

Enghouse Systems Ltd.

HEAD OFFICE

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Enghouse Systems Ltd. is a software company that develops and markets voice and speech based self service applications as well as AM/FM/GIS software to telecommunications and utilities companies. In addition to the software products, the company provides maintenance and technical support as well as professional consulting services. Enghouse has five wholly-owned subsidiaries; namely, Enghouse Systems USA Inc., Enghouse U.K. Ltd., Enghouse Systems (New Zealand) Ltd., Moore Resource Systems Ltd., and Syntellect Inc.

As a provider of self service speech solutions, Enghouse, through Syntellect, offers *Vista*, a software platform that supports interactive voice response, computer telephony integration, interactive web response, speech recognition, fax-on-demand, as well as text-to-speech applications. The company's AM/FM/GIS software are asset management products that provide automated mapping and facilities management solutions through geographic information systems. The two core-engine products are *CableCad*TM and *GeoNet*TM, which provide departmental and enterprise wide solutions, while its application products include *PowerWORKS*TM, a Windows-based interactive graphical design program, and *NetWORKS*TM, an enterprise wide asset management software solution that provides design and network management capabilities for domains such as fiber, co-ax, copper, inside plant structures, and wireless.

The acquisition of Moore Resource Systems in April 2002, for approximately \$2 million in cash, expanded

Enghouse's portfolio by providing data conversion services to assist customers in converting existing paper maps of pipeline infrastructure into digital format, and also enabled the company to address the oil and gas market segment. Moore's focus on developing more generic applications that enable a customer to access, view, and analyze an infrastructure from both the office and the field, is intended to allow customers to leverage data more efficiently. In time, Enghouse believes this focus should further expand its current product suite.

The company continues to develop work initiated by Moore Resource Systems to build generic application solutions that will provide common functionality to more customers in the pipeline industry. The suite of applications, branded *PipeWORKS*TM, will provide oil and gas pipeline operators with useful data management applications. In addition, development is underway for future versions of *NetWORKS*TM which will expand the ability of companies to handle the multi-domain requirements of users in the telecommunications and utilities sectors. Enghouse intends to add national language support to market all of its products in Asia and Europe.

In December 2002, the company acquired all of the issued and outstanding shares in Syntellect, a software and services company operating in the customer self management market segment. Syntellect was purchased pursuant to a cash tender offer of US\$0.72 per share, followed by a cash merger at the same price for a total of

\$15.9 million. With the purchase of Syntellect, Enghouse has become more focused on the larger speech and voice based applications market which offers an increased percentage in revenues.

In December 2002, the company released its financial results for the fourth quarter and fiscal year ended October 31, 2002. In the fourth quarter, Enghouse reported revenue of \$3.7 million, compared to \$3 million reported in 2001, an increase of 23%, and net income of \$1.3 million, or \$0.10 per share, versus \$1.9 million, or \$0.18 per share, reported last year. Management stated that operating income increased in the quarter over the previous year despite a decline in interest and other income. Net income for the fiscal year ended October 31, 2002 was \$5.5 million or \$0.46 per share as opposed to \$8.1 million or \$0.76 per share in the prior year.

On April 8, 2003, Enghouse announced the renewal of a previous normal course issuer bid for its common shares.

Management stated that it believes that the company's share price did not fully reflect its underlying value since Enghouse continues to have significant cash reserves and positive cash flow. The company repurchased up to 630,280 common shares or 5% of its outstanding shares on March 31, 2003, for cancellation. During the preceding 12 months, Enghouse acquired 75,600 common shares at an average price of \$9.17 per share pursuant to its normal course issuer bid.

For the second quarter ended April 30, 2003, Enghouse announced an increase of more than 291% in revenue from \$3.5 million reported in the same period of 2002 to \$13.7 million. The improvement also represented a 50% increase over first quarter results of \$9.2 million. Revenue of \$9.4 million from Syntellect was included in the second quarter. Net income was \$2.3 million or \$0.18 per share while operating income increased to \$2.8 million from \$1.5 million recorded the year before.

FINANCIAL POSITION & OPERATING RESULTS

(all financial figures presented in thousands of Canadian dollars)

Balance Sheet

(as at April 30, 2003)

Current Assets	\$ 77,432
Total Assets	106,820
Current Liabilities	22,793
Long-Term Debt	nil
Shareholders' Equity	82,884

Income Statements

	6 Months Ended April 30		Year Ended
	2003	2002	October 31 2002
Revenues	\$ 22,890	\$ 6,875	\$ 13,865
Net Earnings	3,918	3,067	5,534
Earnings per Share	\$ 0.31	\$ 0.28	\$ 0.46

SHARES

Issued

Management & Insiders	- Escrow	nil
	- Free-trading	¹ 5,672,525
Public	- Restricted	nil
	- Free-trading	<u>6,933,087</u>
		<u>12,605,612</u>

Fully-Diluted

12,905,612

¹ management and members of the board of directors collectively own approximately 45% of the company's shares.

Trading Symbol & Exchange

ESL : TSX

52 Week Price Range

\$ 8.76 - \$ 13.25

Current Price (August 5, 2003)

\$ 13.10

3-Month Average Daily Trading Volume

9,700 shares

Market Capitalization

\$ 165.1 million

CONCLUSION

Enghouse continues to maintain a strong cash position. As at April 30, 2003, the company had more than \$70 million or \$5.56 per share in cash and short-term investments with no significant long-term debt. If the company is successful in duplicating its second quarter financial results during the remaining two quarters of fiscal 2003, Enghouse would report net earnings of about \$0.67

per share. Based on the projected financial results, the company's shares are currently trading at a price/earnings multiple of approximately 13. Management believes the addition of Syntellect's voice and speech based applications to its core-engine products will continue to provide sustained profitability for Enghouse's future growth.