

March 5, 2010

Dear Sandvine shareholder,

Enclosed, you will find materials relating to Sandvine's fiscal year 2009 Annual Meeting of Shareholders. You can also find this information online at [www.sandvine.com](http://www.sandvine.com).

Sandvine's focus in recent years has been to solidify our leadership in the North American cable market while strengthening our business by diversifying into: new access technology markets – namely DSL and mobile broadband; new geographical regions; new sales channels and new Network Policy Control solution areas. In 2009, our financial results, the growth in our customer base and the expansion of our solutions portfolio demonstrated significant milestones along this continuing path.

#### **FINANCIAL RESULTS**

In 2009, Sandvine's total revenue grew 35% over 2008, an accomplishment that we are proud of, particularly considering the difficult economic backdrop for the year. Our revenue reflected more of the diversification we have been aiming to achieve. A couple of years ago, Sandvine's revenue was dominated by the cable market in North America. In 2009, roughly a third of our revenue came from each of the cable, DSL and mobile broadband markets and almost half of our revenue came from service providers outside North America. Part of our success outside North America results from traction with our reseller partners, which generated 35% of our 2009 revenue. Prior to 2008, virtually all of our revenue was generated by our direct sales force.

The increased diversity in our business has resulted in much less reliance on any single customer. In 2009 only one customer represented more than 10% of our revenue and it was a strategic reseller partner that resold our solutions to several service provider customers. Revenue growth excluding Comcast (our largest customer, historically) grew by 65% compared to 2008. In all, we have a much healthier revenue base today than we have ever had.

Sandvine's primary financial goal now is to grow revenue in order to become sustainably profitable. While we will continue to invest in the business, for 2010 we don't expect any step-function changes to our cash operating expenses. We are still in a young market and our

investments to date have paid off in a competitive leadership position. In January 2010, Infonetics Research identified Sandvine as the market share leader.

We continue to have a strong balance sheet. We have no long-term debt and we ended fiscal 2009 with \$86 million in cash and short term investments – a strong balance that provides comfort to our customers and enables us to continue to execute our strategy.

## **CUSTOMERS**

Penetration of Sandvine's solutions across our markets is still in early days, so we continue to focus on winning new customers. We have over 180 service provider customers in more than 70 countries. Combined, these service providers represent over 80 million fixed line broadband subscribers, and over 200 million mobile subscribers, a rapidly growing number of which use their mobile devices for data consumption.

We have won over 65% of our customers in the last three years and in 2009 we won a solid 37 new customers. Again, the results speak to increased diversity in Sandvine's business: over 20 of our new customers in 2009 were mobile broadband service providers – a market where we only had four customers at the end of 2007. We see the mobile market as presenting particularly exciting opportunities ahead. During 2009, we also began a network-wide deployment with NTT Communications of Japan, which has a DSL and fibre network with over eight million broadband subscribers. NTT Communications has a reputation for excellence that will make it an excellent reference for us globally as we target the world's largest broadband providers.

## **SOLUTIONS**

Sandvine's initial focus was to help service providers manage congestion in their broadband networks. Today our solutions do much more. They also help service providers create new services and revenue streams, mitigate traffic that is malicious or undesirable to subscribers, deliver quality-sensitive multimedia services, and increase subscriber satisfaction. Over half of the Requests for Proposal Sandvine received from potential customers in 2009 included aspects unrelated to congestion management.

In 2009, we enhanced our solutions in a number of ways. We launched a next-generation usage management solution. Both mobile and fixed line carriers, faced with declining average revenues per user and increasing demand for network bandwidth, are looking to transition their broadband access businesses from flat monthly rates to usage-based, tiered pricing models. A December 2009 Morgan Stanley report postulated that tiered pricing structures will become the norm in the

mobile broadband market. Our usage management solution helps service providers create these new service plans.

In September 2009 we launched our third generation Policy Traffic Switch hardware platform, the PTS 24000. The PTS 24000 is designed to economically scale to meet the needs of the world's largest service providers. The new PTS can process traffic for up to five million subscribers and offers up to 60 gigabits per second (Gbps) of throughput in a compact design that lowers service providers' total cost of ownership. Through our innovative Virtual Switch Cluster technology, multiple units can act as if it were a single unit to deliver throughput of up to 240 Gbps – sufficient for some of the busiest network locations on the Internet. The PTS 24000 launch was a tremendous success. By the end of 2009 seven service providers had already placed orders for this exciting new platform.

Other solution enhancements during 2009 included an upgraded version of Fairshare Traffic Management for advanced congestion management, and new technology partnerships that allow Sandvine to offer new integrated solutions, such as parental controls.

## **2010**

Sandvine's goal is to become the leader in Network Policy Control solutions for consumer Internet service providers worldwide. We are pleased with the advancements we made along this path in 2009. We have diversified the business across all access technology markets, all sales regions globally, through more reseller channels, and with a wider variety of solutions to offer our customers. We are keenly focused on our next step: to return Sandvine to sustainable profitability. We believe that market trends continue to support our business thesis and that Sandvine's current cost structure will support higher revenue levels yet. As always, I'd like to thank the entire Sandvine team for their efforts. I'd also like to thank you, our shareholders, for your support throughout 2009. I look forward to what promises to be an exciting 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Caputo". The signature is stylized and cursive.

Dave Caputo  
President and Chief Executive Officer