

Enghouse Releases Fourth Quarter Results and Announces Dividend

FOR IMMEDIATE RELEASE

Markham, Ontario – (December 15, 2010) – Enghouse Systems Limited (TSX:ESL) today announced its fourth quarter (unaudited) and year end financial results for the period ended October 31, 2010.

Fourth quarter revenue was \$27.4 million compared to \$20.0 million reported in the fourth quarter of last year, an increase of 37%. Operating income was \$6.2 million compared to \$5.2 million in the prior year's fourth quarter, an increase of 20%. Net income for the fourth quarter was \$3.4 million or \$0.13 per diluted share compared to \$2.6 million or \$0.10 per diluted share in the fourth quarter of fiscal 2009.

For the fiscal year, revenue was \$94.2 million compared to \$78.4 million in the prior year, an increase of 20%, while operating income was \$20.0 million compared to \$15.6 million in the prior year, an increase of 28%. Net income for the fiscal year was \$10.2 million or \$0.40 per diluted share compared to \$6.7 million or \$0.27 per diluted share in the prior year. The increase in revenue in the quarter and fiscal year is attributable to stronger revenue and contributions from acquired operations, Telrex, Mettoni and Pulse Voice. Operating expenses increased to \$45.6 million for the year compared to \$36.8 million in the prior year as a result of incremental costs related to acquired operations. As has become the norm, revenue and operating costs were also impacted by the continued volatility of foreign exchange as outlined in the Management's Discussion and Analysis ("MD&A") as filed on SEDAR.

The Company recorded non-cash amortization charges of \$2.5 million in the quarter compared to \$1.8 million in the prior year's fourth quarter. For the fiscal year, the Company reported amortization charges of \$8.5 million compared to \$7.3 million.

The Company generated operating cash flows of \$18.6 million in the fiscal year, compared to \$15.8 million in the prior fiscal year and closed the year with \$78.3 million in cash and short-term investments. The Company was not active during the year in its normal course issuer buyback. The Company has spent \$30.1 million in the fiscal year on acquisitions and \$3.5 million on dividends. Enghouse continues to have no long-term debt.

Stephen Sadler, Chairman and Chief Executive Officer said "We are pleased with our progress in the year, expanding our presence in Europe, integrating and aligning our product offering and growing our revenue while remaining focused on generating strong operating cash flows."

At its meeting held today, the Board of Directors authorized the payment of an eligible quarterly dividend of \$0.04 per common share payable on February 28, 2011 to shareholders of record as at the close of business on February 14, 2011.

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.

Operating income is not a measure recognized by generally accepted accounting principles ("GAAP") and does not have standardized meaning in accordance with such principles. Therefore, operating income may not be comparable to similar measures presented by other issuers. Operating income is calculated as net income before amortization of acquired software and other intangibles, net interest income, other income, foreign exchange gains and losses and the provision for income taxes. This is denoted as "Income before the undernoted" on the Consolidated Statements of Operations and Retained Earnings of the Company. Management uses operating income to evaluate performance as it excludes amortization of software and intangibles and foreign exchange gains and losses.

- 30 -

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

	October 31, 2010	October 31, 2009
Assets		
Current		
Cash	\$ 46,640	\$ 39,276
Short-term investments	31,627	53,876
Accounts receivable, net	24,500	17,017
Income tax receivable	591	-
Future income taxes	447	973
Prepaid expenses and other assets	3,360	2,434
	<u>107,165</u>	<u>113,576</u>
Property and equipment, net	1,844	1,576
Acquired software and other intangibles, net	34,330	22,934
Goodwill	35,137	19,965
Future income taxes	2,951	3,183
	<u>\$ 181,427</u>	<u>\$ 161,234</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 20,115	\$ 17,107
Income taxes payable	-	1,473
Dividend payable	1,007	746
Deferred revenue	26,040	15,765
	<u>47,162</u>	<u>35,091</u>
Future income taxes	12,571	8,693
Long-term income taxes payable	522	1,043
Deferred revenue	790	197
	<u>61,045</u>	<u>45,024</u>
Shareholders' Equity		
Share capital	50,705	49,780
Contributed surplus	2,429	2,047
Retained earnings	79,606	73,142
Accumulated other comprehensive loss	(12,358)	(8,759)
	<u>120,382</u>	<u>116,210</u>
	<u>\$ 181,427</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 October 31		Twelve months ended October 31	
	2010	2009	2010	2009
Revenue				
Software licenses	\$ 8,794	\$ 5,683	\$ 30,198	\$ 23,133
Services	17,903	13,737	61,304	51,547
Hardware	681	583	2,706	3,738
	27,378	20,003	94,208	78,418
Cost of sales				
Software licenses	920	744	4,363	3,773
Services	6,492	4,512	22,429	19,263
Hardware	459	519	1,845	3,037
	7,871	5,775	28,637	26,073
Gross margin	19,507	14,228	65,571	52,345
Operating expenses				
Selling, general and administrative	9,442	5,903	31,807	23,552
Research and development	3,487	2,834	12,477	11,951
Amortization of property and equipment	356	296	1,331	1,275
	13,285	9,033	45,615	36,778
Income before the undernoted	6,222	5,195	19,956	15,567
Amortization of acquired software and other intangibles	(2,475)	(1,826)	(8,458)	(7,331)
Interest income, net	92	134	387	1,309
Other income, net	203	212	1,145	236
Foreign exchange gain	90	12	238	194
Income before income taxes	4,132	3,727	13,268	9,975
Provision for income taxes				
Current	(1,504)	(317)	635	1,102
Future	2,210	1,473	2,395	2,139
Net income for the period	\$ 3,426	\$ 2,571	\$ 10,238	\$ 6,734
Retained earnings, beginning of period	\$ 77,186	\$ 71,375	\$ 73,142	\$ 72,015
Dividends	(1,006)	(746)	(3,774)	(2,861)
Purchase and cancellation of common shares	-	(58)	-	(2,746)
Retained earnings, end of period	\$ 79,606	\$ 73,142	\$ 79,606	\$ 73,142
Earnings per share				
Basic	\$ 0.14	\$ 0.10	\$ 0.41	\$ 0.27
Diluted	\$ 0.13	\$ 0.10	\$ 0.40	\$ 0.27
Weighted average shares outstanding during period (millions)				
- basic	25.2	24.9	25.1	24.9
- diluted	25.4	25.2	25.3	25.1

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

	Three months ended October 31		Twelve months ended October 31	
	2010	2009	2010	2009
Net income for the period	\$ 3,426	\$ 2,571	\$ 10,238	\$ 6,734
Other comprehensive loss:				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	(1,171)	(1,836)	(4,044)	(5,675)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$121) (year to date – (\$244))	(646)	(140)	(1,303)	(312)
Unrealized gain on available for sale investments, net of tax of \$87 (year to date – \$352)	465	1,225	1,881	720
Unrealized foreign currency translation loss on available for sale investments, net of tax of (\$4) (year to date – (\$25))	(22)	(1,004)	(133)	(273)
Other comprehensive loss	\$ (1,374)	\$ (1,755)	\$ (3,599)	\$ (5,540)
Comprehensive income	\$ 2,052	\$ 816	\$ 6,639	\$ 1,194
Accumulated other comprehensive loss, beginning of period	\$ (10,984)	\$ (7,004)	\$ (8,759)	\$ (3,219)
Other comprehensive loss	(1,374)	(1,755)	(3,599)	(5,540)
Accumulated other comprehensive loss, end of period	\$ (12,358)	\$ (8,759)	\$ (12,358)	\$ (8,759)

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

	For the three months ended October 31		For the twelve months ended October 31	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income for the period	\$ 3,426	\$ 2,571	\$ 10,238	\$ 6,734
Add (deduct) items not involving cash				
Amortization of property and equipment	356	296	1,331	1,275
Amortization of acquired software and other intangibles	2,475	1,826	8,458	7,331
Stock-based compensation expense	111	71	382	240
Gain on sale of short-term investments	(605)	(212)	(1,547)	(236)
Future income taxes	2,210	1,473	2,395	2,139
Cash flows before changes in operating assets and liabilities	7,973	6,025	21,257	17,483
Changes in operating assets and liabilities				
(Increase) decrease in accounts receivable, net	(1,443)	(967)	151	2,159
Decrease in prepaid expenses and other assets	640	464	194	733
(Decrease) increase in accounts payable and accrued liabilities	(1,023)	(142)	(5,587)	1,480
Decrease in current income taxes payable	(2,379)	(1,221)	(3,240)	(3,598)
(Decrease) increase in deferred revenue	(2,350)	(2,235)	6,329	(2,295)
Unrealized foreign exchange loss (gain)	954	28	(474)	(116)
Cash flows from operating activities	2,372	1,952	18,630	15,846
Cash flows from investing activities				
Purchase of property and equipment, net	(278)	(20)	(887)	(374)
Acquisitions, net of cash acquired	-	-	(30,131)	(6,935)
Proceeds from sale of short-term investments	(1,623)	5,931	23,664	27,099
	(1,901)	5,911	(7,354)	19,790
Cash flows from financing activities				
Issuance of share capital	20	51	925	1,006
Payment of cash dividends	(1,007)	(746)	(3,514)	(2,751)
Purchase and cancellation of common shares	-	(83)	-	(4,560)
	(987)	(778)	(2,589)	(6,305)
Effect of foreign exchange rate changes on cash	(303)	(44)	(1,323)	(2,386)
Net (decrease) increase in cash during the period	(819)	7,041	7,364	26,945
Cash – beginning of period	47,459	32,235	39,276	12,331
Cash – end of period	\$ 46,640	\$ 39,276	\$ 46,640	\$ 39,276
Supplementary cash flow information:				
Cash paid during the period for income taxes	\$ 91	\$ -	\$ 2,509	\$ 1,665

Note: Cash excludes short-term investments

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	Three Months ended		Twelve Months ended	
	October 31, 2010	October 31, 2009	October 31, 2010	October 31, 2009
Revenue:				
Asset Management Group	\$ 3,499	\$ 2,306	\$ 13,503	\$ 9,527
Interaction Management Group	23,879	17,697	80,705	68,891
Total	\$ 27,378	\$ 20,003	\$ 94,208	\$ 78,418
Segment Profit (EBIT):				
Asset Management Group	\$ 843	\$ 209	\$ 2,910	\$ (231)
Interaction Management Group	3,738	3,798	11,287	10,929
Corporate	(834)	(638)	(2,699)	(2,462)
Foreign Exchange	90	12	238	194
Interest and other income	295	346	1,532	1,545
Total	\$ 4,132	\$ 3,727	\$ 13,268	\$ 9,975