

Vecima Reports Q4 and Fiscal 2012 Year End Results

VICTORIA – (September 28, 2012) – 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 and twelve months ended June 30, 2012. All figures are in Canadian dollars and in accordance with International Financial Reporting Standards (“IFRS”) unless otherwise stated.

QUARTERLY FINANCIAL HIGHLIGHTS

<i>(CAD dollars in millions except percentage and per share data)</i>	Q4 FY2012	Q3 FY2012	Q4 FY2011
Revenue	28.7	25.8	21.1
Gross Margin	38.1%	35.3%	34.0%
EBITDA ¹	4.5	9.6	(2.1)
Adjusted EBITDA ¹ <i>(excludes gains on sale of assets)</i>	4.5	2.7	(2.1)
Net income / (loss)	1.7	6.2	(2.3)
Earnings (loss) per share <i>(based on weighted average number shares outstanding)</i>	\$0.07	\$0.28	\$(0.10)
Cash and cash equivalents	19.5	14.4	5.1

¹ EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that 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, investors should refer to Management’s Discussion and Analysis for the current quarter.

Vecima’s Q4 revenue increased 11% to \$28.7 million compared to Q3. Strong converged wired solutions sales, particularly the Terrace family, OEM QAM Modules and Terrace QAM, were the primary drivers of revenue growth in Q4. Broadband wireless sales increased 4% to \$2.5 million in Q4. This growth is attributable to an increase in software defined radio sales.

Gross margin improved to 38% in Q4 up from 35% in the prior quarter. Net income in the period was \$1.7 million or \$0.07 per share.

FINANCIAL HIGHLIGHTS OF RECENTLY INTRODUCED PRODUCTS

Terrace Family

The Terrace family of products distribute multiple channels of video when a cable operator transitions to an all digital network. Sales in Terrace decreased to \$8.1 million in the Q4 from \$9.2 million in the third quarter, primarily due to extraordinary demand in the third quarter. Revenue from the Company's Terrace TC600, a recently introduced addition to the Terrace family of products, is the most rapidly growing Terrace product and the Company expects sales in this product to continue to increase through fiscal 2013.

OEM QAM Modules

OEM QAM Module sales increased to \$4.5 million in Q4, representing an increase of approximately 10% from \$4.1 million in Q3. We expect sales in our OEM QAM modules to decline significantly in fiscal year 2013 as our customers are transitioning to different solutions.

FINANCIAL HIGHLIGHTS OF NEW PRODUCTS

Terrace QAM

Sales in Terrace QAM increased in Q4 by 71% to \$4.1 million compared to \$2.4 million in the third quarter. There has been exceptional growth in Terrace QAM sales through fiscal year 2012. Vecima believes the sales rate of Terrace QAM will grow at a moderate pace through fiscal year 2013.

Terrace QAM provides 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 product allows cable companies to service the emerging demand for HD content in hotels.

Concierge

Uptake of our Concierge product has been slow. Vecima is working with a number of system integrators and expects sales to build in fiscal 2013. We have added additional sales resources to help intensify our overall effort.

Fleet Management

The introduction and adoption of Vecima’s system solution, FleetLynx, continues to slowly build. Our lead customer is one of the world’s leading truck manufacturers. We have developed an OEM solution for installation within new trucks and for the aftermarket installation in existing trucks and fleets.

We have a large number of trials and leads for sales of our solution directly to other end users. This market is expected to be even larger than the sales to our lead truck manufacturer customer. We are also working with partners such as carriers to open yet another channel for this product. Numerous customers have been conducting trials and the feedback to date has been very positive.

ANNUAL FINANCIAL HIGHLIGHTS

<i>(CAD dollars in millions except percentage and per share data)</i>	FY2012	FY2011
Revenue	95.7	84.5
Gross Margin	37%	30%
EBITDA ¹	26.1	12.2
Adjusted EBITDA ¹ <i>(excludes gains on sale of assets)</i>	11.3	(3.9)
Net income / (loss)	13.3	0.3
Earnings (loss) per share <i>(based on weighted average number shares outstanding)</i>	\$0.59	\$0.01
Cash and cash equivalents	19.5	5.1
¹ EBITDA is not a recognized measure under IFRS and, accordingly, investors are cautioned that 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, investors should refer to Management’s Discussion and Analysis for the current quarter.		

“The Company’s progress this past fiscal year has been very encouraging with company sales increasing 13% from \$84.5 million to \$95.7 million. Vecima’s growth in revenue is attributed to the broadened market acceptance of Vecima’s new converged wired products. These products include the Terrace family of products for the all digital transition and Terrace QAM for high definition within hospitality,” said Dr. Surinder Kumar, CEO of Vecima.

September 28, 2012

"We've made significant effort to fill the current and future revenue pipeline with new products and agreements. During fiscal year 2012, Vecima made two major announcements regarding future products. One of the announcements highlighted a design win for next generation digital cable broadband transmitter technology. This will keep Vecima at the forefront of cable broadband access. The second announcement indicated that we've signed a major OEM agreement guaranteeing approximately \$19 million in sales. With all of this being said, my management team and I are happy with the strategic initiatives that are in place."

Broadband wireless and YourLink revenue for the year were \$10.1 million and \$12.7 million respectively. Wireless revenue increased 17% year over year due to increased SDR sales. YourLink subscription revenue dropped by 6% over the previous fiscal year. The drop was due to the prior year having a major tower construction project that added approximately \$0.9 million in additional revenue.

The Company's cash position was \$19.5 million at year end, up from \$14.1 million at the end of the Q3 of fiscal 2012 and up from \$5.1 million at the end of fiscal 2011. Subsequent to year end, the Company announced the sale of non-serviced land in Saskatoon for proceeds of approximately \$4.0 million.

OUTLOOK

Management expects revenue for fiscal 2013 to increase by 10-20% and for gross margin to be in the 35% to 40% range.

CONFERENCE CALL

A conference call and live audio webcast will be held on September 28, 2012 at 1 p.m. ET to discuss the Company's year end and fourth quarter results. Vecima's audited condensed interim consolidated financial statements and management's discussion and analysis for the three months and twelve months ended June 30, 2012 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/vecima120928.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 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 and revenue expectations, 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 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.			
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
(in thousands of Canadian dollars except net income per share data)			
	June 30, 2012	June 30, 2011	July 1, 2010
Assets			
Current assets			
Cash and cash equivalents	\$ 19,549	\$ 5,095	\$ -
Marketable securities	-	4	795
Accounts receivable	23,818	15,127	27,176
Income tax receivable	13,600	4,879	2,754
Inventories	29,663	32,526	36,702
Current portion of leases receivable	-	239	281
Prepaid expenses	1,076	836	864
Other current assets	-	12	12
	87,706	58,718	68,584
Non-current assets			
Leases receivable	-	-	214
Property, plant and equipment	28,158	32,474	35,879
Assets held for resale	385	-	-
Intangible assets	10,819	11,538	12,180
Investment tax credit asset	30,384	25,805	24,829
Deferred tax asset	5,129	16,737	12,665
	\$ 162,581	\$ 145,272	\$ 154,351
Liabilities			
Current liabilities			
Bank indebtedness	\$ -	\$ -	\$ 5,934
Accounts payable and accrued liabilities	13,653	10,632	14,379
Provisions	974	695	550
Income tax payable	806	-	-
Deferred revenue	1,311	1,439	1,629
Current portion of long-term debt	250	3,958	250
	16,994	16,724	22,742
Non-current liabilities			
Other long-term liabilities	342	528	155
Provisions	1,522	1,125	1,065
Long-term debt	3,479	-	3,958
	22,337	18,377	27,920
Commitments and Guarantee			
Shareholders' equity			
Share capital	34,482	34,482	34,482
Reserves	2,761	2,678	2,511
Retained earnings	103,001	89,735	89,438
	140,244	126,895	126,431
	\$ 162,581	\$ 145,272	\$ 154,351

VECIMA NETWORKS INC.			
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
(in thousands of Canadian dollars except net income per share data)			
		Year ended June 30,	
	2012	2011	
Sales	\$ 95,741	\$ 84,533	
Cost of sales	60,533	59,051	
Gross margin	35,208	25,482	
Operating expenses			
Research and development	11,164	14,056	
Sales and marketing	5,697	6,783	
General and administrative	19,156	22,578	
Stock-based compensation	83	167	
Other (income)	(15,846)	(17,332)	
	20,254	26,252	
Operating income (loss)	14,954	(770)	
Finance costs	336	521	
Finance income	1,357	190	
Income (loss) before income taxes	15,975	(1,101)	
Income tax expense (recovery)	2,709	(1,398)	
Net income and total comprehensive income	\$ 13,266	\$ 297	
Net income per share			
Basic	\$ 0.59	\$ 0.01	
Diluted	\$ 0.59	\$ 0.01	
Weighted average number of Common			
Shares outstanding - basic	22,316,767	22,316,767	
Shares outstanding - diluted	22,332,267	22,316,767	

VECIMA NETWORKS INC. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (in thousands of Canadian dollars)				
	Share Capital	Reserves	Retained Earnings	Total
Balance as at July 1, 2010	\$ 34,482	\$ 2,511	\$ 89,438	\$ 126,431
Net income and total comprehensive income	-	-	297	297
Share-based payment expense	-	167	-	167
Balance as at June 30, 2011	\$ 34,482	\$ 2,678	\$ 89,735	\$ 126,895
Balance as at June 30, 2011	\$ 34,482	\$ 2,678	\$ 89,735	\$ 126,895
Net income and total comprehensive income	-	-	13,266	13,266
Share-based payment expense	-	83	-	83
Balance as at June 30, 2012	\$ 34,482	\$ 2,761	\$ 103,001	\$ 140,244

VECIMA NETWORKS INC.			
CONSOLIDATED STATEMENTS OF CASH FLOWS			
(in thousands of Canadian dollars)			
	Year ended		
	June 30,		
	2012	2011	
Cash flows from operating activities			
Net income	\$ 13,266	\$ 297	
Add (deduct) items not requiring cash			
Gain on the sale of property, plant and equipment	(214)	(2,110)	
Gain on sale of intangible assets	(14,618)	(14,000)	
Depreciation of property, plant and equipment	5,448	5,878	
Amortization of deferred development costs	3,930	6,652	
Amortization of finite-life intangible assets	142	148	
Stock-based compensation	83	167	
Deferred income tax expense	11,608	(4,072)	
Interest expense	336	521	
Interest income	(166)	(173)	
Increase in other long-term liabilities	(186)	373	
Increase in provisions	851	205	
Increase in investment tax credit asset	(2,221)	4,242	
Net change in non-cash working capital relating to operations	(8,949)	10,938	
Interest paid	(317)	(274)	
Interest received	117	170	
	-	9,110	8,962
Cash flows provided by investing activities			
Purchase of property, plant and equipment	(3,206)	(4,241)	
Proceeds from the sale of property, plant and equipment	1,738	3,143	
Proceeds from the sale of intangible assets	13,647	14,000	
Proceeds from the sale of marketable securities	4	791	
Deferred development costs	(6,299)	(11,352)	
Purchase of indefinite and finite-life intangible assets	(311)	(24)	
	-	5,573	2,317
Cash flows used in financing activities			
Repayment of long-term debt	(229)	(250)	
	(229)	(250)	
Increase in cash during the year	14,454	11,029	
Cash and cash equivalents (bank indebtedness), beginning of year	5,095	(5,934)	
Cash and cash equivalents, end of year	\$ 19,549	\$ 5,095	