

Enghouse Releases First Quarter Results and Announces 25% Increase in its Dividend

FOR IMMEDIATE RELEASE

Markham, Ontario – (March 9, 2011) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited first quarter financial results for the period ended January 31, 2011.

First quarter revenue was \$28.6 million, compared to \$19.5 million reported in the same period last year, an increase of 46%. Operating income for the quarter was \$6.9 million compared to \$3.7 million in the prior year's first quarter, an increase of 85%. Net income for the first quarter was \$3.1 million or \$0.12 per share on a diluted basis compared to the prior year's first quarter net income of \$1.9 million or \$0.08 per share. The increase in revenue was primarily a result of increased license sales in the quarter and contributions from acquisitions. As has become the norm, revenue and operating costs are impacted by the volatility of foreign exchange as outlined in the MD&A.

Operating expenses increased to \$13.2 million from \$9.5 million in the prior year's first quarter and include incremental operating costs related to the Mettoni and Telrex acquisitions, not included in the prior year's first quarter results. Non-cash amortization charges were \$2.4 million compared to \$1.8 million in the prior year's first quarter and include amortization charges for acquired software and other intangibles from acquired operations, including Mettoni and Telrex.

The Company generated cash flows from operations of \$9.5 million in the first quarter compared to \$2.1 million in the prior year's first quarter. Enghouse closed the quarter with \$83.4 million in cash and short-term investments, after payment of approximately \$2.5 million related to the final holdbacks on the Mettoni and Telrex acquisitions, compared to \$78.3 million at October 31, 2010. The Company continues to have no long-term debt and did not repurchase any shares in the quarter.

The Board of Directors today authorized a 25% increase to the eligible quarterly dividend to \$0.05 per common share, payable on May 31, 2011 to shareholders of record at the close of business on May 17, 2011. The Company remains committed to its strategy of seeking further acquisitions to continue to diversify its revenue stream and expand its market presence.

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.

Operating income is not a measure recognized by generally accepted accounting principles ("GAAP") and does not have standardized meaning in accordance with such principles. Therefore, operating income may not be comparable to similar measures presented by other issuers. Operating income is calculated as net income before amortization of acquired software and other intangibles, net interest income, other income, foreign exchange gains and losses and the provision for income taxes. This is denoted as "Income before the undernoted" on the Consolidated Statements of Operations and Retained Earnings of the Company. Management uses operating income to evaluate performance as it excludes amortization of software and intangibles and foreign exchange gains and losses.

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Enghouse Systems Limited
Consolidated Balance Sheets

(in thousands of Canadian dollars)
(Unaudited)

	January 31, 2011	October 31, 2010
Assets		
Current		
Cash	\$ 64,247	\$ 46,640
Short-term investments	19,196	31,627
Accounts receivable, net	27,956	24,500
Income tax receivable	-	591
Future income taxes	438	447
Prepaid expenses and other assets	3,531	3,360
	<u>115,368</u>	<u>107,165</u>
Property and equipment, net	1,740	1,844
Acquired software and other intangibles, net	31,630	34,330
Goodwill	34,168	35,137
Future income taxes	2,680	2,951
	<u>\$ 185,586</u>	<u>\$ 181,427</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	17,429	20,115
Income taxes payable	508	-
Dividend payable	1,007	1,007
Deferred revenue	31,591	26,040
	<u>50,535</u>	<u>47,162</u>
Future income taxes	11,910	12,571
Long-term income taxes payable	522	522
Deferred revenue	674	790
	<u>63,641</u>	<u>61,045</u>
Shareholders' Equity		
Share capital	50,705	50,705
Contributed surplus	2,540	2,429
Retained earnings	81,711	79,606
Accumulated other comprehensive loss	(13,011)	(12,358)
	<u>121,945</u>	<u>120,382</u>
	<u>\$ 185,586</u>	<u>\$ 181,427</u>

Enghouse Systems Limited
Consolidated Statements of Operations and Retained Earnings
For the three months ended January 31
(in thousands of Canadian dollars except per share amounts)
(Unaudited)

	2011	2010
Revenue		
Software licenses	\$ 10,623	\$ 5,989
Services	17,224	12,778
Hardware	722	769
	28,569	19,536
Cost of sales		
Software licenses	1,557	936
Services	6,314	4,887
Hardware	560	466
	8,431	6,289
Gross margin	20,138	13,247
Operating expenses		
Selling, general and administrative	9,071	6,249
Research and development	3,863	2,969
Amortization of property and equipment	275	300
	13,209	9,518
Income before the undernoted	6,929	3,729
Amortization of acquired software and other intangibles	(2,440)	(1,801)
Foreign exchange (loss) gain	(329)	82
Other income	3	564
Interest income, net	129	151
Income before income taxes	\$ 4,292	\$ 2,725
Provision for income taxes		
Current	1,305	797
Future	(125)	25
Net income for the period	\$ 3,112	\$ 1,903
Retained earnings, beginning of period	79,606	73,142
Dividends	(1,007)	(754)
Retained earnings, end of period	\$ 81,711	\$ 74,291
Earnings per share		
Basic	\$ 0.12	\$ 0.08
Diluted	\$ 0.12	\$ 0.08
Weighted average shares outstanding during period (millions)		
- basic	25.2	24.9
- diluted	25.5	25.1

Enghouse Systems Limited
Consolidated Statements of Comprehensive Income and Accumulated Other
Comprehensive Loss
For the three months ended January 31
(in thousands of Canadian dollars)
(Unaudited)

	2011	2010
Net income for the period	\$ 3,112	\$ 1,903
Other comprehensive income:		
Unrealized loss on translating financial statements of self-sustaining foreign operations	(650)	(1,364)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$1) (Q1/10 (\$170))	(2)	(394)
Unrealized gain on available for sale investments, net of tax of \$4 (Q1/10 – \$290)	20	670
Unrealized foreign currency translation loss on available for sale investments, net of tax of (\$4) (Q1/10 – (\$21))	(21)	(49)
Other comprehensive loss	\$ (653)	\$ (1,137)
Comprehensive income	\$ 2,459	\$ 766
Accumulated other comprehensive loss, beginning of period	\$(12,358)	\$ (8,759)
Other comprehensive loss	(653)	(1,137)
Accumulated other comprehensive loss, end of period	\$(13,011)	\$ (9,896)

Enghouse Systems Limited
Consolidated Statements of Cash Flows
For the three months ended January 31
(in thousands of Canadian dollars)
(Unaudited)

	2011	2010
Cash flows from operating activities		
Net income for the period	\$ 3,112	\$ 1,903
Add (deduct) items not involving cash		
Amortization of property and equipment	275	300
Amortization of acquired software and other intangibles	2,440	1,801
Gain on sale of short-term investments	(3)	(564)
Stock-based compensation expense	111	50
Future income taxes	(125)	25
Cash flows before changes in operating assets and liabilities	5,810	3,515
Changes in operating assets and liabilities		
Increase in accounts receivable, net	(3,830)	(927)
Increase in prepaid expenses and other assets	(217)	(306)
Increase (decrease) in accounts payable and accrued liabilities	788	(3,712)
Increase (decrease) in current income taxes payable	1,105	(732)
Increase in deferred revenue	5,860	4,165
Unrealized foreign exchange loss	18	87
Cash flows from operating activities	9,534	2,090
Cash flows from investing activities		
Purchase of property and equipment, net	(176)	(224)
Acquisitions, net of cash acquired	(2,450)	(5,529)
Proceeds from sale (purchase) of short-term investments	12,443	(1,014)
	9,817	(6,767)
Cash flows from financing activities		
Issuance of share capital	-	737
Payment of cash dividend	(1,007)	(746)
	(1,007)	(9)
Effect of foreign exchange rate changes on cash	(737)	(297)
Net increase (decrease) in cash during the period	17,607	(4,983)
Cash – beginning of period	46,640	39,276
Cash – end of period	\$ 64,247	\$ 34,293
Supplementary cash flow information:		
Cash paid during the period for income taxes	\$ 326	\$ 1,580

Note: Cash excludes short-term investments

Enhouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended	
	January 31	
	2011	2010
Revenue:		
Asset Management Group	\$ 3,069	\$ 2,862
Interaction Management Group	25,500	16,674
Total	<u>\$ 28,569</u>	<u>\$ 19,536</u>
Segment Profit (EBIT):		
Asset Management Group	\$ 643	\$ 26
Interaction Management Group	4,696	2,441
Corporate expenses	(850)	(539)
Foreign exchange	(329)	82
Interest and other income	132	715
Total	<u>\$ 4,292</u>	<u>\$ 2,725</u>