Enablence Technologies announces results for its fiscal third quarter ending March 31, 2012, and the departure of its CEO

Toronto, Canada – May 29, 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 and other applications, announced today its financial results for its fiscal third quarter ending March 31, 2012. All figures are in thousands of U.S. dollars ("USD"), unless specified otherwise, and in accordance with International Financial Reporting Standards ("IFRS").

Key items

The key items during the third quarter include:

- Reported net income of $1.4 million, driven by the accounting gain on the sale of Teledata, but a net loss from continuing operations of $(9.1) million including an impairment charge of $5.7 million;
- Reported revenues of $2.8 million, resulting in an Adjusted EBITDA (a non-GAAP measure defined below) loss of $(2.7) million. Revenues were down 66% from the previous year due mainly to a general market slowdown, and Adjusted EBITDA was $2.7 million worse than the previous year, due to the decline in revenue;
- Completed the sale of Teledata, resulting in a non-cash gain on the sale of $13.4 million due to the assumption of net liabilities by the purchaser; and
- Recorded an impairment charge of $5.7 million, reducing goodwill to $nil.

The Company is also announcing that the contract of its chief executive officer, Tim Thorsteinson has not been renewed, and Mr. Thorsteinson has left the Company effective today, including his position on the board of directors. Two members of the board of directors, John Roland and Peter Dey, will manage an executive committee that will include four management employees until a successor is found.

As previously announced, the Company had sufficient cash resources to operate through May, 2012. As of today, the Company has approximately $0.9 million of unrestricted cash on hand. This is only sufficient to operate on a limited basis until additional financing is received. The Company has stopped making payments on its $3.0 million convertible debenture, and is violation of certain bank covenants for a $2.8 million secured note payable. The Company continues to work with potential investors and lenders to obtain the necessary funding to execute the Company's business plan, however no funding has been negotiated at the time of this press release.

"We are working diligently to secure additional financing and pursue other strategic alternatives, however with the current levels of operating losses and resulting cash outflows, it has proven much more challenging than we had hoped," said Peter Dey, Chair of the Board of Directors "While we continue to work with potential investors, there is no assurance that our efforts will be successful, and that we will be able to renegotiate our existing obligations. If we are not successful, we will be forced to pursue formal insolvency proceedings."

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 March 31		Change		Nine months ended March 31		Change	
	2012	2011	$	%	2011	2010	$	%
Revenues	$ 2,810	$ 8,294	$ (5,484)	-66%	$ 12,182	$ 25,126	$ (12,944)	-52%
Gross Margin	(133)	2,693	(2,826)		1,447	7,753	(6,306)	
Gross Margin %	*-4.7%*	*32.5%*	*51.5%*	*-37.2%*	*11.9%*	*30.9%*	*48.7%*	*-19.0%*
Net loss from Continuing Operations	$ (9,136)	$ (965)	$ (8,171)	847%	$ (14,607)	$ (3,963)	$ (10,644)	269%
Loss from Discontinued Operations	10,577	(42,991)	53,568	-125%	7,520	(53,700)	61,220	-114%
Net loss	$ 1,441	$ (43,956)	$ 45,397	-103%	$ (7,087)	$ (57,663)	$ 50,576	-88%
Basic & diluted loss per share								
Continuing Operations	$ (0.02)	$ (0.00)	$ (0.02)	n/m	$ (0.03)	$ (0.01)	$ (0.02)	n/m
Discontinued Operations	0.02	(0.10)	0.13	n/m	0.02	(0.13)	0.15	n/m
Adjusted EBITDA*	$ (2,650)	$ 83	$ (2,733)	n/m	$ (5,764)	$ (525)	$ (5,239)	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 income (loss) to the non-GAAP measure Adjusted EBITDA:

	Three months ended March 31		Nine months ended March 31	
	2012	2011	2011	2010
Net income (loss) for the period	$ 1,441	$ (43,956)	**$** (7,087)	**$** (57,663)
Add back loss from discontinued operations	(10,577)	42,991	(7,520)	53,700
Net interest and other expense	253	231	749	697
Amortization (note 1)	617	754	1,840	2,335
Recovery of future income taxes	(112)	(114)	(340)	(449)
"EBITDA"	(2,681)	(94)	(6,661)	(1,380)
Foreign exchange (gain) loss	(118)	(266)	339	(980)
Stock-based compensation	149	292	558	805
Restructuring charges	-	151	-	1,030
"Adjusted EBITDA"	$ (2,650)	$ 83	$ (5,764)	$ (525)

Note 1 – three and nine months ended March 31, 2012 includes amortization reported as part of cost of revenues of $449 and $1,349 respectively (2011 - $392 and $1,213).

Revenues for the quarter ending March 31, 2012 ("Current Quarter") decreased by $5.5 million, or 66% compared to the quarter ending March 31, 2011 ("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 continues to experience increased pricing pressure, as supply in the market exceeds demand. The Company expects revenues for the quarter ending June 30, 2012 to improve compared to the Current Quarter, and has received orders of approximately $2.5 million to date in the quarter.

Gross margin for the Current Quarter was negative 4.7% compared to 32.5% 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 $9.1 million, compared to $1.0 million in the Prior Year Quarter. The Current Year Quarter includes a $5.7 million impairment charge on goodwill. The significant drivers of the impairment charge were the decline in revenue in the Company's components business, combined with the higher risk factors in the business given its current financial condition. The increase in net loss from continuing operations is due to the impairment charge, combined with the decline in revenues, partially offset by decreased general and administrative expenses and reductions in amortization expenses.

The Company reported a net income of $10.6 million from discontinued operations in the Current Quarter, compared to a loss of $43.0 million in the Prior Year Quarter. The Current Quarter includes $13.4 million gain from the sale to Teledata during the quarter, while the Prior Year Quarter included impairment charges on intangibles and goodwill totalling $37.8 million relating to the Company's Systems business.

Adjusted EBITDA (a non-GAAP measure) was a $(2.7) million loss for the Current Quarter, compared to a $0.1 million profit in the Prior Year Quarter, due to the decline in revenue.

Cash Position

Enablence's cash and cash equivalents were $2.7 million at March 31, 2012 compared to $10.4 million at June 30, 2011 and $5.0 million at December 31, 2011. The decrease in cash in the quarter is due to the negative Adjusted EBITDA and debt service costs. The Company has $0.9 million of cash as at May 29, 2012.

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 complete manufacturing processes to produce splitter chips, and is currently evaluating test chips in order to improve yields and allow volume production to begin. Sunblence has generated very modest initial revenue in May 2012 and expects to start generating customer revenues for manufactured splitter chips during June 2012. Enablence owns a 49% interest in Sunblence. As at March 31, the China JV had $0.8 million of cash.

Divestiture of Teledata

Effective March 31, 2012, Enablence sold its Israel-based Systems business, Teledata Networks Ltd. ("Teledata") to Godan Ventures LP established by Taldan Capital Partners LLP. Proceeds from the sale were nominal, but Enablence reported a $13.4 million gain on the sale due to the excess of liabilities over assets at the time of the transaction.

The sale of Teledata completes Enablence's exit from the Systems business, an initiative announced in April 2011.

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 sale of Teledata, 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.

For further information contact:
Enablence Technologies Inc.
David Toews

Chief Financial Officer

+1 (647) 729-1605