

Enghouse Releases Second Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – (June 2, 2010) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited second quarter financial results for the period ended April 30, 2010.

Second quarter revenue was \$21.3 million, compared to \$16.8 million reported in the same period last year, an increase of approximately 26%. Operating income for the quarter was \$4.2 million compared to \$2.7 million in the prior year's second quarter, an increase of 59%. Net income for the second quarter was \$1.7 million or \$0.07 per share on a diluted basis compared to the prior year's second quarter net income of \$0.9 million or \$0.04 per share. On a year to date basis, the Company reported revenue of \$40.8 million compared to revenue of \$35.1 million in the prior fiscal year. Net income for the year to date was \$3.6 million compared to \$1.7 million in the prior fiscal year. The increase in revenue was primarily a result of increased license and services revenue in the Company's Syntellect Division, including revenue from recent acquisitions, Mettoni Ltd., acquired April 6, 2010 and Pulse Voice Inc., acquired on November 1, 2009. As has become the norm, revenue and operating costs are impacted by the continued volatility of foreign exchange.

Operating expenses increased to \$10.3 million from \$8.5 million in the prior year's second quarter and include incremental operating costs related to acquisitions and the impact of foreign exchange on U.S. dollar denominated operating expenses. On a year to date basis operating costs were \$19.9 million compared to \$17.2 million in the prior fiscal year. Non-cash amortization charges were \$1.8 million compared to \$1.7 million in the prior year's second quarter and include amortization charges for acquired software and other intangibles from the acquired operations including, Mettoni and Pulse.

The Company generated cash flows from operations of \$5.1 million in the second quarter compared to \$4.7 million in the prior year's second quarter. Enghouse closed the quarter with \$72.6 million in cash and short-term investments compared to \$93.2 million at October 31, 2009, which is after payment of the Mettoni acquisition costs of approximately \$21.3 million. Since October 31, 2009, the Company has spent \$26.8 million on acquisitions and \$1.5 million on dividend payments. The Company continues to have no long-term debt.

The Board of Directors today authorized an eligible quarterly dividend of \$0.04 per share, payable on August 31, 2010 to shareholders of record at the close of business on August 17, 2010. The Company remains committed to its strategy of seeking further acquisitions to continue to diversify its revenue stream and expand its market presence.

About Enghouse

Enghouse Systems Limited is a leading global provider of enterprise software solutions serving a variety of distinct vertical markets. Its strategy is to build a larger and more diverse software company through strategic acquisitions and managed growth. Enghouse shares are listed on the Toronto Stock Exchange under the symbol "ESL". Further information about Enghouse may be obtained from the Company's web site at www.enghouse.com.

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

	April 30, 2010	October 31, 2009
Assets		
Current		
Cash	\$ 41,026	\$ 39,276
Short-term investments	31,593	53,876
Accounts receivable, net	24,856	17,017
Future income taxes	1,269	973
Prepaid expenses and other assets	4,567	2,434
	<u>103,311</u>	<u>113,576</u>
Property and equipment, net	2,199	1,576
Acquired software and other intangibles, net	33,125	22,934
Goodwill	37,508	19,965
Future income taxes	3,665	3,183
	<u>\$ 179,808</u>	<u>\$ 161,234</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	21,506	17,107
Income taxes payable	913	1,473
Dividend payable	1,007	746
Deferred revenue	27,487	15,765
	<u>50,913</u>	<u>35,091</u>
Future income taxes	12,662	8,693
Long-term income taxes payable	653	1,043
Deferred revenue	657	197
	<u>64,885</u>	<u>45,024</u>
Shareholders' Equity		
Share capital	50,685	49,780
Contributed surplus	2,207	2,047
Retained earnings	74,991	73,142
Accumulated other comprehensive loss	(12,960)	(8,759)
	<u>114,923</u>	<u>116,210</u>
	<u>\$ 179,808</u>	<u>\$ 161,234</u>

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

	Three Months ended April 30		Six Months Ended April 30	
	2010	2009	2010	2009
Revenue				
Software licenses	\$ 7,028	\$ 4,455	\$ 13,017	\$ 9,561
Services	13,694	12,019	26,472	24,063
Hardware	541	360	1,310	1,438
	21,263	16,834	40,799	35,062
Cost of sales				
Software licenses	1,235	488	2,171	1,512
Services	5,058	4,809	9,945	9,868
Hardware	378	329	844	1,280
	6,671	5,626	12,960	12,660
Gross margin	14,592	11,208	27,839	22,402
Operating expenses				
Selling, general and administrative	6,943	5,217	13,192	10,531
Research and development	3,099	3,001	6,068	5,965
Amortization of property and equipment	306	321	606	659
	10,348	8,539	19,866	17,155
Income before the undernoted	4,244	2,669	7,973	5,247
Amortization of acquired software and other intangibles	(1,765)	(1,713)	(3,566)	(3,665)
Foreign exchange (loss) gain	(141)	(55)	(59)	75
Interest income, net	76	504	227	947
Other income	-	-	564	-
Income before income taxes	2,414	1,405	5,139	2,604
Provision for income taxes				
Current	285	533	1,082	1,046
Future	422	(66)	447	(174)
Net income for the period	\$ 1,707	\$ 938	\$ 3,610	\$ 1,732
Retained earnings, beginning of period	\$ 74,291	\$ 70,628	\$ 73,142	\$ 72,015
Dividends	(1,007)	(748)	(1,761)	(1,369)
Purchase and cancellation of common shares	-	(953)	-	(2,513)
Retained earnings, end of period	\$ 74,991	\$ 69,865	\$ 74,991	\$ 69,865
Earnings per share				
Basic	\$ 0.07	\$ 0.04	\$ 0.14	\$ 0.07
Diluted	\$ 0.07	\$ 0.04	\$ 0.14	\$ 0.07
Weighted average shares outstanding during period (millions)				
- basic	25.1	24.8	25.0	25.0
- diluted	25.4	24.9	25.2	25.1

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

	Three months ended April 30		Six months ended April 30	
	2010	2009	2010	2009
Net income for the period	\$ 1,707	\$ 938	\$ 3,610	\$ 1,732
Other comprehensive loss:				
Unrealized loss on translating financial statements of self-sustaining foreign operations	(3,256)	(641)	(4,620)	(948)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$170)	-	(156)	(394)	(156)
Unrealized gain (loss) on available for sale investments, net of tax of \$128 (six months – \$418)	295	(75)	965	(222)
Unrealized foreign currency translation loss on available for sale investments, net of tax of (\$45) (six months – (\$66))	(103)	(84)	(152)	(52)
Other comprehensive loss	\$ (3,064)	\$ (956)	\$ (4,201)	\$ (1,378)
Comprehensive (loss) income	\$ (1,357)	\$ (18)	\$ (591)	\$ 354
Accumulated other comprehensive loss, beginning of period	\$ (9,896)	\$ (3,641)	\$ (8,759)	\$ (3,219)
Other comprehensive loss	(3,064)	(956)	(4,201)	(1,378)
Accumulated other comprehensive loss, end of period	\$(12,960)	\$ (4,597)	\$(12,960)	\$ (4,597)

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

	For the three months ended April 30		For the six months ended April 30	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income for the period	\$ 1,707	\$ 938	\$ 3,610	\$ 1,732
Add (deduct) items not involving cash				
Amortization of property and equipment	306	321	606	659
Amortization of acquired software and other intangibles	1,765	1,713	3,566	3,665
Stock-based compensation expense	110	63	160	81
Gain on sale of short-term investments	-	-	(564)	-
Future income taxes	422	(66)	447	(174)
Cash flows before changes in operating assets and liabilities	4,310	2,969	7,825	5,963
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable, net	627	3,445	(300)	4,270
Increase in prepaid expenses and other assets	(729)	(168)	(1,035)	(84)
(Decrease) Increase in accounts payable and accrued liabilities	(2,133)	403	(5,845)	(2,481)
Decrease in current income taxes payable	(666)	(1,905)	(1,398)	(2,510)
Increase (decrease) in deferred revenue	3,473	(607)	7,638	1,872
Unrealized foreign exchange loss (gain)	176	603	263	(308)
Cash flows from operating activities	5,058	4,740	7,148	6,722
Cash flows from investing activities				
Purchase of property and equipment, net	(334)	(130)	(558)	(256)
Acquisitions, net of cash acquired	(19,798)	(6,502)	(25,327)	(6,860)
Proceeds of short-term investments	23,718	12,825	22,704	20,280
	3,586	6,193	(3,181)	13,164
Cash flows from financing activities				
Issuance of share capital	168	897	905	950
Payment of cash dividend	(754)	(621)	(1,500)	(1,257)
Purchase and cancellation of common shares	-	(1,531)	-	(4,218)
	(586)	(1,255)	(595)	(4,525)
Effect of foreign exchange rate changes on cash	(1,325)	(503)	(1,622)	(390)
Net increase (decrease) in cash during the period	6,733	9,175	1,750	14,971
Cash – beginning of period	34,293	18,127	39,276	12,331
Cash – end of period	\$ 41,026	\$ 27,302	\$ 41,026	\$ 27,302
Supplementary cash flow information:				
Cash paid during the period for income taxes	\$ 505	\$ 862	\$ 2,085	\$ 1,376

Note: Cash excludes short-term investments

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	Three Months ended		Six Months ended	
	April 30, 2010	April 30, 2009	April 30, 2010	April 30, 2009
Revenue:				
Asset Management Division	\$ 3,513	\$ 2,263	\$ 6,375	\$ 4,740
Syntellect Division	17,750	14,571	34,424	30,322
Total	\$ 21,263	\$ 16,834	\$ 40,799	\$ 35,062
Segment Profit (EBIT):				
Asset Management Division	\$ 773	\$ (183)	\$ 799	\$ (351)
Syntellect Division	2,458	1,718	4,899	3,061
Corporate	(752)	(579)	(1,291)	(1,128)
Foreign Exchange	(141)	(55)	(59)	75
Interest and other income	76	504	791	947
Total	\$ 2,414	\$ 1,405	\$ 5,139	\$ 2,604