

February 17, 2009

Dear Sandvine shareholder,

Enclosed, you will find Sandvine's 2008 financial statements and management's discussion and analysis of results for the year, as requested. You can find all of this information online at www.sandvine.com, where we will also soon be posting an Online Annual Report for 2008.

Sandvine's vision is to become a de facto standard across the Internet for Network Policy Control solutions—a young and emerging market. The Internet is a phenomenal network, but it is simple. We help Internet service providers by making their networks smarter. In so doing, we help them deliver better service to their subscribers. To firmly establish our leadership in Network Policy Control, we must keep delivering the full potential of our solutions to customers, and continue to focus on winning new customers.

I am proud to say that we added over 40 new customers in fiscal 2008 — more than in 2007. By the end of fiscal 2008, our customer base had grown to over 140 service providers in 60 countries worldwide. Combined, these service providers represent more than 70 million broadband subscribers, and a rapidly growing number of mobile data subscribers. At the end of March 2008, there were roughly 370 million broadband subscribers worldwide — 20% higher than the year before — and there were over 2.5 billion wireless subscribers. At current growth rates we expect a significant number of these wireless users to become also mobile data consumers — the subscriber of interest to Sandvine. In short, we are pleased with the number of new customers we are winning and still see lots of opportunity ahead of us.

We also have a much more diversified revenue base today. Sandvine has been expanding its reach into major service providers in more end markets, more geographies and through more sales channels. Historically, cable companies have dominated our sales, but in 2008, revenue from DSL service providers more than tripled and it became our largest market by customer count. The wireless market grew from almost nothing in 2007 to represent just under 10% of our

revenues in 2008. Revenue from international markets more than doubled and revenue through reseller partners more than tripled, driven largely by our relationships with major networking equipment vendors, such as Huawei and Alcatel-Lucent. Among our customer wins were several Tier 1 service providers who will be key to our future growth.

North America represented the one significant weak spot in 2008. The region had represented just under 90% of 2007 revenues. In 2008, revenue from the region fell by more than 50%. We believe that the decline was due largely to a Federal Communications Commission (FCC) enquiry into certain congestion management practices in the U.S. Since the FCC announced their decision in the matter on August 1st, Sandvine has seen evidence of improvement in the region.

Unfortunately, from a financial perspective the decline in U.S. revenues overshadowed our successes elsewhere, as total revenue in 2008 fell substantially to \$51 million from \$74 million in 2007, and we swung from a profit to a loss. However, we continue to have a strong balance sheet. We ended the year with over \$90 million in cash and cash equivalents, all of which was invested in liquid securities that have matured at full value and have been reinvested since year-end.

During 2008, we continued to extend our technological lead. In particular we focused on new developments that address some of the needs of major mobile operators, such as high subscriber counts, subscriber mobility, and usage management functionality. The wireless market was the largest source of RFPs (requests for proposal or requests for information, etc.) in 2008, so it is important that we continue to develop relevant functionality for this important, rapidly growing market.

Sandvine also introduced its latest policy software solution for managing network congestion. Congestion Management for Fairshare can identify congested network locations and the root causes of congestion, then allocate network resources so that users and applications each get a fair share of network resources when they are most in demand. This solution has been critical in winning new business from U.S. service providers since the August FCC decision. The Fairshare solution reflects the success of our integration with CableMatrix, one of the two organizations we acquired in 2007. The integration of the Simplicita team, our other acquisition in 2007, has also resulted in successful solutions and increasing contributions to Sandvine's revenue.

For 2009, we expect our revenues to grow. We will also continue to increase investments so that we are best positioned for the long-term opportunity in our market. We will continue to invest in our hardware platform and new policy solutions, both through internal development and potentially through small technology acquisitions, if any can meet our strict criteria. We will selectively expand our global sales team and reseller relationships in regions and markets where we see meaningful returns. We will continue to establish our leadership positions in the DSL and wireless markets, continue to gain traction with Tier 1 accounts globally, and continue as leaders in the cable market. Our cash balance is both a competitive differentiator and a strong backstop to our market valuation, so we will make all investments in a manner that is mindful of these facts.

Sandvine completed a global broadband phenomena study in 2008. The results showed growing competition at peak network hours between bandwidth-hungry applications like peer-to-peer file sharing and streaming media, and real-time, interactive applications like voice-over-IP calls and online video gaming. In a “best efforts” network, one without Network Policy Control solutions like Sandvine’s, bandwidth-intensive applications and their users win this battle every time, at the expense of all other users and applications. To provide subscribers with the quality of experience they demand from all applications and to give each user their fair share of network resources, the Internet must get smarter. Sandvine adds that intelligence.

While 2008 was a challenging year for Sandvine, I think we will look back upon it as pivotal in our trajectory towards becoming a major, global network solutions provider. Sandvine has a much more diversified business today than we did a year ago. I believe that our ongoing investments have accelerated our lead in the market and will pay dividends for years to come. I would like to extend my heartfelt thanks to the Sandvine Team for maintaining the strategic focus that has let us emerge well-positioned for 2009. I am looking forward to an exciting year.



Dave Caputo
President and Chief Executive Officer
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