,921,768

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

	As at June 30,	
	2010	2009
Assets		
Current assets		
Marketable securities	\$ 795	\$ 898
Accounts receivable	27,999	14,707
Income tax receivable	2,754	-
Inventories	36,702	49,058
Current portion of leases receivable	281	413
Prepaid expenses	864	516
Other current assets	12	65
Current future tax assets	1,316	861
	70,723	66,518
Leases receivable	214	246
Property, plant and equipment	35,631	37,592
Deferred development costs	9,661	7,495
Intangible assets	2,519	2,496
Investment tax credit asset	24,829	28,989
Future tax assets	10,996	4,445
	\$ 154,573	\$ 147,781
Liabilities		
Current liabilities		
Bank indebtedness	\$ 5,934	\$ 335
Accounts payable and accrued liabilities	13,654	11,374
Warranty accrual	500	500
Deferred revenue	2,452	1,471
Current portion of long-term debt	250	250
	22,790	13,930
Other long-term liabilities	648	784
Long-term debt	3,958	4,208
	27,396	18,922
Shareholders' equity		
Share capital	34,482	35,317
Contributed surplus	2,392	2,276
Retained earnings	90,303	91,266
	127,177	128,859
	\$ 154,573	\$ 147,781

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

	Years ended June 30,	
	2010	2009
Cash flows from (used in) operating activities		
Net income	\$ 807	\$ 13,245
Add (deduct) items not requiring cash		
Gain on the sale of property, plant and equipment	(940)	(1,083)
Gain on the sale of intangible assets	(2,363)	-
Amortization of property, plant and equipment	5,477	6,113
Amortization of deferred development costs	10,355	3,369
Amortization of intangible assets	162	146
Future tax asset	(6,551)	4,902
(Decrease) increase in other long-term liability	(136)	384
Decrease (increase) in investment tax credit asset	4,160	(5,132)
Stock-based compensation	116	415
Net change in non-cash working capital relating to operations	(1,077)	(9,814)
	10,010	12,545
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(5,001)	(7,625)
Proceeds from the sale of property, plant and equipment	2,421	2,700
Proceeds from the sale of intangible assets	2,453	-
Proceeds from capital sales lease	164	177
Purchase of marketable securities	-	(898)
Deferred development costs, net of investment tax credits	(12,521)	(8,195)
Purchase of intangible assets	(270)	(45)
	(12,754)	(13,886)
Cash flows used in financing activities		
Purchase and cancellation of shares	(2,605)	(754)
Repayment of long-term debt	(250)	(250)
	(2,855)	(1,004)
Decrease in cash during the period	(5,599)	(2,345)
(Bank indebtedness) cash, beginning of period	(335)	2,010
Bank indebtedness, end of period	\$ (5,934)	\$ (335)