Enablence

Enablence Technologies Inc. announces results for its fiscal second quarter ending December 31, 2011

Toronto, Canada – February 27, 2012 - 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 financial results for its second quarter ending December 31, 2011. All figures are in thousands of US dollars (“USD”), unless specified otherwise, and in accordance with International Financial Reporting Standards ("IFRS").

Highlights

The highlights during the second quarter include:

- Reported revenues of $3.6 million, down 59% from the prior year quarter, resulting in a loss from continuing operations of $(2.6) million and Adjusted EBITDA (a non-GAAP measure defined below) loss of $(2.1) million;
- Completed the construction of the cleanrooms in its Chinese joint venture, Sunblence, including the installation of all major equipment required to produce splitter chips;
- Successfully completed a contract with a Tier 1 global telecommunications systems manufacturer to develop Enablence's planar lightwave circuit (“PLC”) based components for 100G applications. ;
- Shareholders elected Peter Dey, John Roland, Steve Bower and Tim Thorsteinson as directors of Enablence in December 2011. Mr. Dey was then appointed non-executive Chair of the Board.

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 December 31		Change		Six months ended December 31		Change	
	2011	2010	$	%	2011	2010	$	%
Revenues	$ 3,551	$ 8,715	$ (5,164)	-59%	$ 9,372	$ 16,832	$ (7,460)	-44%
Gross Margin	99	2,870	(2,771)		1,580	5,060	(3,480)	
Gross Margin %	*2.8%*	*32.9%*	*53.7%*	*-30.1%*	*16.9%*	*30.1%*	*46.7%*	*-13.2%*
Net loss from Continuing Operations	$ (2,601)	$ (1,145)	$ (1,456)	127%	$ (5,471)	$ (2,998)	$ (2,473)	82%
Loss from Discontinued Operations	(446)	(4,268)	3,822	-90%	(3,057)	(10,709)	7,652	-71%
Net loss	$ (3,047)	$ (5,413)	$ 2,366	-44%	$ (8,528)	$ (13,707)	$ 5,179	-38%
Basic & diluted loss per share								
Continuing Operations	$ (0.01)	$ (0.00)	$ (0.01)	n/m	$ (0.01)	$ (0.01)	$ -	0%
Discontinued Operations	(0.00)	(0.01)	0.01	-91%	(0.01)	(0.03)	0.02	-67%
Adjusted EBITDA*	$ (2,094)	$ (215)	$ (1,879)	n/m	$ (3,114)	$ (608)	$ (2,506)	n/m

* 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 December 31		Six months ended December 31	
	2011	2010	2011	2010
Net loss for the period	$ (3,047)	$ (5,413)	**$** (8,528)	**$** (13,707)
Add back loss from discontinued operations	446	4,268	3,057	10,709
Net interest and other expense	246	238	496	466
Amortization (note 1)	595	801	1,223	1,581
Recovery of future income taxes	(114)	(118)	(228)	(335)
"EBITDA"	(1,874)	(224)	(3,980)	(1,286)
Foreign exchange (gain) loss	(389)	(377)	457	(714)
Stock-based compensation	169	303	409	513
Restructuring charges	-	83	-	879
"Adjusted EBITDA"	$ (2,094)	$ (215)	$ (3,114)	$ (608)

Note 1 – three and six months ended December 31, 2011 includes amortization reported as part of cost of revenues of $447 and $900 respectively (2010 - $416 and $821).

Revenues for the quarter ending December 31, 2011 ("Current Quarter") decreased by $5.2 million, or 59% compared to the quarter ending December 31, 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. The Company also experienced increased pricing pressure, as supply in the market exceeded demand. The Company expects revenues for the quarter ending March 31, 2012 will be consistent with the Current Quarter.

Gross margin for the Current Quarter was 2.8% compared to 32.9% in the Prior Year Quarter. The decrease from the Prior Year Quarter is due to the decrease in volume and increased pricing pressure, offset partially by cost reductions realized from the Company's restructuring activities in the prior year. The Company expects to see continued pricing pressure for the coming quarters, but expects gross margins to improve when volumes increase, and through the introduction of new products.

The net loss from continuing operations in the Current Quarter was $2.6 million, compared to $1.1 million in the Prior Year Quarter. The increase in net loss from continuing operations is due to the decline in revenues, partially offset by decreased general and administrative expenses and reductions in amortization expenses.

The net loss from discontinued operations was $0.4 million in the Current Quarter, compared to $4.3 million in the Prior Year Quarter. The decreased loss from discontinued operations is largely due to a $3.4 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 offset by decreased revenue and gross margin driven by the divestiture announcement made in April 2011 and the sale of substantially all of the Company's US based Systems segment.

Adjusted EBITDA (a non-GAAP measure) was a $(2.1) million loss for the Current Quarter, compared to a $(0.2) million loss in the Prior Year Quarter, due to the decline in revenue.

Cash Position

Enablence's cash and cash equivalents were $5.0 million at December 31, 2011 ($7.4 million, including $2.4 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 $5.0 million primarily reflects the year to date $3.0 million cash used in continuing operations combined with debt service costs of $1.3 million. Cash in discontinued operations increased due to payments received for shipments and proceeds on the partial sale of the US Systems segment completed in the September 2011 quarter.

China Joint Venture

Enablence continued to make progress on its joint venture in China, Sunblence Technologies Co., Ltd. (the "China JV", or "Sunblence"). Sunblence has completed the set-up of the equipment to produce splitter chips, and has begun producing evaluation wafers. The China JV has not produced commercially viable wafers yet, and experienced some delays due to importing certain parts and chemicals to complete the fabrication process. Sunblence expects to start generating initial customer revenues in the March/April 2012 timeframe. Enablence owns a 49% interest in the China JV. As at December 31, the China JV had $2.6 million of cash.

Divestiture of Systems Segment - Update

The Company continues to work towards the divestiture of its Israel-based Systems business, Teledata Networks Ltd. ("Teledata"), which was previously expected to be completed by December 31, 2011. While the Company has continued negotiations with several parties surrounding the sale of Teledata, it has been unable to complete a sale of Teledata under terms that are acceptable to Enablence. Management continues to work with potential buyers on the ultimate sale, and now expects to finalize its divestiture prior to June 30, 2012. In the event an acceptable transaction is not available, the Company will divest Teledata through a structured liquidation. The Company does not expect any significant cash proceeds from the sale or closure of Teledata.

"While the drop in customer demand is concerning, we believe we are focused on product areas that will allow us to grow regardless of whether the market returns to spending levels we saw last year", said Tim Thorsteinson, CEO of Enablence. "We are starting to show customers several new products in our 100G TOSA/ROSA (transmitter/receiver optical sub-assembly chips) product line, while introducing packaged photodiodes, higher speed photodiodes and 40G receivers. We continue to expand our available market with the launch of the China JV and datacom products. We believe we can maximize shareholder value when our TOSA/ROSA product line is launched and the China JV is operating at volume. We are focused on refinancing the business to give us sufficient cash to deliver on these key opportunities", he added.

The Company will host a conference call next week on Tuesday, February 28, 2012 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.

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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