Enablence

Enablence Technologies Inc. announces preliminary results for the first quarter ending September 30, 2011

Toronto, Canada – December 12, 2011 - Enablence Technologies Inc. ("Enablence" or the "Company") (TSX VENTURE: ENA), a leading supplier of optical components and subsystems for telecommunication access, metro and long-haul markets, and enterprise applications, announced today its preliminary financial results for its first quarter ending September 30, 2011. The Company expects to finalize and file its quarterly financial statements and management's discussion and analysis on December 19, 2011. All figures are in thousands of US dollars ("USD") and in accordance with International Financial Reporting Standards ("IFRS") unless otherwise specified.

Highlights

The highlights during the quarter include:

- Achieved revenue of $5.8 million, resulting in a loss from continuing operations of $(2.9) million and an Adjusted EBITDA (a non-GAAP measure defined below) loss of $(1.0) million;
- Completed the sale of the majority of its US-based Systems business for cash consideration of up to $2.55 million; and
- Completed the facility preparations in the joint venture in China.

Divestiture of Systems Segment - Update

In September 2011, the Company sold the majority of its US-based Systems segment through two asset sale transactions. The sales generated net cash proceeds of approximately $1.8 million, with additional payments, subject to certain conditions, of up to $0.5 million in March 2012 and $0.25 million in October 2012. The cash received is being used mainly to settle obligations of the remaining US Systems business. The Company recorded a gain of $19 on these dispositions in the first quarter's results, as a part of results from discontinued operations. The Company continues to pursue its alternatives with respect to Teledata, its Israel based

Systems business. Management is working to finalize these transactions as quickly as possible, however there can be no assurance as to the likelihood, terms or timing of any transaction.

Preliminary Financial and Operating Results

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

	Three months ended September 30		Change	
	2011	2010	$	%
Revenues	$ 5,821	$ 8,117	$ (2,296)	-28%
Gross Margin	1,481	2,190	(709)	-32%
Gross Margin %	*25.4%*	*27.0%*	*-1.6%*	*31%*
Net loss from Continuing Operations	$ (2,870)	$ (1,853)	$ (1,017)	-55%
Loss from Discontinued Operations	(2,611)	(6,441)	3,830	59%
Net loss	$ (5,481)	$ (8,294)	$ 2,813	34%
Basic & diluted loss per share				
Continuing Operations	$ (0.01)	$ (0.00)	$ (0.01)	-100%
Discontinued Operations	(0.01)	(0.02)	0.01	50%
Adjusted EBITDA*	$ (1,020)	$ (393)	$ (627)	-160%

* 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, foreign exchange gains and losses, stock-based compensation expense and restructuring charges. A reconciliation of Adjusted EBITDA with Net loss is included below. Management uses Adjusted EBITDA as one measure to evaluate the performance of the continuing operations of the business.

The following chart reconciles net loss to the non-GAAP measure Adjusted EBITDA:

	Three months ended September 30	
	2011	2010
Net loss for the period	$ (5,481)	$ (8,294)
Add back loss from discontinued operations	2,611	6,441
Net interest and other expense	250	228
Amortization (note 1)	628	780
Recovery of future income taxes	(114)	(217)
"EBITDA"	(2,106)	(1,062)
Foreign exchange (gain) loss	846	(337)
Stock-based compensation	240	210
Restructuring charges	-	796
"Adjusted EBITDA"	$ (1,020)	$ (393)

Note 1 – includes $453 (2010 - $405) of amortization reported as part of cost of revenues

Revenues for the quarter ending September 30, 2011 ("Current Quarter") decreased by $2.3 million, or 28% compared to the quarter ending September 30, 2010 ("Prior Year Quarter"). This decrease was driven by a slowdown in demand for arrayed waveguide grating ("AWG") and multiplexer and demultiplexer ("VMUX") optical components due to lower shipments of optical components across the market in general. While the Company has seen some positive signs of improved order activity, it is expected the Company will report lower revenues for the quarter ending December 31, 2011 than it reported in the Current Quarter.

Gross margin for the Current Quarter was 25.4%, compared to 27.0% in the Prior Year Quarter. The decrease from the Prior Year Quarter is due to the decrease in volume, offset partially by cost reductions realized from the Company's restructuring activities in the prior year.

The net loss from continuing operations in the Current Quarter was $2.9 million, compared to $1.9 million in the Prior Year Quarter. The Current Quarter includes a $0.8 million foreign exchange loss (mostly non-cash in the period), compared to a $0.3 million gain, due mainly to the strengthening of the USD compared to the Canadian dollar, and the impact this had on certain USD debts carried in Canadian entities. The Current Quarter includes restructuring costs of $nil, compared to the Prior Year Quarter restructuring costs of $0.8 million.

The net loss from discontinued operations was $2.6 million in the Current Quarter, compared to $6.4 million in the Prior Year Quarter. The reduced loss from discontinued operations is largely due to a $3.2 million reduction in amortization expense as a result of the impairment charges recorded in second half of fiscal 2011, combined with cost reductions made over the past year. These reductions were partially offset by decreased revenue and gross margin driven by the divestiture announcement made in April 2011.

Adjusted EBITDA (a non-GAAP measure) was a $(1.0) million loss for the Current Quarter, compared to a $(0.4) million loss in the Prior Year Quarter, due to the decline in revenue.

Cash Position

Enablence's cash and cash equivalents were $8.1 million at September 30, 2011 ($12.2 million, including $4.1 million held in subsidiaries reported as discontinued operations) compared to $10.0 million at June 30, 2011 ($11.5 million, including $1.5 million held in discontinued operations). This decrease of $1.9 million reflects the negative Adjusted EBITDA of $1.0 million combined with debt services costs of $0.6 million. Cash in discontinued operations increased due to down payments received for future shipments and proceeds on the partial sale of the US Systems segment.

China Joint Venture

Enablence continued to make progress on its joint venture in China, to be named Sunblence Technologies Co., Ltd. (the "China JV"). The China JV has completed its facility build out during the quarter, and is in the final stages of setting up the equipment to produce splitter chips, targeting the first evaluation wafers to be produced in December 2011. The China JV is expected to achieve customer revenues in the quarter ending March 31, 2012. Enablence owns a 49% interest in the China JV.

Enablence is in the process of transferring additional capital equipment and the intellectual property and know-how to the China JV as required for its initial investment. As at September 30, the China JV had $7.7 million of cash, including the $3.5 million of cash invested by Enablence.

"While the continued market slowdown is disappointing, we are confident that we are well positioned to participate in the expected resumption of spending by our major customers. We also expect that our rate of growth will exceed that of the market with the introduction of our 100G TOSA/ROSA chips (transmitter/receiver optical sub-assembly chips), the launch of the China JV and the expandsion of 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 next week on Tuesday, December 20, 2011 between 9:00 a.m. and 10:00 am EDT. All interested parties should call (416) 340-8018 / 1-866-223-7781. Management will respond to questions from analysts on this call. The Company is also hosting its annual general meeting on Wednesday December 14th at 10:00 am EDT. All interested parties should call (416) 340-2216/ +1-866-226-1792 to listen to the meeting.

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 expectations 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.

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