Second Quarter Ended April 30, 2021

Enghouse Systems

Software engineered for results

June 10, 2021

Dear fellow Shareholders,

Revenue for the second quarter was $117.3 million compared to revenue of $140.9 million in the prior year in which Enghouse recognized record revenue from its remote-work and visual computing solutions during the onset of the COVID-19 pandemic. This was driven primarily by a significant increase in our Vidyo business that has now returned to levels that are more consistent with pre-COVID volumes. Although revenue declined, the Company continues to generate positive cash flows, operating income and profitability. Enghouse continues to expand its cloud offerings and has implemented new initiatives aimed at increasing sales of cloud-based products while offering choice to its customers by providing multi-tenant cloud, private cloud and on-premise solutions to the market.

Net income for the quarter was $20.7 million or $0.37 per diluted share, compared to $27.1 million or $0.49 per diluted share last year. Adjusted EBITDA was $40.2 million or $0.72 per diluted share, compared to $49.3 million or $0.89 per diluted share in the second quarter of 2020. These decreases are attributable to the record revenue achieved in the second quarter of 2020. Adjusted EBITDA margins remained relatively stable at 34.3% compared to 35.0% in the same period in the prior year.

Year-to-date revenue was $236.4 million, compared to revenue of $251.6 million in the prior year, a decrease of 6.0%. Meanwhile year-to-date Results from operating activities were $77.6 million compared to $77.1 million in the prior year. Year-to-date Adjusted EBITDA was $84.7 million or $1.52 per diluted share compared to $84.6 million or $1.53 per diluted share last year.

Year-to-date cash flows from operating activities, excluding changes in working capital, were $84.3 million compared to $85.2 million in the prior year. Enghouse closed the quarter with $169.6 million in cash, cash equivalents and short-term investments, compared to $251.8 million at October 31, 2020. The cash balance was achieved after making payments of $31.2 million for acquisitions and $98.0 million for dividends so far this year.

As always, Enghouse prioritizes its long-term growth strategy over quarter-to-quarter results, investing in products while ensuring continued profitability and maximizing operating cashflows. Enghouse has replenished its acquisition capital, while returning $83.2 million in special dividends to shareholders.

Today, the Board of Directors approved the Company's eligible quarterly dividend of $0.16 per common share, payable on August 31, 2021 to shareholders of record at the close of business on August 17, 2021.

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 June 10, 2021 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 "Enghouse", "we" "us" "our" or "the Company") fiscal 2020 MD&A and audited consolidated financial statements and the notes thereto. This MD&A covers the unaudited condensed consolidated interim results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the second quarter ended April 30, 2021.

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 unaudited Condensed Consolidated Interim Financial Statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

Non-IFRS Measures and Forward-Looking Statements

The Company uses non-IFRS measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS 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 based on results from operating activities adjusted for depreciation of property, equipment and right-of-use assets, and special charges for acquisition related restructuring costs. Management uses Adjusted EBITDA to evaluate operating performance as it excludes amortization of acquired 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, foreign exchange gains and losses, other income and restructuring costs primarily related to acquisitions.

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 Systems' 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. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which are filed electronically on SEDAR at www.sedar.com.

For additional information with respect to certain of these risks or factors, reference should be made to the "Risks and Uncertainties" section of the MD&A and notes to the audited consolidated financial statements for the year ended October 31, 2020, 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 provides enterprise software solutions focusing on remote work, visual computing and communications for next generation software defined networks. The Company's two-pronged growth strategy focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company is well capitalized, has no long-term debt and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG").

IMG specializes in customer interaction software and services designed to facilitate remote work, enhance customer service, increase efficiency and manage customer communications across multiple types of interactions including voice, email, web chats, text and video. Core technologies include contact center, video collaboration, interactive voice response, outbound dialers, attendant console, agent performance optimization, business intelligence and analytics that may be deployed in private cloud, multi-tenant cloud or on-premise

environments. IMG's customers are varied and include insurance companies, telecoms, business process service providers, banks as well as technology and health care companies.

AMG provides a portfolio of software and services solutions to a number of verticals such as cable operators, network telecommunication providers, media, transit, defense and public safety companies. Its products include Network infrastructure, Operations Support Systems ("OSS"), Business Support Systems ("BSS"), and revenue generation solutions such as video and Cloud TV solutions. AMG also provides fleet routing, dispatch, scheduling, transit e-ticketing and automated fare collection, communications and emergency control center solutions for the transportation, government, first responders, distribution and security sectors.

Enghouse continues to focus on building a consistently profitable enterprise software company with a diversified product suite and global market presence. The Company remains focused on having a strong balance sheet with large cash reserves. Deploying capital on acquisitions and replacing it through strong operating cash flows is pivotal to our acquisition strategy and allows Enghouse to pursue further acquisitions.

The Company emphasizes the importance of recurring revenue streams to increase shareholder value and the predictability of its operating results. While Enghouse continues to develop and enhance its existing product portfolio to grow organically, 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 us to provide a broader spectrum of products and services to our customer base more quickly than through organic means alone.

Second quarter overview

Passing the first anniversary of the COVID-19 pandemic, we have begun to experience a loosening of physical distancing requirements in some regions and have completed more of our planned on-site professional service work compared to other quarters that experienced more significant COVID-19 related delays. This resulted in a 14.8% increase in professional services revenue in the quarter. Compared to the second quarter of 2020, in which we recognized revenue of $140.9 million, our highest single-quarter revenue to-date, sales for the second quarter of 2021 have returned to volumes that are more consistent with pre-COVID volumes, primarily for Vidyo license revenue. Meanwhile, collections remain strong and we continue to experience cost savings from remote work arrangements and reduced expenditure on our physical footprint which has further improved operating margins.

Despite the decline in revenue compared to the three months ended April 30, 2020, profitability and cashflow remained relatively consistent and represent an improvement over the three months ended January 31, 2021. We are focused on our sources of recurring revenue that have declined relative to the three months ended April 30, 2020 as well as the three months ended January 31, 2021 as a result of the rightsizing of customer's requirements. While the decline is partially attributable to customers reducing or suspending hardware support that they consider less critical in remote working arrangements, the ongoing pandemic has accelerated customer's transition to the cloud.

Traditionally a majority of our customers have preferred on-premise solutions. While global demand for on-premise solutions declines, we continue to provide flexibility and choice and remain committed to serving these traditional customers, many of whom have strict on-premise requirements that competing products do not satisfy. We are also increasing our efforts to attract, convert and retain customers who require cloud-based solutions, particularly for our Interactive Management Group. The shift towards remote-work, decreased physical footprint, cyber security, scalability and other trends have further accelerated the transition to cloud. To better capitalize on this trend, we continue to make changes to our products, operations and sales team:

- **Products:** we are focusing on improving our existing cloud-based product offerings, expanding features and converting legacy products to offer cloud-based alternatives.
- **Operations:** we are consolidating different product lines, particularly regionalized products, into one unified global product to better leverage R&D spend and further accelerate the transition to the cloud.
- **Sales team**: to increase sales focus on the cloud, we are hiring candidates with cloud experience and have hired for a few key positions focused on redirecting our existing salesforce towards the cloud, focusing on sales initiatives that better attract customers for this key market segment.

As previously announced on April 28, 2021, Enghouse signed a $29 million multi-year agreement with the Norwegian Government to update its National Emergency Fire Services Technology System. The eight-year agreement builds on the success in the Norwegian region with the $55 million, 12-year agreement with Norwegian Health Care announced in October 2020.

Quarterly Results of Operations

The following table sets forth certain unaudited information for each of the eight most recent quarters. Our operating results may fluctuate quarterly, mainly as a result of the timing of certain large software license and hardware sales. Our quarterly results may be influenced by COVID-19, foreign exchange, timing of new acquisitions, and changes in staffing and infrastructure. See "Risks and Uncertainties" for more details.

The following table provides details regarding operating results for the past eight quarters:

For the three months ended	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	**$ 117,334**	**$ 119,100**	**$ 120,898**	**$ 131,324**	**$ 140,900**	**$ 110,656**	**$ 109,331**	**$ 101,274**
Direct costs	33,533	31,508	33,261	39,740	39,699	32,477	32,382	31,749
Revenue, net of direct costs	**$ 83,801**	**$ 87,592**	**$ 87,637**	**$ 91,584**	**$ 101,201**	**$ 78,179**	**$ 76,949**	**$ 69,525**
As a % of revenue	*71.4%*	73.5%	72.5%	69.7%	71.8%	*70.7%*	*70.4%*	*68.7%*
Operating expenses	46,852	46,510	44,952	49,351	55,046	45,760	43,731	42,038
Special charges	57	383	(12)	35	(121)	1,576	677	470
Results from operating activities	**$ 36,892**	**$ 40,699**	**$ 42,697**	**$ 42,198**	**$ 46,276**	**$ 30,843**	**$ 32,541**	**$ 27,017**
As a % of revenue	*31.4%*	34.2%	35.3%	32.1%	*32.8%*	*27.9%*	*29.8%*	*26.7%*
Amortization	(10,854)	(10,774)	(10,958)	(11,502)	(11,600)	(10,080)	(9,244)	(8,453)
Other	241	(3,764)	1,055	2,627	233	4	1,719	263
Income before income taxes	**$ 26,279**	**$ 26,161**	**$ 32,794**	**$ 33,323**	**$ 34,909**	**$ 20,767**	**$ 25,016**	**$ 18,827**
Provision for income taxes	5,540	5,519	3,422	7,330	7,820	4,631	329	4,166
Net Income for the period	**$ 20,739**	**$ 20,642**	**$ 29,372**	**$ 25,993**	**$ 27,089**	**$ 16,136**	**$ 24,687**	**$ 14,661**
Basic earnings per share	0.37	0.37	0.53	0.47	0.49	0.29	0.45	0.27
Diluted earnings per share	0.37	0.37	0.52	0.46	0.49	0.29	0.45	0.27
Operating cash flows	39,155	20,545	34,989	55,690	57,533	19,933	21,729	13,862
Operating cash flows excluding changes in working capital	42,600	41,715	48,008	45,294	50,033	35,183	33,854	28,531
Cash and short-term investments	169,573	230,371	251,791	228,938	168,089	116,329	150,269	141,334
Total assets	683,464	793,093	763,646	758,099	743,081	691,556	590,600	575,084
Adjusted EBITDA:								
Results from operating activities	36,892	40,699	42,697	42,198	46,276	30,843	32,541	27,017
Depreciation	758	735	795	801	758	887	804	570
Depreciation of right-of-use assets	2,492	2,703	3,158	2,534	2,368	2,023	-	-
Special charges	57	383	(12)	35	(121)	1,576	677	470
Adjusted EBITDA	**$ 40,199**	**$ 44,520**	**$ 46,638**	**$ 45,568**	**$ 49,281**	**$ 35,329**	**$ 34,022**	**$ 28,057**
Adjusted EBITDA margin	*34.3%*	37.4%	38.6%	*34.7%*	*35.0%*	*31.9%*	*31.1%*	*27.7%*
Adjusted EBITDA per diluted share	**$ 0.72**	**$ 0.80**	**$ 0.83**	**$ 0.81**	**$ 0.89**	**$ 0.64**	**$ 0.62**	**$ 0.51**

Results of Operations

The following table provides details regarding operating results for the three and six months ended April 30, 2021.

	Three months				Six months			
For the period ended April 30	**2021**	**2020**	**Var ($)**	**Var (%)**	**2021**	**2020**	**Var ($)**	**Var (%)**
Revenue	**$ 117,334**	**$ 140,900**	**(23,566)**	***(16.7)***	**$ 236,434**	**$ 251,556**	**(15,122)**	***(6.0)***
Direct costs	33,533	39,699	(6,166)	*(15.5)*	65,041	72,176	(7,135)	*(9.9)*
Revenue, net of direct costs	**$ 83,801**	**$ 101,201**	**(17,400)**	***(17.2)***	**$ 171,393**	**$ 179,380**	**(7,987)**	***(4.5)***
As a % of revenue	*71.4%*	*71.8%*			*72.5%*	*71.3%*		
Operating expenses	46,852	55,046	(8,194)	*(14.9)*	93,362	100,806	(7,444)	*(7.4)*
Special charges	57	(121)	178	*147.1*	440	1,455	(1,015)	*(69.8)*
Results from operating activities	**$ 36,892**	**$ 46,276**	**(9,384)**	***(20.3)***	**$ 77,591**	**$ 77,119**	**472**	***0.6***
As a % of revenue	*31.4%*	*32.8%*			*32.8%*	*30.7%*		
Amortization of acquired software and customer relationships	(10,854)	(11,600)	746	*6.4*	(21,628)	(21,680)	52	*0.2*
Foreign exchange gains (losses)	1,587	(393)	1,980	*503.8*	(1,523)	(46)	(1,477)	*(3210.9)*
Interest expense – lease obligations	(277)	(300)	23	*7.7*	(606)	(562)	(44)	*(7.8)*
Finance income	36	131	(95)	*(72.5)*	116	482	(366)	*(75.9)*
Finance expenses	17	(16)	33	*206.3*	(64)	(34)	(30)	*(88.2)*
Other (expenses) income	(1,122)	811	(1,933)	*(238.3)*	(1,446)	397	(1,843)	*(464.2)*
Income before income taxes	**$ 26,279**	**$ 34,909**	**(8,630)**	***(24.7)***	**$ 52,440**	**$ 55,676**	**(3,236)**	***(5.8)***
Provision for income taxes	5,540	7,820	(2,280)	*(29.2)*	11,059	12,451	(1,392)	*(11.2)*
Net Income for the period	**$ 20,739**	**$ 27,089**	**(6,350)**	**(23.4)**	**$ 41,381**	**$ 43,225**	**(1,844)**	***(4.3)***
Basic earnings per share	0.37	0.49	*(0.12)*	*(24.5)*	0.75	0.79	*(0.04)*	*(5.1)*
Diluted earnings per share	0.37	0.49	*(0.12)*	*(24.5)*	0.74	0.78	*(0.04)*	*(5.1)*
Operating cash flows	39,155	57,533	(18,378)	*(31.9)*	59,702	77,466	(17,764)	*(22.9)*
Operating cash flows excluding changes in working capital	42,600	50,033	(7,433)	*(14.9)*	84,317	85,216	(899)	*(1.1)*

Revenue

The following table provides details regarding revenue for the three and six months ended April 30, 2021.

	Three months			Six months		
For the period ended April 30	**2021**	**2020**	**Variance**	**2021**	**2020**	**Variance**
Software licenses	$ 25,167	$ 48,791	$ (23,624)	$ 53,467	$ 77,191	$ (23,724)
Hosted and maintenance services	70,402	72,024	(1,622)	142,645	136,377	6,268
Professional services	18,468	16,087	2,381	34,297	31,270	3,027
Hardware	3,297	3,998	(701)	6,025	6,718	(693)
Revenue	**$ 117,334**	**$ 140,900**	**$ (23,566)**	**$ 236,434**	**$ 251,556**	**$ (15,122)**
Interactive Management Group	65,879	89,925	(24,046)	136,182	152,798	(16,616)
Asset Management Group	51,455	50,975	480	100,252	98,758	1,494
Revenue	**$ 117,334**	**$ 140,900**	**$ (23,566)**	**$ 236,434**	**$ 251,556**	**$ (15,122)**

Revenue for the three months ended April 30, 2021 was $117.3 million, a decrease of $23.6 million or 16.7% from the same period in the prior year. The variance is explained by:

- A decrease of $23.6 million in software revenue primarily from record sales, particularly of Vidyo, in the second quarter of 2020.
- A decrease of $3.9 million due to foreign exchange. This is calculated by applying the change in the average exchange rates between the second quarters of 2020 and 2021 to our foreign currency denominated revenue in the second quarter of 2021.
- A decrease of $1.6 million in hosted and maintenance revenue, primarily attributable to lower hardware support, particularly for Vidyo, as well as a decrease as a result of customers right-sizing operations as they have begun adjusting their software requirements to changes in the working environment at the end of the first year following the outbreak of COVID-19. Hosted and maintenance services represent an important strategic source of revenue given its predictable and recurring nature and represented 60.0% of total revenues for the period (2020–51.1%). The percentage increase in contributions from hosted and maintenance

revenue is attributable to a proportionate increase in recurring revenue including recurring revenue from deals signed in preceding quarters as a result of increased COVID-19 related demand.

- An increase of $2.4 million in professional services revenue primarily as a result of reaching several large project milestones as well as an increased ability to perform work as physical distancing restrictions loosen in some regions.

Revenue for the six months ended April 30, 2021 was $236.4 million, a decrease of $15.1 million or 6.0% from the same period in the prior year. The variance is primarily a result of the lower software revenue, as previously mentioned, partially offset by higher hosted and maintenance services revenue as a result of comparably higher revenues in the first quarter of 2021, compared to the first quarter ended January 31, 2020.

Interactive Management Group

IMG revenue for the three months ended April 30, 2021 was $65.9 million, a decrease of $24.0 million or 26.7% from same period in the prior year. The variance is explained by a decrease of $22.9 million in license revenue particularly from Vidyo, as well as other sales achieved during the surge of demand at the onset of the pandemic for the three months ended April 30, 2020.

Revenue for the six months ended April 30, 2021 was $136.2 million, a decrease of $16.6 million or 10.9% from same period in the prior year. The decrease is primarily the result of lower license revenue as previously mentioned, partially offset by higher hosted and maintenance services revenue.

Asset Management Group

AMG revenue for the three months ended April 30, 2021 was $51.5 million, an increase of $0.5 million or 0.9% from same period in the prior year. The variance is primarily explained by increased services revenue partially offset by declining license revenue.

Revenue for the six months ended April 30, 2021 was $100.3 million, an increase of $1.5 million or 1.5% from the same period in the prior year. The increase is primarily the result of the factors discussed above.

Direct Costs

The following table provides details regarding direct costs for the three and six months ended April 30, 2021.

	Three months			Six months		
For the period ended April 30	**2021**	**2020**	**Variance**	**2021**	**2020**	**Variance**
Software licenses	$ 1,485	$ 3,937	$ (2,452)	$ 2,686	$ 6,387	$ (3,701)
Services	30,143	33,080	(2,937)	58,615	61,426	(2,811)
Hardware	1,905	2,682	(777)	3,740	4,363	(623)
Direct Costs	**$ 33,533**	**$ 39,699**	**$ (6,166)**	**$ 65,041**	**$ 72,176**	**$ (7,135)**
Software licenses	*5.9%*	*8.1%*		*5.0%*	*8.3%*	
Services	*33.9%*	*37.5%*		*33.1%*	*36.6%*	
Hardware	*57.8%*	*67.1%*		*62.1%*	*64.9%*	
Total	*28.6%*	*28.2%*		*27.5%*	*28.7%*	
Interactive Management Group	16,930	20,874	(3,944)	32,387	36,088	(3,701)
Asset Management Group	16,603	18,825	(2,222)	32,654	36,088	(3,434)
Direct Costs	**$ 33,533**	**$ 39,699**	**$ (6,166)**	**$ 65,041**	**$ 72,176**	**$ (7,135)**
As a % of revenue						
Interactive Management Group	*25.7%*	*23.2%*		*23.8%*	*23.6%*	
Asset Management Group	*32.3%*	*36.9%*		*32.6%*	*36.5%*	

Direct costs for the three months ended April 30, 2021 were $33.5 million or 28.6% of revenue compared to $39.7 million or 28.2% of revenue in the same period in the prior year. Overall margins declined as a result of a shift in product mix away from high-margin software license revenue towards lower-margin services revenue. This was achieved despite higher margins achieved on both hosted and services revenue.

Direct costs for the six months ended April 30, 2021 were $65.0 million or 27.5% of revenue compared to $72.2 million or 28.7% of revenue in the same period in the prior year. The decrease is primarily attributable to improved margins on all products despite a shift in product mix away from high-margin license software towards lower-margin services revenue in the current year.

Interactive Management Group

IMG direct costs for the three months ended April 30, 2021 were $16.9 million or 25.7% of segment revenue compared to $20.9 million or 23.2% of revenue in the same period in the prior year. The lower margins are a result of a shift in product mix away from high-margin software revenue towards lower-margin services revenue. This was partially offset by improved margins on all product categories.

IMG direct costs for the six months ended April 30, 2021 were $32.4 million or 23.8% of segment revenue compared to $36.1 million or 23.6% of revenue in the same period in the prior year as a result of the same factors discussed for the three months ended April 30, 2021.

Asset Management Group

AMG direct costs were $16.6 million or 32.3% of segment revenue for the three months ended April 30, 2021 compared to $18.8 million or 36.9% of revenue in the same period in the prior year. The increase was achieved as a result of improved margins on all products, particularly services.

AMG direct costs for the six months ended April 30, 2021 were $32.7 million or 32.6% of segment revenue for the same period compared to $36.1 million or 36.5% of revenue in the same period in the prior year attributable to the same reasons discussed above.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended April 30, 2021 decreased by $17.4 million to $83.8 million or 71.4% of revenue compared to $101.2 million or 71.8% in the same period in the prior year. The decrease in revenue, net of direct costs is attributable to decreased revenue combined with lower overall margins, as a result of a shift in product mix towards lower-margin services revenue after a record revenue quarter in the prior year.

Revenue, net of direct costs for the six months ended April 30, 2021 decreased by $8.0 million to $171.4 million or 72.5% of revenue compared to $179.4 million or 71.3% in the same period in the prior year. The decrease is a result of the same factors discussed for the three months ended April 30, 2021.

Operating Expenses

The following table provides details regarding operating expenses for the three and six months ended April 30, 2021.

	Three months			Six months		
For the period ended April 30	**2021**	**2020**	**Variance**	**2021**	**2020**	**Variance**
Selling, general and administrative	$ 22,208	$ 29,612	$ (7,404)	$ 45,159	$ 54,294	$ (9,135)
Research and development	21,394	22,308	(914)	41,515	40,476	1,039
Depreciation	758	758	0	1,493	1,645	(152)
Depreciation of right-of-use assets	2,492	2,368	124	5,195	4,391	804
Special charges	57	(121)	178	440	1,455	(1,015)
Operating expenses	**$ 46,909**	**$ 54,925**	**$ (8,016)**	**$ 93,802**	**$ 102,261**	**$ (8,459)**
As a % of revenue						
Selling, general and administrative	*18.9%*	*21.0%*		*19.1%*	*21.6%*	
Research and development	*18.2%*	*15.8%*		*17.6%*	*16.1%*	
Depreciation	*0.6%*	*0.5%*		*0.6%*	*0.7%*	
Depreciation of right-of-use assets	*2.1%*	*1.7%*		*2.2%*	*1.7%*	
Special charges	*0.0%*	*(0.1%)*		*0.2%*	*0.6%*	
Operating expenses	*40.0%*	*39.0%*		*39.7%*	*40.7%*	

Operating expenses for the three months ended April 30, 2021 totaled $46.9 million, a decrease of $8.0 million or 14.6% The variance is largely attributable to:

- A decrease of $7.4 million in selling, general and administrative expense that declined as a result of restructuring initiatives undertaken to leverage operating cost synergies following the Dialogic acquisition in the three months ended April 30, 2020. While revenue declined 16.7%, selling, general and administrative costs declined 25.0% as a result of successful cost containment initiatives combined with administrative cost synergies and operating cost efficiencies.
- A decrease of $0.9 million in research and development expense after integrating R&D resources from the acquisition of Dialogic into our R&D team. Research and development expense is equivalent to 18.2% of revenue compared to 15.8% in the same period in the prior year as a result of higher revenue in the second quarter of 2020.

Operating expenses for the six months ended April 30, 2021 totaled $93.8 million, A decrease of $8.5 million or 8.3% from the same period in the prior year. The variance is attributable to the factors discussed above as well as restructuring costs related to acquisitions in fiscal 2020. Meanwhile, Research and development expense increased with incremental investment in Microsoft Teams certification, new BI reporting tools, cloud-related development initiatives and Vidyo-enabling existing contact center product offerings.

Foreign Exchange

The majority of our revenue is from sales denominated in foreign currencies. We do not hedge foreign currency exposure as most of our major international operations fund operating expenses with local operating cash flow surpluses that provide a natural hedge. While foreign exchange may have a significant impact on both revenue and expenses, the net impact to results from operating activities is lessened. This will also affect the relative cost of foreign currency denominated acquisitions stated in Canadian dollars.

During the three months ended April 30, 2021, the Canadian dollar strengthened against most major currencies other than the Euro compared to the same period in the prior year. As result, in the second quarter, there was a negative impact to revenue of $3.9 million reported in Canadian dollars and operating costs were lower by $2.4 million compared to the same period in the prior year.

For the three months ended April 30, 2021, we recognized unrealized foreign exchange gains of $1.6 million related to foreign currency denominated monetary assets and liabilities in the current period compared to losses of $0.4 million in the same period in the prior year. The gain was a result of movements in the Canadian dollar against international currencies on Canadian dollar denominated monetary assets and liabilities on functional currency books denominated in foreign currencies.

Translation gains or losses incurred upon consolidation of our foreign operations' statements of financial position into Canadian dollars are included in our Accumulated other comprehensive income account on the Unaudited Condensed Consolidated Interim Statements of Financial Position.

For the six months ended April 30, 2021, we recognized $1.5 million of unrealized foreign exchange losses related to foreign currency denominated monetary assets and liabilities in the current period compared to nominal losses in the same period in the prior year.

Amortization of Software and Customer Relationships

Amortization expense for acquired software and customer relationships for the three and six months ended April 30, 2021 decreased by $0.7 million to $10.9 million and by $0.1 million to $21.6 million, respectively, compared to the same periods in the prior year. Both variances are attributable to assets previously acquired that have since become fully amortized, partially offset by incremental charges from the current and prior year's acquisitions, which added $2.9 million for the six months ended April 30, 2021.

Other Expenses

Other expenses for the three months ended April 30, 2021 increased by $1.9 million during the quarter as a result of net unrealized losses on investments in equity positions carried at fair value. For the six months ended April 30, 2021, Other expense increased by $1.8 million compared to the same period in the prior year. The increase is attributable to the aforementioned investment losses, net of realized gains on investments in equity positions carried at fair value.

Income Tax Expense

Income tax expense for the three months ended April 30, 2021 decreased by $2.3 million to $5.5 million, compared to the same period in the prior year. For the three and six months ended April 30, 2021, our effective tax rate was 21.1% for both periods compared to 22.4%, respectively, for the same periods in the prior year.

Net Income

Net income for the three months ended April 30, 2021 decreased by $6.4 million to $20.7 million, respectively, compared to the same period in the prior year. The decreased net income is the result of record COVID-19 related demand experienced in the three months ended April 30, 2020. For the six months ended April 30, 2021 Net income decreased $1.8 million to $41.4 million, primarily as a result of lower Selling, general and administrative expenses as a result of successful cost containment and restructuring initiatives.

For the three and six months ended April 30, 2021, diluted earnings per share was $0.37 and $0.74, respectively, compared to $0.49 and $0.78 in the same periods in the prior year.

Cash Flows from Operating Activities

For the three months ended April 30, 2021, cash flows from operating activities were $39.2 million compared to $57.5 million in the same period in the prior year. The decrease in operating cash flow reflects:

- A decrease in net income as a result of lower revenue compared to record revenues in the three months ended April 30, 2020.
- A smaller change in non-cash operating working capital. While the changes in non-cash operating working capital were favorable for the three months ended April 30, 2021, primarily as a result of a decrease in accounts receivable, the increase in working capital was larger in the three months ended April 30, 2020, primarily as a result of an increase in accounts payable.

For the six months ended April 30, 2021, cash flows from operating activities were $59.7 million compared to $77.5 million in the same period in the prior year. The decrease in operating cash flow reflects unfavourable working capital adjustments including increased income taxes payable as well as decreases in non-cash operating capital, primarily as a result of a decrease in payables and accrued liabilities resulting from payments of liabilities assumed from Altitude following acquisition.

Operating cash flows excluding changes in non-cash working capital items for the three and six months, respectively, ended April 30, 2021 decreased by 14.9% and by 1.1% respectively to $42.6 million and $84.3 million compared to the same periods in the prior year.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities, for the three and six months ended April 30, 2021.

For the period ended April 30	Three months			Six months		
	2021	2020	Variance	2021	2020	Variance
Total revenue	$ 117,334	$ 140,900	$ (23,566)	$ 236,434	$ 251,556	$ (15,122)
Results from operating activities	36,892	46,276	(9,384)	77,591	77,119	472
Depreciation	758	758	0	1,493	1,645	(152)
Depreciation of right-of-use assets	2,492	2,368	124	5,195	4,391	804
Special charges	57	(121)	178	440	1,455	(1,015)
Adjusted EBITDA	**$ 40,199**	**$ 49,281**	**$ (9,082)**	**$ 84,719**	**$ 84,610**	**$ 109**
Adjusted EBITDA margin	*34.3%*	*35.0%*		*35.8%*	*33.6%*	
Adjusted EBITDA per diluted share	**$ 0.72**	**$ 0.89**	**$ (0.17)**	**$ 1.52**	**$ 1.53**	**$ (0.01)**

Adjusted EBITDA for the three and six months ended April 30, 2021 decreased by $9.1 million and increased by $0.1 million respectively, compared to the same periods in the prior year. The decrease in adjusted EBITDA is primarily a result of lower revenue relative to record revenue experienced during the three months ended April 30, 2020.

Special charges, primarily reflecting acquisition related restructuring charges, have been excluded from adjusted EBITDA along with depreciation of property and equipment as well as right-of-use assets.

Liquidity and cash reserves

We closed the period with cash and short-term investments of $169.6 million, compared to the October 31, 2020 balance of $251.8 million. For the six months ended April 30, 2021, cash decreased by a total of $79.1 million compared to an increase of $17.6 million over the same period in the prior year. The decrease is the result of returning $98.0 million in dividends to shareholders combined with $32.0 million spent to acquire Altitude. This was partially offset by operating cash flows of $59.7 million.

For the six months ended April 30, 2021 working capital was $74.5 million compared to $150.8 million at the end of prior year. The decrease in working capital is predominately a result of the aforementioned factors. Management is confident that the Company has the funds necessary to meet its existing and future financial operating commitments and dividend strategy. Future acquisition growth may be funded through a combination of cash, debt and equity consideration, which could cause dilution to existing shareholders.

Capital Stock

The Company had 55,494,924 Common Shares issued and outstanding as at June 10, 2021. During the quarter, 142,000 stock options were exercised contributing $4.0 million in cash compared to 40,000 stock options and $0.8 million in cash to the Company in the same period in the prior year. The Company granted 35,000 options in the first two quarters of 2021 compared to 310,000 options granted in the first two quarter of the prior year.

Enghouse Systems renewed its Normal Course Issuer Bid for a further year commencing April 30, 2021 and expiring April 29, 2022, whereby it may repurchase up to a maximum of 3,000,000 common shares of the Company. The Company did not repurchase any shares of its common stock in the current or prior quarterly periods under its Normal Course Issuer Bid.

Off-Statement of Financial Position Arrangements

We have not entered into off-statement of financial position financing arrangements. Except for operating leases and other low probability and/or immeasurable contingencies (not accrued in accordance with IFRS), all commitments are reflected on our unaudited Condensed Consolidated Interim Statements of Financial Position.

Transactions with Related Parties

We have not entered into any transactions with related parties during the period, other than transactions between wholly-owned subsidiaries and us in the normal course of business, which are eliminated on consolidation.

Basis of Preparation and Significant Accounting Policies

The unaudited condensed consolidated interim financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our significant accounting policies are described in Note 3 of the audited consolidated financial statements as at October 31, 2020, which is available on SEDAR (*www.sedar.com*). The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of June 10, 2021, the date the Board of Directors approved the unaudited condensed consolidated interim financial statements.

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, 2020, contained in the Company's 2020 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 us 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, 2020, an evaluation of the effectiveness of our 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 our disclosure policy, a sub-certification process and the functioning of our 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.

As at October 31, 2020, 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, 2020, 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 April 30, 2021 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 our 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 six months ended April 30, 2021 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 unaudited condensed consolidated interim 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)*	Notes	As at April 30, 2020	As at October 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents		$ 165,666	$ 244,792
Short-term investments		3,907	6,999
Accounts receivable		98,381	90,789
Prepaid expenses and other assets		14,457	14,772
		282,411	**357,352**
Non-current assets:			
Property and equipment		6,191	6,301
Right-of-use assets		33,947	42,832
Intangible assets	4	120,624	123,616
Goodwill	4	220,767	217,426
Deferred income tax assets		19,524	16,119
		401,053	**406,294**
		$ 683,464	**$ 763,646**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 68,161	$ 80,339
Income taxes payable		9,395	13,245
Dividends payable		8,879	7,472
Provisions	5	7,345	5,697
Deferred revenue		104,341	89,927
Lease obligations		9,763	9,914
		207,884	**206,594**
Non-current liabilities:			
Income taxes payable		2,925	3,829
Deferred income tax liabilities		19,881	14,782
Deferred revenue		5,324	7,021
Net employee defined benefit obligation		2,734	2,855
Lease obligations		23,910	32,242
		54,774	**60,729**
		262,658	**267,323**
Shareholders' equity			
Share capital		104,483	99,405
Contributed surplus		7,130	6,583
Retained earnings		321,378	379,378
Accumulated other comprehensive (loss) income	6	(12,185)	10,957
		420,806	**496,323**
		$ 683,464	**$ 763,646**

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

Periods ended April 30	Notes	Three months 2021	Three months 2020	Six months 2021	Six months 2020
Revenue					
Software licenses		$ 25,167	$ 48,791	$ 53,467	$ 77,191
Hosted and maintenance services		70,402	72,024	142,645	136,377
Professional services		18,468	16,087	34,297	31,270
Hardware		3,297	3,998	6,025	6,718
		117,334	**140,900**	**236,434**	**251,556**
Direct costs					
Software licenses		1,485	3,937	2,686	6,387
Services		30,143	33,080	58,615	61,426
Hardware		1,905	2,682	3,740	4,363
		33,533	39,699	65,041	72,176
Revenue, net of direct costs		**83,801**	**101,201**	**171,393**	**179,380**
Operating expenses					
Selling, general and administrative		22,208	29,612	45,159	54,294
Research and development		21,394	22,308	41,515	40,476
Depreciation		758	758	1,493	1,645
Depreciation of right-of-use assets		2,492	2,368	5,195	4,391
Special charges		57	(121)	440	1,455
		46,909	**54,925**	**93,802**	**102,261**
Results from operating activities		**36,892**	**46,276**	**77,591**	**77,119**
Amortization of acquired software and customer relationships	4	(10,854)	(11,600)	(21,628)	(21,680)
Foreign exchange gains (losses)		1,587	(393)	(1,523)	(46)
Interest expense – lease obligations		(277)	(300)	(606)	(562)
Finance income		36	131	116	482
Finance expenses		17	(16)	(64)	(34)
Other (expenses) income		(1,122)	811	(1,446)	397
Income before income taxes		**26,279**	**34,909**	**52,440**	**55,676**
Provision for income taxes	8	5,540	7,820	11,059	12,451
Net income for the period		**$ 20,739**	**$ 27,089**	**$ 41,381**	**$ 43,225**
Items that may be subsequently reclassified to income:					
Cumulative translation adjustment		(18,274)	10,140	(23,142)	12,460
Other comprehensive (loss) income		**(18,274)**	**10,140**	**(23,142)**	**12,460**
Comprehensive income		**$ 2,465**	**$ 37,229**	**$ 18,239**	**$ 55,685**
Earnings per share					
Basic	9	$ 0.37	$ 0.49	$ 0.75	$ 0.79
Diluted	9	$ 0.37	$ 0.49	$ 0.74	$ 0.78

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars) (unaudited)	Share capital (#)	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings	Total
As at November 1, 2020	**55,348,924**	**$ 99,405**	**$ 6,583**	**$ 10,957**	**$ 379,378**	**$ 496,323**
Net income for the period	-	-	-	-	41,381	41,381
Cumulative translation adjustment (Note 6)	-	-	-	(23,142)	-	(23,142)
Comprehensive income	**-**	**$ -**	**$ -**	**$ (23,142)**	**$ 41,381**	**$ 18,239**
Employee share options:						
Value of services recognized	-	-	1,445	-	-	1,445
Proceeds on issuing shares	146,000	5,078	(898)	-	-	4,180
Dividends declared (Note 6)	-	-	-	-	(99,381)	(99,381)
As at April 30, 2021	**55,494,924**	**$ 104,483**	**$ 7,130**	**$ (12,185)**	**$ 321,378**	**$ 420,806**
As at November 1, 2019	**54,737,424**	**$ 81,576**	**$ 6,677**	**$ 4,622**	**$ 309,198**	**$ 402,073**
Net income for the period	-	-	-	-	43,225	43,225
Cumulative translation adjustment (Note 6)	-	-	-	12,460	-	12,460
Comprehensive income	**-**	**$ -**	**$ -**	**$ 12,460**	**$ 43,225**	**$ 55,685**
Employee share options:						
Value of services recognized	-	-	1,625	-	-	1,625
Proceeds on issuing shares	279,500	6,625	(1,053)	-	-	5,572
Dividends declared (Note 6)	-	-	-	-	(13,474)	(13,474)
As at April 30, 2020	**55,016,924**	**$ 88,201**	**$ 7,249**	**$ 17,082**	**$ 338,949**	**$ 451,481**

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

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended April 30	Notes	Three months 2021	Three months 2020	Six months 2021	Six months 2020
OPERATING ACTIVITIES					
Net income for the period		$ 20,739	$ 27,089	$ 41,381	$ 43,225
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation		758	758	1,493	1,645
Depreciation of right-of-use assets		2,492	2,368	5,195	4,391
Interest expense – lease obligations		277	300	606	562
Amortization of acquired software and customer relationships	4	10,854	11,600	21,628	21,680
Stock-based compensation expense	7	835	893	1,445	1,625
Provision for income taxes		5,540	7,820	11,059	12,451
Finance expenses and other expenses (income)		1,105	(795)	1,510	(363)
		42,600	**50,033**	**84,317**	**85,216**
Changes in non-cash operating working capital	13	2,440	10,836	(8,915)	536
Income taxes paid		(5,885)	(3,336)	(15,700)	(8,286)
Net cash provided by operating activities		**39,155**	**57,533**	**59,702**	**77,466**
INVESTING ACTIVITIES					
Purchase of property and equipment		(666)	(1,005)	(1,344)	(1,444)
Acquisitions, net of cash acquired*	10	(3,810)	1,235	(32,300)	(47,664)
Purchase consideration for prior-year acquisitions	10	444	-	1,105	(546)
(Purchase) sale of short-term investments		(932)	(1,795)	1,614	(1,802)
Net cash used in investing activities		**(4,964)**	**(1,565)**	**(30,925)**	**(51,456)**
FINANCING ACTIVITIES					
Issuance of share capital		4,028	788	4,180	5,572
Repayment of loans		-	-	-	(62)
Repayment of lease obligations		(2,091)	(1,586)	(4,921)	(4,452)
Dividends paid		(90,502)	(6,048)	(97,974)	(12,069)
Net cash used in financing activities		**(88,565)**	**(6,846)**	**(98,715)**	**(11,011)**
Impact of foreign exchange on cash and cash equivalents		(5,937)	1,757	(9,188)	2,567
(Decrease) increase in cash and cash equivalents		**(60,311)**	**50,879**	**(79,126)**	**17,566**
Cash and cash equivalents - beginning of period		225,977	111,451	244,792	144,764
Cash and cash equivalents - end of period		**$ 165,666**	**$ 162,330**	**$ 165,666**	**$ 162,330**

** Acquisitions are net of cash acquired of nil and $1,463 for the three and six months ended April 30, 2021, respectively, and nil and $6,906 for the three and six months ended April 30, 2020, respectively.*

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

1. Description of the Business and Reporting Entity

Enghouse Systems Limited ("the Company") is a Canadian publicly traded company (TSX:ENGH) that provides enterprise software solutions focusing on remote work, visual computing and communications for next-generation software-defined networks. The Company's two-pronged growth strategy focuses on internal growth and acquisitions. The Company is well capitalized, has no long-term debt and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG").

IMG specializes in customer interaction software and services designed to facilitate remote work, enhance customer service, increase efficiency and manage customer communications across multiple types of interactions including voice, email, web chats, text and video. Core technologies include contact center, video collaboration, interactive voice response, outbound dialers, attendant console, agent performance optimization, business intelligence and analytics that may be deployed in private cloud, multi-tenant cloud or on-premise environments. IMG's customers are varied and include insurance companies, telecoms, business process service providers, banks as well as technology and health care companies.

AMG provides a portfolio of software and services solutions to a number of verticals such as cable operators, network telecommunication providers, media, transit, defense and public safety companies. Its products include Network infrastructure, Operations Support Systems, Business Support Systems, and revenue generation solutions such as video and cloud TV solutions. AMG also provides fleet routing, dispatch, scheduling, transit e-ticketing and automated fare collection, communications and emergency control center solutions for the transportation, government, first responders, distribution and security sectors.

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, the Netherlands, France, Belgium, Brazil, Germany, Ireland, Australia, New Zealand, Israel, Lebanon, Romania, Italy, Spain, Japan, Colombia, Croatia, Russia, China and Portugal.

2. Basis of Preparation and Adoption of International Financial Reporting Standards

(a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended October 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors for issue on June 10, 2021.

(b) Basis of Preparation and Measurement

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as issued by the International Accounting Standards Board. The unaudited condensed consolidated interim financial statements reflect the accounting policies disclosed in Note 3 of the Company's 2020 audited annual consolidated financial statements except as disclosed herein. They have been prepared on a going concern basis, using historical cost, except for investments in equity securities designated at fair value through profit or loss, 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 IFRS issued and outstanding as of June 10, 2021.

(c) Functional and Presentation 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 unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's 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 expenses. 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 audited annual consolidated financial statements for the year ended October 31, 2020.

3. Significant Accounting Policies

The significant accounting policies used in preparing these unaudited condensed consolidated interim financial statements are unchanged from those disclosed in the Company's audited consolidated financial statements for the year ended October 31, 2020.

The accounting policies have been applied consistently by the Company's subsidiaries.

4. Intangible Assets and Goodwill

	Acquired Software	Capitalized Software	Customer Relationships	Total Intangibles	Goodwill
At November 1, 2020					
Cost	$ 242,466	$ 3,592	$ 153,868	$ 399,926	$ 217,426
Accumulated amortization	(170,389)	(2,823)	(103,098)	(276,310)	-
Net book value	**$ 72,077**	**$ 769**	**$ 50,770**	**$ 123,616**	**$ 217,426**
Period ended April 30, 2021					
Opening net book value	$ 72,077	$ 769	$ 50,770	$ 123,616	$ 217,426
Acquisitions	12,393	-	13,985	26,378	14,692
Amortization	(12,226)	(355)	(9,047)	(21,628)	-
Exchange difference	(4,259)	(6)	(3,477)	(7,742)	(11,351)
Closing net book value	**$ 67,985**	**$ 408**	**$ 52,231**	**$ 120,624**	**$ 220,767**
At April 30, 2021					
Cost	254,859	3,592	167,853	426,304	220,767
Accumulated amortization	(186,874)	(3,184)	(115,622)	(305,680)	-
Net book value	**$ 67,985**	**$ 408**	**$ 52,231**	**$ 120,624**	**$ 220,767**

5. Provisions

Provisions include accruals 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, 2020	**$ 5,697**
Pre-existing provisions assumed from acquisitions	3,790
Utilized during the period	(1,658)
Effect of movements in foreign exchange	(484)
At April 30, 2021	**$ 7,345**

6. Share Capital and Other Components of Shareholders' Equity

Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value, 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 55,494,924 common shares outstanding as at April 30, 2021. There were no Class A and no Class B preference shares issued and outstanding as at either April 30, 2021 or October 31, 2020.

Common Share Repurchase Plan

On April 26, 2021, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 3,000,000 common shares of the Company, expiring on April 29, 2022. The Company did not repurchase any common shares in the first two quarters of either fiscal 2021 or 2020.

Dividends

During the three months ended April 30, 2021, the Company declared dividends of $0.16 per common share compared to $0.135 per common share in the prior period, and paid dividends of $0.135 compared to $0.11 during the same period in the prior year.

On December 17, 2020, the company also declared a special dividend of $1.50 per common share, paid on February 16, 2021 to shareholders of record at the close of business on January 15, 2021.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income comprises the following separate components of equity:

	Translation of foreign operations	Unrealized gains/(losses)	Total
At November 1, 2019	$ 4,741	$ (119)	$ 4,622
Cumulative translation adjustment	6,335	-	6,335
At October 31, 2020	**$ 11,076**	**$ (119)**	**$ 10,957**
At November 1, 2020	$ 11,076	$ (119)	$ 10,957
Cumulative translation adjustment	(23,142)	-	(23,142)
At April 30, 2021	**$ (12,066)**	**$ (119)**	**$ (12,185)**

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 3,168,400 (April 30, 2020–3,646,400) 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 or five 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 April 30, 2021 and April 30, 2020, and changes during the period ended on those dates, is presented as follows:

Three months ended April 30	Number of Options		Weighted Average Exercise Price	
	2021	2020	2021	2020
Outstanding at beginning of period	1,383,000	1,805,000	$ 35.49	$ 33.80
Granted	35,000	10,000	$ 61.41	$ 49.70
Exercised	(142,000)	(40,000)	28.37	19.72
Outstanding at end of period	**1,276,000**	**1,775,000**	**$ 36.99**	**$ 34.29**
Exercisable at end of period	**473,500**	**562,000**	**$ 31.43**	**$ 28.00**

Six months ended April 30	Number of Options		Weighted Average Exercise Price	
	2021	2020	2021	2020
Outstanding at beginning of period	1,387,000	1,744,500	$ 35.50	$ 29.89
Granted	35,000	310,000	61.41	46.10
Exercised	(146,000)	(279,500)	28.64	19.94
Outstanding at end of period	**1,276,000**	**1,775,000**	**$ 36.99**	**$ 34.29**
Exercisable at end of period	**473,500**	**562,000**	**$ 31.43**	**$ 28.00**

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, *Share Based Payments*. 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. The Company recorded a non-cash charge of $0.8 million and $1.4 million for the three and six months ended April 30, 2021, respectively. compared to $0.9 million and $1.6 million in the same periods in the prior year.

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 period, noted below, which reflects the expected life of the options.

Options Granted	2021	2020
Risk-free interest rate	0.58%	1.54%
Estimated volatility	29%	26%
Dividend yield	$0.64	$0.44
Expected life (in years)	5.0	5.0
Weighted average fair value	$14.16	$10.66
Weighted average share price at grant date	$61.41	$46.10

8. Income Taxes

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.

For the three months ended April 30, 2021, the Company recorded a tax expense of $5.5 million (21.1% effective tax rate) as compared with a tax expense of $7.8 million (22.4%) in the prior year's second quarter.

9. Earnings per Share

Basic earnings per share is calculated by dividing Net income by the weighted average number of common shares outstanding during the period.

Periods ended April 30	Three months		Six months	
	2021	2020	2021	2020
Net income for the period	$ 20,739	$ 27,089	$ 41,381	$ 43,225
Weighted average number of common shares outstanding	55,412	54,990	55,379	54,890
Basic earnings per share	**$ 0.37**	**$ 0.49**	**$ 0.75**	**$ 0.79**

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The Company only has stock options as being potentially dilutive to common shares. For stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as 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.

Periods ended April 30	Three months		Six months	
	2021	2020	2021	2020
Net income for the period	$ 20,739	$ 27,089	$ 41,381	$ 43,225
Weighted average number of common shares outstanding	55,412	54,990	55,379	54,890
Adjustment for stock options	478	538	510	490
Weighted average number of common shares outstanding for diluted EPS	55,890	55,528	55,889	55,380
Diluted earnings per share	**$ 0.37**	**$ 0.49**	**$ 0.74**	**$ 0.78**

10. Acquisitions

Acquisitions have been recorded under the acquisition method of accounting and results have been included in the unaudited condensed consolidated interim financial statements 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.

2021 Acquisitions

On December 30, 2020, the Company acquired 100% of the issued and outstanding common shares of Sociedade Altitude Software Sistemas e Serviços S.A. ("Altitude"). Headquartered in Lisbon, Portugal, Altitude provides omni-channel contact center solutions for small and large organizations, with a focus on the business process outsourcing market segment. Its modular software suite supports all media channels and has strong inbound and outbound capabilities for both on premise and hosted contact center activities.

The acquisition was completed for an aggregate cash purchase price of $34.8 million, with €0.7 million subject to holdback and €2.3 million in escrow, subject to potential adjustment. Results for Altitude are included in IMG from the date of acquisition.

2020 Acquisitions

On December 31, 2019, the Company acquired 100% of the issued and outstanding common shares of Dialogic Group Inc. ("Dialogic"). Headquartered in Parsippany, New Jersey, Dialogic partners with leading mobile operators, system integrators and technology developers to deploy its solutions via its worldwide network of offices. Dialogic is an industry leader in media processing software, with a highly scalable solution that supports real-time video conferencing and collaboration applications across all devices. Dialogic's infrastructure products offer a best-in-class Session Border Controller and several software-based network solutions to communication service providers.

The acquisition was completed for an aggregate purchase price of $53.5 million, with U.S. $2.4 million remaining in escrow that is subject to potential adjustment. Results for Dialogic are included in both IMG and AMG from the date of acquisition. In April 2020 the Company received U.S. $2.4 million related to consideration originally paid to the sellers that was contingent on achieving certain targets in respect of maintenance renewals. This contingent refund was recorded at its fair value as at the acquisition date based on

known information, as well as historical trends, for contract renewals. The U.S. $2.4 million received has been used to settle the contingent refund asset. The difference between the fair value as at the acquisition date and the amount received of U.S. $2.4 million has been recognized through other income in fiscal 2020 as a post-acquisition change in management's estimate of the fair value of the contingent refund asset.

Purchase Price Allocation

	IMG Preliminary 2021
Cash and cash equivalents	$ 1,463
Short-term investments	130
Accounts receivable	9,691
Prepaid expenses and other assets	1,602
Property and equipment	246
Deferred income tax assets	886
Acquired software	12,393
Customer relationships	13,985
Right-of-use assets	2,437
Goodwill	14,692
Total assets acquired	**$ 57,525**
Current liabilities assumed	$ 15,451
Non-current lease obligations	1,875
Deferred income tax liabilities	5,393
Total liabilities assumed	**$ 22,719**
Net assets acquired for consideration	**$ 34,806**

11. Segment Information

The Company has two operating segments, IMG and AMG, and evaluates segment performance based on revenue and results from operations. A description of the Company's segments is provided in Note 1. The accounting policies followed by these segments are the same as those described in the summary of significant accounting policies.

Three months ended April 30, 2021	IMG	AMG	Total
Revenue	$ 65,879	$ 51,455	$ 117,334
Direct costs	(16,930)	(16,603)	(33,533)
Revenue, net of direct costs	**48,949**	**34,852**	**83,801**
Operating expenses excluding special charges	(24,074)	(12,214)	(36,288)
Depreciation of property and equipment	(624)	(134)	(758)
Depreciation of right-of-use assets	(1,666)	(826)	(2,492)
Segment profit	**$ 22,585**	**$ 21,678**	**$ 44,263**
Special charges			(57)
Corporate and shared service expenses			(7,314)
Results from operating activities			**$ 36,892**

Three months ended April 30, 2020		IMG		AMG		Total
Revenue	$	89,925	$	50,975	$	140,900
Direct costs		(20,874)		(18,825)		(39,699)
Revenue, net of direct costs		**69,051**		**32,150**		**101,201**
Operating expenses excluding special charges		(25,632)		(15,412)		(41,044)
Depreciation of property and equipment		(518)		(240)		(758)
Depreciation of right-of-use assets		(1,386)		(982)		(2,368)
Segment profit	**$**	**41,515**	**$**	**15,516**	**$**	**57,031**
Special charges						121
Corporate and shared service expenses						(10,876)
Results from operating activities					**$**	**46,276**

Six months ended April 30, 2021		IMG		AMG		Total
Revenue	$	136,182	$	100,252	$	236,434
Direct costs		(32,387)		(32,654)		(65,041)
Revenue, net of direct costs		**103,795**		**67,598**		**171,393**
Operating expenses excluding special charges		(46,737)		(24,339)		(71,076)
Depreciation of property and equipment		(1,295)		(198)		(1,493)
Depreciation of right-of-use assets		(3,484)		(1,711)		(5,195)
Segment profit	**$**	**52,279**	**$**	**41,350**	**$**	**93,629**
Special charges						(440)
Corporate and shared service expenses						(15,598)
Results from operating activities					**$**	**77,591**

Six months ended April 30, 2020		IMG		AMG		Total
Revenue	$	152,798	$	98,758	$	251,556
Direct costs		(36,088)		(36,088)		(72,176)
Revenue, net of direct costs		**116,710**		**62,670**		**179,380**
Operating expenses excluding special charges		(46,851)		(28,080)		(74,931)
Depreciation of property and equipment		(973)		(672)		(1,645)
Depreciation of right-of-use assets		(2,444)		(1,947)		(4,391)
Segment profit	**$**	**66,442**	**$**	**31,971**	**$**	**98,413**
Special charges						(1,455)
Corporate and shared service expenses						(19,839)
Results from operating activities					**$**	**77,119**

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 at April 30, 2021.

13. Changes in Non-Cash Operating Working Capital

For the periods ended April 30	Three months		Six months	
	2021	2020	2021	2020
Decrease (increase) in accounts receivable	$ 12,065	$ (1,760)	$ (3,619)	$ (16,558)
Decrease (increase) in prepaid expenses and other assets	1,355	(3,058)	1,161	(3,500)
(Decrease) increase in accounts payable and accrued liabilities	(12,015)	7,476	(22,917)	(6,731)
(Decrease) increase in provisions	(1,237)	(772)	1,878	126
(Decrease) increase in income taxes payable	(779)	(554)	(2,011)	476
Increase in deferred revenue	3,051	9,504	16,593	26,723
Changes in non-cash operating working capital	**$ 2,440**	**$ 10,836**	**$ (8,915)**	**$ 536**