

Enghouse Releases Third Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – (September 1, 2011) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited third quarter financial results for the period ended July 31, 2011.

Third quarter revenue was \$31.8 million, compared to \$26.0 million reported in the same period last year, an increase of approximately 22%. Net income for the third quarter was \$4.6 million or \$0.18 per share on a diluted basis compared to the prior year's third quarter net income of \$3.2 million or \$0.13 per share. The increase in revenue was the result of increased license and services revenue attributable to recent acquisitions, including CosmoCom Inc. ("Cosmocom") acquired on April 1, 2011. On a year to date basis, revenue was \$90.7 million compared to \$66.8 million, while net income was \$10.9 million or \$0.43 per diluted share compared to \$6.8 million or \$0.27 per diluted share in the prior fiscal year. As has become the norm, revenue and operating costs are impacted by the continued volatility of foreign exchange as outlined in the MD&A.

Operating expenses increased to \$15.1 million from \$12.5 million in the prior year's third quarter and include incremental operating costs related to acquisitions and the positive impact of foreign exchange on U.S. dollar denominated operating expenses converted to Canadian dollars in the quarter. Non-cash amortization charges were \$2.7 million compared to \$2.4 million in the prior year's third quarter and include amortization charges for acquired software and other intangibles from recently acquired operations which added \$0.3 million to amortization expense in the quarter.

The Company generated cash flows from operating activities of \$13.0 million in the third quarter compared to \$9.1 million in the prior year's third quarter. On a year to date basis the Company has generated \$32.8 million in cash flows from operating activities compared to \$16.3 million in the prior year. Enghouse closed the quarter with \$88.0 million in cash and short-term investments compared to \$78.3 million at October 31, 2010, which is after the net CosmoCom acquisition costs of approximately \$14.4 million. The Company continues to have no long-term debt.

The Board of Directors today authorized an eligible quarterly dividend of \$0.05 per common share, payable on November 30, 2011 to shareholders of record at the close of business on November 16, 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.

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Enghouse Systems Limited
Consolidated Balance Sheets
(in thousands of Canadian dollars)
(Unaudited)

	July 31, 2011	October 31, 2010
Assets		
Current		
Cash	\$ 52,272	\$ 46,640
Short-term investments	35,683	31,627
Accounts receivable, net	23,800	24,500
Income tax receivable	-	591
Future income taxes	542	447
Prepaid expenses and other assets	3,519	3,360
	<u>115,816</u>	<u>107,165</u>
Property and equipment, net	1,702	1,844
Acquired software and other intangibles, net	31,870	34,330
Goodwill	43,309	35,137
Future income taxes	3,166	2,951
	<u>\$ 195,863</u>	<u>\$ 181,427</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	23,370	20,115
Income taxes payable	1,609	-
Dividends payable	1,262	1,007
Deferred revenue	30,200	26,040
	<u>56,441</u>	<u>47,162</u>
Future income taxes	12,138	12,571
Long-term income taxes payable	574	522
Deferred revenue	1,190	790
	<u>70,343</u>	<u>61,045</u>
Shareholders' Equity		
Share capital	51,260	50,705
Contributed surplus	2,697	2,429
Retained earnings	86,960	79,606
Accumulated other comprehensive loss	(15,397)	(12,358)
	<u>125,520</u>	<u>120,382</u>
	<u>\$ 195,863</u>	<u>\$ 181,427</u>

Enghouse Systems Limited
Consolidated Statements of Operations and Retained Earnings
(in thousands of Canadian dollars except per share amounts)
(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
Revenue				
Software licenses	\$ 11,732	\$ 8,387	\$ 34,001	\$ 21,404
Services	19,572	16,929	54,333	43,401
Hardware	516	715	2,389	2,025
	31,820	26,031	90,723	66,830
Cost of sales				
Software licenses	909	1,272	4,439	3,443
Services	6,684	5,992	19,763	15,937
Hardware	317	542	1,729	1,386
	7,910	7,806	25,931	20,766
Gross margin	23,910	18,225	64,792	46,064
Operating expenses				
Selling, general and administrative	11,094	9,173	29,182	22,365
Research and development	3,725	2,922	11,459	8,990
Amortization of property and equipment	264	369	823	975
	15,083	12,464	41,464	32,330
Income before the undernoted	8,827	5,761	23,328	13,734
Amortization of acquired software and other intangibles	(2,670)	(2,417)	(7,604)	(5,983)
Foreign exchange (loss) gain	(146)	207	(1,364)	148
Interest income, net	144	68	393	295
Other income	61	378	169	942
Income before income taxes	6,216	3,997	14,922	9,136
Provision for income taxes				
Current	1,563	1,057	4,120	2,139
Future	60	(262)	(114)	185
Net income for the period	\$ 4,593	\$ 3,202	\$ 10,916	\$ 6,812
Retained earnings, beginning of period	\$ 83,629	\$ 74,991	\$ 79,606	\$ 73,142
Dividends	(1,262)	(1,007)	(3,529)	(2,768)
Purchase and cancellation of common shares	-	-	(33)	-
Retained earnings, end of period	\$ 86,960	\$ 77,186	\$ 86,960	\$ 77,186
Earnings per share				
Basic	\$ 0.18	\$ 0.13	\$ 0.43	\$ 0.27
Diluted	\$ 0.18	\$ 0.13	\$ 0.43	\$ 0.27
Weighted average shares outstanding during period (millions)				
- basic	25.2	25.2	25.2	25.1
- diluted	25.6	25.4	25.5	25.3

Enghouse Systems Limited
Consolidated Statements of Comprehensive Income and Accumulated Other
Comprehensive Loss
(in thousands of Canadian dollars)
(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
Net income for the period	\$ 4,593	\$ 3,202	\$ 10,916	\$ 6,812
Other comprehensive (loss) income:				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	(409)	1,747	(3,563)	(2,873)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$9) (nine months – (\$26))	(51)	(263)	(142)	(657)
Unrealized gain on available for sale investments, net of tax of \$48 (nine months – \$137)	254	451	735	1,416
Unrealized foreign currency translation gain (loss) on available for sale investments, net of tax of \$1 (nine months – (\$13))	4	41	(69)	(111)
Other comprehensive (loss) income	\$ (202)	\$ 1,976	\$ (3,039)	\$ (2,225)
Comprehensive income	\$ 4,391	\$ 5,178	\$ 7,877	\$ 4,587
Accumulated other comprehensive loss, beginning of period	\$ (15,195)	\$ (12,960)	\$ (12,358)	\$ (8,759)
Other comprehensive (loss) income	(202)	1,976	(3,039)	(2,225)
Accumulated other comprehensive loss, end of period	\$ (15,397)	\$ (10,984)	\$ (15,397)	\$ (10,984)

Enghouse Systems Limited
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended July 31		For the nine months ended July 31	
	2011	2010	2011	2010
Cash flows from operating activities				
Net income for the period	\$ 4,593	\$ 3,202	\$ 10,916	\$ 6,812
Add (deduct) items not involving cash				
Amortization of property and equipment	264	369	823	975
Amortization of acquired software and other intangibles	2,670	2,417	7,604	5,983
Stock-based compensation expense	151	111	369	271
Gain on sale of short-term investments	(61)	(378)	(169)	(942)
Future income taxes	60	(262)	(114)	185
Cash flows before changes in operating assets and liabilities	7,677	5,459	19,429	13,284
Changes in operating assets and liabilities				
Decrease in accounts receivable, net	8,574	1,894	5,017	1,594
Decrease (increase) in prepaid expenses and other assets	222	589	22	(446)
(Decrease) increase in accounts payable and accrued liabilities	(2,671)	1,281	456	(4,564)
Increase (decrease) in current income taxes payable	530	537	2,267	(861)
(Decrease) increase in deferred revenue	(2,029)	1,041	3,676	8,679
Unrealized foreign exchange loss (gain)	746	(1,691)	1,906	(1,428)
Cash flows from operating activities	13,049	9,110	32,773	16,258
Cash flows from investing activities				
Purchase of property and equipment, net	(190)	(51)	(630)	(609)
Acquisitions, net of cash acquired	-	(4,804)	(16,842)	(30,131)
Net (purchase) proceeds from sale of short-term investments	(14,363)	2,583	(3,711)	25,287
	(14,553)	(2,272)	(21,183)	(5,453)
Cash flows from financing activities				
Issuance of share capital	324	-	464	905
Payment of cash dividend	(1,260)	(1,007)	(3,274)	(2,507)
Purchase and cancellation of common shares	-	-	(43)	-
	(936)	(1,007)	(2,853)	(1,602)
Effect of foreign exchange rate changes on cash	206	602	(3,105)	(1,020)
Net (decrease) increase in cash during the period	(2,234)	6,433	5,632	8,183
Cash – beginning of period	54,506	41,026	46,640	39,276
Cash – end of period	\$ 52,272	\$ 47,459	\$ 52,272	\$ 47,459
Supplementary cash flow information:				
Cash paid during the period for income taxes	\$ 150	\$ 333	\$ 1,093	\$ 2,418

Note: Cash excludes short-term investments

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	Three Months ended		Nine Months ended	
	July 31, 2011	July 31, 2010	July 31, 2011	July 31, 2010
Revenue:				
Asset Management Group	\$ 3,178	\$ 3,629	\$ 9,767	\$ 10,004
Interaction Management Group	28,642	22,402	80,956	56,826
Total	\$ 31,820	\$ 26,031	\$ 90,723	\$ 66,830
Segment Profit (EBIT):				
Asset Management Group	\$ 968	\$ 1,268	\$ 2,292	\$ 2,067
Interaction Management Group	5,985	2,650	15,771	7,549
Corporate	(796)	(574)	(2,339)	(1,865)
Foreign Exchange	(146)	207	(1,364)	148
Interest and other income	205	446	562	1,237
Total	\$ 6,216	\$ 3,997	\$ 14,922	\$ 9,136