



**Enablence Technologies Inc. Announces Results for the Three and Eight Months Ended December 31, 2010**

**Toronto, Canada – February 8, 2011** – [Enablence Technologies Inc.](#) ("Enablence" or the "Company") (TSX VENTURE:ENA), a leading supplier of fiber-to-the-home (FTTH) equipment and multi-services access platform for triple-play residential and business services and optical components and subsystems for access, metro and long-haul markets, announced today financial results for the three and eight months ending December 31, 2010.

The highlights during the quarter include:

- generated \$34.6 million in revenue, the highest in the Company's history
  - Optical Components and Subsystems division ("OCS") generated record revenues of \$8.8 million;
  - Systems division ("Systems") generated record revenues of \$25.7 million including the Company's largest ever sale of over \$12 million to a customer in Central Asia
- continued to improve gross margins with 32% gross margin in the quarter, a 4% increase from the September quarter (as adjusted – see below)
- entered into a joint venture agreement with Sunsea Telecommunications Co. Ltd. ("Sunsea") in China, expected to commence operations in fiscal 2012 (subject to regulatory approvals)
- completed a public offering of 36,600 common shares at a price of \$0.58 per share for gross proceeds of \$21,228 (net cash proceeds of \$19,707)
- reduced Adjusted EBITDA (as defined below) loss to \$1.1 million for the quarter
- developed an initial cost reduction program to remove between \$1 -2 million of costs per quarter

On July 25, 2010 the Company changed its year end from April 30 to June 30, 2011. The current fiscal year will cover the 14 months from May 1, 2010 to June 30, 2011. The current fiscal period covers the three and eight months ended December 31, 2010, while the prior year comparison is for the three and nine months ending January 31, 2010. During the three months ended December 31, 2010, the Company reclassified certain third party costs from sales and marketing expense to cost of revenues to provide more relevant information on the financial statements.

The reclassifications of \$1,177 and \$517 have been made for the three months ending Sept 30, 2010 and the two months ending June 30, 2010 respectively, reducing sales and marketing expenses, and increasing cost of revenues.

The following chart highlights the key results (\$000's, except per share data):

	3 months ending			8 months ending Dec 31, 2010	9 months ending Jan 31, 2010	% Change
	Dec 31, 2010	Jan 31, 2010	% Change			
Revenues: Systems	\$ 25,739	\$ 6,343	306%	\$ 50,762	\$ 23,275	118%
OCS	8,828	5,986	47%	21,663	16,523	31%
Total Revenues	<u>34,567</u>	<u>12,329</u>	180%	<u>72,425</u>	<u>39,798</u>	82%
Net loss	(5,349)	(10,391)		(18,047)	(23,943)	
EPS – basic and diluted	\$ (0.01)	\$ (0.04)		\$ (0.05)	\$ (0.10)	
Adjusted EBITDA*	(1,122)	(5,598)		(8,066)	(14,696)	

\* Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA comprises: Net loss excluding the following – interest income and expense, income tax recovery and expense, depreciation and amortization, asset impairment charges, stock-based compensation expense and restructuring charges. A reconciliation of Adjusted EBITDA with Net Loss is reported in the Company's MD&A, filed today on SEDAR.com. Management uses Adjusted EBITDA to approximate the cash earnings and consumption of the business.

Revenues for the three months ending December 31, 2010 (“Current Quarter”) increased 180% to \$34.6 million from \$12.3 million during the three months ended January 31, 2010 (“Prior Year Quarter”). The increase in revenue was driven by the acquisition of Teledata Networks Ltd. (“Teledata”) on June 23, 2010, organic growth of 29% in the Systems division excluding the impacts of Teledata, and a 47% increase in revenue from OCS due to increased customer demand.

Gross margin for the Current Quarter was 31.7%, compared to 10.3% in the Prior Year Quarter and 27.5% in the three months ending September 30, 2010. The Prior Year Quarter included approximately \$1.4 million (or 11% of revenues) higher inventory obsolescence reserves than the Current Quarter. The increase in gross margin is also due to favourable gross margins from the Teledata business, a decrease in fixed costs as a percentage of revenues, and the benefits of the Company's margin improvement initiatives.

The net loss for the Current Quarter decreased to \$5.3 million compared to \$10.4 million in the Prior Year Quarter. The Prior Year Quarter included a \$4.4 million impairment charge on intangibles and \$1.4 million higher inventory obsolescence charges compared to the Current Quarter. Adjusted EBITDA improved from a \$5.6 million loss in the Prior Year Quarter to a \$1.2 million loss in the Current Quarter. The improvement in Adjusted EBITDA is due to the acquisition of Teledata, the impacts of the Company's gross margin improvement program and organic revenue growth. The Company's loss per share for the Current Quarter was \$0.01, compared to \$0.04 in the Prior Year Quarter.

Enablence's cash and cash equivalents were \$17.5 million at December 31, 2010 as compared to \$23.4 million at April 30, 2010. This net decrease of \$5.9 million was the result of using \$14.0 million in operations, driven by the negative Adjusted EBITDA and changes in working capital, \$9.5 million of net cash used in the acquisition of Teledata Networks Ltd., \$2.9 million of cash used to pay out Teledata's operating loans and \$1.6 million for capital expenditures and other items. The Company generated \$19.7 million of net proceeds from the Company's public offering on December 6, 2010 and \$2.9 million through increasing its secured note.

As previously announced on January 10, 2011, the Company's revenue and Adjusted EBITDA for the quarter were below management's guidance of \$40-45 million of revenue and positive Adjusted EBITDA. The shortfall in revenues was largely due to delays in certain orders that were anticipated to be recognized as revenue in the Current Quarter. Specifically, two orders totaling \$6 million were not realized in the quarter, and are expected to be closed and recognized as revenue in the quarter ending March 31, 2011.

"While we are pleased with several achievements of this record quarter, including positive trends from our gross margin improvement initiatives and good growth in OCS. Our ability to forecast the size and timing of our large projects has been more difficult than anticipated. As a result, we cannot provide guidance for the 4 quarters ending June 30, 2011, which was previously expected to achieve revenues between \$140-150 million and to be Adjusted EBITDA positive for the second half of the year," said Chief Executive Officer, Tim Thorsteinson. "However, there are rapid, encouraging developments occurring within Enablence and our key markets, and we will update any aspects of improved visibility from quarter to quarter."

Management anticipates revenues will be lower in Q3 (ending March 31, 2011) compared to the Current Quarter due to the large \$12 million shipment recognized in the Current Quarter, but expects revenues to increase from Q3 to Q4 (ending June 30, 2011). "While we continue to expect double digit organic revenue growth, with the increased revenue timing uncertainty we will be initiating an incremental cost reduction program to remove between \$1 and 2 million from our quarterly expenses," Thorsteinson continued. "This program will target synergies between Teledata and the Company's existing Systems business. The costs savings are expected to be achieved over the next 12 months through targeted staff reductions, reducing facility costs and reducing consulting and other discretionary spending reductions."

## **About Enablence Technologies Inc.**

Enablence Technologies Inc., (TSX VENTURE:ENA) Enablence Technologies Inc. is a publicly traded company that designs, manufactures and sells fiber-to-the-home (FTTH) equipment and multi-services access platforms for triple-play residential and business services and optical components and subsystems for access, metro and long-haul markets to a global customer base. Enablence delivers a key portion of the infrastructure for next generation telecommunication systems. The Company's product lines address all three segments of optical networks: Access, connecting homes and businesses to the network; Metro, communication rings within large cities; and Long-haul, linking cities and continents. The Company's Access solutions enable voice, data, video, and Internet communications across both copper and fiber based network infrastructures. For more information, visit <http://www.enablence.com>.

## **Forward-looking Statements**

This press release may contain forward looking statements that are made as of the date hereof and are based on current expectations, forecasts and assumptions which involve risks and uncertainties associated with our business and the economic environment in which the business operates. All such statements are made pursuant to the 'safe harbour' provisions of, and are intended to be forward-looking statements under, applicable Canadian securities legislation. Any statements contained herein that are statements of historical facts may be deemed to be forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. We caution our readers of this press release not to place undue reliance on our forward looking statements as a number of factors could cause actual results or conditions to differ materially from current expectations. Please refer to the risks set forth in the Company's continuous disclosure documents that can be found on SEDAR [www.sedar.com](http://www.sedar.com). Enablence does not intend, and disclaims any obligation, except as required by law, to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

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## **FOR FURTHER INFORMATION PLEASE CONTACT:**

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