

SANDVINE REPORTS Q3 2009 RESULTS

Waterloo, Canada; October 8, 2009 – Sandvine Corporation, (TSX:SVC; AIM:SAND) a leading provider of intelligent broadband network solutions for DSL, cable, FTTx, fixed wireless and mobile operators, today reported third quarter fiscal 2009 revenue of \$16.0 million. Revenue was 5% higher than in Q2 2009 and 22% higher than in Q3 2008.

“We are pleased with the return to growth and believe that our market can support higher revenue levels. We see good opportunities ahead and continue to like our competitive position,” said Dave Caputo, Sandvine’s president and chief executive officer.

Sandvine continues to win business from a variety of broadband access technology markets and sales regions. For the second consecutive quarter, the emerging wireless market generated record revenues and was the largest contributor to total revenues and customer wins. Revenue from Sandvine’s Asia-Pacific region also hit record highs. Total year-to-date revenue is up more than 50% over last year.

“In the first nine months of 2009, we are approaching the same level of revenue as for all of 2008, so our expectation for growth this year has materialized,” added Caputo. “As our customer base has expanded and diversified, any of our access markets, sales regions and sales channels could make the largest revenue contribution in a given quarter.”

Sandvine’s net loss improved during Q3 2009, compared to both Q2 2009 and Q3 2008, due to higher revenue, and lower cash operating expenses (in comparison to Q2 2009). Third quarter 2009 net loss was \$4.4 million, or \$0.032 per diluted share. On a non-GAAP¹ basis, which excludes certain non-cash items, the Company’s net loss was \$3.1 million, or \$0.023 per diluted share. A reconciliation of GAAP to non-GAAP¹ results is included as Table 1. The Company’s cash and marketable securities at August 31, 2009 totaled \$87.5 million.

FINANCIAL HIGHLIGHTS (All amounts are in Canadian dollars)

<i>Millions of dollars, except per share data and where otherwise indicated</i>	Q3 2009	Q3 2008	Change	Q2 2009	Change
Revenue	16.0	13.1	22%	15.2	5%
Gross Margin percent	73%	75%	-2pp	76%	-3pp
R&D, SG&A	13.6	12.6	8%	14.7	-7%
Net Loss	(4.4)	(6.3)		(5.6)	
Non-GAAP ¹ Loss	(3.1)	(4.3)		(4.4)	
Diluted Loss Per Share	(0.032)	(0.046)		(0.042)	
Non-GAAP ¹ Diluted Loss Per Share	(0.023)	(0.032)		(0.033)	

After quarter-end, Sandvine announced the launch of its third-generation Network Policy Control platform, the PTS 24000, the market’s new performance leader. The PTS 24000, the latest in Sandvine’s award-winning policy traffic switch lineup, offers throughput of up to 60 Gbps per box, and clusters to deployments of up to 240 Gbps, for market-leading performance.

“We are making good progress on key strategic initiatives,” added Caputo. “We have been able to continue to strategically invest in research and development and sales and marketing through the

past year while other companies in our space were forced to cut back. Our rapid growth in the wireless market, the release of the PTS 24000 and winning new customers validate that strategy.”

Sandvine’s year-to-date revenue was \$49.8 million, up 53% from \$32.5 million for the comparable period of fiscal 2008. Year-to-date non-GAAP net loss was \$8.7 million, or 0.064 per diluted share, (GAAP basis: \$14.8 million, or 0.109 per diluted share) compared to \$13.6 million, or 0.100 per diluted share (GAAP basis: \$17.9 million, or 0.131 per diluted share) for the comparable period of fiscal 2008.

Sandvine is focused on growing its fixed and mobile service provider customer base and the number of broadband subscribers they represent. The Company has over 170 service provider customers in over 70 countries. Together these customers serve more than 80 million fixed line broadband subscribers and a rapidly growing number of mobile data subscribers.

In the third quarter of 2009 Sandvine won 11 new customers.

- *By access technology*: six wireless operators, three DSL service providers, and two cablecos.
- *By geography*: five from EMEA, and two each from Caribbean and Latin America, North America, and Asia-Pacific. Sandvine made initial sales to customers in five new countries.
- *Large customers*: initial orders from three Tier 1 fixed line service providers (greater than 1 million broadband subscribers each) and one new wireless customer that is in the Top 100 worldwide, by voice subscriber count.
- *Sales channel*: five customers were won through reseller partners, including three that were won through our strategic relationships with global network equipment vendors.

CONFERENCE CALL

The Company will discuss the quarterly results and business outlook on a conference call at 8:30 a.m. Eastern time (1:30 BST) today. A webcast will be available on Sandvine’s website.

Date	October 8, 2009
Time	8:30 a.m. Eastern (1:30 BST)
Local dial-in number	416 644 3415
Toll-free North America	800 814 4860
Toll-free United Kingdom	0800 358 5263

A replay of the call will be available at 416-640-1917 or at 877-289-8525 (passcode 4164074#) from approximately 10:30 a.m. Eastern time on the day of the call through October 15.

ABOUT SANDVINE

Sandvine is focused on protecting and improving the quality of experience on the Internet. Our award-winning network equipment and solutions help cable, DSL, FTTx, fixed wireless and mobile operators better serve their subscribers and understand network trends; offer new services; mitigate malicious traffic; manage network congestion; and deliver QoS-prioritized multimedia services. With customers in over 70 countries serving over a hundred million broadband and wireless subscribers, Sandvine is enhancing the Internet experience worldwide.

www.sandvine.com

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CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain statements in this press release which are not historical facts constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements related to Sandvine's projected revenues, earnings, growth rates, revenue mix and product plans are forward-looking statements as are any statements relating to future events, conditions or circumstances. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and the Company does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors, and those factors which are further discussed in the Company's Annual Information Form ("AIF"), a copy of which is available on SEDAR at www.sedar.com.

- The Company's revenues may fluctuate from quarter to quarter and year to year depending upon sales cycles, customer demand and the timing of customer purchase decisions;
- The Company's gross margins may fluctuate from period to period depending upon a variety of factors including product mix in the quarter, competitive pricing pressures and the level of sales generated through indirect channels;
- The Company is dependent upon and expects to continue to derive a large percentage of its revenue from both a small number of key customers and key reseller partners, none of whom are bound to any fixed purchase commitment or exclusivity obligations;
- The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes;
- The Company's growth is dependent on the development of the market for intelligent broadband network management solutions and the decisions of the Company's target customers to deploy and further invest in those technologies, which decisions may be impacted upon by changing requirements in the area of broadband network management policies and/or changes in the regulatory framework to which the Company's customers may be subject. In particular, recent comments by the Chair of the Federal Communications Commission in the United States (the "FCC") suggest that the FCC intends to consider additional regulation in respect of network management practices of internet service providers. These comments may cause uncertainty in the network investment decisions of the Company's target customers, and any new rules or regulations in this area may impact the demand for the Company's products within the United States, which has historically been the Company's largest market;
- Overall economic conditions and the availability of credit may negatively impact the Company's customers and suppliers;
- The majority of the Company's operating expenses are denominated in Canadian dollars, U.S. dollars and New Israeli Shekels while its revenues and cost of sales are generally denominated in

U.S. dollars. The Company's earnings are impacted by fluctuations in the exchange rates between these and other currencies in which the Company trades;

- The introduction and sale of new products and services by the Company may impact the timing of revenue recognition which could raise greater revenue fluctuations from quarter to quarter than has been experienced historically.

Table 1

1. Non-GAAP Financial Measures

The following table provides a reconciliation of non-GAAP net income (loss) and related per share amounts to GAAP net income (loss) and the related per share amounts for the period indicated. These non-GAAP financial measures which are used internally by management to evaluate the Company's ongoing performance exclude the impact of stock based compensation, amortization of intangible assets acquired through business acquisitions and goodwill impairment expenses (collectively referred to as "Excluded Expenses"). The Company provides these non-GAAP financial measures as it is the Company's view that the Excluded Expenses are either (i) not part of its normal day-to-day operations and/or (ii) represent a "non-cash" accounting charge that does not deplete its cash resources. Accordingly, the Company believes that such financial measures may also be useful to investors in enhancing their understanding of the Company's operating performance. Non-GAAP net income (loss) is not recognized under Canadian GAAP and does not have a standardized meaning prescribed by Canadian GAAP. Therefore it is unlikely to be comparable to similarly titled measures reported by other issuers. Non-GAAP financial measures should be considered in the context of the Company's GAAP results.

	Three month period ended		Nine month period ended	
	August 31, 2009 \$	August 31, 2008 \$	August 31, 2009 \$	August 31, 2008 \$
	<i>Amounts in thousands</i>			
Net loss	(4,358)	(6,256)	(14,788)	(17,864)
Stock based compensation expense	823	1,538	2,463	3,036
Amortization of intangible assets acquired through business acquisitions	400	400	1,200	1,200
Goodwill impairment	-	-	2,425	-
Net loss excluding the impact of the items specified above	(3,135)	(4,318)	(8,700)	(13,628)

	Three month period ended		Nine month period ended	
	August 31, 2009 \$	August 31, 2008 \$	August 31, 2009 \$	August 31, 2008 \$
Basic and diluted loss per share	(0.032)	(0.046)	(0.109)	(0.131)
Impact on basic and diluted earnings per share of Excluded Expenses	0.009	0.014	0.045	0.031
Basic and diluted loss per share excluding the impact of Excluded Expenses	(0.023)	(0.032)	(0.064)	(0.100)

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Sandvine Corporation

Consolidated Interim Balance Sheets

As at August 31, 2009

(in Canadian dollars, amounts in thousands) (unaudited)

	August 31 2009	November 30 2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,668	3,872
Marketable securities	84,790	88,676
Accounts receivable	16,936	19,202
Inventory	10,196	14,960
Other	2,177	1,513
	<u>116,767</u>	<u>128,223</u>
Non current assets		
Plant and equipment	13,186	12,595
Intangible assets	5,556	6,809
Goodwill	-	2,425
	<u>18,742</u>	<u>21,829</u>
	<u>135,509</u>	<u>150,052</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,588	8,941
Current portion of deferred revenue	7,755	8,951
	<u>15,343</u>	<u>17,892</u>
Non current liabilities		
Deferred revenue	523	186
Future tax liability	252	196
	<u>775</u>	<u>382</u>
	<u>16,118</u>	<u>18,274</u>
Shareholders' equity		
Share capital	146,693	145,103
Contributed surplus	6,545	5,608
Accumulated other comprehensive income (loss)	(80)	46
Deficit	<u>(33,767)</u>	<u>(18,979)</u>
	<u>119,391</u>	<u>131,778</u>
	<u>135,509</u>	<u>150,052</u>

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Operations

For the three and nine month periods ended August 31, 2009

(in Canadian dollars, amounts in thousands, except share and per share data) (unaudited)

	Three months ended		Nine months ended	
	August 31 2009 \$	August 31 2008 \$	August 31 2009 \$	August 31 2008 \$
Revenue				
Product	11,995	10,263	37,045	22,977
Service	4,035	2,862	12,771	9,523
	<u>16,030</u>	<u>13,125</u>	<u>49,816</u>	<u>32,500</u>
Cost of sales				
Product	3,452	2,682	10,211	6,221
Service	872	629	2,343	1,667
	<u>4,324</u>	<u>3,311</u>	<u>12,554</u>	<u>7,888</u>
Gross margin	<u>11,706</u>	<u>9,814</u>	<u>37,262</u>	<u>24,612</u>
Expenses				
Sales and marketing	4,682	4,408	15,313	12,580
Research and development	6,696	6,283	20,684	18,142
General and administrative	2,228	1,886	6,578	6,386
Stock based compensation	823	1,538	2,463	3,036
Amortization of intangible assets	537	537	1,570	1,592
Depreciation	1,210	918	3,445	2,363
Goodwill impairment	-	-	2,425	-
	<u>16,176</u>	<u>15,570</u>	<u>52,478</u>	<u>44,099</u>
Loss from operations	<u>(4,470)</u>	<u>(5,756)</u>	<u>(15,216)</u>	<u>(19,487)</u>
Interest and other income	114	706	580	2,686
Loss before income taxes	<u>(4,356)</u>	<u>(5,050)</u>	<u>(14,636)</u>	<u>(16,801)</u>
Provision for (recovery of) income taxes				
Current	27	40	95	79
Future	(25)	1,166	57	984
	<u>2</u>	<u>1,206</u>	<u>152</u>	<u>1,063</u>
Net loss for the period	<u>(4,358)</u>	<u>(6,256)</u>	<u>(14,788)</u>	<u>(17,864)</u>
Loss per share				
Basic and diluted	(0.032)	(0.046)	(0.109)	(0.131)
Basic and diluted weighted average number of shares outstanding	<u>135,653,593</u>	<u>136,191,095</u>	<u>135,597,816</u>	<u>136,654,074</u>

See accompanying notes to the consolidated interim financial statements

Sandvine Corporation

Consolidated Interim Statements of Cash Flows

For the three and nine month periods ended August 31, 2009

(in Canadian dollars, amounts in thousands) (unaudited)

	Three months ended		Nine months ended	
	August 31 2009 \$	August 31 2008 \$	August 31 2009 \$	August 31 2008 \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(4,358)	(6,256)	(14,788)	(17,864)
Items not affecting cash				
Amortization of intangible assets	537	537	1,570	1,592
Depreciation	1,237	944	3,528	2,426
Foreign exchange (gain) loss	155	(129)	279	(161)
Stock-based compensation	823	1,538	2,463	3,036
Goodwill impairment	-	-	2,425	-
Future income tax provision	(25)	1,166	57	984
Other	-	-	-	(328)
	(1,631)	(2,200)	(4,466)	(10,315)
Changes in non-current balances	127	(31)	337	(21)
Changes in non-cash working capital balances	(525)	1,573	3,473	(472)
	(2,029)	(658)	(656)	(10,808)
Investing activities				
Purchase of plant, equipment and intangible software assets	(589)	(1,951)	(4,435)	(4,494)
Purchase of marketable securities	(85,993)	(140,179)	(470,411)	(571,185)
Sale of marketable securities	84,921	144,990	474,234	588,906
	(1,661)	2,860	(612)	13,227
Financing activities				
Proceeds from the issuance of share capital	44	66	64	240
Common shares repurchased	-	(1,069)	-	(1,821)
	44	(1,003)	64	(1,581)
Net (decrease) increase in cash during period	(3,646)	1,199	(1,204)	838
Cash and cash equivalents – Beginning of period	6,314	7,517	3,872	7,878
Cash and cash equivalents – End of period	2,668	8,716	2,668	8,716
Cash and cash equivalents are represented by				
Balances with banks	2,427	5,941	2,427	5,941
Cash equivalents	241	2,775	241	2,775

See accompanying notes to the consolidated interim financial statements