First Quarter

Enghouse Systems

Software engineered for results

March 9, 2017

To our Shareholders,

First quarter revenue increased to $78.8 million, compared to revenue of $74.4 million in the first quarter of the prior year. Increased revenue in the quarter reflects incremental revenue from acquisitions net of the unfavourable impact of foreign exchange estimated at $5.2 million. Income from operating activities was $22.4 million compared to $17.8 million in prior year's first quarter, an increase of 25.8%. Net income for the quarter was $11.7 million or $0.43 per diluted share compared to $8.5 million or $0.31 per diluted share in the prior year's first quarter. Adjusted EBITDA for the first quarter was $23.2 million or $0.85 per diluted share compared to $19.1 million or $0.70 per diluted share last year, an increase of 21.4%.

Operating expenses before special charges related to restructuring of acquired operations were $30.9 million compared to $32.4 million in the prior year's first quarter and reflect incremental operating costs related to acquisitions and the positive impact of foreign exchange. Operating costs reflect continued efficiencies related to measures undertaken late in the last fiscal year to scale operating costs to revenues. Non-cash amortization charges in the quarter were $7.5 million compared to $6.8 million in the prior year's first quarter and include amortization charges for acquired software and customer relationships from acquired operations.

Enghouse closed the quarter with $88.3 million in cash, cash equivalents and short-term investments, compared to $85.9 million at October 31, 2016. The cash balance was achieved after payment of $3.8 million in cash dividends and $1.7 million to partially settle loans inherited with the Presence Technology, S.L. acquisition, completed on October 28, 2016.

The Board of Directors also approved a 14% increase in its eligible quarterly dividend to $0.16 per common share, payable on May 31, 2017 to shareholders of record at the close of business on May 17, 2017. Enghouse has now increased its dividend in each of the past nine years.

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Stephen J. Sadler
Chairman of the Board and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of March 9, 2017 and all information contained herein is current as of that date unless otherwise indicated. For a complete understanding of our business environment, risks, trends and uncertainties and the effect of critical accounting policies and estimates on our results, this MD&A should be read in conjunction with Enghouse Systems Limited's ("Enghouse Systems") and its subsidiaries (together "the Company" or "Enghouse") fiscal 2016 audited consolidated financial statements and the notes thereto. This MD&A covers the consolidated results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the first quarter ended January 31, 2017. Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, stated in thousands, except per share amounts and as otherwise indicated.

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The consolidated financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

Non-GAAP Measures

The Company uses non-GAAP measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Company uses Adjusted EBITDA as a measure of operating performance. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is calculated as results from operating activities adjusted for depreciation of property, plant and equipment, and special charges for acquisition related restructuring costs. Management uses Adjusted EBITDA to evaluate operating performance as it excludes amortization of software and intangibles (which is an accounting allocation of the cost of software and intangible assets arising on acquisition), any impact of finance and tax related activities, asset depreciation, other income and restructuring costs primarily related to acquisitions.

Forward-looking Statements

Certain statements made or incorporated by reference in this MD&A are forward-looking and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this MD&A or in documents incorporated by reference in this MD&A, such as Enghouse's Annual Information Form, which could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed herein. Readers are cautioned not to place undue reliance on this forward-looking information, and the Company shall have no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

For additional information with respect to certain of these risks or factors, reference should be made to section "Risks and Uncertainties" of the MD&A and notes to the consolidated financial statements for the year ended October 31, 2016, as well as to the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, copies of which are filed electronically on SEDAR at www.sedar.com.

Corporate Overview

Enghouse is a Canadian publicly traded company (TSX:ENGH) that develops enterprise software solutions for a number of vertical markets. The Company is organized around two business segments: the Interactive Management Group and the Asset Management Group. The Interactive Management Group specializes in customer interaction software and services that are designed to enhance customer service, increase efficiency and manage customer communications across the enterprise. Core technologies include contact center, attendant console, interactive voice response, dialers, agent performance optimization and analytics that support any telephony environment, deployed on-premise or in the cloud. Its customers include insurance companies, banks and utilities as well as high technology, health care and hospitality companies. The Asset Management Group provides a portfolio of products to telecom service providers, utilities and the oil and gas industry. Its products include Operations Support Systems (OSS), Business Support Systems (BSS), Mobile Value Added Services (VAS) solutions as well as data conversion services. The Asset Management Group also provides fleet routing, dispatch, scheduling, communications and emergency control center solutions for the transportation, first responders, distribution and security sectors.

The Company's strategy remains focused on building a consistently profitable enterprise software company with a diversified product suite and global market presence. The Company emphasizes the importance of recurring revenue streams to increase shareholder value and the predictability of its operating results. This objective is achieved through a combination of organic growth and acquisitions. While the Company continues to develop and enhance its existing product portfolio, it is also important to augment and expedite this strategy with new and complementary technology, products and services obtained through acquisition. This dual-faceted approach will enable the Company to provide a broader spectrum of products and services to its customer base more quickly than through organic means alone.

Quarterly Results of Operations

The following table sets forth certain unaudited information for each of the eight most recent quarters (the last of which ended January 31, 2017). Historically, the Company's operating results have fluctuated on a quarterly basis, which the Company expects will continue in the future. Fluctuations in results continue to relate to the timing of software license and hardware sales, which may result in large sales orders in any one quarter, movements in foreign currency exchange rates and to the timing of acquisitions, staffing and infrastructure changes. See "Risks and Uncertainties" for more details.

For the three months ending	Total revenue	Net income	Earnings per share – basic	Earnings per share – diluted	Cash and short-term investments	Total assets
	$	$	$	$	$	$
January 31, 2017	78,840	11,733	0.44	0.43	88,253	416,829
October 31, 2016	78,726	19,912^	0.74	0.73	85,859	419,195
July 31, 2016	76,350	10,383	0.39	0.38	90,669	395,289
April 30, 2016	78,537	8,520	0.32	0.31	85,139	395,172
January 31, 2016	74,370	8,461	0.32	0.31	80,008	409,866
October 31, 2015	76,329	13,229^	0.50	0.49	98,437	376,015
July 31, 2015	71,264	8,094	0.31	0.30	91,288	369,917
April 30, 2015	68,701	7,568	0.29	0.28	88,541	352,914

^ Includes credit adjustment to tax provision of $4.5 million in fiscal 2016 and $2.5 million in fiscal 2015 on the recognition of deferred tax assets related to non-capital losses

Results of Operations:

(in thousands of Canadian dollars except per share amounts)

	Q1/2017	Q1/2016	Year over year change $	Year over year change %
Interactive Management Group	$ 47,554	$ 48,612	(1,058)	(2.2)
Asset Management Group	31,286	25,758	5,528	21.5
Total revenue	**78,840**	**74,370**	**4,470**	**6.0**
Direct costs	25,353	23,752	1,601	6.7
Revenue, net of direct costs	**53,487**	**50,618**	**2,869**	**5.7**
Operating expenses	30,941	32,368	(1,427)	(4.4)
Special charges	98	407	(309)	(75.9)
Results from operating activities	**22,448**	**17,843**	**4,605**	**25.8**
Amortization of acquired software and customer relationships	(7,457)	(6,840)	(617)	9.0
Finance income	39	33	6	18.2
Finance expense	(107)	(81)	(26)	32.1
Other income	170	33	137	415.2
Income before income taxes	15,093	10,988	4,105	37.4
Provision for income taxes	3,360	2,527	833	33.0
Net Income	**$ 11,733**	**$ 8,461**	**3,272**	**38.7**
Earnings per share – basic	$ 0.44	$ 0.32	0.12	37.5
Earnings per share – diluted	$ 0.43	$ 0.31	0.12	38.7
Cash flow from operating activities	**$ 10,675**	**$ 6,907**	**3,768**	**54.6**
Cash flow from operating activities excluding changes in working capital	**$ 23,289**	**$ 19,027**	**4,262**	**22.4**

Adjusted EBITDA:

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, results from operating activities:

	Three Months ended January 31, 2017	Three Months ended January 31, 2016
Total Revenue	**$ 78,840**	**$ 74,370**
Results from operating activities	**22,448**	**17,843**
Depreciation of property, plant and equipment	614	826
Special charges	98	407
Adjusted EBITDA	**$ 23,160**	**$ 19,076**
Adjusted EBITDA margin	**29.4%**	**25.7%**
Adjusted EBITDA per diluted share	**$ 0.85**	**$ 0.70**

Revenue
Total revenue for the quarter was $78.8 million compared to $74.4 million in the prior year's first quarter, a 6.0% increase over the prior year and includes license revenue of $24.2 million in the quarter compared to $20.8 million in the prior year's first quarter. The increase is attributable to contributions from acquisitions including CellVision AS ("Cellvision"), NetBoss Technologies ("NetBoss") and Presence Technology, S.L. ("Presence") as well as incremental contributions from CTI Group (Holdings) Inc. ("CTI") compared to the first quarter of last year. This was offset by the negative impact of foreign exchange on revenue in the current quarter compared to prior year estimated at $5.2 million as calculated by applying the change in the average exchange rates from 2016 to 2017 to the Company's foreign currency denominated revenue. Hosted services and maintenance revenue was $39.2 million compared to $37.8 million in the prior year's first quarter, an increase of 3.6%. This includes maintenance revenue of $33.4 million compared to $31.8 million in the prior year's first quarter and reflects incremental maintenance revenue from license sales in the past fiscal year as well as contributions from acquired operations. Hosted services revenue was down at $5.8 million in the quarter compared to $6.0 million last year as a result of the weakening Euro in the quarter.

The Interactive Management Group contributed $47.6 million in revenue in the quarter, compared to $48.6 million reported in the first quarter of fiscal 2016. The decrease is primarily attributable to the negative impact of foreign exchange and weaker professional service revenue and is mitigated by the incremental revenue contributions of Presence acquired on October 28, 2016. The Asset Management Group contributed revenue of $31.3 million in the quarter, compared to $25.8 million reported in the first quarter of fiscal 2016. The increase is attributable to incremental revenue contributions from acquisitions completed in the prior fiscal year, net of the negative impact of foreign exchange.

Both revenue and costs were impacted by the stronger Canadian dollar against all major currencies in the quarter compared to last year's first quarter. Of note, the Pound Sterling continued to weaken, negatively impacting revenue and averaged $1.65 in the current quarter compared to $2.04 in the prior year's first quarter. The U.S. dollar also weakened compared to its Canadian counterpart to $1.33 in the current quarter versus $1.37 in the prior year's first quarter. The negative impact on revenue was further impacted by the stronger Canadian dollar against both the Euro, which averaged $1.42 in the quarter vs. $1.49 prior first year's quarter and the Swedish Kronor which averaged $0.15 in the current quarter vs. $0.16 in the prior year's first quarter.

Direct costs
Direct costs for the quarter were $25.4 million or 32.2% of revenue compared to $23.8 million or 31.9% of revenue in the prior year's first quarter. This reflects incremental third party license costs in the quarter compared to the prior year's first quarter and weaker services margins. Direct costs for services include costs for both hosted and maintenance services as well as professional services.

On a segment basis, direct costs in the quarter for the Interactive Management Group were $12.1 million or 25.4% of revenue compared to $12.4 million or 25.6% of revenue in the prior year's first quarter. Direct costs for the Asset Management Group were $13.3 million or 42.5% of revenue compared to $11.4 million or 44.3% of revenue in the prior year's first quarter. The larger proportionate contribution from lower margin Asset Management revenue increased the overall direct costs in the quarter. The higher direct costs in the Asset Management segment reflect higher proportional contributions from lower margin professional and hosted services and hardware revenue.

Revenue, net of direct costs
Revenue net of direct costs increased by $2.9 million to $53.5 million or 67.8% of revenue compared to $50.6 million or 68.1% of revenue in the prior year's first quarter. The increase in revenue, net of direct costs is primarily attributable to incremental contributions from acquisitions. The decrease in margins is primarily attributable to incremental costs associated with third party licenses incurred in the quarter compared to prior year's first quarter.

Operating Expenses
Operating expenses for the quarter were $31.0 million, compared to $32.8 million reported in the first quarter of last year, a 5.3% decrease. The decrease in costs includes incremental operating costs related

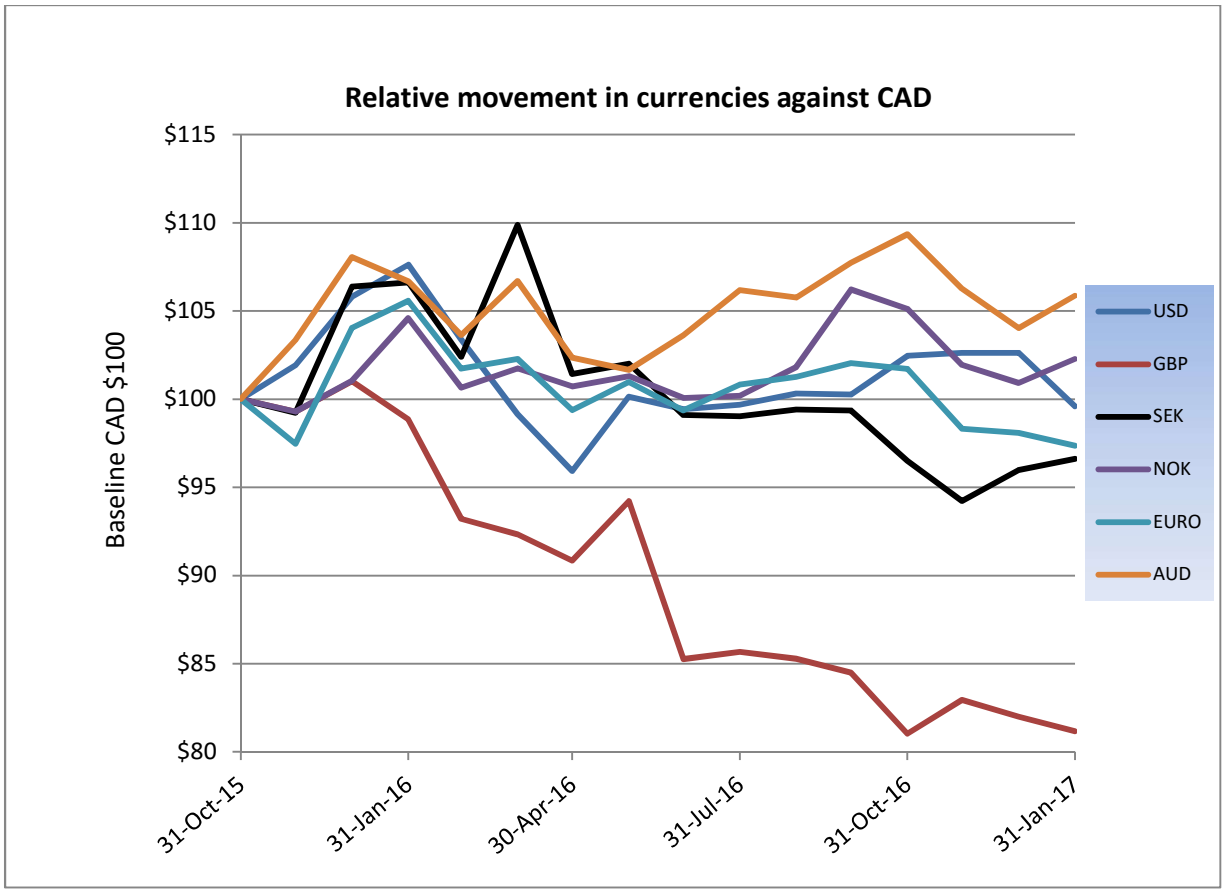
to newly acquired operations and was mitigated by the impact of the stronger Canadian dollar against major currencies, which decreased operating costs in Canadian dollars. This was also mitigated by cost containment initiatives undertaken late in the prior fiscal year to better scale costs to revenue. Selling, general and administrative costs are net of foreign exchange gains of $0.2 million recorded in the quarter compared to gains of $2.6 million last year. Last year's operating expenses also included $0.4 million in special charges related to acquisitions compared to $0.1 million in the first quarter of this year related primarily to the Presence acquisition. Excluding special charges, operating expenses were 39.2% of revenue in the current quarter compared to 43.5% in prior year's first quarter primarily as a result of headcount reductions undertaken during the latter part of 2016.

The Company continues to invest in R&D for future growth. R&D expenses were $10.8 million or 13.7% as a percentage of revenue in the quarter compared to $11.4 million or 15.3% in the prior year. Research and development expenses are net of government grants and investment tax credits of $0.3 million earned in the current quarter in New Zealand and Norway compared to $0.3 million recorded in prior year's first quarter.

Non-cash charges for amortization of acquired software and customer relationships related to acquisitions were $7.5 million, up from the prior year's first quarter expense of $6.8 million as a result of incremental charges related to the CellVision, NetBoss, and Presence acquisitions, which were partially offset by expiring amortization charges from previous acquisitions.

Foreign Exchange

The Company continues to earn a significant portion of revenue from sales denominated in currencies other than the Canadian dollar. As a result of acquisitions in the Scandinavian region and Europe, a larger proportion of revenue is derived from operations outside of the U.S. and is denominated in currencies other than the U.S. dollar. As a result, the Company transacts a significant proportion of its business in Pounds Sterling, Swedish, Norwegian and Danish Kronor and Euros, as well as currencies in the Asia Pacific region.



Exchange rate source: Bank of Canada Currency Rates

During the first quarter, the Canadian dollar strengthened against the U.S. Dollar, Euro, Pound Sterling and Swedish Krona which impacted the foreign exchange translation of Enghouse's operating results. As the Company's reporting currency is the Canadian dollar, overall this has negatively impacted revenue reported in Canadian dollars while positively impacting operating costs, and partially acts as a natural hedge. Revenue was negatively impacted by an estimated $5.2 million, while costs decreased by an estimated $3.0 million, as calculated by applying the change in the average exchange rates from Q1/16 to Q1/17 to the Company's foreign currency denominated revenue and operating expenses in the first quarter of fiscal 2017.

The Company does not hedge foreign currency exposure but funds its U.S. dollar operating expenses with U.S. dollar revenue in order to mitigate exposure. A similar natural hedge exists for the Company's U.K., European and Scandinavian operations. Going forward, fluctuations in exchange rates among the Canadian dollar, U.S. dollar, Pound Sterling, Swedish krona, Euro and other currencies may have a material but mitigating effect on the Company's foreign currency denominated revenue and expenses stated in Canadian dollars. This will also impact the relative cost of foreign currency denominated acquisitions stated in Canadian dollars.

The Company recorded foreign exchange gains of $0.2 million related to foreign currency denominated monetary assets and liabilities in the current year's first quarter compared to gains of $2.6 million in the prior year's first quarter. The gain was recorded primarily as a result of the impact of the weakening Euro against the U.S dollar on the Company's U.S dollar denominated monetary assets held primarily in the USA. The Company records foreign exchange gains and losses in selling, general and administrative expenses in the condensed consolidated interim statements of operations. Translation gains or losses incurred upon consolidation of the Company's foreign operation's balance sheets into Canadian dollars are included in the Company's accumulated other comprehensive income (loss) account on the condensed consolidated interim statements of financial position.

Finance and Other Income
During the quarter, the Company recognized finance and other income of $0.2 million compared to $0.1 million in the first quarter of fiscal 2016.

Income Tax Expense
During the quarter, the Company recorded a tax expense of $3.4 million as compared to a tax expense of $2.5 million in the prior year's first quarter. The Company paid $4.6 million in tax installments in the quarter, compared to $1.5 million in the first quarter of fiscal 2016.

Net Income
Net income was $11.7 million or $0.43 per share on a diluted basis in the quarter compared to $8.5 million or $0.31 per share, respectively, in the first quarter of fiscal 2016.

Liquidity and Capital Resources:
The Company closed the quarter with cash reserves of $88.3 million, compared to the October 31, 2016 balance of $85.9 million. The Company continues to have sufficient cash resources to fund both its current and future financial operating commitments as well as its dividend strategy. During the quarter the Company generated cash flow from operating activities of $10.7 million compared to $6.9 million in the first quarter of 2016.

The Company had 26,936,462 Common Shares issued and outstanding as at March 9, 2017. During the first quarter, 29,500 stock options were exercised contributing $0.4 million in cash to the Company. In comparison, 224,200 options were exercised in the prior year's first quarter adding $2.5 million. The Company did not grant any options in either of the current or prior year's first quarters. Enghouse did not repurchase any shares of its common stock in either first quarter under its Normal Course Issuer Bid.

Off-Balance Sheet Arrangements
The Company has not entered into off-balance sheet financing arrangements. Except for operating leases and other low probability and/or immeasurable contingent liabilities (not accrued in accordance with IFRS), all material commitments are reflected on the Company's Statement of financial position.

Transactions with Related Parties
The Company has not entered into any transactions with related parties during the year, other than transactions between wholly owned subsidiaries and the Company in the normal course of business, which are eliminated on consolidation.

Risks and Uncertainties
The primary risks and uncertainties that affect or may affect the Company and its business, financial condition, and results of operations remain substantially unchanged from those discussed in the Company's latest Annual Information Form and its Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2016, contained in the Company's 2016 Annual Report to Shareholders and all such risks and uncertainties are incorporated herein by reference.

Controls and Procedures
In compliance with the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), the Company has filed with applicable Canadian securities regulatory authorities, certificates signed by its Chief Executive Officer ("CEO") and Vice President Finance in capacity as Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design of internal controls over financial reporting.

Disclosure Controls and Procedures
Disclosure controls and procedures have been designed under the supervision of the CEO and CFO, with the participation of other management, to provide reasonable assurance that all relevant information required to be disclosed by the Company is recorded, processed, summarized and reported on a timely basis to senior management, as appropriate, to allow timely decisions regarding required public disclosure. Pursuant to NI 52-109, as of October 31, 2016, an evaluation of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision of the CEO and CFO. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation considered the Company's disclosure policy, a sub-certification process and the functioning of the Company's Disclosure Committee.

Internal Controls over Financial Reporting
The Company's CEO and CFO are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS.

At October 31, 2016, an evaluation was carried out of the effectiveness of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting. Based on that evaluation, the Company's CEO and CFO have concluded that, as at October 31, 2016, the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards established in "Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission", and the requirements of NI 52-109. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes to the Company's internal control over financial reporting during the quarter ended January 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information
Additional information relating to the Company including our most recently completed Annual Information Form ("AIF") is available on SEDAR at ***www.sedar.com*** and on the Company's website at ***www.enghouse.com***.

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended January 31, 2017 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(Unaudited)

	January 31, 2017	October 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 80,644	$ 78,436
Short-term investments	7,609	7,423
Accounts receivable, net	83,489	73,588
Prepaid expenses and other assets	9,436	9,720
	181,178	**169,167**
Non-current assets:		
Long-term deposits and accounts receivable, net	1,179	1,357
Property, plant and equipment	5,476	5,696
Intangible assets (Note 4)	77,564	86,632
Goodwill (Note 4)	141,741	144,578
Deferred income tax assets	9,691	11,765
Total assets	**$ 416,829**	**$ 419,195**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 49,176	$ 55,440
Income taxes payable	3,353	5,139
Dividends payable	3,771	3,767
Provisions (Note 5)	1,280	2,111
Deferred revenue	63,345	54,300
	120,925	**120,757**
Non-current liabilities:		
Deferred income tax liabilities	18,384	21,053
Deferred revenue	4,728	4,788
Long-term loans	2,500	4,049
Total liabilities	**146,537**	**150,647**
Shareholders' Equity		
Share capital (Note 6)	70,013	69,555
Contributed surplus	3,969	3,875
Retained earnings	195,611	187,649
Accumulated other comprehensive income	699	7,469
Total shareholders' equity	**270,292**	**268,548**
Total liabilities and shareholders' equity	**$ 416,829**	**$ 419,195**

Commitments and contingencies (Note 12)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

	Three months ended January 31, 2017	2016
Revenue		
Software licenses	$ 24,208	$ 20,770
Hosted and maintenance services	39,166	37,806
Professional services	13,968	14,435
Hardware	1,498	1,359
	78,840	**74,370**
Direct costs		
Software licenses	2,109	1,157
Services	22,243	21,790
Hardware	1,001	805
	25,353	**23,752**
Revenue, net of direct costs	**53,487**	**50,618**
Operating expenses		
Selling, general and administrative	19,491	20,141
Research and development	10,836	11,401
Depreciation of property, plant and equipment	614	826
Special charges (Note 5)	98	407
	31,039	**32,775**
Results from operating activities	**22,448**	**17,843**
Amortization of acquired software and customer relationships	(7,457)	(6,840)
Finance income	39	33
Finance expenses	(107)	(81)
Other income	170	33
Income before income taxes	**15,093**	**10,988**
Provision for income taxes (Note 8)	3,360	2,527
Net income for the period	**$ 11,733**	**$ 8,461**
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation (loss) gain from foreign operations	(6,689)	8,799
Transfer to net income of realized gains on available for sale investments	-	(14)
Unrealized loss on available for sale investments	(93)	(139)
Deferred income tax recovery	12	20
Other comprehensive (loss) income	**(6,770)**	**8,666**
Comprehensive income	**$ 4,963**	**$ 17,127**
Earnings per share		
Basic	$ 0.44	$ 0.32
Diluted	$ 0.43	$ 0.31

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

(in thousands of Canadian dollars)
(Unaudited)

	Share Capital -number	Share capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total $
Balance – November 1, 2016	**26,906,962**	**69,555**	**3,875**	**7,469**	**187,649**	**268,548**
Net income	-	-	-	-	11,733	11,733
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(6,689)	-	(6,689)
Transfer to net income of realized gains on available for- sale investments	-	-	-	-	-	-
Unrealized loss on available-for-sale investments	-	-	-	(93)	-	(93)
Deferred income tax recovery	-	-	-	12	-	12
Comprehensive income for the period	**-**	**-**	**-**	**(6,770)**	**11,733**	**4,963**
Employee share options:						
Value of services recognized	-		188	-	-	188
Proceeds on issuing shares	29,500	458	(94)	-	-	364
Dividends	-	-	-	-	(3,771)	(3,771)
Balance – January 31, 2017	**26,936,462**	**70,013**	**3,969**	**699**	**195,611**	**270,292**
Balance – November 1, 2015	**26,587,262**	**64,203**	**4,029**	**20,254**	**154,866**	**243,352**
Net income	-	-	-	-	8,461	8,461
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	8,799	-	8,799
Transfer to net income of realized gains on available for- sale investments	-	-	-	(14)	-	(14)
Unrealized loss on available-for-sale investments	-	-	-	(139)	-	(139)
Deferred income tax recovery	-	-	-	20	-	20
Comprehensive income for the period	**-**	**-**	**-**	**8,666**	**8,461**	**17,127**
Employee share options:						
Value of services recognized	-	-	325	-	-	325
Proceeds on issuing shares	224,200	3,083	(586)	-	-	2,497
Dividends	-	-	-	-	(3,217)	(3,217)
Balance – January 31, 2016	**26,811,462**	**67,286**	**3,768**	**28,920**	**160,110**	**260,084**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(*in thousands of Canadian dollars)*
(Unaudited)

	Three months ended January 31, 2017	2016
Cash flows from operating activities		
Net income for the period	$ 11,733	$ 8,461
Adjustments for:		
Depreciation of property, plant and equipment	614	826
Amortization of acquired software and customer relationships	7,457	6,840
Stock-based compensation expense	188	325
Provision for income tax	3,360	2,527
Finance expenses and other income	(63)	48
	23,289	**19,027**
Changes in non-cash operating working capital (Note 13)	(8,018)	(10,623)
Income tax paid	(4,596)	(1,497)
Net cash flows from operating activities	**10,675**	**6,907**
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(565)	(1,318)
Purchase of other software	(489)	(134)
Acquisitions, net of cash acquired of nil (2016 $1,723) (Note10)	-	(26,019)
Purchase consideration for prior period acquisitions	(393)	(690)
Net purchase of short-term investments	(608)	(1,045)
Net cash flows used in investing activities	**(2,055)**	**(29,206)**
Cash flows from financing activities		
Issuance of share capital	364	2,497
Repayment of loans	(1,667)	-
Payment of cash dividend	(3,767)	(3,190)
Net cash flows used in financing activities	**(5,070)**	**(693)**
Effect of currency translation adjustments on cash and cash equivalents	(1,342)	3,175
Net increase (decrease) in cash and cash equivalents during the period	**2,208**	**(19,817)**
Cash and cash equivalents - beginning of period	78,436	94,131
Cash and cash equivalents - end of period	**$ 80,644**	**$ 74,314**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended January 31, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

1. Description of the business and reporting entity
Enghouse Systems Limited ("Enghouse Systems") and its wholly owned subsidiaries (together the "Company" or "Enghouse") develop enterprise software solutions for a number of vertical markets. The Company is organized around two business segments: the Interactive Management Group and the Asset Management Group. The Interactive Management Group specializes in customer interaction software and services that are designed to enhance customer service, increase efficiency and manage customer communications across the enterprise. The Asset Management Group provides products and services to telecom service providers as well as fleet management and public safety software solutions, first responders, distribution, security, utilities and oil and gas industries. Enghouse Systems is incorporated and domiciled in Canada. The address of its registered office is 80 Tiverton Court, Suite 800, Markham, Ontario, L3R 0G4. The Company has offices around the world including the United States, the United Kingdom, Sweden, Norway, Denmark, Belgium, Germany, Ireland, Australia, New Zealand, Israel, Lebanon, Romania, Italy, Spain, Columbia and Croatia.

2. Basis of preparation

(a) Statement of compliance
These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, '*Interim financial reporting'*. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2016, which have been prepared in accordance with IFRS. These unaudited condensed consolidated interim financial statements were approved for issue on March 9, 2017.

(b) Basis of preparation and measurement
These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34*, Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Company's 2016 annual consolidated financial statements. They have been prepared on the historical cost basis except for available-for-sale financial assets, certain assets and liabilities initially recognized in connection with business combinations, and derivative financial instruments, which are measured at fair value.

The policies applied in these unaudited condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of March 9, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending October 31, 2017 could result in a restatement of these unaudited condensed consolidated interim financial statements.

(c) Functional and presentation of currency
The Company's subsidiaries generally operate in their local currency environment. Accordingly, items included in the financial statements of each legal entity consolidated within the Enghouse group are measured using the currency of the primary economic environment in which the legal entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is also Enghouse Systems' functional currency.

(d) Use of estimates and judgments
The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended October 31, 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended January 31, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

3. Significant accounting policies
The accounting policies adopted are consistent with those of the previous financial year.

4. Intangible assets and Goodwill

	Acquired Software $	Other Software $	Customer Relationships $	Total Intangibles $	Goodwill $
At November 1, 2016					
Cost	144,211	2,116	85,694	232,021	144,578
Accumulated amortization	(99,044)	(55)	(46,290)	(145,389)	-
Net book value	**45,167**	**2,061**	**39,404**	**86,632**	**144,578**
Period ended January 31, 2017					
Opening net book value	**45,167**	**2,061**	**39,404**	**86,632**	**144,578**
Purchase Price Adjustments	-	-	-	-	50
Additions		489	-	489	-
Amortization	(4,541)	(87)	(2,829)	(7,457)	-
Exchange difference	(1,179)	(17)	(904)	(2,100)	(2,887)
Closing net book value	**39,447**	**2,446**	**35,671**	**77,564**	**141,741**
At January 31, 2017					
Cost	144,211	2,588	85,694	232,493	141,741
Accumulated amortization	(104,764)	(142)	(50,023)	(154,929)	-
Net book value	**39,447**	**2,446**	**35,671**	**77,564**	**141,741**

5. Provisions
Provisions include provisions for onerous contracts, legal claims, restructuring and special charges, and are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

	Total
At November 1, 2016	**$ 2,111**
Additional provisions	261
Unused amounts reversed	(161)
Utilized during the period	(910)
Effect of movements in foreign exchange	(21)
At January 31, 2017	**$ 1,280**

6. Share capital and other components of shareholder's equity

Capital Stock
The authorized share capital of the Company consists of an unlimited number of common shares, an unlimited amount of Class A, redeemable, retractable, non-voting, non-cumulative, preference shares and an unlimited number of Class B, redeemable, retractable, non-voting, preference shares. There were 26,936,462 common shares outstanding as at January 31, 2017. There were no Class A and no Class B preference shares issued and outstanding as at either October 31, 2016 or January 31, 2017.

Common share repurchase plan
On April 22, 2016, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 1,853,096 common shares of the Company, expiring on April 21, 2017. The Company did not repurchase any common shares in either fiscal 2017 or fiscal 2016.

Accumulated other comprehensive income (loss)
Accumulated other comprehensive income (loss) is comprised of the following separate components of equity:

Cumulative translation account
The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations net of income tax recovery of $nil (Q1/2016- $295).

Unrealized gains/losses on available-for-sale financial assets
Available-for-sale differences comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired net of income tax recovery of $12 (Q1/2016- recovery of $20).

Dividends
During the three months ended January 31, 2017, the Company declared and paid dividends of $0.14 per common share (three months ended January 31, 2016 - $0.12 per common share).

7. Stock-based Compensation
The Company has granted options to purchase common shares to certain directors, officers and employees of the Company, pursuant to the terms of the Company's stock option plan (the "Plan"). The Plan provides that a total of 1,445,200 (January 31, 2016 – 1,578,200) common shares are reserved for options and that the shares reserved for options, which could become exercisable in any one year, will not exceed more than 10% of the issued and outstanding common shares of the Company at the time such options may be exercisable. These options vest at various times over four years and expire seven years after the grant date. The exercise price of each option equals the market price of the Company's stock on the date the options are granted.

A summary of the status of the Company's Plan as at January 31, 2017 and January 31, 2016, and changes during the three months ended respectively on those dates is presented as follows:

	January 31, 2017		January 31, 2016	
	Number of Options	Weighted Average Exercise Price in $	Number of Options	Weighted Average Exercise Price in $
Outstanding at beginning of period	741,500	29.34	971,200	21.92
Exercised	(29,500)	12.29	(224,200)	11.14
Forfeited	(5,000)	53.04	-	-
Outstanding at end of period	**707,000**	**29.88**	**747,000**	**25.16**
Options exercisable at end of period	**444,500**	**22.69**	**326,000**	**19.05**

The Company uses the fair value method for recording compensation expense related to equity instruments awarded to employees, officers and directors in accordance with IFRS 2. For the purposes of expensing stock options, each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period by increasing

contributed surplus based on the number of awards expected to vest. During the first quarter of 2017, the Company recorded a non-cash charge of $188 (Q1/2016 - $325).

For options granted in the period, the fair value of each stock option on the date of the grant was estimated using the Black-Scholes option pricing model as set out below. Estimated volatility is calculated on a daily basis using historical closing prices, as adjusted for certain events that management deemed to be non-recurring and non-indicative of future events over a five year period, which reflects the expected life of the options.

There were no options granted in either the first quarter of fiscal 2017 or fiscal 2016.

8. Income tax

Income tax expense is recognized based on management's best estimate of the estimated annual income tax rate expected for the full financial year applied to the pre-tax income for the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and the relative mix of income earned in differing jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined for the consolidated group. The Company's effective tax rate for the three month period ended January 31, 2017 was an expense of 22.3%. The tax expense for the three month period ended January 31, 2016 was 23%.

9. Earnings per share:

Basic: Basic earnings per share are calculated by dividing the net income attributable to owners of the parent by the weighted average number of common shares issued and outstanding during the period.

	For the period ended January 2017	2016
Net income attributable to owners of the parent	$ 11,733	$ 8,461
Weighted average number of common shares issued	26,920	26,696
Basic earnings per share	**$ 0.44**	**$ 0.32**

Diluted: Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding assuming conversions of all dilutive potential common shares. The Company has only stock options as potential dilutive common shares. For stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined using the average market share price of the Company's outstanding shares for the period) based on the monetary value of the subscription rights attached to the stock options. The number of shares calculated above is compared to the number of shares that would have been issued assuming the exercise of the stock options.

	For the period ended January 2017	2016
Net income attributable to owners of the parent	$ 11,733	$ 8,461
Weighted average number of common shares issued	26,920	26,696
Adjustments for:		
Stock options	308	558
Weighted average number of common shares for diluted earnings per share	27,228	27,254
Diluted earnings per share	**$ 0.43**	**$ 0.31**

10. Acquisitions

Acquisitions have been recorded under the purchase method of accounting and results have been included in the condensed consolidated interim statements of operations from their respective acquisition dates. Accordingly, the allocation of the purchase price to assets and liabilities is based on the fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

2016 Acquisitions:

CTI Group (Holdings) Inc.

The Company acquired 100% of the issued and outstanding common shares of CTI Group (Holdings) Inc. ("CTI") on December 7, 2015 for an aggregate purchase price of $27.7 million or $26.0 million net of cash acquired. CTI was integrated into each of Enghouse's segments. Results of the CTI Proteus operating unit are included in the Interactive Management Group while the results of CTI's Analysis and SmartRecord operating units are included in the Asset Management Group from date of acquisition.

Headquartered in Indianapolis, Indiana with operations in the UK, CTI's telecommunications software products include carrier grade billing analytics, self-care, invoice presentment, multi-channel customer interaction recording and call accounting solutions. The products are deployed as on-premise licensed, multi-tenant hosted, SaaS or managed services offerings which offer carriers a full array of cloud-based, real-time solutions for traffic analysis, post-billing call analysis, customer care and call recording. No amounts are subject to hold back.

Asset Management Group

The Company acquired 100% of the issued and outstanding common shares of CellVision AS ("CellVision") on March 4, 2016 for an aggregate cash purchase price of approximately $4.6 million or $3.4 million net of cash acquired and hold backs. Of this amount approximately $0.6 million remains subject to hold back and adjustment. Results are included in the Asset Management Group from date of acquisition.

Headquartered in Oslo, Norway, CellVision enables spatial intelligence and visual dashboard analytics for network operators. The purchase price allocation has not been finalized subject to receipt of additional information.

The Company acquired the assets of NetBoss Technologies ("NetBoss") on May 27, 2016 for an aggregate cash purchase price of approximately $9.0 million or $6.8 million net of cash acquired and hold backs. Of this amount approximately $1.9 million remains subject to hold back and adjustment. Results are included in the Asset Management Group from date of acquisition.

Headquartered in Sebastian, Florida, NetBoss provides an integrated service assurance platform encompassing fault and performance management, service correlation and customer analytics. The purchase price allocation has not been finalized subject to receipt of additional information.

Interactive Management Group

The Company acquired 100% of the issued and outstanding common shares of Presence Technology, S.L. ("Presence") on October 28, 2016 for an aggregate cash purchase price of approximately $21.9 million or $16.5 million net of cash acquired and hold backs. Of this amount approximately $2.1 million remains subject to hold back and adjustment. Aggregate contingent consideration of $1.4 million has been reported in the consolidated statement of financial position at its estimated fair value. Results were included in the Interactive Management group from November 1, 2016. The opening statement of financial position of Presence on acquisition was included in the consolidated financial statements of financial position as at October 31, 2016.

Headquartered in Barcelona, Spain, Presence is a leading provider of multi-channel contact center software solutions with specific focus on Spanish speaking markets. The Company's suite of applications provides its approximately 200 clients with a flexible architecture to deploy contact center capabilities on-premise, in the cloud or on a hybrid basis. The product suite is available in English and Spanish, with end-user modules

also available in Portuguese. This has enabled Presence to establish a leadership position in its core markets of Spain, the Americas and Sub-Saharan Africa.

The goodwill recognized in connection with 2016 acquisitions is primarily attributable to the anticipated improvement in the operations of the companies acquired and synergies with existing operations as a result of implementation of Enghouse's business strategies and methodologies. Goodwill also includes other intangibles such as assembled workforce that do not qualify for separate recognition under IFRS. $1.6 million of the total goodwill of $24.8 million recorded in 2016 arising from these acquisitions is deductible for tax purposes.

The gross contractual amounts of acquired receivables in 2016 was $12.5 million. However, acquired receivables are generally represented as collectible by the sellers and therefore are expected to be fully collectible from customers or the sellers. The Company does not believe the impact of 2016 business acquisitions is material to either consolidated revenue or consolidated net income.

The Company's purchase price allocations are as follows:

	Interactive Management Group Preliminary 2016	Asset Management Group Preliminary 2016
Cash and cash equivalents	$ 3,243	$ 1,987
Accounts receivable, net	5,690	6,782
Prepaid expenses and other assets	170	928
Deposits	873	-
Property, plant and equipment	407	413
Deferred income tax assets	106	-
Acquired software	11,237	16,468
Customer relationships	7,054	10,055
Goodwill	19,493	5,289
Total assets acquired	**$ 48,273**	**$ 41,922**
Less: Current liabilities assumed	$ 4,354	$ 10,997
Less: Long-term loans	4,049	-
Less: Deferred income tax liabilities	4,751	2,902
Total liabilities assumed	**$ 13,154**	**$ 13,899**
Net assets acquired for cash consideration	**$ 35,119**	**$ 28,023**

11. Segmented information

The Company has two operating segments, the Interactive Management Group and the Asset Management Group, based on the nature of the operations and markets that each of these segments serves. The accounting policies followed by these segments are the same as those described in the summary of significant accounting policies.

The Company's operating segments each develop and market software products and provide services for their respective markets and are inclusive of the current year acquisitions. The Interactive Management Group specializes in customer interaction software and services that are designed to enhance customer service, increase efficiency and manage customer communications across the enterprise. The Asset Management Group provides a portfolio of products to telecom service providers as well as fleet management and public safety software solutions for the transportation sector, first responders, distribution, security, utilities and oil and gas industries.

The Company evaluates segment performance based on revenue and profit or loss before income taxes.

Notes to Condensed Consolidated Interim Financial Statements
For the three months ended January 31, 2017 and 2016
(Unaudited, in thousands of Canadian dollars, except as indicated)

	Interactive Management Group	Asset Management Group	Total
Quarter ended January 31, 2017			
Revenue	$ 47,554	$ 31,286	$ 78,840
Operating expenses excluding non-cash charges	(31,345)	(22,588)	(53,933)
Special Charges	(194)	96	(98)
Depreciation of property, plant and equipment	(441)	(173)	(614)
Segmented profit	**$ 15,574**	**$ 8,621**	**$ 24,195**
Corporate expenses			(1,747)
Results from operating activities			**$ 22,448**
Amortization of acquired software and customer relationships			(7,457)
Finance income			39
Finance expenses			(107)
Other income			170
Income before income taxes			**$ 15,093**
Goodwill	$ 91,164	$ 50,577	$ 141,741
Other assets	138,938	128,541	267,479
Short-term investments			7,609
Total assets	**$ 230,102**	**$ 179,118**	**$ 416,829**
Capital Expenditures	$ 417	$ 148	$ 565

	Interactive Management Group	Asset Management Group	Total
Quarter ended January 31, 2016			
Revenue	$ 48,612	$ 25,758	$ 74,370
Operating expenses excluding non-cash charges	(33,266)	(19,648)	(52,914)
Special Charges	(182)	(225)	(407)
Depreciation of property, plant and equipment	(605)	(221)	(826)
Segmented profit	**$ 14,559**	**$ 5,664**	**$ 20,223**
Corporate expenses			(2,380)
Results from operating activities			**$ 17,843**
Amortization of acquired software and customer relationships			(6,840)
Finance income			33
Finance expenses			(81)
Other income			33
Income before income taxes			**$ 10,988**
Goodwill	$ 89,611	$ 54,386	$ 143,997
Other assets	131,580	128,595	260,175
Short-term investments			5,694
Total assets	**$ 221,191**	**$ 182,981**	**$ 409,866**
Capital Expenditures	$ 979	$ 339	$ 1,318

12. Litigation and contingencies

General

The Company provides its customers with a qualified indemnity against the infringement of third party intellectual property rights. From time to time, various owners of patents and copyrighted works send the Company or its customers letters alleging that the Company's products do or might infringe upon the owner's intellectual property rights, and/or suggesting that the Company or its customers should negotiate a license agreement with the owner. The Company's policy is to never knowingly infringe upon any third party's intellectual property rights. Accordingly, where appropriate, the Company forwards any such allegation or licensing request to its outside legal counsel for review. The Company generally attempts to resolve any such matter by informing the owner of the Company's position concerning non-infringement or invalidity. Even though the Company attempts to resolve these matters without litigation, it is always possible that the owner of a patent or copyrighted work will sue the Company.

In response to correspondence from and, in a few instances, litigation instigated by, third party patent holders, a few of the Company's customers have attempted to tender to the Company the defense of its products under contractual indemnity provisions. With respect to this litigation, and any other litigation the Company becomes involved with, under a contractual indemnity or any other legal theory, the Company has and will continue to consider all its options for resolution and vigorously assert all appropriate defenses. There are no material claims outstanding against the Company as at January 31, 2017.

13. Changes in non-cash operating working capital

	Three months ended January 31,	
	2017	**2016**
Increase in accounts receivable, net	$ (11,106)	$ (7,233)
Increase in prepaid expenses and other assets	(291)	(1,378)
Decrease in accounts payable & accrued liabilities	(4,812)	(7,751)
(Decrease) increase in provisions	(812)	768
Decrease in income taxes payable	(1,202)	(373)
Increase in deferred revenue	10,205	5,344
	$ (8,018)	**$ (10,623)**