CONSTELLATION SOFTWARE INC.

TO OUR SHAREHOLDERS

Q1 2008 benefited from a very weak comparable Q1 in 2007. Revenue increased 32%, Organic Net Revenue growth was 6%, Net Maintenance growth was 34%, and Adjusted Net Income growth was 62%. On a sequential basis (Q4 2007 vs Q1 2008) growth was more modest but still encouraging (revenue increased 11% and Adjusted Net Income increased 19%). Please note that we have changed the definition of Adjusted Net Income (see MD&A) in a way that has reduced the Adjusted Net Income for this quarter by $1.3 million vs what it would have been using the former definition. We believe the current definition provides a closer approximation of after tax cash profits.

Organic growth continued to improve despite deteriorating performance in our building related verticals. This was the fourth consecutive quarter of improving Organic Net Revenue growth. A table containing our quarterly Performance Metrics is appended. Our favourite single metric for measuring shareholder returns combines profitability and growth (ROIC + Organic Net Revenue growth). The combined metric was 32% (annualised) in Q1, a very handsome return for a business with such a low Tangible Net Asset ("TNA") requirement. TNA/Net Revenue remained stable at -58% (-57% in Q1 of 2007). We were disappointed that we did not see more improvement in this metric, despite considerable efforts throughout the year. Building related verticals are exhibiting longer receivables, and some long-dated receivables that came along with recent acquisitions (against which we have provisions in the acquisition agreements, should they prove uncollectable) are the primary culprits.

We completed 3 acquisitions in Q1, but only a modest ($2.7 million) amount of capital was invested. Shortly after the end of the quarter, 3 further acquisitions were made for a total net cash investment of $11.4 million. This continues to be one of the best acquisition markets that we have seen in many years. In 2007 we signed 50% more Non Disclosure Agreements than we signed in 2006. These resulted in a 52% increase in the value of Letters of Intent that we issued, and a 65% increase in the value of the Letters of Intent that were signed back to us. 2008 promises to be an equally busy year. As you may have seen in our recent press release, we have increased our revolving line of credit to $105 million, so that we are in a position to take advantage of attractive acquisition opportunities when they are available.

I am often asked why Constellation takes minority interests in other public software companies. The answer is simple (value!), but it can be complicated by our investment horizon and by our requirement that the company have competent ownership.

Constellation's objective is to be a perpetual owner of inherently attractive software businesses. Part of a perpetual owner's job, is to make sure that energetic, intelligent and ethical general managers ("GM") are running their businesses and that the GM's are incented to enhance shareholder value over the very long term. It is trivial for an experienced GM to run a software company to generate high profitability and shrinking revenues. Far more challenging, is generating reasonable short term profits while continuing to grow revenues, in an industry where investment cycles often exceed 10 years. Understanding a GM's performance as they make these long term trade-offs is the most difficult part of a perpetual owner's job.

We have bought more than 70 private software businesses outright. On ten occasions, however, we have also participated in the purchase of significant minority positions in public software businesses. Usually these minority interests were purchased for less than their intrinsic value, and for far less per share than we would have had to pay for the entire business. While these purchases tend to be at the "value" end of our investment spectrum, they often carry incremental risk because we lack access to information concerning the long term trade-offs that the businesses are making. Even excellent managers of public companies are initially uncomfortable allowing us to join their boards to get access to this information, suspecting us of dire motives or a short-term orientation. We have the same objective when we buy a piece of a business as when we buy 100%, i.e. we want to be a great perpetual owner of an inherently attractive asset. If we are allowed to join a public company's board, we offer to sign an agreement that will limit our ability to make an unsolicited take-over bid. This allows existing long-term shareholders of our public investees to continue to enjoy the benefits of ownership. For shareholders with similar objectives to ours, we believe that we are an exceptional co-investor.

When boards reject our request for representation, we may resort to "shareholder democracy", i.e. we may approach other shareholders to request that they support our quest for a board seat. Only as a last resort will we make an unsolicited bid for a company.

Our financial objective is to generate in excess of 20% average annual revenue and EBITDA growth per share for the period January 1, 2006 through December 31, 2010. We continue to believe that these objectives are attainable.

Mark Leonard
President
Constellation Software Inc.

May 7th, 2008

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008
($ millions, except percentages)									
Revenue	51.2	52.2	53.8	53.5	55.9	60.5	60.6	66.1	73.6
Net Income / (Loss)	(8.7)	1.3	2.3	3.8	2.6	3.5	3.3	1.6	4.3
Net Revenue	46.0	47.3	48.4	48.6	50.7	54.9	55.3	60.2	66.6
Net Maintenance Revenue	26.0	26.9	28.1	29.6	31.2	33.3	34.5	37.8	41.7
Adjusted Net Income (1)	4.8	4.4	7.5	9.0	6.9	8.4	8.5	9.4	11.1
Average Invested Capital	114	119	125	135	143	149	158	167	176
Net Revenue Growth (Y/Y)	33%	28%	24%	22%	10%	16%	14%	24%	31%
Organic Net Revenue Growth (Y/Y)	14%	12%	5%	3%	-1%	0%	2%	3%	6%
Net Maintenance Growth (Y/Y)	35%	30%	30%	29%	20%	24%	23%	28%	34%
Adjusted Net Income Growth (Y/Y)	21%	5%	49%	115%	43%	91%	13%	5%	62%
Average Invested Capital Growth (Y/Y)	19%	20%	20%	24%	25%	25%	26%	24%	24%
Tangible Net Assets / Net Revenue	-52%	-51%	-59%	-73%	-57%	-45%	-53%	-74%	-58%
ROIC (Annualized)	17%	15%	24%	27%	19%	23%	22%	22%	25%
ROIC + Organic Net Revenue Growth	31%	27%	29%	30%	18%	23%	24%	26%	32%

(1) Historical figures restated to comply with revised definition.

See "Non-GAAP Measures" below and the Company's Q1 2008 Management Discussion and Analysis.

Performance Metrics Glossary

"Net Revenue" means Revenue for GAAP purposes less third party and flow-through expenses. We use Net Revenue since it captures 100% of the license, maintenance and services revenues associated with Constellation's own products, but only includes the margin on our lower value-added revenues such as commodity hardware or third party software.

"Net Maintenance Revenue" is derived from GAAP Maintenance Revenue by subtracting third party maintenance costs. We believe that Net Maintenance Revenue is one of the best indicators of the intrinsic value of a software company and that the operating profitability of a low growth software business should correlate tightly to Net Maintenance Revenues.

Effective this quarter, the term ''Adjusted Net Income'' is derived by adjusting GAAP net income for the non-cash amortization of intangibles, future income taxes, and charges related to appreciation in common shares eligible for redemption (a charge that we no longer incur now that Constellation's common shares are publicly traded). Prior to Q1 2008, Adjusted Net Income was derived by adjusting GAAP net income for the non-cash amortization of intangibles and charges related to appreciation in common shares eligible for redemption. The computation was changed to include future income taxes since the majority of future income taxes relate to the amortization of intangible assets, and thus are being added back to more closely match the non-cash future tax recovery with the amortization of intangibles. All previously reported Adjusted Net Income figures have been restated in the table above to reflect the new method of computations. We use Adjusted Net Income because it is generally a better measure of cash flow than GAAP net income and it is closely aligned with the calculation of net income we use for bonus purposes.

"Average Invested Capital" is based on the Company's estimate of the amount of money that our shareholders had invested in Constellation. Subsequent to that estimate, each period we have kept a running tally, adding Adjusted Net Income, subtracting any dividends, adding any amounts related to share issuances and making some small adjustments, including adjustments relating to our use of certain incentive programs and the amortization of impaired intangibles.

"Tangible Net Assets / Quarterly Net Revenue" provides a measure of our Tangible Net Assets as a proportion of Quarterly Net Revenue. Tangible Net Assets is calculated by taking Total Assets for GAAP purposes, and subtracting (i) intangible assets and goodwill, (ii) cash and short term investments, (iii) future income tax assets, (iv) all customer, trade and government liabilities that do not bear a coupon, excluding future income tax liabilities and acquisition holdbacks.

"ROIC (Annualized)" represents a ratio of Adjusted Net Income to Average Invested Capital.

"ROIC + Organic Net Revenue Growth" provides a historical measure of the effectiveness of our capital allocation.

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

Net Revenue, Net Maintenance Revenue, Adjusted Net Income and Organic Net Revenue Growth are not recognized measures under GAAP and, accordingly, shareholders are cautioned that Net Revenue, Net Maintenance Revenue, Adjusted Net Income and Organic Net Revenue Growth should not be construed as alternatives to revenue or 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 Net Revenue, Net Maintenance Revenue, Adjusted Net Income and Organic Net Revenue Growth may differ from other issuers and, accordingly, may not be comparable to similar measures presented by other issuers.