

## Vecima Reports Q4 and Fiscal Year 2009 Results

**VICTORIA** – (September 28, 2009) – Vecima Networks Inc. (“Vecima” or “the Company”) (TSX:VCM), today reported its fourth quarter and fiscal 2009 year end financial results for the period ended June 30, 2009. (All dollar amounts are in Canadian funds unless otherwise stated.)

“Vecima increased profits by 12% in the fiscal year ended June 30, 2009 compared to last fiscal year while experiencing a 5% decrease in sales,” said Dr. Surinder Kumar, Chairman and CEO. “Non-recurring fees for access to our technology, careful attention to cost control and product mix increased gross margin to 46% from 42% last year. Gross margin in excess of 40% is not sustainable in the long-run, but we expect to continue to be at the higher end of our traditional model of 35% to 40%.” “On the demand side,” said Kumar, “extended rolling-forecasts from some of our major customers are showing some recovery in demand from the recent low-point and, with the new products we have introduced, we expect to return to Vecima’s traditional growth mode.”

### Highlights:

- net income increased by 12% to \$13.2 million or \$0.58 per share in fiscal 2009 compared to \$11.9 million or \$0.51 per share in fiscal 2008; net income decreased 28% in Q4 to \$3.2 million or \$0.14 per share compared to \$4.4 million or \$0.19 per share in the same period last year;
- gross margin in fiscal 2009 was 46% compared to 42% last year; gross margin in Q4 was 34% compared with gross margin of 45% in Q4 of the prior year;
- revenue decreased by 5% to \$114.2 million in fiscal 2009 compared to \$120.6 million in fiscal 2008; revenue decreased 44% in Q4 to \$20.5 million compared to \$36.4 million in Q4 last year;
- operating profit increased \$2.1 million to \$19.9 million, or \$0.86 per share in fiscal 2009 compared to \$17.7 million, or \$0.76 per share, in fiscal 2008; operating expenses decreased 9% to \$7.4 million in Q4 compared to \$8.1 million in the same period last year;
- late in the 2009 fiscal year, we began delivering manufactured models of our new TerraceA multiunit digital transport adaptor (M-DTA) designed under a multi-year engineering, supply and maintenance contract with a leading, US-based cable multiple system operator (MSO);
- signing of a multi-year engineering, supply and maintenance contract in February 2009 with a leading, US-based OEM for TerraceQAM, a follow-on product to our new TerraceA, that will deliver encrypted digital HD and SD television directly to newer flat-panel digital television units;

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- delivering the first units of the custom-designed base station and subscriber equipment to Télébec, a member of the Bell Aliant Regional Communications Group, for wide-spread wireless deployment in rural Québec; and
- announcing a partnership between Spectrum Signal Processing and LiveTV LLC to supply next generation radios for Live TV's connectivity system, permitting in-flight sending and receiving of email.

#### Outlook:

Vecima has seen decreased demand as our customers conserve cash by delaying capital purchases. Our revenue for the 2009 fiscal year was down 5% from last fiscal year as predicted last quarter. Our five-year compound annual growth rate (CAGR) in revenue was 21% for the year ended June 30, 2009, at the lower end of our business model target. If changes in the foreign exchange rate for the Canadian dollar compared to the United States dollar are eliminated, Vecima's revenue for fiscal 2009 increased at a five-year CAGR of 27% and profits increased at a five-year CAGR of 18% per year.

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.

The Company's full consolidated financial statements and management's discussion and analysis for the three months and twelve months ended June 30, 2009 are posted on [www.SEDAR.com](http://www.SEDAR.com).

Vecima's consolidated financial statements and accompanying notes for the three months and twelve months ended June 30, 2009 are available at [http://www.vecima.com/financials\\_ir.php](http://www.vecima.com/financials_ir.php). A conference call and live audio webcast will be held on September 28, 2009 at 11 a.m. EDT to discuss the results. To participate in the teleconference, dial 888-396-2298 or 617-847-8708 and enter the code 24891484. The fourth quarter fiscal 2009 earnings call webcast is available at [http://www.vecima.com/events\\_ir.php](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, fibre and telephony networks. Vecima's hardware products incorporate original embedded software to meet the complex requirements of next-generation, high-speed digital networks. Service providers use Vecima's solutions to deliver services to a converging worldwide broadband market, including what are commonly known as "triple play" (voice, video and data) and

"quadruple play" (voice, video, data and wireless) services. Vecima's solutions allow service providers to rapidly and cost-effectively bridge the final network segment that connects the system directly to end users, commonly referred to as "the last mile," by overcoming the bottleneck resulting from insufficient carrying capacity in legacy, last mile infrastructures. Vecima's products are directed at two principal markets: Converged Wired Solutions and Broadband Wireless. The Company has also developed, and continues to focus on developing, products to address emerging markets such as Voice over Internet Protocol, fibre to the home and IP video. [www.vecima.com](http://www.vecima.com)

### **Forward-Looking Statements**

Certain statements in this news release may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this news release, such statements are generally identified by the use of such words as "may", "will", "expect", "believe", "plan", "intend" and other similar terminology. These statements reflect Vecima's current expectations regarding future events and operating performance and speak only as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors including, but not limited to, the factors discussed under "Risk Factors" in the Company's Annual Information Form dated September 28, 2009 available on SEDAR ([www.sedar.com](http://www.sedar.com)), could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this news release are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this news release, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

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

	As at June 30,	
	2009	2008
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ -	\$ 2,010
Marketable securities	898	-
Accounts receivable	14,707	25,174
Inventories	49,058	38,076
Current portion of leases receivable	413	531
Prepaid expenses	516	447
Other current assets	65	77
Current future tax asset	861	1,788
	<b>66,518</b>	<b>68,103</b>
Leases receivable	246	305
Capital assets	37,592	37,707
Deferred development costs	7,495	2,669
Intangible assets	2,496	2,597
Investment tax credit asset	28,989	23,857
Future tax assets	4,445	8,420
	<b>\$ 147,781</b>	<b>\$ 143,658</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 335	\$ -
Accounts payable and accrued liabilities	12,158	20,327
Warranty accrual	500	500
Deferred revenue	1,471	2,160
Current portion of long-term debt	250	250
	<b>14,714</b>	<b>23,237</b>
Long-term debt	4,208	4,458
	<b>18,922</b>	<b>27,695</b>
<b>Shareholders' equity</b>		
Share capital	35,317	35,512
Contributed surplus	2,276	1,871
Retained earnings	91,266	78,580
	<b>128,859</b>	<b>115,963</b>
	<b>\$ 147,781</b>	<b>\$ 143,658</b>

**VECIMA NETWORKS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(in thousands of Canadian dollars except net income per share data)

	Three months ended		Years ended	
	June 30		June 30	
	2009	2008	2009	2008
	(unaudited)	(unaudited)		
<b>Sales</b>	\$ 20,491	\$ 36,366	\$ 114,231	\$ 120,557
<b>Cost of sales</b>	13,448	20,018	61,592	69,807
<b>Gross margin</b>	7,043	16,348	52,639	50,750
<b>Operating expenses</b>				
Research and development	1,444	971	8,846	8,922
Sales and marketing	1,568	1,974	6,445	6,883
General and administrative	4,205	4,918	17,698	16,196
Stock-based compensation	10	56	415	437
Interest expense	162	226	466	608
	7,389	8,145	33,870	33,046
Gain on the sale of capital assets			1,083	-
<b>Operating income</b>	(346)	8,203	19,852	17,704
Foreign exchange (loss) gain	4,216	264	(1,947)	805
Other income	405	174	772	844
<b>Income before income taxes</b>	4,275	8,641	18,677	19,353
Income taxes	1,093	4,210	5,432	7,488
<b>Net income and Comprehensive income</b>	3,182	4,431	13,245	11,865
<b>Net income per share</b>				
Basic and diluted	\$ 0.14	\$ 0.19	\$ 0.58	\$ 0.51
Weighted average number of Common Shares outstanding - basic and diluted	22,948,400	23,213,783	23,033,599	23,151,103

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

	Three months ended		Years ended	
	June 30,		June 30,	
	2009	2008	2009	2008
<b>Cash flows from (used in) operating activities</b>	(Unaudited) (Unaudited)			
Net income	\$ 3,182	\$ 4,431	\$ 13,245	\$ 11,865
Add (deduct) items not requiring cash				
Future income taxes recovery	540	1,827	4,902	5,025
Amortization of capital assets	1,756	1,832	6,113	5,376
Amortization of deferred development costs	986	889	3,369	2,105
Amortization of other assets	116	183	146	210
Gain on the sale of capital assets	-	-	(1,083)	-
Stock-based compensation	10	56	415	437
Net change in non-cash working capital relating to operations	(4,558)	305	(14,385)	(5,193)
	<b>2,032</b>	<b>9,523</b>	<b>12,722</b>	<b>19,825</b>
<b>Cash flows from (used in) investing activities</b>				
Purchase of capital assets	(789)	(3,712)	(7,625)	(12,793)
Proceeds from the sales of assets		-	2,700	-
Purchase of marketable securities	91	-	(898)	-
Deferred development costs	(1,791)	(1,092)	(8,195)	(2,629)
Purchase of other assets	(93)	(207)	(45)	(282)
	<b>(2,582)</b>	<b>(5,011)</b>	<b>(14,063)</b>	<b>(15,704)</b>
<b>Cash flows from (used in) financing activities</b>				
Proceeds from shares issued through exercised options			-	38
Purchase and cancellation of shares	-	(11)	(754)	(1,932)
Repayment of long-term debt	(63)	(63)	(250)	(271)
	<b>(63)</b>	<b>(74)</b>	<b>(1,004)</b>	<b>(2,165)</b>
Increase (decrease) in cash during the period	<b>(613)</b>	4,438	<b>(2,345)</b>	1,956
Cash beginning of period,	278	(2,428)	2,010	54
<b>Cash (Bank indebtedness), end of period</b>	<b>\$ (335)</b>	<b>\$ 2,010</b>	<b>\$ (335)</b>	<b>\$ 2,010</b>

**Vecima Networks**

Alan Brick, Investor Relations Officer

250-881-1982

invest@vecima.com