

Vecima Reports Fiscal 2011 Q1 Results

VICTORIA – (November 12, 2010) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its fiscal 2011 first quarter financial results for the three months ended September 30, 2010. (All dollar amounts are in Canadian funds unless otherwise stated.)

“During the first quarter of fiscal 2011, we were successful in producing healthy profitability through diligent management and containment of expenses. Sales for the first quarter were essentially unchanged sequentially at \$26.3 million compared to \$26.8 million in Q4 of fiscal 2010. Meanwhile, gross margin increased to 38% from 29% in Q4 as a result of a return to typical product mix as well as realization of efficiencies in production and cost management practices,” said Dr. Surinder Kumar, Chairman and CEO.

“Vecima products are core elements of system operator strategies; our products provide a method to convert to all-digital and then to use that freed-up capacity to deliver HDTV and high-speed data bandwidth. Consumption of bandwidth by consumers through activities such as watching TV on the internet, viewing streaming movies on Netflix, and downloading files are the underlying driver of demand for Vecima products. Similarly, consumption of programming that is distributed by cable operators such as HDTV and movies/TV on demand drive consumption of Vecima products,” Dr. Kumar continued.

Fiscal 2011 Q1 financial highlights:

- Net income increased 53% to \$1.9 million in Q1, compared to \$1.2 million in Q1 last year. Net margin was 7% for Q1, compared with 4% for the first quarter last fiscal year.
- Gross margin increased to 38% for the first quarter, providing a gross profit of \$10.1 million, compared with a gross margin of 36% for the first quarter last year that provided a gross profit of \$10.1 million. This increase is a result of increased efficiency in the production of new products. Management expects that gross margins will stay within our traditional range of 35%-40%.
- Revenue decreased 7% to \$26.3 million in Q1 compared to \$28.4 million in the same period a year earlier. Revenue from YourLink and Broadband Wireless grew 25% and 17%, respectively, while Converged Wired Solutions sales declined 15%.

November 12, 2010

- We have positioned Vecima for new product opportunities while also monitoring and containing expenses. Vecima ended the first quarter of fiscal 2011 with 854 employees, representing a decrease of 5% from June 30, 2010. We expect to continue to match our staffing to our revenue as we move forward.

We made progress on the following key new pillars of opportunity for Vecima:

- In the first quarter, Vecima made significant progress towards completion of acceptance testing for our TerraceQAM product at both our leading US MSO customer and our OEM customer. The TerraceQAM has since entered into customer field trials in multiple locations. Cable operators plan to use TerraceQAM to access the growing opportunity emerging from the need to provide HD programming in hotels. The product 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).
- Vecima's Concierge gateway product was demonstrated successfully at multiple customer locations in Q1. Concierge is also targeted at the upcoming HDTV opportunity in the hospitality market and is suitable for both cable and direct broadcast satellite operators. The product outputs up to 48 HD channels within a property which can be viewed directly on HD television sets, again eliminating the need for a set top box in every guest room. The Concierge will be sold through multiple hospitality system solution providers as well as directly to cable and DBS operators targeting the hospitality HD opportunity. We expect initial deployments of Concierge in Q2 of fiscal 2011, starting with one or more of our system solution partners.
- Vecima's digital video and internet over cable modules are sold to two of our leading OEM partners for certain of their respective Edge QAM and CMTS platforms. In the first quarter, Vecima shipped deployment volumes of modules for the first OEM and moved into the final stages of certification testing at the other. With the recent move by cable operators to all-digital networks, capacity for hundreds of HD channels and a four to five 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.
- 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

November 12, 2010

segments, where the principals often have distributed and remote connectivity requirements. The decision timeframes in this market segment are relatively long.

- Development of Vecima's new customized wireless modem for the emerging vehicle fleet management opportunity proceeded during the first quarter. Our product addresses a substantial new market for vehicle tracking, fleet performance management and logistics optimization, yielding fuel savings and reduced operating costs for all manner of vehicular fleets. This new customized modem, which works on multiple cellular and WiFi networks, is a logical extension of our wireless strategy moving from fixed and nomadic solutions and into mobile solutions with GPS information. Vecima continues to make progress towards securing a major lead customer.
- Last quarter we indicated that our customers' prelaunch forecasts for Terrace were overly optimistic. Revenue from our lead customer was less in Q1 compared to its peak in Q4. Revenue from other customers is expected to grow and we are introducing derivative products at our lead customer. Overall, we expect flat to low growth in the combined revenue for Terrace.
- In Q1, Vecima closed the sale of one of its buildings in Victoria and received a portion of the proceeds. Vecima continues to look for opportunities to sell its non-core assets and derive value for shareholders. We expect to achieve additional progress in the near term.

As previously stated, our growth strategy is focused on the introduction of new products as well as accessing new markets and new customers for our products. We remain on a path towards single-digit revenue growth for fiscal 2011, driven by new product introductions which are expected to ramp in the second half of the fiscal year. Meanwhile, with careful cost controls, we have successfully delivered gross margin within our model, as well as a return to profitability.

The Company's full consolidated financial statements and management's discussion and analysis for the three months ended September 30, 2010 are available under the Company's profile at www.SEDAR.com, and at http://www.vecima.com/financials_ir.php.

A conference call and live audio webcast will be held on November 12, 2010 at 5 p.m. ET to discuss the Company's first quarter results. To participate in the teleconference, dial 800-319-4610 or 604-638-5340. The webcast will be 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. 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 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

Alan Brick, Investor Relations Officer
250-881-1982
invest@vecima.com

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 September 30,	
	2010	2009
	(unaudited)	(unaudited)
Sales	\$ 26,333	\$ 28,379
Cost of sales	16,235	18,261
Gross margin	10,098	10,118
Research and development	2,832	2,153
Sales and marketing	1,446	1,401
General and administrative	4,715	4,330
Stock-based compensation	45	45
Foreign exchange (gain) loss	(174)	579
Other (income)	(1,492)	(188)
	7,372	8,320
Operating income	2,726	1,798
Interest expense	110	73
Income before income taxes	2,616	1,725
Income taxes	753	507
Net income and Comprehensive income	1,863	1,218
Retained earnings, beginning of period	90,303	91,266
Retained earnings, end of period	\$ 92,166	\$ 92,484
Net income per share		
Basic and diluted	\$ 0.08	\$ 0.05
Weighted average number of Common Shares outstanding - basic and diluted	22,316,767	22,856,867

November 12, 2010

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

	As at September 30, 2010	As at June 30, 2010
Assets		
Current assets		
Marketable securities	\$ 786	\$ 795
Accounts receivable	25,743	27,999
Income Tax Receivable	2,754	2,754
Inventories	37,541	36,702
Current portion of leases receivable	245	281
Prepaid expenses	1,361	864
Other current assets	41	12
Current future tax assets	1,350	1,316
	69,821	70,723
Leases receivable	162	214
Property, plant and equipment	34,924	35,631
Deferred development costs	10,052	9,661
Intangible assets	2,491	2,519
Investment tax credit asset	25,852	24,829
Future tax assets	10,930	10,996
	\$ 154,232	\$ 154,573
Liabilities		
Current liabilities		
Bank indebtedness	\$ 4,914	\$ 5,934
Accounts payable and accrued liabilities	12,308	13,654
Warranty accrual	530	500
Deferred revenue	2,515	2,452
Current portion of long-term debt	250	250
	20,517	22,790
Other long-term liabilities	728	648
Long-term debt	3,899	3,958
	25,144	27,396
Shareholders' equity		
Share capital	\$ 34,482	\$ 34,482
Contributed surplus	2,440	2,392
Retained earnings	92,166	90,303
	129,088	127,177
	\$ 154,232	\$ 154,573

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

	Three months ended September 30,	
	2010	2009
Cash flows from (used in) operating activities		
Net income	\$ 1,863	\$ 1,218
Add (deduct) items not requiring cash		
Gain on the sale of property, plant and equipment	(1,519)	-
Amortization of property, plant and equipment	1,410	1,390
Amortization of deferred development costs	2,038	1,262
Amortization of other assets	36	34
Stock-based compensation	45	45
Net change in non-cash working capital relating to operations	24	(3,057)
	<u>3,897</u>	<u>892</u>
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(1,131)	(548)
Proceeds from the sale of property, plant and equipment	750	-
Proceeds from the sale of marketable securities	-	56
Deferred development costs	(2,429)	(2,431)
Purchase of other assets	(8)	-
	<u>(2,818)</u>	<u>(2,923)</u>
Cash flows from (used in) financing activities		
Repayment of long-term debt	(59)	(62)
	<u>(59)</u>	<u>(62)</u>
Increase (decrease) in cash during the period	1,020	(2,093)
Cash beginning of period	(5,934)	(335)
Cash (Bank indebtedness), end of period	\$ (4,914)	\$ (2,428)