Enablence Technologies Inc. Announces Results for the three and fourteen months ended June 30, 2011

Toronto, Canada – October 20, 2011 - Enablence Technologies Inc. ("Enablence" or the "Company") (TSX VENTURE:ENA), a leading supplier of optical components and subsystems for access, metro and long-haul markets, announced today financial results for its fiscal year end, the fourteen months ending June 30, 2011.

Highlights

The highlights during the quarter and fiscal year include:

- Increased year-over-year revenues by 41% (after normalizing for the longer fiscal year and the impacts of foreign exchange)
- Improved year-over-year gross margins from 21% to 27%;
- Invested US$3.5 million to establish a 49% share in a joint venture in China ("China JV") which has an enterprise value of US$18 million;
- Initiated the planned divestiture of the Systems segment;
- Raised $10.0 million in gross proceeds to fund continuing operations through the issuance of common shares;
- Raised US$3.5 million through a secured note payable to fund the China JV; and
- Completed the integration of the polymer-based production operations from Wilmington Massachusetts to the Company's operation in Fremont, California, which is expected to generate $1.0 million in cost savings per year;

In September 2011, the Company sold the majority of its United States ("US") based Systems segment through two asset sale transactions. Enablence sold part of the Systems segment, primarily the Trident7™ universal access platform, to Aurora Networks, Inc. for a total purchase price of US$5.1 million comprised of US$2.75 million of cash and the transfer of certain liabilities and contingent liabilities. The cash portion of the purchase prices includes a US$0.75 million holdback, while US$2.0 million of the cash portion of the purchase price was received on

September 15, 2011. Enablence also sold the MAGNM™ FX product line by divesting certain assets, including $0.2 million of cash and transferring certain liabilities totaling $0.4 million to FX Support, LLC.

Financial and Operating Results

On July 25, 2010 the Company changed its year end from April 30 to June 30, 2011. Accordingly, the current fiscal period covers the fourteen months from May 1, 2010 to June 30, 2011, while the prior year comparison is for the twelve months ended April 30, 2010.

On April 28, 2011 the Company announced its plans to exit the Systems segment. As a result, the operating results from the Systems segment have been reclassified as discontinued operations. The current and historical financial results have been restated to remove the results of the Systems segment and report them as discontinued operations.

The following chart highlights the key financial results for the periods indicated ($000's, except per share data):

	Three months June 30, 2011	Three months April 30, 2010	% Change	Fourteen months June 30, 2011	Twelve months April 30, 2010	% Change
Revenues	**$** 5,465	**$** 6,925	-21%	**$** 35,300	**$** 23,448	51%
Gross Margin	1,096	1,751	-37%	9,632	4,955	
Gross Margin %	*20%*	*25%*	*45%*	*27%*	*21%*	*39%*
Net loss from Continuing Operations	**$** (3,377)	**$** (5,386)	-37%	**$** (10,148)	**$** (14,476)	-30%
Loss from Discontinued Operations	(37,687)	(3,245)	1061%	(91,968)	(18,098)	408%
Net loss	**$** (41,064)	**$** (8,631)	376%	**$** (102,116)	**$** (32,574)	213%
Basic & diluted loss per share						
Continuing Operations	$ (0.01)	$ (0.02)	-55%	$ (0.03)	$ (0.05)	-40%
Discontinued Operations	(0.08)	(0.01)	736%	(0.23)	(0.07)	229%
Net loss per share (basic & diluted)	(0.09)	(0.03)	243%	(0.26)	(0.12)	117%
Adjusted EBITDA*	$ (1,811)	$ (1,570)	15%	$ (3,603)	$ (6,263)	-42%

* Adjusted EBITDA is a non-GAAP financial measure. Adjusted EBITDA comprises: Net loss excluding the following – loss from discontinued operations, 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 Management Discussion & Analysis, filed today on sedar.com. Management uses Adjusted EBITDA as one measure to evaluate the performance of the continuing operations of the business.

Revenues for the fourteen months ending June 30, 2011 ("Current Fiscal Year") increased by $11.9 million, or 51% compared to the twelve months ending April 30, 2011 ("Prior Fiscal Year"). After removing the effects of the additional two months in the Current Fiscal Year and the effects of foreign exchange, revenue increased by 41% year over year. This increase was driven by a growth in sales from arrayed waveguide grating ("AWG") products, multiplexer and demultiplexer ("VMUX") products and photodiodes. Revenues for the quarter ending June 30, 2011 ("Current Quarter") decreased by $1.5 million or 21% compared to the quarter ending April 30, 2011 ("Prior Year Quarter"). This decrease was driven by a slow-down in demand for AWG and VMUX optical components as there was a general market slowdown, in part to consume inventory in the quarter. The decrease in optical components was offset slightly by growth in photodiode revenue, which increased by 27% over the prior year quarter. Changes in foreign exchange rates accounted for 2% of the decline.

Gross margin increased 6 points from 21% of revenues in the Prior Fiscal Year to 27% of revenues in the Current Fiscal Year. Gross margin was positively impacted by 5 points due to the growth in volume, as fixed overheads are spread over more revenue. The Company was able to offset the impact of price erosion with improved production costs and shifts in product mix, including growth in the Company's revenue from engineering services. Gross margin for the Current Quarter was 20%, compared to 25% in the Prior Year Quarter. The decrease from the Prior Year Quarter is due to the decrease in volume, combined with approximately $0.4 million of inventory related charges taken in the Current Quarter.

The net loss from continuing operations improved by 30% from the Prior Fiscal Year due to the growth in revenue and margin. Operating expenses increased by $1.8 million, offset by a decrease in other expenses of $1.5 million. The Prior Fiscal Year included a $1.6 million impairment charge on intangible assets. The net loss from continuing operations in the Current Quarter was $3.4 million, a $2.0 million improvement over the Prior Year Quarter. The Prior Year Quarter includes $1.8 million of restructuring costs, compared to the Current Quarter restructuring costs of $0.4 million.

The net loss from discontinued operations was $92.0 million in the Current Fiscal Year, compared to $18.1 million in the Prior Fiscal Year. The Current Fiscal Year includes $60.0 million of impairment charges related to goodwill and intangibles, compared to $2.8 million in the Prior Fiscal Year. The Current Fiscal Year also includes $7.4 million of restructuring and $1.1

million of inventory write-offs relating to the sale of the parts of the US Systems segment and the announcement of the planned divestiture. The net loss from discontinued operations was $37.7 million in the Current Quarter, compared to $3.2 million in the Prior Year Quarter. The Current Quarter includes $22.7 million of impairment charges related to goodwill and intangibles, compared to $nil in the Prior Year Quarter. The Current Quarter also includes $7.4 million of restructuring and $1.1 million of inventory write-offs relating to the sale of the parts of the US Systems segment and the announcement of the planned divestiture

Adjusted EBITDA (a non-GAAP measure) was a $3.6 million loss for the Current Fiscal Year, compared to a $6.3 million loss in the Prior Fiscal Year. The $2.8 million improvement in Adjusted EBITDA was due to increased revenue and improved gross margin. Adjusted EBITDA (a non-GAAP measure) was a $1.8 million loss for the Current Quarter, compared to a $1.6 million loss in the Prior Year Quarter, due to the decline in revenue.

Cash Position

Enablence's cash and cash equivalents were $10.0 million at June 30, 2011 ($11.5 million including $1.5 million held in discontinued operations) as compared to $23.4 million at April 30, 2010. This net decrease of $11.9 million was the result of using $10.1 million in continuing operations, $21.8 million in discontinued operations, $4.8 million in investing activities (including the US$3.5 million investment in the joint venture in China), $10.8 million in investing activities in discontinued operations (including $9.5 million from acquiring Teledata Networks Ltd), offset by $6.0 million from additional debt and $30.4 million for the sale of common shares.

China Joint Venture

Enablence plans to grow its revenue in part through its investment in a joint venture with Sunsea Telecommunications Co. Ltd. (the "JV Partner") that will operate in China, named Foshan Sunsea-Enablence Optoelectronics Technology Co., Ltd (the "China JV"). The JV Partner owns 51% of the China JV, and Enablence owns a 49% interest. The China JV will develop, manufacture and sell optical components based primarily on Enablence's PLC technology. This will allow Enablence to leverage its technology into the Chinese market, and provide Enablence with access to a low cost manufacturing base.

The initial investments by the China JV partners total US$18.0 million as follows:

- US$9.2 million by the JV Partner, all in cash
- US$8.8 million by Enablence, comprising:

- US$3.5 million in cash, paid on May 12, 2011;
- US$1.0 million of capital equipment; and,
- US$4.3 million in intellectual property and know-how

The Company is in process of transferring the capital equipment and the intellectual property and know-how. The Company expects to complete the transfer during its quarter ending December 31, 2011.

In conjunction with the initial funding of the China JV, on May 10, 2011, Enablence finalized a note payable with a U.S. bank, with a principal amount of US$3.5 million. As partial consideration for the loan, the Company issued to the bank warrants to purchase up to 400,000 common shares of Enablence, at an exercise price of $0.22 per share, expiring April 9, 2013.

Divestiture of Systems Segment - Update

On April 28, 2011, the Company announced that it had begun an initiative to explore strategic alternatives to achieve the most value-enhancing and efficient divestiture of the Systems segment. The decision to divest the Systems segment will allow management to focus on the optical components business. The Company has retained an investment banker to assist in the evaluation of alternatives such as a sale, partial sale or closure. Management originally anticipated the transaction or transactions to be completed prior to September 30, 2011. While the majority of the US based Systems segment was sold on September 15th, the Company continues to pursue its alternatives with respect to Teledata and its remaining US Systems business. Management believes these transactions can be completed by December 31, 2011, however there can be no assurance as to the likelihood, terms or timing of any transaction.

Outlook

The Company expects revenue to improve in future quarters compared with the June 30, 2011 quarter, as the Company’s customers resume their buying pattern. The Company will be introducing its multi-channel 100G optical components, including transmitter/receiver optical sub-assembly (“TOSA/ROSA”) among other products during fiscal 2012, and the joint venture is expected to start operations in the quarter ending December 31, 2011 and generate revenue in the quarter ending March 31, 2012.

“While the market slowdown is disappointing, we believe we are well positioned to participate when spending returns, as well as grow faster than our markets through the introduction of our 100G TOSA/ROSA chip, launching the China JV and expanding our addressable market into datacom and packaged photodiodes. Our challenge continues to be the divestiture of the remaining Systems business while preserving as much cash as possible to fund our growth initiatives,” said Chief Executive Officer, Tim Thorsteinson. “When we have completed the divestiture, our ability to focus on our optical components business will, we believe, provide the most shareholder value”, he added.

The Company will host a conference call on Friday, October 21, 2011 between 9:00 a.m. and 10:00 am EDT. All interested parties should call 416-340-8061 / 1-866-225-0198. Management will respond to questions from analysts on this call.

About Enablence Technologies Inc.

Enablence Technologies Inc. is a publicly traded company (TSX VENTURE: ENA) that designs, manufactures and sells optical components and subsystems to a global customer base. It utilizes its patented technologies including planar lightwave circuit (“PLC”) intellectual property in the production of an array of photonics components and broadband subsystems that deliver 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. For more information, visit www.enablence.com.

Forward-looking Statements

This press release may contain forward-looking statements, in particular with respect to the current and future revenue, the strategic alternatives and divestiture of the Systems segment, the funding of the joint venture in China and the revenue, margins, profitability and future growth of the continuing operations (including the joint venture) that are made 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. 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.

For further information contact:
Enablence Technologies Inc.
Tim Thorsteinson
Chief Executive Officer

+1 (647) 729-1605