

Attention: Technology Editors

SANDVINE REPORTS Q2 2010 RESULTS

Waterloo, Canada; July 8, 2010 – Sandvine, (TSX:SVC; AIM:SAND) a leading provider of intelligent network policy control solutions for fixed and mobile operators, today reported record quarterly revenue of \$22.4 million and GAAP net income of \$2.0 million (non-GAAP¹: \$3.7 million) for its second quarter of 2010.

“This is our fourth consecutive quarter of revenue growth and second consecutive quarter with positive earnings and cash flow. We remain focused on continuing our revenue growth and are pleased with our progress towards this goal so far this year,” said Dave Caputo, Sandvine’s President and Chief Executive Officer.

The DSL and mobile markets each had record quarters, each contributing 40% of Sandvine’s second quarter revenue, while the cable market contributed 20% of revenue. Sandvine’s revenue was split almost equally between North America and all other sales regions combined. Forty-one percent of revenue was earned through reseller partners.

Over the quarter Sandvine generated \$3.1 million in cash which increased its cash and marketable securities balance to \$91.6 million at May 31, due largely to positive cash flow from operations.

FINANCIAL HIGHLIGHTS (All amounts are in Canadian dollars)

<i>Millions of dollars, except per share data and where otherwise indicated</i>	Q2 2010	Q2 2009	Δ	Q1 2010	Δ
Revenue	22.4	15.2	47%	21.9	2%
Gross Margin percent	74%	76%	-2pp	75%	-1pp
R&D, SG&A	11.8	14.7	-20%	13.6	-13%
Net Income (Loss)	2.0	(5.6)	-	0.6	251%
Diluted Earnings (Loss) Per Share	0.014	(0.042)	-	0.004	250%
Non-GAAP ¹ Income (Loss)	3.7	(4.4)	-	1.6	128%
Non-GAAP ¹ Diluted Income (Loss) Per Share	0.026	(0.033)	-	0.012	117%

GAAP earnings were positively impacted by \$3.2 million of funding from Ontario’s Next Generation of Jobs Fund. The Company anticipates recording funding of \$0.6 – \$0.7 million per quarter of funding related to this program during the term of the agreement which ends in February 2014. GAAP earnings were negatively impacted in the quarter by a \$0.7 million one-time, non-cash intangible asset impairment charge.

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 190 service provider customers in over 80 countries. Together these customers serve more than 90 million fixed line broadband subscribers and more than 200 million mobile subscribers, a rapidly growing number of whom use broadband data services.

In the second quarter of 2010 Sandvine won nine new customers.

- *By access technology*: five DSL service providers, three mobile service providers and one cable operator.
- *By geography*: four from North America, three from EMEA and one each from Asia Pacific and Caribbean and Latin America. Sandvine made initial sales to customers in three new countries.
- *Sales channel*: three customers were won through reseller partners, including two that were won through 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.

Local dial-in number	416 644 3416
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 toll-free at 877-289-8525 (passcode 4321489#) from approximately 10:30 a.m. Eastern time on the day of the call through July 15.

ABOUT SANDVINE

Sandvine's network policy control solutions focus on protecting and improving the quality of experience on the Internet.

Our award-winning network equipment and software helps DSL, FTTx, cable, fixed wireless and mobile operators better understand network traffic, manage network congestion, create new services and revenues, mitigate traffic that is malicious or undesirable to subscribers, deliver QoS-prioritized multimedia services and increase subscriber satisfaction. With service provider customers in more than 80 countries serving hundreds of millions of broadband and mobile data subscribers, Sandvine is enhancing the Internet experience worldwide.

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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 and could change their buying patterns and/or source of supply at any time, which could have a material impact on the Company's revenues;
- The Company faces intense competition in markets where there are typically several different competing technologies and rapid technological changes. The Company faces the risk of emergence of new technologies that may be either competitive to those of the Company or that change the requirements of the Company's customers for solutions such as those offered by the Company;
- 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, the Federal Communications Commission in the United States (the "FCC") has announced a Notice of Proposed Rulemaking pursuant to which the FCC intends to consider whether additional regulation in respect of network management practices of internet service providers is required. The FCC has also initiated a Notice of Inquiry to identify the approach that will best support its efforts in this regard, including the possibility of regulating broadband services (or just specific aspects of it) under the same (Title II) requirements of the United States' Telecommunications Act under which traditional telecommunications services have been regulated. These processes may cause uncertainty in the network investment decisions of the Company's target customers, and any new rules or regulations that result from this process may impact the demand for the Company's products within the United States, which has historically been the Company's largest market, and elsewhere, as service providers and regulators in other countries may look to practices adopted in the United States;
- 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;

Table 1

1. Non-GAAP Financial Measures

The following table provides a reconciliation of GAAP net income (loss) and related per share amounts to non-GAAP net income (loss) and the related per share amounts for the periods 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 and intangible 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			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
Amounts in thousands					
Net income (loss)	1,958	558	(5,635)	2,516	(10,430)
Excluded Expenses					
Stock based compensation expense	743	667	824	1,410	1,640
Amortization of intangible assets acquired through business acquisitions	331	400	400	731	800
Goodwill impairment	-	-	-	-	2,425
Intangible impairment	669	-	-	669	-
Net income (loss) excluding the impact of Excluded Expenses	3,701	1,625	(4,411)	5,326	(5,565)
	Three month period ended			Six month period ended	
	May 31 2010 \$	February 28 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
Diluted earnings (loss) per share	0.014	0.004	(0.042)	0.018	(0.077)
Impact on diluted earnings (loss) per share of Excluded Expenses	0.012	0.008	0.009	0.020	0.036
Diluted earnings (loss) per share excluding the impact of Excluded Expenses	0.026	0.012	(0.033)	0.038	(0.041)

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Sandvine Corporation

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As at May 31, 2010

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

	May 31	November 30
	2010	2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	7,476	2,341
Marketable securities	84,097	83,423
Accounts receivable	17,616	20,741
Inventory	12,199	9,744
Other	2,258	1,773
	<u>123,646</u>	<u>118,022</u>
Non current assets		
Plant and equipment	13,649	13,026
Intangible assets	2,522	5,221
Intangible asset held for sale	1,105	-
	<u>17,276</u>	<u>18,247</u>
	<u>140,922</u>	<u>136,269</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	8,884	10,732
Current portion of deferred revenue	9,989	7,513
	<u>18,873</u>	<u>18,245</u>
Non current liabilities		
Deferred revenue	734	790
	<u>734</u>	<u>790</u>
	<u>19,607</u>	<u>19,035</u>
Shareholders' equity		
Share capital	147,182	146,820
Contributed surplus	10,213	9,000
Accumulated other comprehensive loss	(100)	(90)
Deficit	<u>(35,980)</u>	<u>(38,496)</u>
	<u>121,315</u>	<u>117,234</u>
	<u>140,922</u>	<u>136,269</u>

Sandvine Corporation

Consolidated Interim Statements of Operations

For the three and six month periods ended May 31, 2010

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

	Three months ended		Six months ended	
	May 31 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
Revenue				
Product	17,071	10,186	35,887	25,050
Service	5,333	5,023	8,380	8,736
	<u>22,404</u>	<u>15,209</u>	<u>44,267</u>	<u>33,786</u>
Cost of sales				
Product	4,403	2,977	9,041	6,759
Service	1,395	714	2,319	1,471
	<u>5,798</u>	<u>3,691</u>	<u>11,360</u>	<u>8,230</u>
Gross margin	<u>16,606</u>	<u>11,518</u>	<u>32,907</u>	<u>25,556</u>
Expenses				
Sales and marketing	4,502	5,380	9,105	10,631
Research and development	5,305	6,890	11,836	13,988
General and administrative	1,999	2,438	4,470	4,350
Stock based compensation	743	824	1,410	1,640
Amortization of intangible assets	434	535	944	1,033
Depreciation	1,057	1,185	2,031	2,235
Intangible impairment	669	-	669	-
Goodwill impairment	-	-	-	2,425
	<u>14,709</u>	<u>17,252</u>	<u>30,465</u>	<u>36,302</u>
Income (loss) from operations	<u>1,897</u>	<u>(5,734)</u>	<u>2,442</u>	<u>(10,746)</u>
Interest and other income	<u>86</u>	<u>134</u>	<u>135</u>	<u>466</u>
Income (loss) before provision for income taxes	<u>1,983</u>	<u>(5,600)</u>	<u>2,577</u>	<u>(10,280)</u>
Provision for income taxes				
Current	25	21	61	68
Future	-	14	-	82
	<u>25</u>	<u>35</u>	<u>61</u>	<u>150</u>
Net income (loss) for the period	<u>1,958</u>	<u>(5,635)</u>	<u>2,516</u>	<u>(10,430)</u>
Earnings (loss) per share				
Basic	0.014	(0.042)	0.019	(0.077)
Diluted	0.014	(0.042)	0.018	(0.077)
Basic weighted average number of shares outstanding	<u>136,006,036</u>	<u>135,585,389</u>	<u>135,918,460</u>	<u>135,569,699</u>
Diluted weighted average number of shares outstanding	<u>141,153,586</u>	<u>135,585,389</u>	<u>140,450,955</u>	<u>135,569,699</u>

Sandvine Corporation

Consolidated Interim Statements of Cash Flows

For the three and six month periods ended May 31, 2010

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

	Three months ended		Six months ended	
	May 31 2010 \$	May 31 2009 \$	May 31 2010 \$	May 31 2009 \$
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	1,958	(5,635)	2,516	(10,430)
Items not affecting cash				
Amortization of intangible assets	434	535	944	1,033
Depreciation	1,137	1,200	2,181	2,291
Foreign exchange loss (gain)	161	(104)	150	(115)
Stock-based compensation	743	824	1,410	1,640
Goodwill impairment	-	-	-	2,425
Future income tax provision	-	14	-	82
Intangible impairment	669	-	669	-
	5,102	(3,166)	7,870	(3,074)
Changes in non-current balances	19	146	(57)	210
Changes in non-cash working capital balances	(477)	1,551	671	4,237
	4,644	(1,469)	8,484	1,373
Investing activities				
Purchase of plant, equipment and intangible software assets	(1,657)	(1,101)	(2,880)	(3,846)
Purchase of marketable securities	(31,097)	(172,361)	(60,586)	(384,418)
Sale of marketable securities	26,969	171,727	59,884	389,313
	(5,785)	(1,735)	(3,582)	1,049
Financing activities				
Proceeds from the issuance of share capital	178	20	233	20
	178	20	233	20
Net increase (decrease) increase in cash during period	(963)	(3,184)	5,135	2,442
Cash and cash equivalents – Beginning of period	8,439	9,498	2,341	3,872
Cash and cash equivalents – End of period	7,476	6,314	7,476	6,314
Cash and cash equivalents are represented by				
Balances with banks	5,880	1,692	5,880	1,692
Cash equivalents	1,596	4,622	1,596	4,622