

Enghouse Releases Fourth Quarter Results and Announces Dividend

FOR IMMEDIATE RELEASE

Markham, Ontario – (December 16, 2008) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited fourth quarter and year end financial results for the period ended October 31, 2008.

Fourth quarter revenue was \$14.6 million, compared to \$12.9 million reported in the same period last year. Net income for the fourth quarter was \$2.3 million or \$0.09 per diluted share compared to the prior year's fourth quarter net loss of (\$0.7) million or (\$0.03) per diluted share. For the fiscal year, revenue was \$53.0 million compared to \$55.2 million in the prior year, while net income was \$6.0 million compared to \$5.5 million in the prior fiscal year, or \$0.24 and \$0.21 per diluted share respectively. The increase in revenue and net income for the quarter is the result of stronger license and maintenance revenue in the quarter, contributions from recent acquisitions and foreign exchange gains. The results of the fourth quarter of the prior year included a goodwill impairment charge of \$1.9 million.

Operating expenses were \$6.5 million compared to \$7.8 million in the prior year's fourth quarter and include foreign exchange gains of \$1.5 million realized on converting U.S. dollar cash balances into Canadian dollars and translating the Company's balance sheet at the fiscal year end exchange rate of \$1.2165. The prior year's fourth quarter included exchange losses of \$0.6 million. Also included in the operating expenses are non-cash amortization charges of \$1.7 million compared to \$1.5 million in the prior year's fourth quarter related to the amortization of software and intangibles including those recorded for acquisitions in the current year.

On October 20, 2008 the Company completed the acquisition of the business and assets of Envov Group AB for a purchase price of US\$14 million to complement its existing product portfolio in the Interactive Voice Response and Contact Center markets. Results of operations have been included from that date in the Company's Syntellect Division.

The Company generated cash flows from operations of \$2.9 million in the fourth quarter compared to cash flows used of \$1.0 million in the prior year's fourth quarter. For the fiscal year, the Company generated cash flows from operating activities of \$9.2 million compared to \$13.0 million in the prior year, closing the year with over \$94 million in cash and short-term investments, after payment of US\$11.5 million on closing of the Envov acquisition. The Company continues to have no long-term debt.

After the quarter the Company paid an eligible cash dividend of \$0.025 per share on November 28, 2008. At its meeting held today, the Board of Directors authorized the payment of an eligible quarterly dividend of \$0.025 per share payable on February 27, 2009 to shareholders of record at the close of business on February 13, 2009.

About Enghouse

Enghouse Systems Limited is a leading global provider of enterprise software solutions serving a variety of distinct vertical markets. Its strategy is to build a larger and more diverse software company through strategic acquisitions and managed growth. Enghouse shares are listed on the Toronto Stock Exchange under the symbol "ESL". Further information about Enghouse may be obtained from the Company's web site at www.enghouse.com.

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Enghouse Systems Limited
Consolidated Balance Sheets

(in thousands of Canadian dollars)
(Unaudited)

	October 31, 2008	October 31, 2007
Assets		
Current Assets:		
Cash	\$ 12,331	\$ 11,321
Short-term investments	82,099	89,184
Accounts receivable, net	17,515	10,376
Future income taxes	1,895	1,359
Prepaid expenses and other assets	2,947	1,488
	<u>116,787</u>	<u>113,728</u>
Property and equipment	2,471	1,930
Acquired software and other intangibles	27,373	15,819
Goodwill	21,953	10,652
Future income taxes	3,228	2,791
	<u>\$ 171,812</u>	<u>\$ 144,920</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 16,490	\$ 9,258
Income taxes payable	4,958	7,342
Dividend payable	636	629
Deferred revenue	18,585	12,602
	<u>40,669</u>	<u>29,831</u>
Future income taxes	7,945	6,627
Long term income taxes payable	1,321	-
Deferred revenue	686	953
	<u>50,621</u>	<u>37,411</u>
Shareholders' Equity		
Share capital	50,568	48,670
Contributed surplus	1,827	1,771
Retained earnings	72,015	69,931
Accumulated other comprehensive loss	(3,219)	(12,863)
	<u>121,191</u>	<u>107,509</u>
	<u>\$ 171,812</u>	<u>\$ 144,920</u>

Enghouse Systems Limited
Consolidated Statements of Operations and Retained Earnings

(in thousands of Canadian dollars except per share amounts)
(Unaudited)

	Three months ended October 31		Twelve months ended October 31	
	2008	2007	2008	2007
Revenue				
Software licenses	\$ 3,166	\$ 2,413	\$ 10,985	\$ 11,386
Services	11,329	10,115	40,688	41,997
Hardware	153	379	1,336	1,818
	14,648	12,907	53,009	55,201
Cost of Sales				
Software licenses	475	558	2,488	2,112
Services	4,469	3,646	16,112	14,663
Hardware	166	327	1,130	1,428
	5,110	4,531	19,730	18,203
Gross Margin	9,538	8,376	33,279	36,998
Operating expenses				
Selling, general and administrative	2,660	4,116	12,985	15,994
Research and development	1,928	1,985	7,857	8,105
Amortization of property and equipment	250	240	941	852
Amortization of acquired software and other intangibles	1,696	1,501	6,208	5,931
	6,534	7,842	27,991	30,882
Income before the undernoted	3,004	534	5,288	6,116
Interest income, net	615	1,097	3,256	4,315
Other income	-	462	768	1,272
Goodwill impairment	-	(1,942)	-	(1,942)
Income before income taxes	3,619	151	9,312	9,761
Provision for income taxes	1,286	806	3,310	4,251
Net income for the period	\$ 2,333	\$ (655)	\$ 6,002	\$ 5,510
Retained Earnings, beginning of period	\$ 70,329	\$ 71,844	\$ 69,931	\$ 68,367
Dividends	(636)	(1,258)	(2,537)	(1,895)
Purchase and cancellation of common shares	(11)	-	(1,381)	(2,051)
Retained Earnings, end of period	\$ 72,015	\$ 69,931	\$ 72,015	\$ 69,931
Earnings per share				
Basic	\$ 0.09	\$ (0.03)	\$ 0.25	\$ 0.22
Diluted	\$ 0.09	\$ (0.03)	\$ 0.24	\$ 0.21
Weighted average shares outstanding during period (millions)				
- basic	25.5	25.2	24.3	25.4
- diluted	25.8	25.2	24.6	26.2

Enghouse Systems Limited
Consolidated Statements of Comprehensive Income (Loss) and Accumulated
Other Comprehensive Loss

(in thousands of Canadian dollars)
(Unaudited)

	Three months ended October 31		Twelve months ended October 31	
	2008	2007	2008	2007
Net income (loss) for the period	\$ 2,333	\$ (655)	\$ 6,002	\$ 5,510
Other comprehensive income (loss):				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	6,293	(5,939)	9,871	(7,298)
Transfer to net income of realized gains on available for sale investments, net of tax of \$107	-	-	(209)	(518)
Unrealized (loss) gain on available for sale investments, net of tax of \$323 (year-to-date - \$196)	(628)	80	(383)	1,022
Unrealized foreign currency translation gain (loss) on available for sale investments, net of tax of \$175 (year-to-date - \$187)	340	(161)	365	(217)
Other comprehensive income (loss)	6,005	(6,020)	9,644	(7,011)
Comprehensive income (loss)	\$ 8,338	\$ (6,675)	\$ 15,646	\$ (1,501)
Accumulated other comprehensive loss, beginning of period	\$ (9,224)	\$ (6,843)	\$(12,863)	\$ (5,852)
Other comprehensive income (loss)	6,005	(6,020)	9,644	(7,011)
Accumulated other comprehensive loss, end of period	\$ (3,219)	\$(12,863)	\$ (3,219)	\$(12,863)

Enghouse Systems Limited
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended October 31		For the twelve months ended October 31	
	2008	2007	2008	2007
Cash flows from operating activities				
Net income for the period	\$ 2,333	\$ (655)	\$ 6,002	\$ 5,510
Add (deduct) items not involving cash				
Amortization of property and equipment	250	240	941	852
Amortization of acquired software and other intangibles	1,696	1,501	6,208	5,931
Stock-based compensation expense	51	140	268	472
Goodwill impairment	-	1,942	-	1,942
Gain on sale of short-term investments	-	-	(327)	(810)
Gain on sale of patents	-	(462)	(441)	(462)
Future income taxes	2,529	(380)	1,149	(177)
	6,859	2,326	13,800	13,258
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable, net	65	(1,066)	1,205	3,850
Decrease (increase) in prepaid expenses and other assets	214	255	(224)	356
Increase (decrease) in accounts payable and accrued liabilities	1,032	(833)	786	(2,840)
(Decrease) increase in income taxes payable	(1,675)	1,384	(2,659)	83
Decrease in deferred revenue	(1,505)	(1,988)	(1,234)	(711)
Unrealized foreign exchange loss	(2,091)	(1,076)	(2,456)	(1,040)
Cash flows from operating activities	2,899	(998)	9,218	12,956
Cash flows from investing activities				
Purchase of property and equipment, net	(85)	(273)	(881)	(1,245)
Acquisitions, net of cash acquired	(15,504)	206	(20,246)	(2,004)
Proceeds from sale of patents	-	462	441	462
Proceeds from sale of short-term investments	16,502	329	12,583	1,507
	913	724	(8,103)	(1,280)
Cash flows from financing activities				
Issuance of share capital	-	-	2,285	151
Payment of cash dividend	(638)	(629)	(2,531)	(1,266)
Purchase and cancellation of common shares	(21)	-	(1,980)	(2,724)
	(659)	(629)	(2,226)	(3,839)
Effect of foreign exchange rate changes on cash	1,278	(1,339)	2,121	(2,118)
Net increase (decrease) in cash during the period	4,431	(2,242)	1,010	5,719
Cash – beginning of period	7,900	13,563	11,321	5,602
Cash – end of period	\$ 12,331	\$ 11,321	\$12,331	\$11,321
Supplementary cash flow information:				
Cash paid during the period for income taxes	143	762	3,628	5,386

Cash excludes short-term investments

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	Three Months ended October 31		Twelve Months ended October 31	
	2008	2007	2008	2007
Revenue:				
Asset Management Division	\$ 2,769	\$ 2,290	\$ 9,816	\$ 9,325
Syntellect Division	11,879	10,617	43,193	45,876
Total	\$ 14,648	\$ 12,907	\$ 53,009	\$ 55,201
Segment Profit (EBIT):				
Asset Management Division	\$ 502	\$ (29)	\$ 89	\$ 534
Syntellect Division	1,536	1,507	5,440	8,235
Corporate	(565)	(391)	(2,177)	(2,018)
Foreign Exchange	1,531	(553)	1,936	(635)
Total	\$ 3,004	\$ 534	\$ 5,288	\$ 6,116