



FIRST QUARTER RESULTS

Unaudited Interim Consolidated Financial Statements

Three months ended September 30, 2008

November 12, 2008

Dear Shareholders

Vecima has followed the record results posted last year with another record quarter. As a result of strategic investments to expand Vecima's product offering, markets and managerial capacity, our financial performance improved across nearly every meaningful measure again this quarter. In the first quarter sales increased 39% to a record \$36.8 million, up from \$26.4 million in the three months ended September 30, 2007. The July to September quarter, the first of our fiscal year, is usually our weakest since we close our manufacturing operations for a planned two-week vacation period in mid-summer, resulting in a 15% reduction in potential output. New product introductions, business acquisitions and growing demand for existing products have allowed us to maintain a compound annual growth rate (CAGR) in revenue of 30% per year over the past five fiscal years.

Growing Demand for Bandwidth

Increasing consumer demand for bandwidth to support social networking, file sharing and high-quality digital video continues to be a growth driver for us and is dictating the requirements for advanced infrastructure products for digital television and data-over-cable services. Multiple-system operators (MSOs) and the original equipment manufacturers (OEMs) that supply them remain under high pressure to meet growing demand for bandwidth across their legacy hybrid fibre-coaxial networks. This has in turn translated into high demand for high-speed internet-over-cable data transmitter modules and our new return demodulator (for processing communications between subscribers and the digital cable infrastructure) from our OEM customers and strong sales of edge devices to MSOs.

New Products

Over the past several years, Vecima has developed advanced infrastructure products to support new and innovative services including digital television, pay-per-view and video on demand. MSOs are now under increased pressure to meet growing demand from consumers for a broader range of high definition television channels while still meeting the needs of all subscribers. The new product facilitates the Cable MSOs transition to all-digital operation across its entire network, maximizing the value of existing infrastructure, while allowing them to continue to provide a full range of digital services, HDTV, basic analog cable TV services and internet access to subscribers. Vecima's new products allow cable MSOs to reclaim analog spectrum all the way to an MDU, or a network node servicing a group of households, at the very outer edge of the network by reconvertng digital signals to analog just before transmission to subscribers. This increases available bandwidth for the 100+ HDTV channel race and provides additional revenue generating opportunities for cable MSOs. According to industry studies, the global market for bandwidth reclamation products is expected to reach \$1.5 billion in the next five years as the industry-wide transition to all digital networks, focused on delivering higher video quality and a broader range of HDTV services, is completed. This contract plays an important part of our broader growth strategy, as we continue to exploit opportunities to develop products with innovative technology that meets the needs of our customers and we believe we are well positioned to capture a meaningful piece of this market.

Just subsequent to quarter end, Vecima announced a multi-year design, supply and maintenance contract for a new network infrastructure product for a significant deployment by one of the largest cable MSOs in the US. For many years, we have enjoyed long-term supply relationships with major equipment manufacturers like Cisco, Motorola and BigBand, and for more than a decade, have sold equipment to MSOs both directly and through our US distributor, Mega Hertz. However, this is our first direct long-term supply contract with a major MSO and demonstrates our ability to deal directly with end customers and provide them with new and innovative products. We expect to begin deliveries of the new product late in the second quarter of our 2009 fiscal year.

The contract calls for the provision of a multiunit digital to analog converter (M-DTA). Most existing multi-dwelling units (MDUs), like apartments, hotels, condo complexes, as well as nodes serving groups of homes, have an analog distribution plant that receives programming from a cable operator and redistributes it to each unit. By essentially creating its own headend; the MDU can add services like closed-circuit security cameras, special events notices, pay TV, etc. When the MSO converts its analog backbone network to all-digital signal carriage to reclaim bandwidth and to allow large increases in programming availability, the MDU headends need to reconvert the digital programming to analog to distribute services over the existing plant.

Staffing to Meet Growing Demand

To meet this growing demand for our products, as an organization we have implemented process improvements and increased production staff levels in both Saskatoon and Victoria. Vecima ended the first quarter of fiscal 2009 with 912 employees representing a 16% increase from the 786 personnel at the end of September last year. Through this period we also met the growing demand through the dedicated efforts of our employees allowing us to deliver solid production results despite the previously mentioned planned summer vacation closure, while laying a solid foundation for continued growth in the future periods. Vecima manufactures most of its products in Saskatoon and Victoria.

Driving Profitability

Even as we continued to invest in staffing and other initiatives to support growth, gross margin increased to 51% for the quarter, up from 40% in the three months ended September 30, 2007 although this improvement was driven in part by non-recurring fees relating to specific contracts. Operating expenses increased 3% to \$8.0 million, representing 22% of sales in the first quarter, compared to 30% of revenue in the three months ended September 31, 2007. Most of this increase resulted from increased G&A expenses.

With gross margin increasing significantly and operating expenses holding at a low level, operating income increased 276% to \$10.6 million, or 46¢ per share, in the first quarter of fiscal 2009, compared with \$2.8 million, or 12¢ per share, in the three months ended September 30, 2007. Our disciplined focus on expenses translated into net income before extraordinary items of \$7.8 million, or 34¢ per share, up 249% from \$2.2 million, or 10¢ per share, in the first quarter last year. Net income before extraordinary items has improved at a CAGR of 33% over the past five years.

Growing the Business

At Vecima, we are taking a multi-step approach that we believe will allow us to drive balanced growth going forward. In our core markets, we continue to target both increased penetration of existing OEM and MSO clients as well as broadening our customer base. We believe there are near-term opportunities in our converged wireless business for both analog reclamation products that support legacy equipment and services as well as solutions that support new digital formats, such as DOCSIS 3.0 and over the last few quarters we have focused on this business accordingly.

Although fixed WiMAX penetration has moved at a slower pace than expected, we believe there is a place for Vecima's products and the Company is well positioned to take advantage of emerging opportunities. On this basis, we announced subsequent to quarter end that we had made an investment in Redline Communication Group (TSX:RDL), a leading provider of broadband wireless access and backhaul products and an existing Vecima customer. We believe there are a number of synergistic opportunities that could arise from this investment and will continue to evaluate it on a regular basis. Of course, our wireless business has multiple product offerings and we believe there is significant potential for the technologies acquired in the Spectrum Signal Processing transaction concluded last year.



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The final piece of growth strategy involves sharpening our focus and maximizing the value of our non-core assets. We will continue to evaluate opportunities to sell our commercial spectrum and real estate assets and derive value for shareholders from these assets.

I would like to thank all shareholders for their continued support during these challenging market conditions and reinforce our commitment to driving sustainable and profitable growth at Vecima. I look forward to updating all stakeholders on our progress in the next quarter.

Sincerely,

(signed) Surinder Kumar

Dr. Surinder Kumar
Chair of the Board of Directors

VECIMA NETWORKS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 12, 2008

Management's discussion and analysis ("MD&A") provides a review of significant developments that have affected Vecima's performance during fiscal 2009. Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed or implied in this discussion.

Management's discussion and analysis supplements, but does not form part of, the unaudited interim consolidated financial statements of Vecima and related notes for the period ended September 30, 2008. Consequently, the following discussion and analysis of the financial condition and results of operations for the Company should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2008 and September 30, 2007, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) consistently applied.

Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at www.sedar.com.

Financial Governance

Vecima's management is responsible for the preparation and presentation of the unaudited interim consolidated financial statements and notes thereto, MD&A and other information contained in this interim report. Additionally, it is management's responsibility to ensure that the Company complies with the laws and regulations applicable to its activities.

The Company's management is accountable to the Board of Directors, each member of which is elected annually by the shareholders of the Company. The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements and the MD&A, after receiving the recommendation of the Audit Committee, which is composed of three directors, all of whom are independent of management.

The auditors are appointed annually by the shareholders to conduct an audit of the consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit, as well as to assist the members of the Audit Committee in discharging their responsibilities.

Disclosure Controls and Procedures

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information in the Company's quarterly filings (as defined in Multilateral Instrument 52-109) with the securities regulatory authorities. The CEO and CFO are required to certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that the material information with respect to the Company is made known to them and that they have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures are designed to ensure that information required to be disclosed by Vecima in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Vecima and its subsidiaries are relatively small and operate in a very integrated management environment. That is, senior management is in constant contact with many of the Company's staff, suppliers, customers, regulators and the like on an ongoing and detailed basis. This allows one or more members of senior management to be in a position where they are more likely than not to be aware of material events or information. Nevertheless, Vecima's management, including the CEO and CFO, does not expect that

disclosure controls will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of control can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, have been detected. Vecima has adopted or formalized such disclosure controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices. Under the supervision and with the participation of the CEO and CFO, Vecima's management has evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that, as at September 30, 2008, the Company's disclosure controls and procedures were effective.

Company Overview

Vecima Networks Inc. is a Canadian company, originally founded in Saskatoon, Saskatchewan in 1988. In the 20 years since the Company's inception, it has grown to 912 people as of September 30, 2008. Vecima has expanded with offices in Toronto, Saskatoon, Calgary, Burnaby, Victoria, San Jose, California and Columbia, Maryland (near Washington, D.C.). Vecima also has expanded overseas with a sales office in Australia and a software development facility in Mangalore, India. We sell our products to original equipment manufacturers (OEMs), system integrators, multiple system operators (MSOs) and other service providers. YourLink's services are sold to residential and business subscribers in a number of communities in Western Canada.

Vecima's business is built on the design and manufacturing of products that provide solutions to customers for the transfer of data on cable and wireless networks. Its hardware products incorporate embedded software developed by Vecima 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 cost-effective solutions allow service providers to bridge the final network segment that connects a system directly to end-users, commonly referred to as "the last mile", by overcoming the bottleneck resulting from restricted capacity in legacy last-mile infrastructures.

Virtually insatiable consumer demand for bandwidth and digital video streaming (brought about in part by the emergence of social networking, file sharing, and increasingly personalized television offerings) has generated the necessity for advanced infrastructure products for digital television and data-over-cable services. MSOs and the OEMs that supply them are under increased pressure to meet an ever increasing demand for bandwidth across their legacy hybrid fibre-coaxial networks while competing with expanded offerings from traditional telcos wanting to leverage multibillion dollar investments in new all-fibre optic networks. This has in turn translated into very high demand for high-speed internet-over-cable data transmitter modules and our new return path demodulator (for interactive communications between subscribers and the digital cable infrastructure) from our OEM customers and strong sales of edge devices to MSOs.

Vecima has made high-speed internet-over-cable data transmitters for more than ten years. These devices are made to the standards of the Data over Cable Service Interface Specification (commonly referred to as DOCSIS[®], a set of standards developed by the cable industry) that allows products from various manufacturers to interoperate effectively and therefore to provide lower product prices through competition. Vecima has been the sole supplier of DOCSIS[®] 2.0 transmitter modules to Cisco since 2001. Over the years, Cisco has dominated with a 50% to 65% market share for cable modem termination systems (CMTSs). Vecima is proud of the fact that more than 50% of the DOCSIS[®] traffic in the world is transmitted across devices manufactured in Saskatoon.

DOCSIS[®] 2.0 provides more than 38 Mbps of downstream data transmission to subscribers with 38 Mbps upstream from subscribers in its maximum throughput configuration. In the early days of the internet, MSOs provisioned one 38 Mbps channel for up to 2,500 subscribers. The predominant usage was for e-mail, which was not bandwidth intensive. With the rapidly increasing demand for data bandwidth and digital video streaming, MSOs have increased the number of channels available and now commonly provision a 38 Mbps channel for 50 subscribers. DOCSIS[®] 2.0 systems have been installed around the world and operators are continuously adding transmitters to provide additional bandwidth. We see this activity continuing for 3 to 5 years.

In the past fiscal year, Vecima introduced its first DOCSIS® 3.0 based devices. This new standard provides for the bonding together of multiple 38 Mbps channels providing upwards of 150 Mbps of downstream bandwidth to subscribers. There is also increased symmetry with higher upstream bandwidth provided for applications that require high levels of interactivity and P2P traffic. These services can compete directly with fibre provided by telcos. Important markets are enterprise customers and subscribers with requirements for file sharing and video streaming. The new standard is extremely stringent and difficult to achieve. Many in the electronics industry believed that it could not be met without relaxation of some specifications. Vecima's successful demonstration of channel bonding 18 months ago allowed MSOs to insist that new products meet the DOCSIS® 3.0 Standard. We believe we will maintain our traditional market leadership in high-speed internet-over-cable data transmitters with a wide range of modules and stand-alone devices.

Over the past several years, Vecima has developed advanced infrastructure products for digital television, pay-per-view and video on demand. MSOs, and the OEMs that supply them, are under increased pressure to meet growing demand for bandwidth across their legacy hybrid fibre-coaxial cable networks while competing to provide a broader range of high definition television channels to subscribers. Up to ten digital video signals can be carried in the same bandwidth required for one traditional analog video signal. By converting 10 analog TV signals to digital, up to 100 new video signals can be provided to subscribers. Therefore, cable MSOs want to transition to all-digital operation across their entire backbone networks to maximize the value of existing infrastructure. They then reconvert digital signals to analog just before transmission to subscribers. This allows continued provision of digital services, HDTV, basic analog cable TV services and internet access.

In early October, Vecima announced a multi-year design, supply and maintenance contract for a new network infrastructure product for a significant deployment by one of the largest cable MSOs in the US. For many years, we have had long-term supply relationships with major equipment manufacturers like Cisco, Motorola and BigBand. And for more than a decade, we have sold equipment to MSOs, both directly and through our US distributor, Mega Hertz. This is Vecima's first direct long-term supply contract with a major MSO. We expect to begin deliveries of the new product late in the second quarter of our 2009 fiscal year.

The new contract calls for supplying a multiunit digital-to-analog converter (M-DTA). Most existing multi-dwelling units (MDUs) like apartments, hotels, condo complexes and nodes serving groups of homes, have an existing analog distribution structure that receives programming from a cable operator and redistributes it to each unit. Using Vecima's new M-DTA, the MDU can add services like closed-circuit security cameras, special events notices, video-on-demand, customized channel line-ups, etc. When the MSO converts its analog backbone network to all-digital signal carriage to reclaim bandwidth and to allow large increases in programming availability, the M-DTA reconverts the digital programming to analog to distribute services over the existing physical infrastructure. Vecima's new product facilitates the Cable MSO's transition to all-digital operation across its entire network, maximizing the value of existing infrastructure, while allowing them to continue to provide both high quality digital services and basic analog cable TV services to subscribers.

According to industry studies, the global market for bandwidth reclamation products is expected to reach \$1.5 billion in the next five years as the industry-wide transition to all digital networks is completed. This exciting new contract is part of our broader growth strategy, as we continue to exploit opportunities to develop products with innovative technologies that meet the needs of our customers and we believe we are well positioned to capture a meaningful piece of this market. Vecima's new products allow cable MSOs to reclaim analog spectrum all the way to an MDU or a network node servicing group of households, at the very outer edge of the network. This increases available bandwidth for the 100+ HDTV channel race and provides additional revenue generating opportunities for cable MSOs.

Vecima has developed strong competencies in modern electronic manufacturing. We continually invest in test automation, manufacturing technologies and computer-controlled process to reduce our manufacturing costs. During the last fiscal year we added a third surface mount technology (SMT) line to our plant in Saskatoon. This facility has successfully met the extremely stringent qualification requirements to allow us to directly manufacture products for Cisco Systems and Motorola, our largest OEM customers.

We periodically put products out to tender to determine if cost reductions would be available by using contract manufacturers. To date, we have found that outsourcing is more expensive than self-manufacture, particularly

for the cost of components. Both our R&D and procurement staff is adept at searching out the lowest cost material for our devices. Contract manufacturers tend to price based on the number of components placed, while passing-through component costs to their customers. They have little incentive to minimize component costs. Additionally, one of Vecima's key operational strengths is our ability to achieve a short time-to-market for sophisticated products. Having supply lines that stretch across the globe would significantly reduce our ability to rapidly design and deliver new products, or variations of current products, to rapidly address our customer's requirements.

Another of Vecima's key operational strengths is the significant number of subsystem designs we have developed over the years. These subsystems perform numerous functions for data processing, digital video transformation and RF signal manipulation. We regularly package various combinations of subsystems from this library of designs to decrease the development time for new products to meet the needs defined by our customers. We then employ our sophisticated production processes to manufacture products in various form factors and with the various options desired. The internally-developed manufacturing processes provide specific sequences of testing, calibration and parameter establishment.

The manufacturing processes improve production efficiencies and protect our intellectual property. Modern electronic devices are constantly under threat of being reverse engineered, although it has become more tedious and time-consuming with increasingly complex designs. Replication of the production process is more difficult since the manufacturing processes are not part of the embedded software in devices; at Vecima, the intelligence stays in the factory. Copyists face the difficult iterative task imposed by the myriad of permutations and combinations of levels, parameters and test settings from dozens of subsystems contained in a device. Without access to the manufacturing processes, reverse engineering becomes a daunting exercise. This is also one of the issues we have with moving our production to contract manufacturers. Vecima is reluctant to put its manufacturing processes in the hands of outside agents.

Vecima's sales increased \$10.4 million, or 39%, to \$36.8 million for the three months ended September 30, 2008, compared with \$26.4 million for the three months ended September 30, 2007. Converged Wired Solutions sales increased 64% to \$29.3 million. YourLink sales increased 22% to \$2.4 million, compared with \$2.0 million for the three months ended September 30, 2007. The strong growth in Converged Wired Solutions is a result of a doubling of demand for OEM modules and a massive increase in reverse path demodulator sales since the introduction of the product in the first quarter of last fiscal year. Broadband Wireless sales decreased 21% to \$5.2 million. The decrease in Broadband Wireless sales results from restrictions in production capacity due to requirements for OEM and MSO production and due to the 15% reduction in productive capacity in the first quarter from plant shutdown for vacation.

We sell our products to OEM, system integrators, MSOs and other service providers. Revenue from four key customers represented approximately 78% of our revenue for the three months ended September 30, 2008, compared to approximately 65% of our revenue for the three months ended September 30, 2007.

The geographic breakdown of our sales for the three months ended September 30, 2008, with the values for the first quarter of last year shown in brackets, was Canada 10% (13%), United States 49% (37%), Thailand 34% (24%), Israel 3% (20%) and other regions 3% (6%).

YourLink's services are sold to residential and business subscribers in a number of communities in Western Canada. YourLink subscribers decreased 6% to 6,396 in the BC cable operations at September 30, 2008 compared with 6,781 subscribers at September 30, 2007. Saskatchewan wireless subscribers grew 25% to 9,894 at September 30, 2008, compared with 7,903 subscribers at September 30, 2007.

We normally experience significant fluctuations in quarterly revenue. Our customers do not have capital budgets that contemplate consistent spending over the course of the period. This trend is exacerbated by the discontinuous nature of broadband wireless sales, where significant expenditures on base stations are followed by recurring smaller purchases of customer premises equipment (CPEs) as customers add subscribers gradually over time. Additionally, we close our manufacturing operations for a summer vacation period and a Christmas break, which results in a 10% reduction in potential output in the first half of the fiscal year.

Sources of Sales and Expenses

Sales

We generate product sales principally from sales of our Converged Wired Solutions and Broadband Wireless products to OEMs, system integrators, MSOs, distributors and other service providers around the world. We generate service revenue in YourLink Inc. from subscribers to voice, video and data services.

Cost of Sales

Cost of sales consists primarily of costs of manufacturing and assembly of products. A substantial portion of these costs is composed of components and compensation costs for the manufacture and assembly of products. Cost of product revenue also includes related overhead, compensation, final assembly, quality assurance, inventory management, support costs and payments to contract manufacturers that perform printed circuit board stuffing functions. Cost of service revenue consists of the costs of purchased program content, back-haul costs for connection to the Internet and the costs of operating the cable and wireless infrastructure.

Operating Expenses

Research and development expenses consist primarily of salaries and related expenses for engineering personnel, the costs of prototypes and consumables and the costs of amortizing previously deferred development costs.

Sales and marketing expenses consist primarily of costs relating to personnel and to our sales and marketing activities, including salaries and related expenses, advertising, trade shows and other promotional activities and materials.

General and administrative expenses consist primarily of costs relating to the maintenance of our buildings, administrative and financing functions, legal and professional fees, insurance, the operating costs of YourLink systems and other corporate and overhead expenses.

Selected Consolidated Financial Information and Other Data

The following selected financial information for the three months ended September 30, 2008 and 2007 has been derived from our unaudited interim consolidated financial statements for the three months ended September 30, 2008, a copy of which is included in this report. You should read the following information in conjunction with those financial statements and the related notes and with the balance of "Management's Discussion and Analysis" included in this quarterly report.

Consolidated Statement of Income Data: (in thousands of dollars except percentages, employees and per-share amounts)	Three months ended September 30,			
	2008		2007	
	(Unaudited)		(Unaudited)	
Sales	\$36,773	100%	\$26,367	100%
Cost of sales	18,091	49%	15,761	60%
Gross profit	18,682	51%	10,606	40%
Gross margin (%)	51%		40%	
Operating expenses:				
Research and development ⁽¹⁾	2,450	7%	2,788	11%
Sales and marketing	1,490	4%	1,468	6%
General and administrative	3,954	11%	3,269	12%
Stock-based compensation	135	0%	132	1%
Interest expense	14	0%	122	0%
Total operating expenses	8,043	22%	7,779	30%
Operating income	10,639	29%	2,827	11%
Foreign exchange (loss) gain	396	1%	298	1%
Other income	148	0%	238	1%
Income before income taxes	11,183	30%	3,363	13%
Income taxes	3,375	9%	1,126	4%
Net income before extraordinary items	7,808	21%	2,237	8%
Extraordinary gain	-		-	
Net income	\$7,808	21%	\$2,237	8%
Net income per share ⁽²⁾				
Basic and diluted	\$0.34		\$0.10	
Other Data (unaudited)				
Total research and development expenditures	\$4,344		\$3,488	
Percentage of sales	11%		13%	
Standardized EBITDA ⁽³⁾	\$13,244		\$4,906	
Standardized EBITDA margin (%)	57%		19%	
Number of employees	912		786	

⁽¹⁾ Net of investment tax credits and capitalized development costs

⁽²⁾ Based on weighted average number of Common Shares outstanding

⁽³⁾ Earnings before interest, income taxes, depreciation and amortization

Consolidated Balance Sheet Data: (in thousands of dollars except number of Common Shares)	September 30, 2008	September 30, 2007
	(Unaudited)	(Unaudited)
Cash and cash equivalents	(\$2,554)	(\$1,039)
Working capital	\$61,036	\$44,987
Total assets	\$148,708	\$131,767
Total long-term debt	\$4,396	\$4,667
Shareholders' equity	\$123,904	\$112,152
Number of Common Shares outstanding ⁽¹⁾	22,982,410	23,261,522

⁽¹⁾ Based on weighted average number of Common Shares outstanding

The following table reconciles net income for the period to EBITDA and Standardized EBITDA. The term "EBITDA" refers to net income or net loss before discontinued operations as reported in the GAAP financial statements, including that net income or net loss related to any non-controlling interest, excluding any amounts included in net income or net loss for income taxes, interest expense, and amortization and impairment charges for capital assets. We believe that EBITDA is useful supplemental information as it provides an indication of the revenue generated by our main business activities before the costs of consuming capital assets, financing and taxes. EBITDA is a measure of income, specifically directed at our operating performance without the effects of our financing strategy or the recognition of certain costs for our tangible and intangible capital assets. The term "Standardized EBITDA" represents an indication of our continuing capacity to generate income from operations before taking into account management's financing decisions and the costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological currency and management's estimate of their useful life. Accordingly, Standardized EBITDA comprises revenues less operating costs before interest expense, capital asset amortization and impairment charges and income taxes. EBITDA and Standardized EBITDA are not recognized measures under GAAP and, accordingly, investors are cautioned that EBITDA and Standardized EBITDA should not be construed as alternatives to net income, determined in accordance with GAAP, as indicators of our financial performance or as measures of our liquidity and cash flows.

Calculation of Standardized EBITDA (in thousands of dollars except percentages)	Three months ended September 30,	
	2008	2007
(Unaudited)		
Net income	\$ 7,808	\$ 2,237
Income taxes	3,375	1,126
Interest expense	14	122
Amortization of capital assets	1,411	917
Amortization of deferred development costs	626	480
Amortization of other assets	10	24
Standardized EBITDA	\$ 13,244	\$ 4,906
Standardized EBITDA margin (%)	36%	19%

The following table reconciles research and development expense reported in accordance with GAAP as shown on the income statement for the period ended September 30, 2008 and 2007 to our actual research and development expenses.

Calculation of Total R&D expense (in thousands of dollars except percentages)	Three months ended September 30,	
	2008	2007
(Unaudited)		
Research and development expense as shown on income statement	\$2,450	\$ 2,788
Deferred development	2,190	750
Investment tax credits	330	430
Amortization of deferred development costs	(626)	(480)
Total research and development expense	\$4,344	\$ 3,488
Percentage of sales	12%	13%

Selected Quarterly Consolidated Financial Information and Other Data

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

(Unaudited)	Fiscal Year 2009		Fiscal Year 2008				Fiscal 2007	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
						(restated)		
Sales	\$ 36,773	\$ 36,366	30,387	27,437	26,367	26,313	24,119	23,173
Cost of sales	18,091	20,018	17,557	16,471	15,761	16,167	14,476	14,057
Gross Margin	18,682	16,348	12,830	10,966	10,606	10,146	9,643	9,116
Operating expenses								
Research and development	2,450	971	2,473	2,690	2,788	2,901	1,847	2,037
Sales and marketing	1,490	1,974	1,938	1,503	1,468	1,513	1,113	1,102
General and administrative	3,954	4,918	4,098	3,911	3,269	3,721	2,965	2,381
Stock-based compensation	135	56	114	135	132	105	130	192
Interest expense	14	226	150	110	122	154	104	77
	8,043	8,145	8,773	8,349	7,779	8,394	6,159	5,825
Operating income	10,639	8,203	4,057	2,617	2,827	1,752	3,484	3,291
Foreign exchange (loss) gain	396	264	274	(31)	298	(20)	68	(75)
Other income	148	174	234	198	238	1,012	395	268
Income before income taxes	11,183	8,641	4,565	2,784	3,363	2,744	3,947	3,484
Income taxes	3,375	4,210	1,403	749	1,126	(414)	1,480	1,270
Net income before extraordinary items	7,808	4,431	3,162	2,035	2,237	3,158	2,467	2,214
Extraordinary gain	-	-	-	-	-	4,509	-	-
Net income	\$ 7,808	\$ 4,431	3,162	2,035	2,237	7,667	2,467	2,214
Net income per share								
Basic and diluted – before extraordinary gain	\$ 0.34	\$ 0.18	\$0.14	\$0.09	\$0.10	\$0.14	\$0.11	\$0.10
Basic and diluted – after extraordinary gain	\$ 0.34	\$ 0.18	\$0.14	\$0.09	\$0.10	\$0.33	\$0.11	\$0.10

Comparison of the Three Months Ended September 30, 2008 and 2007

Revenue

Vecima reports revenues broken down into three overall market segments: Converged Wired Solutions, Broadband Wireless and YourLink (service provision). Convergence has taken place in the cable industry as video and data services unify to use the same delivery technology over the MSO's hybrid fibre-coax cable network. The lines continue to blur between digital video and highspeed data in a technological sense. Vecima's products are used to provide both types of service, often within the same chassis itself. For example, Vecima's next generation universal edge QAM (the HyperQAM) could be provisioned by a single customer to use a portion of the QAM channels for switched digital video, other QAMs for DOCSIS[®] 3.0 data services and still others for broadcast digital video, high definition TV broadcast or video on demand. A customer could provision one or all of these services within a single HyperQAM chassis.

Our total sales increased 39% to \$36.8 million for the three months ended September 30, 2008 compared with \$26.4 million for the three months ended September 30, 2007. The July to September quarter of the fiscal year is usually our weakest quarter since we close our manufacturing operations for a two-week vacation period each year in mid-summer, which results in a 15% reduction in potential output in our first fiscal quarter.

Revenue by Core Market: (in thousands of dollars except percentages)	Three months ended September 30,			
	2008		2007	
	Sales	% of Sales	Sales	% of Sales
(Unaudited)				
Converged Wired Solutions	\$ 29,278	80%	\$ 17,861	68%
Broadband Wireless	5,105	14%	6,548	25%
YourLink	2,390	6%	1,958	7%
Total Revenue	\$ 36,773	100%	\$ 26,367	100%

Our sales in the Converged Wired Solutions increased 64% to \$29.3 million for the three months ended September 30, 2008, compared with \$17.9 million in the three months ended September 30, 2007. The increase is due to strong sales to Motorola of the reverse path product introduced in the first quarter of fiscal 2008.

Broadband Wireless sales decreased 22% to \$5.1 million for the three months ended September 30, 2008 compared with \$6.5 million for the three months ended September 30, 2007. The markets here were softer and we had some revenue recognition issues in our Spectrum Signal Processing operation that pushed-out sales to subsequent quarters..

YourLink revenue increased 22% to \$2.4 million for the three months ended September 30, 2008, compared to \$2.0 million in the three months ended September 30, 2007. Much of the YourLink revenue increase resulted from significant increases in enterprise installations, including deployments for the Viterra and Cargill high-speed internet networks.

Gross margin

Vecima was able to increase gross margin to 51%, providing a gross profit of \$18.7 million, compared with a gross margin of 40% for the three months ending September 30, 2007 that provided a gross profit of \$10.6 million. This improvement was driven in part by non-recurring fees relating to specific contracts as well as increases in manufacturing efficiencies and mix of products manufactured. While a gross margin in excess of 50% is not sustainable in the long run, we believe margins will continue to be at the higher end of our traditional model of 35% to 40% gross margin..

Operating expenses

Research and development expenses for the three months ended September 30, 2008 decreased 12% to \$2.5 million, or 7% of revenue, compared with \$2.8 million, or 11% of revenue, for the same period in the prior fiscal year. The decrease resulted from increased deferment of R&D expenses. GAAP rules require that we defer development costs for products that are not yet in commercial production. During the first quarter of the 2009 fiscal year, we began work on the new M-DTA product for a major MSO in the US. Since the product is not yet in commercial production, the development costs are deferred to future periods. Total research and development costs net of deferrals, amortization of deferred development costs and income tax credits for the three months ended September 30, 2008 were \$4.3 million, or 12% of sales, up from \$3.5 million, or 13% of sales, for the three months ended September 30, 2007.

Sales and marketing expense was \$1.5 million for the three months ended September 30, 2008, approximately the same as for the three months ended September 30, 2007. Sales and marketing expenses were 4% of sales for the first quarter of fiscal 2009, compared with 6% of sales last year.

General and administrative expenses for the three months ended September 30, 2008 increased 21% to \$4.0 million, compared with \$3.3 million in the three months ending September 30, 2007. The increase was about one half the increase in sales over the same period.

Stock-based compensation expenses for the three months ended September 30, 2008 were \$0.1 million, essentially the same as for the three months ended September 30, 2007. The expense reflects the continual amortization of the stock options issued in prior periods.

Operating expenses for the three months ended September 30, 2008 increased 3% to \$8.0 million, or 22% of sales, compared with \$7.8 million, or 30% of sales, for the three months ended September 30, 2007. In the same time period, sales increased 40%.

Operating income increased 276% to \$10.6 million, or 46¢ per share, in the first quarter of fiscal 2009, compared with \$2.8 million, or 12¢ per share, in the three months ended September 30, 2007. This increase resulted from the significant increase in gross margin coupled with operating expenses holding at a low level,

Foreign currency fluctuations resulted in a gain of \$0.4 million for the three months ended September 30, 2008 compared with a gain of \$0.3 million in the three months ended September 30, 2007. Approximately 90% of revenue was denominated in United States dollars for the three months ended September 30, 2008, which is consistent with previous periods

Income taxes for the three months ended September 30, 2008 were \$3.4 million, compared with \$1.1 million for the three months ended September 30, 2007. This is consistent with our average tax rate of about 30% which has declined from 33% last year as a result of federal tax rate decreases.

Net income for the first fiscal quarter increased 249% to \$7.8 million, compared with \$2.2 million in the three months ended September 30, 2007. Net margin was 21% for the three months ended September 30, 2008, compared with 8% for the first quarter last fiscal year

Liquidity and Capital Resources

Until our initial public offering of shares in November 2005, we had historically financed our operations primarily through cash generated from operations and periodic mortgage financing on our facilities.

Working Capital

Working capital represents the Company's current assets less current liabilities. Vecima's working capital remained strong at \$61.9 million at September 30, 2008 up from \$51.7 million at June 30, 2008. Working capital balances are subject to significant swings from quarter to quarter. Our product shipments are "lumpy" reflecting the requirements of our major customers. It is not unusual to ship \$5 million or \$6 million in a day or two. If this happens in the first week of the succeeding quarter, we have a run-up of inventory and a drop in

receivables in the previous quarter. Other timing issues, like contractual 45-day terms to some customers, also affect receivables, particularly if shipments are back-end weighted for a quarter.

Our accounts receivable balance increased 24% to \$31.3 million in the period ended September 30, 2008 compared to \$25.2 million at June 30, 2008. This represents an average of 78 days' sales outstanding, compared to 77 days' sales outstanding as at June 30, 2008. Finished goods inventories were \$10.7 million for the period ended September 30, 2008, the same as at June 30, 2008. The finished goods inventory turn rate of 14 times per year for the period ended September 30, 2008 compared to 11 times at June 30, 2008. Raw material inventory decreased 13% to \$16.5 million at September 30, 2008, compared to \$19.0 million at June 30, 2008. In the first quarter of fiscal 2009, work in process inventories decreased 11% to \$7.5 million, compared to \$8.4 million at June 30, 2008. Inventory levels have increased due to strong demand; however long-lead-time items continue to put upward pressure on inventory levels. Vecima manufactures its own products with the result that inventory levels will be substantially higher than for other companies in our industry that outsource manufacturing.

Income taxes receivable (from investment and R&D tax credits) increased 15% to \$9.9 million at September 30, 2008 from \$8.6 million at June 30, 2008.

Accounts payable and accrued liabilities decreased 44% to \$11.5 million at September 30, 2008, representing 28 days for payable to be outstanding, from \$20.3 million at June 30, 2008, representing an average of 62 days for payables to be outstanding. Deferred revenue increased 39% to \$3.0 million in the first quarter of fiscal 2008, compared to \$2.2 million at June 30, 2008.

Long-term debt, including current portion, was \$4.6 million at September 30, 2008, compared to \$4.7 million at June 30, 2008.

Cash from Operating Activities

For the three month period ended September 30, 2008, operations generated \$13.1 million in cash compared to \$4.2 million in the three month period ended September 30, 2007. This was offset by the consumption of \$13.2 million in cash for working capital compared to a consumption of \$1.7 million in the first quarter of the prior year. The net result from operating activities is the consumption of \$0.1 million in cash in the three months ending September 30, 2008 compared to the generation of \$2.5 million in cash in the three months ending September 30, 2007.

Investing Activities

Our investing activities in the three months ended September 30, 2008 consisted primarily of product development costs and the purchase of capital assets. Investing activities consumed \$4.4 million in cash in the three months ended September 30, 2008. We used \$3.0 million to purchase equipment and undertake capital renovations and we used \$1.5 million in cash to fund deferred research and development net of investment tax credits. In the three months ended September 30, 2007, the company spent \$2.9 million on property and equipment and \$0.5 million on development costs net of investment tax credits.

Financing Activities

In the period ended September 30, 2008, the company had a net financing cash outflow of \$0.1 million, used to buy back shares under our Normal Course Issuer Bid and to repay long-term debt. This compares to a \$0.2 million cash used for the same purposes in the three months ended September 30, 2006.

As at September 30, 2008, our revolving loan facility amounted to \$23.8 million, of which a net of \$2.6 was drawn as an operating line of credit and \$4.6 million was drawn as mortgages on real property. As at September 30, 2007, \$nil was drawn as an operating line of credit and \$4.9 was drawn as mortgages on real property. We believe that our current cash and short-term investments and anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future.

Outstanding Share Data

As at September 30, 2008, the Company had outstanding a total of 22,969,300 common shares, together with options granted to directors, officers and employees of the Company under the Company's stock option plan to purchase a further 815,398 shares, of which 565,101 were vested and exercisable.

Contractual Obligations

Vecima had no contractual obligations or commitments to make future payments under contracts, excluding trade payables, as at September 30, 2008.

Foreign Exchange

Approximately 90% of our revenues are denominated in United States dollars. An appreciation of the Canadian dollar results in increased expenses for foreign currency transactions. We convert United States dollar sales to Canadian dollars on the date of delivery. If the United States dollar depreciates relative to the Canadian dollar, we will receive fewer Canadian dollars when the receivable is collected in subsequent months. We enjoy a substantial natural hedge against part of this potential expense since a significant portion of our purchases of materials and components are in United States dollars that become relatively cheaper in Canadian dollars. We also forward sell \$5 million to \$6 million per month to protect against currency fluctuations. We intend to continue our hedging policy in the future and to manage our foreign exchange exposure having regard to the volatility in the rates of exchange between the Canadian dollar and U.S. dollar at that time.

In the spring of 2008, Vecima developed its budget for the 2009 fiscal year. We assumed that the Canadian and United States dollars would trade approximately at parity during the fiscal year. In the first quarter of fiscal 2009, we entered into forward foreign exchange transactions to lock in the value of US dollars we would be receiving for a significant portion of our expected revenue. The dramatic weakening of the Canadian dollar in October 2008 affects Vecima in two ways: Firstly, our sales will increase proportionately with the decline in the Canadian dollar. However, since our expected US dollar receipts have been sold forward at rates available in our first fiscal quarter (averaging Canadian \$1.06 for each United States \$1.00), Vecima is exposed to a risk of foreign exchange losses if the current weakness in the Canadian dollar is maintained through the second quarter. Therefore, our gross revenue may increase but our net income before taxes, but after foreign exchange losses, may decrease significantly.

Significant Accounting Policies

Revenue Recognition

We recognize revenue from product sales at the time of shipment to the customer, provided that all contractual obligations have been met and payment is reasonably assured. Where we offer integrated products and services, the revenue is allocated to the separate elements, and the appropriate revenue recognition policy is applied to each element. Service revenue from cable and internet customers is recognized at the time of provision of the service to the customer. Subscriber connection fees received from customers are deferred and amortized on a straight-line basis over four years. The cost of connecting a home is capitalized and amortized over the same four-year period. Revenue received for a product or service in advance of delivery or performance, as the case may be, is recognized as deferred revenue.

Other Assets

Indefinite-life intangibles

Indefinite-life intangible assets consisting of \$1.9 million in goodwill, radio frequency spectrum purchased from the Government of Canada and other licences with perpetual lives that are recorded at cost, which represents the fair market value at the date of acquisition. Because these assets have indefinite lives, they are not subject to amortization.

We assess our indefinite-life intangible assets for impairment in the fourth quarter of every year or earlier if circumstances indicate that such an asset may be impaired. Any impairment is calculated by deducting the asset's fair value from its carrying value. Impairments are deducted from earnings in the year in which they occur.

Definite-life intangibles

Definite-life intangible assets consisting of patents and subscriber acquisition costs net of amortization amounted to \$0.7 million at September 30, 2008. Patents are amortized on a straight-line basis over five years. Subscriber acquisition costs are amortized over an estimated useful life of 10 years. YourLink subscribers are 37% video and 63% internet. Subscriber churn rates in video distribution are typically less than 0.5% per month, while internet churn can exceed 2% per month with a weighted average of about 0.7%. The churn rate at September 30, 2008 was 0.7%. With changes in the proportion of voice and internet subscribers, we will need to evaluate the reasonableness of our estimate of the useful life of subscriber acquisition costs.

Leases Receivables

Assets leased under terms that transfer substantially all of the benefits and risks of ownership to the customer are accounted for as sales-type leases and are included in leases receivable, net of unearned finance income. We have provided lease financing to a customer that received significant funding from programs delivered by the governments of Canada and Ontario. Leases receivable amounted to \$0.3 million at September 30, 2008, about the same level as at September 30, 2007.

Research and Development

Research costs are expensed in the period in which they are incurred. Development costs are expensed unless they meet specific accounting criteria relating to technical, market and financial feasibility, in which case they are deferred. Deferred development costs are amortized on a straight-line basis over a period of one to two years, representing the estimated average life-cycle of related products. Development costs include direct salaries, materials and an allocation of overhead that relates to products being developed, less applicable government assistance and investment tax credits claimed. Costs relating to projects that are not commercialized or that cease to be marketable are charged against income in the period in which that determination is made. We earn investment tax credits on eligible Scientific Research and Experimental Development (SR&ED) expenses incurred. Those investment tax credits are recorded as a reduction of the costs to which they relate.

Stock-Based Compensation

As a part of our initial public offering of shares, we implemented a stock option plan. We have granted options to certain directors, officers and employees amounting to 3% of the shares in Vecima on a fully diluted basis. In accordance with the standard issued by the Canadian Institute of Chartered Accountants entitled "Stock-based Compensation and Other Stock-based Payments" (Handbook Section 3870), we estimate the fair value of our stock-based compensation and expense the fair value over the vesting period of the options.

Outlook

We expect revenue growth in each of our end-markets from sales of existing and new products. We plan to maintain our gross margins in the historical range of 35% to 40%. Research and development will continue to be a key focus as we invest in new product development. Additional resources will be committed to sales and marketing, with particular emphasis on further developing our distribution channels and marketing programs.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

November 12, 2008

(signed) Surinder Kumar

(signed) J.M. Barry

Surinder Kumar
President and Chief Executive Officer

J. Michael Barry
Chief Financial Officer

Form 52-109F2 – CERTIFICATION OF INTERIM FILINGS

I, Surinder Kumar, Chief Executive Officer of Vecima Networks Inc., formerly VCom Inc. (the “Issuer”), certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*) of Vecima Networks Inc. for the period ending September 30, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim filings together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the Issuer, as of the date and for the periods presented in the interim filings; and
4. The Issuer’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the Issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements for external purposes in accordance with the issuer’s GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: November 12, 2008

(signed) Surinder Kumar

Dr. Surinder Kumar
Chief Executive Officer

Form 52-109F2 – CERTIFICATION OF INTERIM FILINGS

I, J. Michael Barry, Chief Financial Officer of Vecima Networks Inc., formerly VCom Inc. (the "Issuer"), certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Vecima Networks Inc. for the period ending September 30, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim filings together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the Issuer, as of the date and for the periods presented in the interim filings; and
4. The Issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the Issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: November 12, 2008

(signed) J.M. Barry

J. Michael Barry
Chief Financial Officer

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

	<i>Notes</i>	September 30, 2008 (unaudited)	June 30, 2008
Assets			
Current assets			
Cash and cash equivalents		\$ -	\$ 2,010
Accounts receivable		31,431	25,174
Income taxes receivable		9,914	8,635
Inventories		38,490	38,076
Current portion of leases receivable		487	531
Prepaid expenses		1,175	447
Other current assets		138	77
		81,635	74,950
Leases receivable		341	305
Capital assets		38,907	37,301
Deferred development costs		3,495	2,669
Other assets		3,064	3,003
Tax assets		22,457	26,191
		\$ 149,899	\$ 144,419
Liabilities			
Current liabilities			
Bank indebtedness		\$ 2,554	\$ -
Accounts payable and accrued liabilities		13,452	20,327
Warranty accrual		500	500
Deferred revenue		2,994	2,160
Current portion of long-term debt		250	250
		19,750	23,237
Long-term debt		4,396	4,458
Future income taxes		1,849	761
		25,995	28,456
Shareholders' equity			
Share capital	3	35,504	35,512
Contributed surplus		2,017	1,871
Retained earnings		86,383	78,580
		123,904	115,963
		\$ 149,899	\$ 144,419

See accompanying notes
On behalf of the Board,


Barry A. Baptie
Director


James Mutter
Director

VECIMA NETWORKS INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME AND RETAINED EARNINGS
(in thousands of dollars except for net income per share data)

	<i>Notes</i>	Three months ended September 30,	
		2008	2007
		(unaudited)	(unaudited)
Sales		\$ 36,773	\$ 26,367
Cost of sales		18,091	15,761
Gross margin		18,682	10,606
Operating expenses			
Research and development		2,450	2,788
Sales and marketing		1,490	1,468
General and administrative		3,954	3,269
Stock-based compensation		135	132
Interest expense		14	122
		8,043	7,779
Operating income		10,639	2,827
Foreign exchange gain		396	298
Other income		148	238
Income before income taxes		11,183	3,363
Income taxes		3,375	1,126
Net income and Comprehensive income		7,808	2,237
Retained earnings, beginning of period		78,580	72,549
Reduction of common shares purchased for cancellation		(5)	(130)
Retained earnings, end of period		\$ 86,383	\$ 74,656
Net income per share			
Basic and diluted		\$ 0.34	\$ 0.10
Weighted average number of Common Shares outstanding - basic and diluted		22,971,717	23,261,522
<i>See accompanying notes</i>			

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

	<i>Notes</i>	Three months ended September 30,	
		2008	2007
Cash flows from (used in) operating activities		(Unaudited)	(Unaudited)
Net income	\$	7,808	\$ 2,237
Add (deduct) items not requiring cash			
Future income taxes recovery		3,147	417
Amortization of capital assets		1,411	917
Amortization of deferred development costs		626	480
Amortization of other assets		10	24
Stock-based compensation		135	143
Net change in non-cash working capital relating to operations		(13,214)	(1,682)
	#	(77)	# 2,536
Cash flows from (used in) investing activities			
Payment for acquisition of business net of cash acquired			-
Purchase of capital assets		(2,963)	(2,931)
Deferred development costs		(1,781)	(750)
Investment tax credits		330	264
Purchase of other assets		3	-
		(4,411)	(3,417)
Cash flows from (used in) financing activities			
Purchase and cancellation of shares		(14)	(150)
Repayment of long-term debt		(62)	(62)
		(76)	(212)
Increase (decrease) in cash during the period	#	(4,564)	(1,093)
Cash and cash equivalents beginning of period,		2,010	54
(Bank indebtedness) , end of period	\$	(2,554)	\$ (1,039)

See accompanying notes

Supplemental information

VECIMA NETWORKS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
Three months ended September 30, 2008
(in thousands of dollars)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles, except that certain disclosures required for annual financial statements have not been included.

Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements for the year ended June 30, 2008. The interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, WaveCom Electronics (2003) Inc., 6105971 Canada Inc. and Vecima Networks Pacific Pty., Vecima Telecom (P) Ltd. Spectrum Signal Processing (USA) Inc., Spectrum Signal Processing (UK) Ltd. and YourLink Inc., an entity that is considered to be a variable interest entity, after elimination of significant inter-company accounts and transactions.

Recent accounting pronouncement

Financial instruments, equity, and comprehensive income

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 "Financial Instruments — Recognition and Measurement"; Section 1530 "Comprehensive Income"; and Section 3251 "Equity." These pronouncements further align Canadian GAAP with US GAAP and International Financial Reporting Standards (IFRS) and require the following:

- a) Financial assets are classified as loans or receivables, held to maturity, held for trading, or available for sale. Held-to-maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity, and these instruments are accounted for at amortized cost. Held for trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available for sale. These assets are recorded at fair value, with accumulated unrealized gains and losses reported in a new category of the consolidated balance sheets under shareholders' equity called "Accumulated Other Comprehensive Income" until the financial asset is disposed, at which time the realized gains and losses are recognized in net income. Changes in fair value from reporting period to reporting period are recorded in "Other Comprehensive Income."
- b) Financial liabilities are classified as either held for trading or other. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. Other instruments are accounted for at amortized cost, with related gains and losses reported in net income.
- c) Derivatives are classified as held for trading unless designated as hedging instruments. All derivatives are recorded at fair value on the consolidated balance sheets.

The adoption of this new section did not have a material effect on the Company's financial position or on the results of its operations.

VECIMA NETWORKS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
Three months ended September 30, 2008
(in thousands of dollars)

1. BASIS OF PRESENTATION (continued)

Recent accounting pronouncement (continued)

Inventories

In June 2007, the CICA issued Section 3031 "Inventories", which replaces Section 3030 and harmonizes the Canadian standard related to inventories with International Financial Reporting Standards. This Section provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and is not expected to have a material impact on the Company's consolidated financial statements.

Goodwill and Intangible assets

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, which replaces Section 3062 Goodwill and other Intangible Assets and 3050 Research and Development Costs. The purpose of this section is to clarify the guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. This section harmonizes the Canadian standard with International Financial Reporting Standards and applies to both annual and interim statements relating to fiscal years beginning after October 1, 2008 and is not expected to have a material impact on the Company's consolidated financial statements.

Determining the Variability to be Considered in Applying the Variable Interest Entity Standards

In September 2006, the Emerging Issues Committee issued Abstract No. 163, "Determining the Variability to be Considered in Applying AcG-15" ("EIC-163"). This guidance provides additional clarification on how to analyze and consolidate a variable interest entity ("VIE"). EIC-163 concludes that the "by-design" approach should be the method used to assess variability (that is created by risks the entity is designed to create and pass along to its interest holders) when applying the VIE standards. The "by-design" approach focuses on the substance of the risks created over the form of the relationship. The guidance may be applied to all entities (including newly created entities) with which an enterprise first becomes involved, and to all entities previously required to be analyzed under the VIE standards when a reconsideration event has occurred, effective January 1, 2007. The implementation of this guidance did not have a material impact on the company's consolidated financial statements.

Capital Disclosures

In December 2006, the Canadian institute of Chartered Accountants ("CICA") issued Section 1535, "Capital Disclosures." This section establishes standards for disclosing information about an entity's capital and how it is managed. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and is not expected to have a material impact on the company's consolidated financial statements.

International Financial Reporting Standards

In May 2007, the CICA published an updated version of its "implementation Plan for incorporating International Financial Reporting Standards ("IFRS") into Canadian GAAP." This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting principles with IFRS. The changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011.

VECIMA NETWORKS INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
Three months ended September 30, 2008
(in thousands of dollars)

2. FINANCIAL INSTRUMENTS

The majority of the Company's sales are in United States dollars and the Company has entered into forward foreign exchange contracts to manage foreign currency exchange risk related to exposures of the exchange rates for the Canadian dollar. These contracts are considered "held for trading" instruments according to CICA Handbook Section 3855. Changes in the value of these contracts are recorded as an element of foreign exchange gains and losses.

As of March 31, 2008, the Company has foreign currency forward contracts that have the effect of fixing the conversion of \$44,000 (\$9,000 – September 30, 2007) of the Company's net United States dollar asset position at rates ranging between \$1.0207 and \$1.0816. Changes in the fair value of these instruments are included in foreign exchange gains and losses in the current year. In the period ended September 30, 2007, the Company has a net gain of \$396 (September 30, 2007 - \$641 net gain) on outstanding forward purchase contracts.

3. SHARE CAPITAL

(a) Authorized and issued share capital

The Company has the following authorized Share Capital: An unlimited number of common shares and an unlimited number of preferred shares. The table below provides details of common shares outstanding and their carrying values:

	Number of Shares	Carrying Value
Balance as of June 30, 2008	22,972,000	\$35,512
Shares issued by the exercising of options	-	-
Shares repurchased and cancelled	(2,700)	(9)
Balance as of September 30, 2008	22,969,300	\$35,503

During the three months ended September 30, 2008 the Company purchased 2,700 common shares for cancellation under a normal course issuer bid at an average price of \$4.81 per share for \$14 of which \$8 reduced the stated capital of the common shares and \$5 decreased retained earnings. The weighted number of shares outstanding in the three months ended September 30, 2008 was 22,971,717.

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3. SHARE CAPITAL (continued)

(b) Stock option plan

Under the Company's stock option plan, options to acquire common shares may be issued to officers, directors and employees of the Company. The term, vesting period, exercise price and number of common shares relating to each option will be determined by the Company's Board of Directors at the time options are granted, but will not be more favourable than those permitted under applicable securities legislation. The Company's stock option plan will be subject to the rules and policies of any stock exchange on which the common shares are listed. The total number of common shares of the Company that will be issued pursuant to the Company's stock option plan will not exceed 10% of the issued and outstanding shares of the Company at any given time. Options granted under the Company's stock option plan are not assignable.

The changes in options and options outstanding for the period ended December 31, 2007 are as follows:

Balance, beginning of period	820,598	\$10.34
Granted	-	-
Exercised	-	-
Cancelled and expired	(5,200)	11.13
Balance, end of period	815,398	\$10.33
Vested and exercisable	565,101	\$11.08

The 621,687 options outstanding have exercise prices ranging from \$7.19 to \$78.74 with a weighted average life remaining of 3.6 years. The stock based compensation expense was \$135 for the three months ended September 30, 2008.

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4. SEGMENTED FINANCIAL INFORMATION

The Company's operations include two reportable segments. The product segment designs, develops and distributes electronic communications products to cable, wireless and telephony markets. The service segment provides cable television and Internet services in Ontario, Saskatchewan, Alberta and British Columbia. Inter-segment transactions take place on terms that approximate fair values. The majority of the Company's operations, employees and assets are located in Canada. The following highlights key financial information for the operations of these segments.

	Three months ended September 30, 2008			
	Product	Services	Inter- segmented eliminations	Total
Sales	\$ 34,556	\$ 2,390	\$ (173)	\$ 36,773
Cost of sales	17,634	589	(132)	18,091
Gross margin	16,922	1,801	(41)	18,682
Operating expenses	6,242	1,782	19	8,043
Operating income	10,680	19	(60)	10,639
Foreign exchange (loss) gains	396	5	-	401
Other income	142	1	-	143
Income (loss) before income taxes	11,218	25	(60)	11,183
Income taxes	3,368	7	-	3,375
Net income	\$ 7,850	\$ 18	\$ (60)	\$ 7,808
Total assets	\$ \$135,716	\$ \$23,270	\$ (10,278)	\$ \$148,708

	Three months ended September 30, 2007			
	Product	Services	Inter- segmented eliminations	Total
Sales	\$ 24,565	\$ 1,958	\$ (156)	\$ 26,367
Cost of sales	15,346	491	(76)	15,761
Gross margin	9,219	1,467	(80)	10,606
Operating expenses	6,440	1,505	(166)	7,779
Operating income	2,779	(38)	86	2,827
Foreign exchange gains	318	(20)	-	298
Other income	185	53	-	238
Income (loss) before income taxes	3,282	(5)	86	3,363
Income taxes	1,101	-	25	1,126
Net income	\$ 2,181	\$ (5)	\$ 61	\$ 2,237
Total assets	\$ \$131,722	\$ \$10,214	\$ (10,169)	\$ \$131,767

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Three months ended September 30, 2008
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4. SEGMENTED FINANCIAL INFORMATION (continued)

Geographical:

	Three months ended September 30,	
	2008	2007
Sales		
Canada	\$ 3,795	\$ 3,557
United States	18,094	9,728
Thailand	12,435	6,367
Israel	1,254	5,207
Other	1,195	1,508
	\$ 36,773	\$ 26,367

5. COMPARATIVE FIGURES

Certain of the prior period's comparative figures have been reclassified to conform to the current period's presentation.



Forward-looking statements

This document may contain forward-looking statements relating to our operations or to the environment in which we operate, which are based on our operations, estimates, forecasts and projections. 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 those set forth under the heading "Risk Factors" in the Company's Annual Information Form dated September 26, 2008, a copy of which is available at www.sedar.com. 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.

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Listing

The common shares of Vecima are traded on the Toronto Stock Exchange under the symbol "VCM".

Transfer Agent

Computershare Investor Services Inc.

Auditors

Deloitte & Touche LLP, Saskatoon

Solicitors

Bull, Housser & Tupper LLP, Vancouver