Third Quarter 2017

Enghouse Systems

Software engineered for results

September 7, 2017

To our Shareholders,

Third quarter revenue was $82.8 million, an increase of 8.4% over revenue of $76.4 million in the third quarter last year. On a year to date basis, revenue was $241.1 million compared to $229.3 million last year. The revenue increase primarily reflects incremental revenue contributions from acquisitions. On a year to date basis foreign exchange negatively impacted revenue by $8.2 million compared to last year. Hosted and maintenance services revenue was $43.4 million in the quarter, an increase of 14.6% over the same period last year.

Operating expenses before special charges related to restructuring of acquired operations were $35.7 million compared to $31.4 million in the prior year's third quarter and include incremental operating costs related to acquired operations, net of the unfavourable impact of foreign exchange. Non-cash amortization charges in the quarter were $7.4 million compared to $7.0 million in the prior year's third quarter and include amortization charges for acquired software and customer relationships from acquired operations. On a year to date basis operating expenses before special charges were $101.7 million compared to $98.9 million and include incremental operating costs related to acquired operations, net of the favourable impact of foreign exchange on operating costs compared to last year to date.

Net income for the quarter was $11.2 million ($0.41 per diluted share) compared to the prior year's third quarter net income of $10.4 million ($0.38 per diluted share). Results from operating activities for the quarter were $21.9 million compared to $20.6 million in the prior year's third quarter.

Enghouse generated strong cash flows from operations of $25.1 million in the quarter compared to $16.4 million last year, an increase of 53.6% and $54.1 million year to date compared to $43.9 million, an increase of 23.2%. The Company closed the quarter with $103.8 million in cash, cash equivalents and short-term investments, compared to $85.9 million at October 31, 2016. The cash balance was achieved after year-to-date payments comprised of $16.2 million (net of cash acquired and holdbacks) for Tollgrade Communications Inc. (acquired April 12, 2017), $1.7 million to partially settle loans inherited from the Presence Technology, S.L. acquisition (completed October 28, 2016), $1.0 million for prior period acquisitions, and $11.9 million in dividends paid.

Adjusted EBITDA for the quarter was $22.6 million ($0.83 per diluted share) compared to $21.6 million ($0.79 per diluted share) in last year's third quarter. Adjusted EBITDA for the year to date was $66.3 million ($2.43 per diluted share) compared to $60.0 million ($2.20 per diluted share) last year. This includes the net negative impact of $3.8 million related to foreign exchange on a year to date basis compared to last year, which would have resulted in a 16.9% increase compared to the prior year excluding the impact of foreign exchange.

The Board of Directors has approved an eligible quarterly dividend of $0.16 per common share, payable on November 30, 2017 to shareholders of record at the close of business on November 16, 2017.

Enghouse remains committed to its acquisition strategy and continues to seek accretive acquisitions.

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 September 7, 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 third quarter ended July 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), and 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 latest of which ended July 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
	$	$	$	$	$	$
July 31, 2017	82,756	11,182	0.41	0.41	103,800	441,125
April 30, 2017	79,543	9,027	0.34	0.33	87,571	454,090
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

^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)

For the three months ended	Q3/2017 $	Q3/2016 $	Year over year change $	%
Interactive Management Group	46,807	46,641	166	0.4
Asset Management Group	35,949	29,709	6,240	21.0
Total revenue	**82,756**	**76,350**	**6,406**	**8.4**
Direct costs	24,987	24,230	757	3.1
Revenue, net of direct costs	**57,769**	**52,120**	**5,649**	**10.8**
Operating expenses	35,743	31,388	4,355	13.9
Special charges	133	151	(18)	(11.9)
Results from operating activities	**21,893**	**20,581**	**1,312**	**6.4**
Amortization of acquired software and customer relationships	(7,397)	(7,009)	(388)	5.5
Finance income	32	19	13	68.4
Finance expense	(142)	(46)	(96)	208.7
Other income	(50)	9	(59)	(655.6)
Income before income taxes	**14,336**	**13,554**	**782**	**5.8**
Provision for income taxes	3,154	3,171	(17)	(0.5)
Net Income	**11,182**	**10,383**	**799**	**7.7**
Earnings per share – basic	0.41	0.39	0.02	5.1
Earnings per share – diluted	0.41	0.38	0.03	7.9
Cash flow from operating activities	**25,109**	**16,351**	**8,758**	**53.6**
Cash flow from operating activities before changes in working capital	**22,809**	**21,602**	**1,207**	**5.6**

Adjusted EBITDA:

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

	Three Months ended		Nine Months ended	
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016
Total Revenue	**$ 82,756**	**$ 76,350**	**$ 241,139**	**$ 229,257**
Results from operating activities	**21,893**	**20,581**	**63,824**	**56,540**
Depreciation of property, plant and equipment	619	830	1,828	2,447
Special charges	133	151	614	970
Adjusted EBITDA	**$ 22,645**	**$ 21,562**	**$ 66,266**	**$ 59,957**
Adjusted EBITDA margin	**27.4%**	**28.2%**	**27.5%**	**26.2%**
Adjusted EBITDA per diluted share	**$ 0.83**	**$ 0.79**	**$ 2.43**	**$ 2.20**

Revenue
Total revenue for the quarter was $82.8 million compared to $76.4 million in the prior year's third quarter, an increase of 8.4% over the prior year. Hosted and maintenance services revenue was $43.4 million compared to $37.9 million in the prior year's third quarter, an increase of 14.6%. This includes maintenance revenue of $37.2 million compared to $32.3 million in the prior year's third quarter and reflects incremental maintenance revenue from license sales in the past fiscal year as well as contributions from acquired operations. Hosted services revenue increased to $6.2 million in the quarter compared to $5.6 million last year and reflects incremental contributions from acquired operations. License revenue was $24.5 million compared to $23.9 million in the prior year's third quarter and includes contributions from acquisitions.

Revenue for the fiscal year to date was $241.1 million compared to $229.3 million in fiscal 2016, a 5.2% increase. Hosted and maintenance services revenue grew 7.5% in the year to $122.5 million and represents 50.8% of revenue compared to 49.7% last year. Revenue also includes license revenue of $72.5 million, a 4.8% increase over last year. Revenue was nominally impacted by foreign exchange in the quarter compared to Q3/16 but was significantly impacted compared to last year to date, which reduced revenue by an estimated $8.2 million year to date, as calculated by applying last year's foreign exchange rates to the current year's foreign currency denominated revenue.

The Interactive Management Group contributed $46.8 million in revenue in the quarter, compared to $46.6 million reported in the third quarter of fiscal 2016. The Asset Management Group contributed revenue of $35.9 million in the quarter, compared to $29.7 million reported in the third quarter of fiscal 2016 and reflects incremental revenue contributions from Tollgrade, which was acquired April 12, 2017.

On a year to date basis, the Interactive Management Group contributed $141.4 million compared to $143.9 million last year, while the Asset Management Group revenue was $99.7 million compared to $85.3 million last year as a result of incremental contributions from acquisitions completed in the current and prior fiscal year and reflect the impact of foreign exchange. The Asset Management Group contributed 41.3% to total revenue in the fiscal year to date (2016 – 37.2%) as a result of incremental revenue contributions from acquisitions.

Both revenue and costs were impacted by the relatively stronger U.S. dollar which compared to its Canadian counterpart averaged $1.32 in the current quarter versus $1.30 in the prior year's third quarter. The Euro positively impacted revenue, averaging $1.49 in the current quarter compared to $1.45 in the prior year's third quarter. However, revenue was negatively impacted by the stronger Canadian dollar compared to the much weaker Pound Sterling, which averaged $1.70 in the quarter versus $1.81 in the prior year's third quarter and to a lesser extent against the Swedish Kronor, which averaged $0.15 in the quarter versus $0.16 in the prior year's third quarter.

Direct costs
Direct costs for the quarter were $25.0 or 30.2% of revenue compared to $24.2 million or 31.7% of revenue in the prior year's third quarter. Stronger services margins in the current quarter positively impacted overall gross margins compared to prior year's third quarter. 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 $11.7 million or 24.9% of revenue compared to $12.1 million or 26.0% of revenue in the prior year's third quarter as a result of a positive foreign exchange impact on services margins from higher revenues on Euro and USD contracts that are serviced primarily by a pound sterling cost base. Direct costs for the Asset Management Group were $13.3 million or 37.1% of revenue compared to $12.1 million or 40.7% of revenue in the prior year's third quarter as a result of improved margins on incremental support revenues from acquisitions. The lower overall margins in the Asset Management Group compared to the Interactive Management Group reflect a higher proportion of lower margin professional and hosted services and hardware revenue in the group.

Revenue, net of direct costs
Revenue net of direct costs increased by $5.6 million, or 10.8%, to $57.8 million, or 69.8% of revenue, compared to the prior year's third quarter. The increase in revenue, net of direct costs is primarily attributable to incremental contributions from acquisitions. The increase in margins is primarily attributable to improved services margins in the Asset Management Group in the quarter.

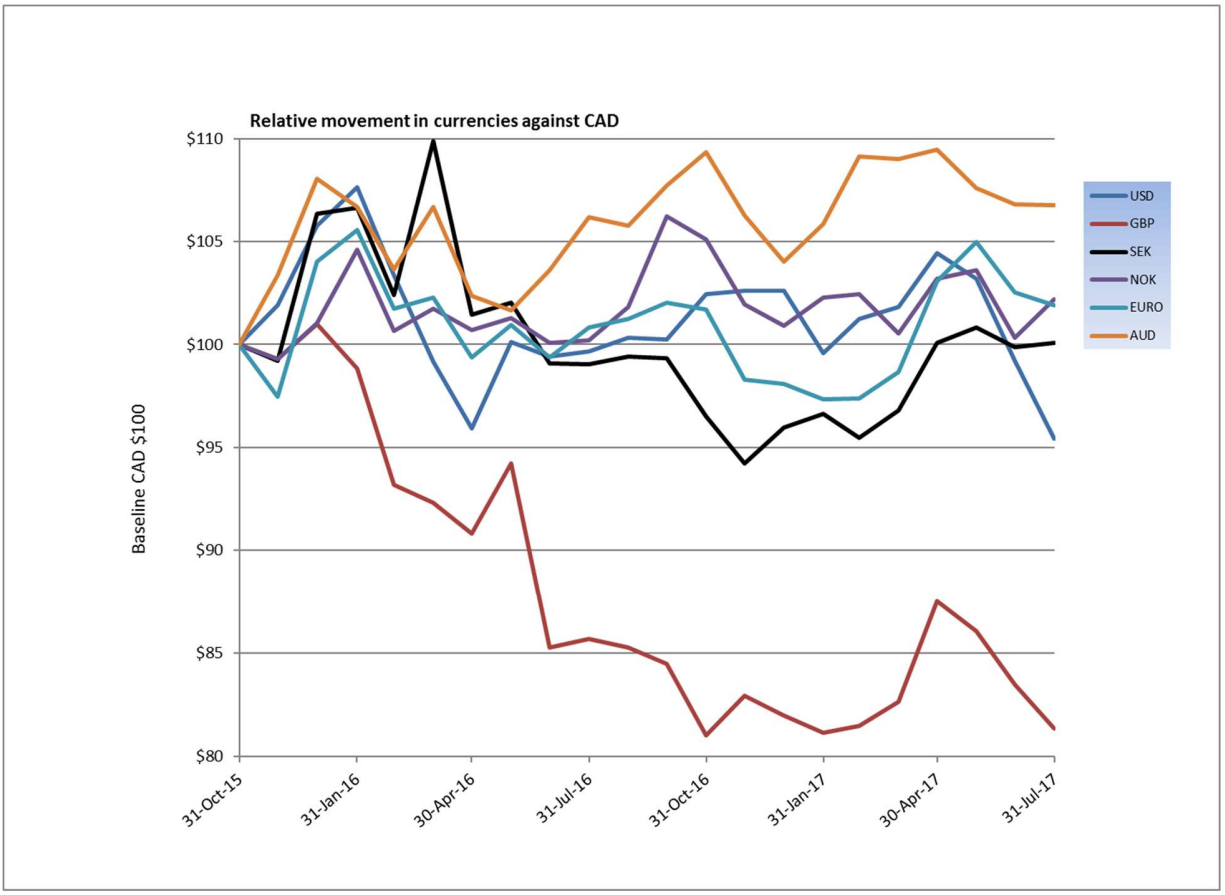
Operating Expenses
Operating expenses, excluding special charges, for the quarter were $35.7 million, compared to $31.4 million reported in the third quarter of last year, a 13.9% increase. The increase in costs reflects incremental operating costs related to newly acquired operations and the overall impact of the weaker Canadian dollar, which resulted in slightly higher operating costs stated in Canadian dollars for the quarter. Selling, general and administrative costs also include foreign exchange losses of $0.8 million recorded in the quarter compared to gains of $2.0 million in last year's third qurarter. The foreign exchange loss was primarily related to the translation of foreign currency denominated monetary liabilities, which were negatively impacted by the weakening of the Canadian dollar in the third quarter. Both the current and prior quarters' expenses included $0.1 million and $0.2 million, respectively, in special charges related to acquisitions, with this year's expenses being related to the Tollgrade acquisition.

Operating costs, excluding special charges, as a percentage of total revenue increased from 41.1% to 43.2% in the quarter as a result of operating costs related to newly acquired operations as well as the net movement in foreign exchange gains and losses included in selling, general and administrative costs from the prior year's third quarter. For the fiscal year to date, operating expenses excluding special charges increased by 2.8% to $101.7 million or 42.2% of revenue from $98.9 million (43.2% of revenue) in fiscal 2016. This includes incremental operating costs related to acquisitions as well as foreign exchange losses of $3.0 million year to date compared to gains of $4.3 million last fiscal year to date recorded in selling, general and administrative expenses.

The Company continues to invest in R&D for future growth. R&D expenses were $11.5 million or 13.9% as a percentage of revenue in the quarter, compared to $11.4 million or 15.0% in the prior quarter. This is net of R&D tax credits of $0.3 million and a nominal amount, respectively, recorded in the current and prior year's third quarters.

Non-cash charges for amortization of acquired software and customer relationships related to acquisitions were $7.4 million, up from the prior year's third quarter expense of $7.0 million as a result of incremental charges related to the acquisitions of NetBoss, Presence, and Tollgrade, which were partially offset by expiring amortization charges from previous acquisitions. On a year to date basis, non-cash amortization represents a charge of $22.4 million versus $20.9 million last year.

Foreign Exchange
The Company earns 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, an increasing 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, Euros, Swedish, Norwegian and Danish Kronor, as well as currencies in the Asia Pacific region.



Exchange rate Source: Bank of Canada Currency Rates

The Canadian dollar weakened in the quarter compared to second quarter rates against most major world currencies including the Pound Sterling. The exception was the U.S. dollar which continues to weaken after peaking in May. Compared to last year's third quarter rates the Canadian dollar weakened against major world currencies other than the Pound Sterling, which weakened against the Canadian Dollar post-Brexit. Sequentially compared to Q2/17, FX increased revenue and costs by $1.2 million and $0.9 million respectively, when compared to Q2/17 rates on locally denominated Q2/17 revenue and costs. Compared to Q3/16, this increased foreign denominated revenue stated in CAD by approximately $0.1 million and total costs by $0.4 million using the current quarter's exchange rates compared to Q3/16 rates. For the year to date, the exchange impact reduced both revenue and costs by $8.2 million and $4.4 million, respectively.

The Company does not hedge foreign currency exposure but funds its operational expenses with revenue generated in the same currency in order to mitigate exposure. This natural hedge exists for the Company's U.S., U.K., European and Scandinavian operations. The Company continues to have more operating expenses denominated in Canadian dollars than Canadian dollar revenue. Going forward, fluctuations in exchange rates among the Canadian dollar, the U.S. dollar, the Pound Sterling, the Swedish Krona, the 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 losses of $0.8 million in the current year's third quarter, primarily related to the revaluation of foreign currency denominated monetary assets and liabilities compared to gains of $2.0 million in the prior year's third quarter. The Company records these foreign exchange gains and losses in selling, general and administrative expenses in the unaudited 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 balance sheet.

Finance and Other Income
The Company recognized nominal finance income and $0.1 million of other expense in the quarter compared to nominal finance income and expense in the third quarter of the prior year as a result of declining yields and did not book any gains on the sale of equities in the either year's third quarter.

Income Tax Expense
During the quarter, the Company established a tax provision of $3.2 million as compared to a provision of $3.2 million in the prior year's third quarter. The Company paid $2.2 million in tax instalments in the quarter, compared to $2.0 million paid in the third quarter of the prior year and has paid $9.9 million year to date ($6.1 million – fiscal 2016 year to date).

Net Income
Net income was $11.2 million or $0.41 per share on a diluted basis in the quarter compared to $10.4 million or $0.38 per share in the third quarter of the prior year, as a result of incremental operating profits. For the year to date, net income was $31.9 million or $1.17 per diluted share compared to $27.4 million or $1.01 per share in the prior year.

Liquidity and Capital Resources:
The Company closed the quarter with cash and short-term investments of $103.8 million, compared to the October 31, 2016 balance of $85.9 million. This is after funding payment of $16.2 million (net of cash acquired and holdbacks) for Tollgrade acquired on April 12, 2017, $1.0 million for prior period acquisition payments and payment of $11.9 million in dividends year to date. The Company has sufficient cash resources to fund both its current and future financial operating commitments as well as its dividend and acquisition strategies. During the quarter the Company generated cash flows from operating activities of $25.1 million compared to $16.4 million in the third quarter of the prior year as a result of strong collections. On a year to date basis the Company generated cash flows from operating activities of $54.1 million compared to $44.0 million last year, as 23.2.% increase.

The Company had 26,960,712 Common Shares issued and outstanding as at September 7, 2017. During the third quarter 8,250 stock options were exercised contributing $0.2 million in cash to the Company. In comparison, 12,000 options were exercised in the prior year's third quarter adding cash of $0.2 million. The Company granted 10,000 options in the third quarter of the fiscal year compared to 45,000 in the third quarter last year. Enghouse did not repurchase any shares of its common stock in either third 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 commitments are reflected on the Company's balance sheet.

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 July 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 and nine months ended July 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 Chartered Professional Accountants of Canada 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)

	July 31, 2017	October 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 97,238	$ 78,436
Short-term investments	6,562	7,423
Accounts receivable, net	81,540	73,588
Prepaid expenses and other assets	9,239	9,720
	194,579	**169,167**
Non-current assets		
Long-term deposits and accounts receivable, net	1,064	1,357
Property, plant and equipment	5,130	5,696
Intangible assets (Note 4)	82,511	86,632
Goodwill (Note 4)	148,423	144,578
Deferred income tax assets	9,418	11,765
Total assets	**$ 441,125**	**$ 419,195**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 58,737	$ 55,440
Income taxes payable	3,585	5,139
Dividends payable	4,314	3,767
Provisions (Note 5)	681	2,111
Deferred revenue	58,525	54,300
Current portion of long-term loans	391	-
	126,233	**120,757**
Non-current liabilities		
Deferred income tax liabilities	21,582	21,053
Deferred revenue	5,045	4,788
Net employee defined benefit obligation	2,347	-
Long-term loans	2,439	4,049
Total liabilities	**157,646**	**150,647**
Shareholders' Equity		
Share capital (Note 6)	70,555	69,555
Contributed surplus	4,497	3,875
Retained earnings	207,194	187,649
Accumulated other comprehensive income	1,233	7,469
Total shareholders' equity	**283,479**	**268,548**
Total liabilities and shareholders' equity	**$ 441,125**	**$ 419,195**

Commitments and contingencies (Note 12)
Subsequent event (Note 14)

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 July 31		Nine months ended July 31	
	2017	**2016**	**2017**	**2016**
Revenue				
Software licenses	$ 24,480	$ 23,936	$ 72,469	$ 69,150
Hosted and maintenance services	43,411	37,879	122,487	113,985
Professional services	12,979	13,510	41,799	42,427
Hardware	1,886	1,025	4,384	3,695
	82,756	**76,350**	**241,139**	**229,257**
Direct costs				
Software licenses	1,749	1,718	5,311	4,078
Services	22,211	21,909	67,060	66,397
Hardware	1,027	603	2,653	2,333
	24,987	**24,230**	**75,024**	**72,808**
Revenue, net of direct costs	**57,769**	**52,120**	**166,115**	**156,449**
Operating expenses				
Selling, general and administrative	23,599	19,133	66,417	62,189
Research and development	11,525	11,425	33,432	34,303
Depreciation of property, plant and equipment	619	830	1,828	2,447
Special charges (Note 5)	133	151	614	970
	35,876	**31,539**	**102,291**	**99,909**
Results from operating activities	**21,893**	**20,581**	**63,824**	**56,540**
Amortization of acquired software and customer relationships	(7,397)	(7,009)	(22,365)	(20,857)
Finance income	32	19	131	73
Finance expenses	(142)	(46)	(391)	(214)
Other (expense) income	(50)	9	101	64
Income before income taxes	**14,336**	**13,554**	**41,300**	**35,606**
Provision for income taxes (Note 8)	3,154	3,171	9,358	8,242
Net income for the period	**$ 11,182**	**$ 10,383**	**$ 31,942**	**$ 27,364**
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences from foreign operations	(12,097)	(1,178)	(4,119)	(10,635)
Transfer to net income of realized gains on available for sale investments	-	-	-	(14)
Unrealized gain (loss) on available for sale investments	5	(609)	(2,440)	(808)
Deferred income tax (expense) recovery	(1)	81	323	109
Other comprehensive loss	**(12,093)**	**(1,706)**	**(6,236)**	**(11,348)**
Comprehensive (loss) income	**$ (911)**	**$ 8,677**	**$ 25,706**	**$ 16,016**
Earnings per share				
Basic	$ 0.41	$ 0.39	$ 1.19	$ 1.02
Diluted	$ 0.41	$ 0.38	$ 1.17	$ 1.01

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	-	-	-	-	31,942	31,942
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	(4,119)	-	(4,119)
Transfer to net income of realized gains on available for-sale investments	-	-	-	-	-	-
Unrealized loss on available-for-sale investments	-	-	-	(2,440)	-	(2,440)
Deferred income tax recovery	-	-	-	323	-	323
Comprehensive income for the period	**-**	**-**	**-**	**(6,236)**	**31,942**	**25,706**
Employee share options:						
Value of services recognized			809	-	-	809
Proceeds on issuing shares	53,750	1,000	(187)	-	-	813
Dividends	-	-	-	-	(12,397)	(12,397)
Balance – July 31, 2017	**26,960,712**	**70,555**	**4,497**	**1,233**	**207,194**	**283,479**
Balance – November 1, 2015	**26,587,262**	**64,203**	**4,029**	**20,254**	**154,866**	**243,352**
Net income	-	-	-	-	27,364	27,364
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	(10,635)	-	(10,635)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(14)	-	(14)
Unrealized loss on available-for-sale investments	-	-	-	(808)	-	(808)
Deferred income tax recovery	-	-	-	109	-	109
Comprehensive income for the period	**-**	**-**	**-**	**(11,348)**	**27,364**	**16,016**
Employee share options:						
Value of services recognized	-	-	748	-	-	748
Proceeds on issuing shares	237,700	3,320	(638)	-	-	2,682
Dividends	-	-	-	-	(10,726)	(10,726)
Balance – July 31, 2016	**26,824,962**	**67,523**	**4,139**	**8,906**	**171,504**	**252,072**

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 July 31		Nine months ended July 31	
	2017	**2016**	**2017**	**2016**
Cash flows from operating activities				
Net income	$ 11,182	$ 10,383	$ 31,942	$ 27,364
Adjustments for:				
Depreciation of property, plant and equipment	619	830	1,828	2,447
Amortization of acquired software and customer relationships	7,397	7,009	22,365	20,857
Stock-based compensation expense	265	172	809	748
Provision for income taxes	3,154	3,171	9,358	8,242
Finance expenses and other expense/income	192	37	290	150
	22,809	**21,602**	**66,592**	**59,808**
Changes in non-cash operating working capital (Note 13)	4,518	(3,255)	(2,544)	(9,757)
Income taxes paid	(2,218)	(1,996)	(9,904)	(6,101)
Net cash flows from operating activities	**25,109**	**16,351**	**54,144**	**43,950**
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(106)	(284)	(1,025)	(2,603)
Purchase of other software	(255)	(586)	(1,475)	(1,205)
Acquisitions, net of cash acquired of $3,637 (2016 - $2,202) (Note 10)	-	(6,828)	(16,170)	(36,181)
Purchase consideration for prior period acquisitions (Note 10)	(579)	(646)	(1,023)	(4,089)
Net (purchase) sale of short-term investments	(196)	175	(1,526)	(520)
Net cash flows used in investing activities	**(1,136)**	**(8,169)**	**(21,219)**	**(44,598)**
Cash flows from financing activities				
Issuance of share capital	244	174	813	2,682
Repayment of loans	-	-	(1,667)	-
Payment of cash dividend	(4,312)	(3,754)	(11,850)	(10,162)
Net cash flows used in financing activities	**(4,068)**	**(3,580)**	**(12,704)**	**(7,480)**
Effect of currency translation adjustments on cash and cash equivalents	(3,571)	784	(1,419)	(489)
Net increase (decrease) in cash and cash equivalents during the period	**16,334**	**5,386**	**18,802**	**(8,617)**
Cash and cash equivalents - beginning of period	80,904	80,128	78,436	94,131
Cash and cash equivalents - end of period	**$ 97,238**	**$ 85,514**	**$ 97,238**	**$ 85,514**

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

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended July 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 September 7, 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 July 31, 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 as well

as the addition of an employee defined benefit obligation as described below under significant accounting policies.

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as outlined below.

Employee benefits

(i)Post-employment benefit obligations

Employees of companies included in these consolidated financial statements have entitlements under Company pension plans which are defined contribution and defined benefit pension plans. These plans take different forms depending on the legal, financial and tax regime of each country. The cost of defined contribution pension plans is charged to expense as the contributions become payable and cease when an employee leaves the Company.

The Company's obligations and expenses related to defined benefit pension plans are determined using actuarial valuations and are dependent on a number of assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which may not have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations.

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 July 31, 2017					
Opening net book value	**45,167**	**2,061**	**39,404**	**86,632**	**144,578**
Acquisitions	5,679	-	12,439	18,118	7,303
Additions	-	1,475	-	1,475	-
Purchase Price Adjustments	-	-	-	-	120
Amortization	(13,148)	(362)	(8,855)	(22,365)	-
Exchange difference	(48)	(51)	(1,250)	(1,349)	(3,578)
Closing net book value	**37,650**	**3,123**	**41,738**	**82,511**	**148,423**
At July 31, 2017					
Cost	149,890	3,591	98,133	251,614	148,423
Accumulated amortization	(112,240)	(468)	(56,395)	(169,103)	-
Net book value	**37,650**	**3,123**	**41,738**	**82,511**	**148,423**

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

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	818
Unused amounts reversed	(438)
Utilized during the period	(1,547)
Effect of movements in foreign exchange	(263)
At July 31, 2017	**$ 681**

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 26,960,712 common shares outstanding as at July 31, 2017. There were no Class A and no Class B preference shares issued and outstanding as at either October 31, 2016 or July 31, 2017.

Common share repurchase plan
On April 26, 2017, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 1,882,016 common shares of the Company, expiring on April 25, 2018. The Company did not repurchase any common shares in either of fiscal 2017 or in 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 on a year to date basis (YTD-2016 - recovery of $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 $323 on a year to date basis (YTD-2016 – recovery of $109).

Dividends
During the three months ended July 31, 2017, the Company declared and paid dividends of $0.16 per common share (three months ended July 31, 2016 - $0.14 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 1,420,950 (July 31, 2016 – 1,556,700) 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.

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

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

Three months ended:	**July 31, 2017**		**July 31, 2016**	
	Number of Options	**Weighted Average Exercise Price in $**	**Number of Options**	**Weighted Average Exercise Price in $**
Outstanding at beginning of period	946,000	38.25	790,500	26.78
Granted	10,000	55.00	45,000	52.98
Exercised	(8,250)	29.73	(12,000)	14.50
Forfeited	(30,000)	52.98	-	-
Outstanding at end of period	**917,750**	**38.03**	**823,500**	**28.39**
Options exercisable at end of period	**512,750**	**24.21**	**498,000**	**22.25**

Nine months ended:	**July 31, 2017**		**July 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
Granted	265,000	59.69	90,000	53.01
Exercised	(53,750)	15.12	(237,700)	11.28
Forfeited	(35,000)	52.99	-	-
Outstanding at end of period	**917,750**	**38.03**	**823,500**	**28.39**
Options exercisable at end of period	**512,750**	**24.21**	**498,000**	**22.25**

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 third quarter of 2017, the Company recorded a non-cash charge of $265 (Q3/2016 - $172) with respect to stock options expense for past and current grants.

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.

	Options Granted FY 2017	**Options Granted FY 2016**
Risk-free interest rate (%)	0.60%–1.02%	0.53%
Estimated volatility (%)	26% – 27%	24% – 25%
Dividend yield	$0.64	$0.56
Expected life (in years)	3.5	3.5 – 6.3
Weighted average fair value (in dollars)	$9.40 – $11.71	$9.01

There were 265,000 options granted for the nine months ended July 31, 2017 (90,000 – 2016).

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

8. Income tax
Income tax expense is recognized based on management's best estimate of the weighted average 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 July 31, 2017 was a provision of 22.0%. The effective tax rate for the nine month period was a provision of 22.7%. The effective tax rate for the three and nine month periods ending July 31, 2016 was 23.4% and 23.1%, respectively.

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.

	Three months ended July 31		Nine months ended July 31	
	2017	**2016**	**2017**	**2016**
Net income attributable to owners of the parent	$ 11,182	$ 10,383	$ 31,942	$ 27,364
Weighted average number of common shares in issue	26,954	26,819	26,938	26,774
Basic earnings per share	**$ 0.41**	**$ 0.39**	**$ 1.19**	**$ 1.02**

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.

	Three months ended July 31		Nine months ended July 31	
	2017	**2016**	**2017**	**2016**
Net income attributable to owners of the parent	$ 11,182	$ 10,383	$ 31,942	$ 27,364
Weighted average number of common shares issued	26,954	26,819	26,938	26,774
Adjustments for:				
Stock options	313	393	308	419
Weighted average number of common shares for diluted earnings per share	27,267	27,212	27,246	27,193
Diluted earnings per share	**$ 0.41**	**$ 0.38**	**$ 1.17**	**$1.01**

10. Acquisitions
Acquisitions have been recorded under the acquisition 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.

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

2017 Acquisitions:

Asset Management Group
The Company acquired 100% of the issued and outstanding common shares of Tollgrade Communications, Inc. ("Tollgrade") on April 12, 2017 for an aggregate cash purchase price of approximately $23.1 million. Of this amount approximately $3.1 million remains subject to hold back and adjustment. Results are included in the Asset Management Group from date of acquisition.

Headquartered in Cranberry, Pennsylvania, Tollgrade is a leading provider of centralized, software based test systems for broadband telecom access providers. The purchase price allocation has not been finalized subject to receipt of additional information.

The gross contractual amounts of acquired receivables in 2017 was $6.6 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 2017 business acquisitions is material to either consolidated revenue or consolidated net income.

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 $4.3 million or $3.9 million net of cash acquired and hold backs. 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 been finalized.

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 $7.1 million net of cash acquired and hold backs. Of this amount approximately $1.8 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 now been finalized.

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 $21.6 million or $15.4 million net of cash acquired and hold backs. Of this amount approximately $1.8 million

remains subject to hold back and adjustment. Aggregate contingent consideration of $1.5 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 over 15 years 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:

	Asset Management Group Preliminary 2017	Interactive Management Group Preliminary 2016	Asset Management Group Preliminary 2016
Cash and cash equivalents	$ 3,637	$ 3,243	$ 1,987
Accounts receivable, net	6,253	5,690	6,782
Prepaid expenses and other assets	981	170	928
Deposits	-	873	-
Property, plant and equipment	98	407	413
Deferred income tax assets	-	106	-
Acquired software	5,679	11,237	16,468
Customer relationships	12,439	7,054	10,055
Goodwill	7,303	19,328	5,461
Total assets acquired	**$ 36,390**	**$ 48,108**	**$ 42,094**
Less: Current liabilities assumed	$ 6,124	$ 4,645	$ 11,287
Less: Long-term loans	-	4,049	-
Less: Deferred income tax liabilities	4,866	4,610	2,902
Less: Other long-term liabilities	2,259	-	-
Total liabilities assumed	**$ 13,249**	**$ 13,304**	**$ 14,189**
Net assets acquired for cash consideration	**$ 23,141**	**$ 34,804**	**$ 27,905**

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.

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

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. Core technologies include contact center, attendant console, interactive voice response, call recording and workforce optimization solutions that support any telephony environment, 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 as well as fleet management and public safety software solutions for the transportation industry, first responders, distribution, security, utilities and oil and gas industries. These include telecom billing, data conversion, and geo-spatial software solutions for complex network infrastructures and fleet/logistics management solutions for the public and private sectors.

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

	Interactive Management Group	Asset Management Group	Total
Three months ended July 31, 2017			
Revenue	$ 46,807	$ 35,949	$ 82,756
Operating expenses excluding non-cash charges	(32,912)	(25,066)	(57,978)
Special charges	-	(133)	(133)
Depreciation of property, plant and equipment	(444)	(175)	(619)
Segment profit	**$ 13,451**	**$ 10,575**	**$ 24,026**
Corporate expenses			(2,133)
Results from operating activities			**$ 21,893**
Amortization of acquired software and customer relationships			(7,397)
Finance income			32
Finance expenses			(142)
Other expense			(50)
Income before income taxes			**$ 14,336**

	Interactive Management Group	Asset Management Group	Total
Three months ended July 31, 2016			
Revenue	$ 46,641	$ 29,709	$ 76,350
Operating expenses excluding non-cash charges	(31,490)	(21,027)	(52,517)
Special charges	(46)	(105)	(151)
Depreciation of property, plant and equipment	(603)	(227)	(830)
Segment profit	**$ 14,502**	**$ 8,350**	**$ 22,852**
Corporate expenses			(2,271)
Results from operating activities			**$ 20,581**
Amortization of acquired software and customer relationships			(7,009)
Finance income			19
Finance expenses			(46)
Other income			9
Income before income taxes			**$ 13,554**

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

	Interactive Management Group	Asset Management Group	Total
Nine months ended July 31, 2017			
Revenue	$ 141,438	$ 99,701	$ 241,139
Operating expenses excluding non-cash charges	(98,148)	(71,191)	(169,339)
Special charges	(137)	(477)	(614)
Depreciation of property, plant and equipment	(1,311)	(517)	(1,828)
Segmented profit	**$ 41,842**	**$ 27,516**	**$ 69,358**
Corporate expenses			(5,534)
Results from operating activities			**$ 63,824**
Amortization of acquired software and customer relationships			(22,365)
Finance income			131
Finance expenses			(391)
Other income			101
Income before income taxes			**$ 41,300**
Goodwill	90,323	58,100	148,423
Other assets	133,466	152,674	286,140
Short-term investments	-	-	6,562
Total assets	**$ 223,789**	**$ 210,774**	**$ 441,125**
Capital Expenditures	**$ 674**	**$ 351**	**$ 1,025**

	Interactive Management Group	Asset Management Group	Total
Nine months ended July 31, 2016			
Revenue	$ 143,941	$ 85,316	$ 229,257
Operating expenses excluding non-cash charges	(99,984)	(62,966)	(162,950)
Special charges	(352)	(618)	(970)
Depreciation of property, plant and equipment	(1,780)	(667)	(2,447)
Segmented profit	**$ 41,825**	**$ 21,065**	**$ 62,890**
Corporate expenses			(6,350)
Results from operating activities			**$ 56,540**
Amortization of acquired software and customer relationships			(20,857)
Finance income			73
Finance expenses			(214)
Other income			64
Income before income taxes			**$ 35,606**
Goodwill	83,865	53,340	137,205
Other assets	116,243	136,686	252,929
Short-term investments	-	-	5,155
Total assets	**$ 200,108**	**$ 190,026**	**$ 395,289**
Capital Expenditures	**$ 2,141**	**$ 462**	**$ 2,603**

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

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 July 31, 2017.

13. Changes in non-cash operating working capital

	Three months ended July 31,		Nine months ended July 31,	
	2017	2016	2017	2016
Decrease (increase) in accounts receivable, net	$ 5,622	$ 8,910	$ (3,435)	$ (5,317)
Decrease (increase) in prepaid expenses and other assets	860	(337)	2,166	(1,242)
Increase (decrease) in accounts payable & accrued liabilities	2,412	(4,016)	(453)	(8,002)
(Decrease) increase in provisions	(149)	(189)	(1,410)	776
Decrease in income taxes payable	(1,414)	(1,354)	(3,023)	(2,856)
(Decrease) increase in deferred revenue	(2,813)	(6,269)	3,611	6,884
	$ 4,518	**$ (3,255)**	**$ (2,544)**	**$ (9,757)**

14. Subsequent event

The Company acquired 100% of the issued and outstanding common shares of Survox, Inc. ("Survox") on September 5, 2017. Headquartered in San Francisco, California, Survox is a well-established, multi-mode, voice-based survey automation software and services provider. Its offerings enable market research, facilitate opinion polling and enhance brand equity by efficiently conducting surveys. The purchase price allocation has not been established subject to receipt of additional information. Results will be included in the Interactive Management Group from the date of acquisition.