

Constellation Software Inc. Announces Results for the Second Quarter and Six Months Ended June 30, 2007

TORONTO, ONTARIO (August 8, 2007) -- Constellation Software Inc. (TSX:CSU) (“Constellation” or the “Company”) today announced its financial results for the second quarter and six months ended June 30, 2007. Please note that all dollar amounts referred to in this press release are U.S. Dollars unless otherwise stated.

Q2 2007 Year over Year Results:

- Revenue up 16%
- Adjusted EBITDA up 49%
- Adjusted Net Income up 72% (to \$0.41 on a per share basis)
- Completed two acquisitions

Second quarter revenue was \$60.5 million, an increase of 16%, compared to \$52.2 million reported in the same period last year. Second quarter revenue per share on a fully diluted basis increased 15%, compared to the prior year’s second quarter. Total revenue for the six months ended June 30, 2007 was \$116.4 million, an increase of 13% over last year’s revenues of \$103.4 million. Revenue per share on a fully diluted basis for the six month period increased 11% compared to 2006.

Adjusted EBITDA for the second quarter was \$10.9 million, a 49% increase compared to the prior year's second quarter Adjusted EBITDA of \$7.3 million. Second quarter Adjusted EBITDA per share on a fully diluted basis increased 46%, compared to the prior year’s second quarter. Adjusted EBITDA for the six month period was \$19.3 million, an increase of 33% over last year’s Adjusted EBITDA of \$14.5 million. Adjusted EBITDA per share on a fully diluted basis for the six month period increased 32% compared to 2006.

Adjusted Net Income for the second quarter was \$8.8 million, compared to the prior year's second quarter Adjusted Net Income of \$5.1 million, a 72% increase. Second quarter Adjusted Net Income per share on a fully diluted basis increased 71% compared to the prior year’s second quarter. Adjusted Net Income for the six month period was \$15.8 million, an increase of 55% over last year’s Adjusted Net Income of \$10.2 million. Adjusted Net Income per share on a fully diluted basis for the six month period increased 51% compared to 2006.

Net income for the second quarter was \$3.5 million compared to the prior year's second quarter net income of \$1.3 million. On a fully diluted per share basis, this translates into net income per share of \$0.17 for the second quarter of 2007, compared to \$0.06 in the same period of 2006. For the six months net income was \$6.1 million or \$0.29 per diluted share vs. net loss of \$7.4 million or \$0.36 per share last year. As previously noted, the reason for the net loss in the first half of 2006 was the \$10.1 million charge to net income caused by the appreciation in common shares eligible for redemption (“ACSER”). ACSER was a non-cash expense which occurred during the first quarter of 2006 which will not be repeated now that we have completed our initial public offering.

“We are pleased with our profit levels in second quarter, as we delivered \$0.41 per share in Adjusted Net Income, despite having a \$0.06 per share foreign exchange loss”, said Mark Leonard, President of Constellation. “Unfortunately, our revenue growth continues to trend below our objective. We produced just 1% organic growth in the quarter. Several of our private sector businesses that are related to the housing sector continue to experience declining revenues, which has offset good organic growth in a number of our other verticals. Despite our short-term performance, we continue to believe that we will achieve the 20% revenue growth per share that we targeted in our 2006-2010 objectives.”

During the quarter, Constellation made two acquisitions for total net cash consideration of approximately \$1.6 million, paid holdbacks related to prior period acquisitions of \$2.6 million and invested \$4.0 million in VCG Inc. At June 30, 2007, the Company had cash, restricted cash and marketable securities of \$11.3 million, down from \$30.0 million as of December 31, 2006. The Company continues to seek further organic growth opportunities and acquisitions.

Conference Call and Webcast

Management will host a conference call at **8:30 a.m. (ET) on Thursday, August 9, 2007** to discuss the results. The teleconference numbers are **416-641-6127** or **1-866-542-4238**. The call will also be webcast live and archived on Constellation's web site at www.csisoftware.com.

A taped rebroadcast will be available to listeners following the call until 12 a.m. on August 23, 2007. To access the rebroadcast, please dial 416-695-5800 or 1-800-408-3053 and quote the passcode 3229994#.

Forward Looking Statements

Certain statements herein may be "forward looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Constellation or the industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date hereof. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements. These forward looking statements are made as of the date hereof and Constellation assumes no obligation to update any forward looking statements to reflect new events or circumstances.

Non-GAAP Measures

The term "Adjusted EBITDA" refers to net income before deducting interest, taxes, depreciation, amortization, appreciation in common shares eligible for redemption, other expenses and foreign exchange, and before including gain on sale of short-term investments, marketable securities and other assets. Constellation believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and the other items listed above. The term "Adjusted Net Income" means net income plus appreciation in common shares eligible for redemption and amortization of intangible assets. The Company believes that Adjusted Net Income is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration appreciation in common shares eligible for redemption (which will no longer be included in net income for periods following the closing of our IPO) and prior to taking into consideration amortization of intangibles as these are non-cash expenses that do not necessarily reflect the economic value of our acquisitions.

Adjusted EBITDA and Adjusted Net Income are not recognized measures under GAAP and, accordingly, shareholders are cautioned that Adjusted EBITDA and Adjusted Net Income should not be construed as alternatives to net income determined in accordance with GAAP as an indicator of the financial performance of the Company or as a measure of the Company's liquidity and cash flows. The Company's method of calculating Adjusted EBITDA and Adjusted Net Income may differ from other issuers and, accordingly, Adjusted EBITDA and Adjusted Net Income may not be comparable to similar measures presented by other issuers.

The following table reconciles Adjusted EBITDA to net income:

	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2007	2006	2007	2006
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	60,487	52,211	116,380	103,431
Net income (loss)	3,542	1,301	6,144	(7,355)
Add back:				
Income tax expense	1,073	602	2,077	1,018
Foreign exchange loss	1,345	(189)	1,351	74
Interest expense (income)	(34)	(25)	(149)	(84)
Gain on sale of short-term investments, marketable securities and other assets	(1,119)	0	(1,354)	(8)
Other expenses	0	1,087	0	1,970
Appreciation in common shares eligible for redemption	0	0	0	10,093
Amortization of intangible assets	5,209	3,796	9,643	7,457
Depreciation	855	727	1,548	1,363
Adjusted EBITDA	10,871	7,299	19,260	14,528
Adjusted EBITDA margin	18.0%	14.0%	16.5%	14.0%

The following table reconciles Adjusted net income to net income:

	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2007	2006	2007	2006
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	60,487	52,211	116,380	103,431
Net income (loss)	3,542	1,301	6,144	(7,355)
Add back:				
Appreciation in common shares eligible for redemption	0	0	0	10,093
Amortization of intangible assets	5,209	3,796	9,643	7,457
Adjusted net income	8,751	5,097	15,787	10,195
Adjusted net income margin	14.5%	9.8%	13.6%	9.9%

About Constellation Software Inc.

Constellation's common shares are listed on the Toronto Stock Exchange under the symbol "CSU". Constellation Software is an international provider of market leading software and services to a number of industries across both the public and private sectors. The Company acquires, manages and builds vertical market software businesses that provide mission-critical software solutions to address the specific needs of its customers in those industries.

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SOURCE: CONSTELLATION SOFTWARE INC.

CONSTELLATION SOFTWARE INC.

Interim Consolidated Balance Sheets
(In thousands of U.S. dollars)

	June 30, 2007	December 31, 2006
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,624	\$ 25,807
Restricted cash	–	858
Short-term investments and marketable securities - available for sale	626	3,320
Accounts receivable	42,074	32,655
Work in progress	12,408	13,189
Inventory	1,722	1,434
Prepaid expenses and other current assets	11,489	4,787
Future income taxes	918	1,153
	<u>79,861</u>	<u>83,203</u>
Property and equipment	8,799	6,385
Future income taxes	3,418	3,429
Note Receivable	3,433	–
Share purchase warrants	571	–
Other long-term assets	805	585
Goodwill	31,450	26,886
Intangible assets	79,272	66,085
	<u>\$ 207,609</u>	<u>\$ 186,573</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 3,593	\$ –
Accounts payable and accrued liabilities	33,332	37,024
Acquisition holdback payments	6,756	4,797
Deferred revenue	66,200	56,190
Income taxes payable	4,901	1,063
	<u>114,782</u>	<u>99,074</u>
Future income taxes	9,300	8,048
Acquisition holdback payments	231	231
Other long-term liabilities	1,116	404
Shareholders' equity:		
Capital stock	99,283	99,283
Shareholder loans	(1,822)	(2,135)
Accumulated other comprehensive income	(3,066)	(3,152)
Deficit	(12,215)	(15,180)
	<u>82,180</u>	<u>78,816</u>
	<u>\$ 207,609</u>	<u>\$ 186,573</u>

CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Operations
(In thousands of U.S. dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Revenue	\$ 60,487	\$ 52,211	\$ 116,380	\$ 103,431
Cost of revenue	23,020	20,276	44,537	40,614
	37,467	31,935	71,843	62,817
Research and development	8,862	8,196	17,772	16,388
Sales and marketing	7,324	6,739	14,365	13,147
General and administration	10,410	9,701	20,446	18,754
Depreciation	855	727	1,548	1,363
	27,451	25,363	54,131	49,652
Income before the undernoted	10,016	6,572	17,712	13,165
Appreciation in common shares eligible for redemption	—	—	—	10,093
Amortization of intangible assets	5,209	3,796	9,643	7,457
Other expenses	—	1,087	—	1,970
Gain on sale of short-term investments, marketable securities and other assets	(1,119)	—	(1,354)	(8)
Interest expense (income)	(34)	(25)	(149)	(84)
Foreign exchange loss (gain)	1,345	(189)	1,351	74
Income (loss) before income taxes	4,615	1,903	8,221	(6,337)
Income taxes (recovery):				
Current	1,421	1,290	2,578	2,000
Future	(348)	(688)	(501)	(982)
	1,073	602	2,077	1,018
Net income (loss)	\$ 3,542	\$ 1,301	\$ 6,144	\$ (7,355)
Income (loss) per share:				
Basic	\$ 0.17	\$ 0.06	\$ 0.29	\$ (0.36)
Diluted	0.17	0.06	0.29	(0.36)
Weighted average number of shares outstanding (in thousands) :				
Basic	21,111	20,914	21,102	20,574
Diluted	21,192	21,127	21,192	20,935
Outstanding at the end of the period	21,192	21,192	21,192	21,192

CONSTELLATION SOFTWARE INC.

Interim Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income (loss)	\$ 3,542	\$ 1,301	\$ 6,144	\$ (7,355)
Adjustments to reconcile net income to net cash flows from operations:				
Depreciation	855	727	1,548	1,363
Amortization of intangible assets	5,209	3,796	9,643	7,457
Loss on common shares eligible for redemption	—	—	—	10,093
Deferred compensation	—	—	—	400
Future income taxes	(347)	(688)	(501)	(982)
Gain on sale of short-term investments, marketable securities and other assets	(1,119)	—	(1,354)	(8)
Unrealized exchange loss (gain)	1,299	(481)	1,283	(238)
Change in non-cash operating working capital	(3,277)	148	(12,199)	(6,821)
Cash flows from operating activities	6,162	4,803	4,564	3,909
Cash flows from financing activities:				
Increase (decrease) in long-term liabilities	21	13	(209)	16
Increase in bank indebtedness	1,171	1,500	3,593	2,600
Dividends	—	—	(3,179)	(1,381)
Distributions to common shares eligible for redemption	—	—	—	(471)
Issue of common shares eligible for redemption, net of shareholder loans	—	906	—	3,805
Redemption of common shares eligible for redemption	—	(6)	—	(20)
Issuance of shareholder loans	—	—	(447)	—
Repayment of shareholder loans	(32)	302	760	2,212
Repurchase of phantom shares	—	(1,657)	—	(1,657)
Return of capital	—	—	—	(637)
Cash flows from financing activities	1,160	1,058	518	4,467
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired	(4,198)	(10,293)	(18,815)	(13,727)
Reduction (increase) to short-term investments, marketable securities and other assets	3,151	(313)	3,952	(1,478)
Decrease in restricted cash	—	—	858	—
Decrease (increase) in other assets	(3,914)	135	(4,224)	161
Property and equipment purchased	(768)	(822)	(1,285)	(1,509)
Cash flows (used in) investing activities	(5,729)	(11,293)	(19,514)	(16,553)
Effect of currency translation adjustment on cash and cash equivalents	(777)	633	(751)	441
Increase (decrease) in cash and cash equivalents	816	(4,799)	(15,183)	(7,736)
Cash and cash equivalents, beginning of period	9,808	15,348	25,807	18,285
Cash and cash equivalents, end of period	\$ 10,624	\$ 10,549	\$ 10,624	\$ 10,549