

Condensed Consolidated Interim Financial Statements  
(In U.S. dollars)

# **CONSTELLATION SOFTWARE INC.**

For the three and nine months ended September 30, 2021 and 2020  
Unaudited

# CONSTELLATION SOFTWARE INC.

Consolidated Statements of Financial Position

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	September 30, 2021	December 31, 2020	September 30, 2020
<b>Assets</b>			
Current assets:			
Cash	\$ 961	\$ 758	\$ 565
Accounts receivable	512	483	420
Unbilled revenue	144	98	102
Inventories	32	27	30
Other assets (note 5)	278	219	217
	1,929	1,585	1,333
Non-current assets:			
Property and equipment	91	86	80
Right of use assets	252	251	239
Deferred income taxes	63	52	50
Other assets (note 5)	94	75	79
Intangible assets (note 6)	3,006	2,325	2,097
	3,506	2,790	2,546
<b>Total assets</b>	<b>\$ 5,434</b>	<b>\$ 4,375</b>	<b>\$ 3,879</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	\$ 137	\$ 113	\$ 104
Debt without recourse to Constellation Software Inc. (note 8)	54	28	4
Redeemable preferred securities (note 9)	7	-	-
Accounts payable and accrued liabilities	720	666	535
Dividends payable (note 12)	21	21	21
Deferred revenue	1,168	962	917
Provisions (note 10)	11	12	11
Acquisition holdback payables	92	85	71
Lease obligations	81	74	68
Income taxes payable (note 11)	86	78	90
	2,377	2,040	1,821
Non-current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	550	421	397
Debt without recourse to Constellation Software Inc. (note 8)	325	199	169
Deferred income taxes (note 11)	393	285	253
Acquisition holdback payables	49	37	30
Lease obligations	195	201	191
Other liabilities (note 5)	145	146	116
	1,656	1,288	1,155
<b>Total liabilities</b>	<b>4,034</b>	<b>3,328</b>	<b>2,976</b>
Shareholders' equity (note 12):			
Capital stock	99	99	99
Other equity	(162)	-	-
Accumulated other comprehensive income (loss)	(69)	(31)	(49)
Retained earnings	1,103	980	852
Non-controlling interests (notes 1, 9 and 18)	429	-	-
	1,401	1,048	902
Subsequent events (notes 12 and 19)			
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,434</b>	<b>\$ 4,375</b>	<b>\$ 3,879</b>

See accompanying notes to the condensed consolidated interim financial statements.

# CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income (loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and nine months ended September 30, 2021

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Revenue</b>				
License	\$ 69	\$ 57	\$ 206	\$ 166
Professional services	256	187	747	534
Hardware and other	45	45	127	122
Maintenance and other recurring	929	713	2,643	2,056
	1,299	1,003	3,724	2,878
<b>Expenses</b>				
Staff	676	504	1,982	1,493
Hardware	25	25	71	70
Third party license, maintenance and professional services	113	82	317	237
Occupancy	10	9	30	26
Travel, telecommunications, supplies, software and equipment	46	32	129	114
Professional fees	21	15	53	41
Other, net	21	5	41	10
Depreciation	31	26	90	77
Amortization of intangible assets (note 6)	134	103	376	293
	1,077	800	3,087	2,362
Foreign exchange loss (gain)	(5)	1	(3)	5
IRGA/TSS Membership liability revaluation charge (note 7)	25	20	107	55
Finance and other expense (income) (note 13)	(4)	(2)	(9)	(4)
Bargain purchase gain	(1)	(0)	(1)	(0)
Impairment of intangible and other non-financial assets (note 6)	1	3	7	11
Redeemable preferred securities expense (income) (note 9)	-	-	295	-
Finance costs (note 13)	18	13	50	34
	34	34	446	101
Income (loss) before income taxes	188	168	190	414
Current income tax expense (recovery)	70	62	209	177
Deferred income tax expense (recovery)	(4)	(16)	(43)	(50)
Income tax expense (recovery)	67	46	166	127
<b>Net income (loss)</b>	<b>121</b>	<b>122</b>	<b>24</b>	<b>288</b>
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	107	122	186	288
Non-controlling interests (notes 1 and 18)	15	-	(162)	-
<b>Net income (loss)</b>	<b>121</b>	<b>122</b>	<b>24</b>	<b>288</b>
Earnings per common share of Constellation Software Inc.				
Basic and diluted (note 14)	\$ 5.04	\$ 5.76	\$ 8.79	\$ 13.58

See accompanying notes to the condensed consolidated interim financial statements.

## CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and nine months ended September 30, 2021

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 121	\$ 122	\$ 24	\$ 288
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	(21)	8	(39)	(9)
Other comprehensive income (loss) for the period, net of income tax	(21)	8	(39)	(9)
<b>Total comprehensive income (loss) for the period</b>	<b>\$ 100</b>	<b>\$ 130</b>	<b>\$ (15)</b>	<b>\$ 279</b>
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	(13)	8	(19)	(9)
Non-controlling interests (notes 1 and 18)	(8)	-	(19)	-
<b>Total other comprehensive income (loss)</b>	<b>\$ (21)</b>	<b>\$ 8</b>	<b>\$ (39)</b>	<b>\$ (9)</b>
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	93	130	167	279
Non-controlling interests (notes 1 and 18)	7	-	(182)	-
<b>Total comprehensive income (loss)</b>	<b>\$ 100</b>	<b>\$ 130</b>	<b>\$ (15)</b>	<b>\$ 279</b>

See accompanying notes to the condensed consolidated interim financial statements.

## CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Nine months ended September 30, 2021

	Equity Attributable to Shareholders of CSI					Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total		
<b>Balance at January 1, 2021</b>	\$ 99	\$ -	\$ (31)	\$ 980	\$ 1,048	-	\$ 1,048
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	186	186	(162)	24
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	(19)	-	(19)	(19)	(39)
<b>Total other comprehensive income (loss) for the period</b>	-	-	(19)	-	(19)	(19)	(39)
<b>Total comprehensive income (loss) for the period</b>	-	-	(19)	186	167	(182)	(15)
<i>Transactions with owners, recorded directly in equity</i>							
Special dividend of Topicus Subordinate Voting Shares (note 1 and 12)	-	(141)	(16)	-	(157)	157	-
Issuance of Topicus Coop Ordinary Units to non-controlling interests (note 4)	-	(21)	(2)	-	(23)	23	-
Net acquisition of non-controlling interest associated with acquisitions and other movements	-	1	-	1	1	1	3
Dividends to shareholders of the Company (note 12)	-	-	-	(64)	(64)	-	(64)
Reclassification of redeemable preferred securities of Topicus Coop from liabilities to non-controlling interest	-	-	-	-	-	434	434
Accrued dividends to preference unit holders of Topicus Coop (note 9)	-	-	-	-	-	(5)	(5)
<b>Balance at September 30, 2021</b>	\$ 99	\$ (162)	\$ (69)	\$ 1,103	\$ 972	\$ 429	\$ 1,401

See accompanying notes to the condensed consolidated interim financial statements.

## CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Nine months ended September 30, 2020

	Equity Attributable to Shareholders of CSI				Total	Non-controlling interests	Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings			
<b>Balance at January 1, 2020</b>	\$ 99	\$ -	\$ (40)	\$ 628	\$ 687	\$ -	\$ 687
<i>Total comprehensive income (loss) for the period:</i>							
Net income (loss)	-	-	-	288	288	-	288
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other	-	-	(9)	-	(9)	-	(9)
<b>Total other comprehensive income (loss) for the period</b>	-	-	(9)	-	(9)	-	(9)
<b>Total comprehensive income (loss) for the period</b>	-	-	(9)	288	279	-	279
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 12)	-	-	-	(64)	(64)	-	(64)
<b>Balance at September 30, 2020</b>	\$ 99	\$ -	\$ (49)	\$ 852	\$ 902	\$ -	\$ 902

See accompanying notes to the condensed consolidated interim financial statements.

# CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows

(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and nine months ended September 30, 2021

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Cash flows from (used in) operating activities:</b>				
Net income (loss)	\$ 121	\$ 122	\$ 24	\$ 288
Adjustments for:				
Depreciation	31	26	90	77
Amortization of intangible assets	134	103	376	293
IRGA/TSS Membership liability revaluation charge	25	20	107	55
Finance and other expense (income)	(4)	(2)	(9)	(4)
Bargain purchase (gain)	(1)	(0)	(1)	(0)
Impairment of intangible and other non-financial assets	1	3	7	11
Redeemable preferred securities expense (income) (note 9)	-	-	295	-
Finance costs	18	13	50	34
Income tax expense (recovery)	67	46	166	127
Foreign exchange loss (gain)	(5)	1	(3)	5
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 17)	(47)	(32)	53	69
Income taxes paid	(48)	(66)	(196)	(123)
<b>Net cash flows from (used in) operating activities</b>	<b>292</b>	<b>234</b>	<b>959</b>	<b>831</b>
<b>Cash flows from (used in) financing activities:</b>				
Interest paid on lease obligations	(2)	(2)	(7)	(6)
Interest paid on debt	(12)	(8)	(30)	(22)
Increase (decrease) in CSI facility (note 7)	-	(100)	-	(65)
Increase (decrease) in revolving credit debt facilities without recourse to CSI	12	-	24	(55)
Proceeds from issuance of term debt facilities without recourse to CSI	6	7	140	22
Repayments of term debt facilities without recourse to CSI	(2)	(1)	(4)	(5)
Credit facility transaction costs	(0)	(0)	(4)	(0)
Payments of lease obligations	(21)	(17)	(61)	(47)
Distribution to the Joday Group (note 7)	-	-	(22)	-
Dividends paid	(21)	(21)	(64)	(64)
<b>Net cash flows from (used in) financing activities</b>	<b>(41)</b>	<b>(143)</b>	<b>(29)</b>	<b>(242)</b>
<b>Cash flows from (used in) investing activities:</b>				
Acquisition of businesses (note 4)	(130)	(123)	(736)	(298)
Cash obtained with acquired businesses (note 4)	28	31	112	55
Post-acquisition settlement payments, net of receipts	(16)	(24)	(101)	(79)
Receipt of additional subscription amount from the sellers of Topicus.com B.V. (note 4)	-	-	33	-
Purchases of other investments	(14)	-	(15)	(2)
Proceeds from sales of other investments	8	-	8	-
Interest, dividends and other proceeds received	1	1	4	2
Property and equipment purchased	(7)	(5)	(18)	(19)
<b>Net cash flows from (used in) investing activities</b>	<b>(131)</b>	<b>(120)</b>	<b>(713)</b>	<b>(340)</b>
Effect of foreign currency on cash and cash equivalents	(10)	8	(13)	(1)
<b>Increase (decrease) in cash</b>	<b>110</b>	<b>(21)</b>	<b>203</b>	<b>249</b>
Cash, beginning of period	\$ 851	\$ 585	\$ 758	\$ 316
<b>Cash, end of period</b>	<b>\$ 961</b>	<b>\$ 565</b>	<b>\$ 961</b>	<b>\$ 565</b>

See accompanying notes to the condensed consolidated interim financial statements.

# CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

(In millions of U.S. dollars, except per share amounts and as otherwise indicated)

(Due to rounding, numbers presented may not foot)

Three and nine months ended September 30, 2021 and 2020

(Unaudited)

## Notes to the condensed consolidated interim financial statements

- |   |  |
|---|--|
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| 3. Significant accounting policies                | 13. Finance and other income and finance costs           |
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| 5. Other assets and other non-current liabilities | 15. Financial instruments                                |
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| 7. Debt with recourse to CSI                      | 17. Changes in non-cash operating assets and liabilities |
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# CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements  
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Three and nine months ended September 30, 2021 and 2020  
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## 1. Reporting entity

Constellation Software Inc. is a company domiciled in Canada. The address of Constellation Software Inc.'s registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The condensed consolidated interim financial statements of Constellation Software Inc. as at and for the three and nine-month periods ended September 30, 2021 comprise Constellation Software Inc. and its subsidiaries (together referred to as "Constellation", "CSI", or the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software as well as in the provisioning of related professional services and support for customers globally across over 100 diverse markets.

On January 4, 2021 (in anticipation of the acquisition of Topicus.com B.V.), the Company's subsidiary, Constellation Software Netherlands Holding Coöperatief U.A. ("CSNH"), which principally holds the Total Specific Solutions Operating Group ("TSS"), completed a corporate reorganization. In conjunction with the reorganization, the following steps were completed on January 4, 2021:

- CSNH changed its name to Topicus.com Coöperatief U.A. ("Topicus Coop").
- The Company engaged in a series of transactions the result of which was that its then existing equity interest in Topicus Coop became an equity interest in Topicus.com Inc. ("Topicus") and Topicus became the new parent company of Topicus Coop. Topicus issued and Constellation received 39,412,385 preferred shares of Topicus (the "Topicus Preferred Shares") and 39,412,385 subordinate voting shares of Topicus (the "Topicus Subordinate Voting Shares"). CSI distributed 39,412,367 of the Topicus Subordinate Voting Shares to its common shareholders pursuant a dividend-in-kind and continues to hold 18 Topicus Subordinate Voting Shares of Topicus.
- Constellation also holds 1 super voting share of Topicus (the "Topicus Super Voting Share"). The Topicus Super Voting Share entitles Constellation to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Topicus Super Voting Shares and Topicus Subordinate Voting Shares. As a result, Constellation Software Inc. controls Topicus.
- Topicus Coop issued 19,665,642 Preference Units and 19,665,642 Ordinary Units to Joday Investments II B.V. ("Joday") and certain individual investors affiliated therewith (being the previous minority owners of CSNH) (collectively known as the "Joday Group").

The Company now reflects a non-controlling interest in Topicus of 69.7% as at September 30, 2021. The Company's equity interest of 30.3% in Topicus principally comprises the ordinary units of Topicus Coop ("Topicus Coop Ordinary Units") that are currently owned by the Joday Group and subject to the terms of the IRGA (as defined below) including the corresponding put/call provisions agreed as between CSI and the Joday Group. Refer to notes 7, 9, and 18 for more details.

### Preferred Share Investment in Topicus.com Inc.

As noted above, the Company owns 39,412,385 Topicus Preferred Shares. The Topicus Preferred Shares are non-voting and under certain conditions, prior to the Notification of Conversion (as defined below), were redeemable at the option of CSI for a redemption price of approximately EUR 19.06 per share. The redemption price was either to be settled in cash or through the issuance of a variable number of Topicus Subordinate Voting Shares based on the terms of the Topicus Preferred Shares, or any combination thereof. The Topicus Preferred Shares are also convertible into Topicus Subordinate Voting Shares at a conversion ratio of 1:1. The Topicus Preferred Shares entitle CSI to a fixed annual cumulative dividend of 5% per annum on the initial Topicus Preferred Share value of approximately EUR 19.06 per share.

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During the three months ended June 30, 2021, the Topicus Preferred Shares reached the Mandatory Conversion Moment (see below). As a result of reaching the Mandatory Conversion Moment, CSI notified Topicus that they were electing to convert their Topicus Preferred Shares into Topicus Subordinate Voting Shares, which conversion would become effective on February 1, 2022 (“Notification of Conversion”). After the Notification of Conversion, the Topicus Preferred Shares were no longer redeemable for cash or through the issuance of Topicus Subordinate Voting Shares of equal value, or any combination thereof. Following delivery of the Notification of Conversion, CSI is required to convert their Topicus Preferred Shares to Topicus Subordinate Voting Shares on February 1, 2022, however, CSI may choose to convert prior to February 1, 2022 pursuant to the Topicus Preferred Share Conversion Right (as defined below).

Further descriptions of the significant terms and conditions of the Topicus Preferred Shares are described below. The terms and conditions of the Topicus Preferred Shares should be read in conjunction with the terms and conditions of the preference units of Topicus Coop (“Topicus Coop Preference Units”) as outlined in note 9.

## *Conversion*

CSI is entitled to convert some or all of its Topicus Preferred Shares into Topicus Subordinate Voting Shares on a one for one basis at any time (the “Topicus Preferred Share Conversion Right”).

Upon the exercise of the Topicus Preferred Share Conversion Right, CSI will be entitled to receive all accrued but unpaid dividends accruing on the Topicus Preferred Shares to the day before the conversion date. Pursuant to the terms of the investor rights and governance agreement entered into by CSI, the Joday Group, Ijssel B.V., Topicus and Topicus Coop (the “IRGA”), the board of directors of Topicus will make a determination as to whether Topicus has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Topicus Preferred Shares in cash. If the board of directors of Topicus determines that Topicus does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSX Venture Exchange (“TSXV”) approval, be satisfied by the issuance of Topicus Subordinate Voting Shares of equal value.

## *Redemption at the Option of CSI*

Prior to the Notification of Conversion, pursuant to the terms of the IRGA, upon either the exercise by Topicus of the Topicus Call Right (as defined below), or the exercise of the Topicus Preferred Share Retraction Right (as defined below), CSI was, subject to the terms of the IRGA, entitled to receive an amount of cash equal to approximately EUR 19.06 per share, or Topicus Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of CSI (the “Topicus Preferred Share Call Price Right”). Notwithstanding the foregoing, if the board of directors of Topicus determined that Topicus did not have sufficient cash on hand to make the payment in cash, CSI would have, subject to TSXV approval, received Topicus Subordinate Voting Shares of equal value. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

## *Topicus Preferred Share Retraction Right*

Prior to the Notification of Conversion, the “Topicus Preferred Share Retraction Right” provided that (i) at any time until July 5, 2021, CSI would have had the right (but not the obligation) to sell all of its Topicus Preferred Shares to Topicus and exercise the Topicus Preferred Share Call Price Right (in which case, pursuant to the terms of the IRGA, the holders of the Topicus Coop Preference Units would have been entitled to sell all of their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Unit Call Price Right as outlined in note 9 below), and (ii) at any time after July 5, 2021 holders representing 95% of the Topicus Preferred Shares and the Topicus Coop Preference Units (together, the “Preferred Securities”), excluding any Topicus Coop Preference

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Units held by Topicus, would have had the right (but not the obligation) to entitle CSI to sell all of its Topicus Preferred Shares to Topicus and to exercise the Topicus Preferred Share Call Price Right. Upon the exercise of the Topicus Preferred Share Retraction Right, CSI was also entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. These accrued but unpaid dividends would have been satisfied by the payment of cash. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer retractable.

## *Topicus Preferred Share Put Right*

Prior to the Notification of Conversion, subject to the terms of the IRGA, CSI was entitled to require Topicus to repurchase some or all of its Topicus Preferred Shares (the “Topicus Preferred Share Put Right”). Upon the exercise of the Topicus Preferred Share Put Right, CSI would have been entitled to receive an amount of cash equal to approximately EUR 19.06 per share. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer subject to repurchase.

Prior to the Notification of Conversion, pursuant to the terms of the IRGA, the Topicus Preferred Share Put Right could be exercised at any time on or after February 1, 2024 but if the Topicus Preferred Share Put Right was exercised prior to February 1, 2026, it could only be exercisable if at such time the board of directors of Topicus determined that Topicus had sufficient cash on hand to satisfy the payment of approximately EUR 19.06 per share in cash; if the board of directors of Topicus determined that it did not have sufficient cash on hand, CSI would not be permitted to exercise the Topicus Preferred Share Put Right. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer subject to repurchase.

Prior to the Notification of Conversion, if the Topicus Preferred Share Put Right was exercised at any time after February 1, 2026, then regardless of whether Topicus had sufficient cash on hand at that time, CSI would have been entitled to receive an amount of cash equal to approximately EUR 19.06 per share and, subject to the terms below, upon the exercise of the Topicus Preferred Share Put Right by CSI, Topicus must notify each other holder of Topicus Preferred Shares of such exercise, and invite (but not oblige) such other holders to also exercise their Topicus Preferred Share Put Right, upon 30 days’ notice to Topicus. During that 30-day notice period, Topicus would determine whether or not it had sufficient cash on hand to satisfy the payment in cash, and if it did not, Topicus would have had the option to exercise the Topicus Call Right, in which case the Topicus Preferred Share Put Right would not be exercised in respect of any of the Topicus Preferred Shares. Upon the exercise of the Topicus Preferred Share Put Right, CSI would also have been entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. These accrued but unpaid dividends would have been satisfied by the payment of cash. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer subject to repurchase.

## *Redemption at the Option of Topicus*

Subject to the terms of the IRGA, if the Topicus Subordinate Voting Shares achieve (the “Mandatory Conversion Moment”) a volume weighted average share price that is equal to or greater than the Canadian dollar equivalent of 125% of the initial Topicus Preferred Share value of approximately EUR 19.06 per share (being the Canadian dollar equivalent of approximately EUR 23.83), (the “Premium Target Price”) determined on the basis of the 60-day volume weighted average trading price of the Topicus Subordinate Voting Shares for any 60-day trading period, and CSI has not exercised the Topicus Preferred Share Conversion Right within 30 days after notice has been given to it that the Premium Target Price has been achieved, Topicus will redeem the Topicus Preferred Shares in exchange for a cash payment to CSI of approximately EUR 19.06 per share (the “Topicus Mandatory Conversion Moment Call Right”). During the three months ended June 30, 2021, the Mandatory Conversion Moment was

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reached and CSI elected to convert their Topicus Preferred Shares to Topicus Subordinate Voting Shares. As a result, the Topicus Mandatory Conversion Moment Call Right is no longer applicable.

Pursuant to the terms of the IRGA, the earliest date that the actual conversion or redemption of Topicus Preferred Shares resulting from the occurrence of the Mandatory Conversion Moment may occur is the first business day occurring 12-months following February 1, 2021 and, thereafter, such conversion may only occur after the first business day that is six months following the Mandatory Conversion Moment. The conversion of the Topicus Preferred Shares into Topicus Subordinate Voting Shares as a result of the Notification of Conversion will be effective on February 1, 2022, unless CSI chooses to convert prior to this date pursuant to the Topicus Preferred Share Conversion Right.

## *Topicus Call Right*

Prior to the Notification of Conversion, at any time after February 1, 2026, Topicus would have had the option to redeem all the Topicus Preferred Shares in exchange for, at the option of CSI, payment of an amount in cash equal to approximately EUR 19.06 per share, or Topicus Subordinate Voting Shares of equal value, or any combination thereof (the "Topicus Call Right"). Notwithstanding the foregoing, if the board of directors of Topicus determined that Topicus did not have sufficient cash on hand to make the payment in cash, CSI would have, subject to TSXV approval, received Topicus Subordinate Voting Shares of equal value. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

Prior to the Notification of Conversion, upon the exercise of the Topicus Call Right, CSI would also have been entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the IRGA, the board of directors of Topicus would make a determination as to whether Topicus had sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Topicus Preferred Shares in cash. If the board of directors of Topicus determined that Topicus did not have sufficient cash on hand, the accrued but unpaid dividends would, subject to TSXV approval, be satisfied by the issuance of Topicus Subordinate Voting Shares of equal value. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

Prior to the Notification of Conversion, pursuant to the terms of the IRGA, if the Topicus Call Right was exercised, and at the time of such exercise the value of a Topicus Subordinate Voting Share exceeded approximately EUR 19.06 per share, then CSI would first have the option to exercise the Topicus Preferred Share Conversion Right, in which case the Topicus Call Right would not be exercised. Subsequent to the Notification of Conversion, the Topicus Preferred Shares are no longer redeemable.

## **2. Basis of presentation**

### **(a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Company's 2020 annual consolidated financial statements except as disclosed herein.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS"), issued and outstanding as of November 4, 2021, the date the board of directors approved the condensed consolidated interim financial statements.

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These condensed consolidated interim financial statements should be read in conjunction with the Company's 2020 annual consolidated financial statements.

## **(b) Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, derivative financial instruments and contingent consideration related to business acquisitions, which are measured at their estimated fair value.

## **(c) Functional and presentation of currency**

The condensed consolidated interim financial statements are presented in U.S. dollars, which is Constellation's functional currency.

## **(d) Use of estimates and judgements**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2020 annual consolidated financial statements and described in these condensed consolidated interim financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material. During the three and nine months ended September 30, 2021, the Company recorded income of \$1 and \$16 (\$12 and \$30 for the three and nine months ended September 30, 2020) relating to government grants from various government authorities relating to the pandemic. The Company has recorded the income for the three and nine months ended September 30, 2021 within "Other, net" expenses in the condensed consolidated interim statements of income (loss).

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## 3. Significant accounting policies

Unless otherwise noted in the condensed consolidated interim financial statements, the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2020 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

The accounting policies have been applied consistently by Constellation's subsidiaries.

## 4. Business acquisitions

During the nine-month period ended September 30, 2021, the Company completed a number of acquisitions for aggregate cash consideration of \$736 plus cash holdbacks of \$98 and contingent consideration with an estimated acquisition date fair value of \$13. In conjunction with the acquisition of Topicus.com B.V., the Company (through Topicus Coop) also issued 5,842,882 Topicus Coop Preference Units to the seller for an initial subscription price of \$102 plus an additional subscription amount of \$34 which was paid to the Company in May 2021. The Company (through Topicus Coop) also issued 5,842,882 Topicus Coop Ordinary Units to the seller in conjunction with the acquisition of Topicus.com B.V. The total consideration resulting from acquisitions in the nine-month period ended September 30, 2021 was \$949. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration for acquisitions during the nine-month period ended September 30, 2021 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. For these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed \$57. Aggregate contingent consideration of \$85 (December 31, 2020 - \$88) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other, net in the condensed consolidated interim statements of income (loss). An expense of \$3 and \$9 has been recorded for the three and nine months ended September 30, 2021, as a result of such changes (expense of \$5 and \$1 for the three and nine months ended September 30, 2020).

There were no acquisitions during the nine-month period that were deemed to be individually significant. The majority of the businesses acquired during the period were acquisitions of shares and the remainder were asset acquisitions. The cash holdbacks are generally payable over a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the nine-month period ended September 30, 2021 include software companies catering to the following markets: insurance, agribusiness, healthcare, financial services, education, local government, mining, communications, transit, utilities, asset management, tire distribution, hospitality, real estate brokers and agents, church and religion, public libraries, enterprise resource planning, safety management, product development, home builders, cinema management and ticketing, publishing, elevator, not-for-profit organizations, homebuilders, fleet and facility management, accounting, marketplace, engineering, notaries, call centres, auctions, fitness, retail management and distribution, all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

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The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of \$33 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was \$103; however, the Company has recorded an allowance of \$9 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during the last quarter of 2020 and the first three quarters of 2021. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The cash consideration associated with these provisional estimates totals \$916. During the three-month period ended September 30, 2021, the Company made changes to provisional estimates of prior quarter preliminary purchase price allocations of intangible assets and corresponding deferred income taxes. The significant changes include an increase of definite life intangible assets of \$8 and a decrease to goodwill of \$5. The impact of these provisional changes to the purchase price allocation did not have a significant impact on the Condensed Consolidated Interim Statements of Income (Loss).

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the nine-month period ended September 30, 2021 is as follows:

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Assets acquired:		
Cash	\$	112
Accounts receivable		95
Other current assets		66
Property and equipment		22
Other non-current assets		45
Deferred income taxes		11
Trademarks		25
Technology assets		469
Customer assets		486
		<hr/>
		1,330
Liabilities assumed:		
Current liabilities		123
Deferred revenue		123
Deferred income taxes		161
Long-term debt		90
Other non-current liabilities		40
		<hr/>
		537
Non-controlling interest		5
Goodwill		161
<b>Total consideration</b>	<b>\$</b>	<b>949</b>

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The 2021 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income (loss) for the three and nine months ended September 30, 2021. The materiality threshold is reviewed on a regular basis taking into account the quantitative (contribution to revenue and net income (loss)) and qualitative (size and comparability with other Constellation businesses) factors of current period acquisitions on both an individual and aggregate basis.



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## 5. Other assets and other non-current liabilities

### (a) Other assets

	September 30, 2021	December 31, 2020
Prepaid expenses and other current assets	\$ 154	\$ 115
Investment tax credits recoverable	27	24
Sales tax receivable	22	18
Equity securities held for trading	19	9
Other receivables	57	52
Total other current assets	278	\$ 219
Investment tax credits recoverable	\$ 20	\$ 12
Costs to obtain a contract	44	40
Non-current trade and other receivables and other assets	28	21
Equity accounted investees	2	2
Total other non-current assets	\$ 94	\$ 75

### (b) Other non-current liabilities

	September 30, 2021	December 31, 2020
Contingent consideration	\$ 56	\$ 67
Deferred revenue	49	44
Other non-current liabilities	41	35
Total other non-current liabilities	\$ 145	\$ 146

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## 6. Intangible Assets

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
<b>Cost</b>							
Balance at January 1, 2020	\$ 2,169	\$ 1,309	\$ 16	\$ 3	\$ 7	\$ 361	\$ 3,865
Acquisitions through business combinations	343	285	-	-	-	60	688
Effect of movements in foreign exchange	57	47	0	0	0	15	119
Balance at December 31, 2020	\$ 2,568	\$ 1,640	\$ 17	\$ 3	\$ 8	\$ 435	\$ 4,671
Balance at January 1, 2021	\$ 2,568	\$ 1,640	\$ 17	\$ 3	\$ 8	\$ 435	\$ 4,671
Acquisitions through business combinations	470	494	-	-	25	152	1,141
Effect of movements in foreign exchange	(57)	(49)	0	(0)	(1)	(16)	(123)
Balance at September 30, 2021	\$ 2,981	\$ 2,085	\$ 17	\$ 3	\$ 31	\$ 572	\$ 5,689
<b>Accumulated amortization and impairment losses</b>							
Balance at January 1, 2020	\$ 1,351	\$ 495	\$ 16	\$ 3	\$ 2	\$ -	\$ 1,868
Amortization for the period	261	142	0	0	0	-	403
Impairment charge	6	2	-	-	-	4	12
Effect of movements in foreign exchange	43	19	0	0	0	-	63
Balance at December 31, 2020	\$ 1,662	\$ 659	\$ 17	\$ 3	\$ 3	\$ 4	\$ 2,346
Balance at January 1, 2021	\$ 1,662	\$ 659	\$ 17	\$ 3	\$ 3	\$ 4	\$ 2,346
Amortization for the period	228	146	0	0	1	-	376
Impairment charge	3	4	-	-	-	0	7
Effect of movements in foreign exchange	(31)	(15)	(0)	(0)	0	-	(46)
Balance at September 30, 2021	\$ 1,862	\$ 794	\$ 17	\$ 3	\$ 4	\$ 4	\$ 2,683
<b>Carrying amounts</b>							
At January 1, 2020	\$ 817	\$ 813	\$ (0)	\$ 0	\$ 5	\$ 361	\$ 1,997
At December 31, 2020	\$ 907	\$ 981	\$ (0)	\$ 0	\$ 5	\$ 432	\$ 2,325
At January 1, 2021	\$ 907	\$ 981	\$ (0)	\$ 0	\$ 5	\$ 432	\$ 2,325
At September 30, 2021	\$ 1,119	\$ 1,292	\$ (0)	\$ 0	\$ 27	\$ 568	\$ 3,006

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## 7. Debt with recourse to CSI

	CSI Facility	Liability of CSI under the IRGA	Debentures	Term Loan	Total
Principal outstanding at September 30, 2021 (and, except for debentures, equal to fair value)	\$ -	\$ 378	\$ 222	\$ 87	\$ 687
Deduct: Carrying value of transaction costs included in debt balance	-	-	-	(1)	(1)
Carrying value at September 30, 2021	-	378	222	87	687
Current portion	-	137	-	-	137
Non-current portion	-	241	222	87	550

### CSI Facility

On December 13, 2019, Constellation completed an amendment and restatement of its revolving credit facility agreement (the “CSI Facility”), with a syndicate of Canadian chartered banks, U.S. banks, and a Japanese bank in the amount of \$700, extending its maturity date to December 2024. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is currently collateralized by the majority of the Company’s assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which, if not remedied within a cure period, would trigger the repayment of any outstanding balance. As at September 30, 2021 \$nil (December 31, 2020 – \$nil) had been drawn from this credit facility, and letters of credit totaling \$84 (December 31, 2020 - \$19) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are being amortized through profit or loss using the effective interest rate method. As at September 30, 2021 the carrying amount of such costs is \$1 (December 31, 2020 - \$1).

### Liability of CSI under the terms of the IRGA/TSS Membership Agreement

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was EUR 39 (\$49). The liability under the Members Agreement amounted to \$311 at December 31, 2020.

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group’s interest in Topicus Coop now comprises 19,665,642 Topicus Coop Ordinary Units and 19,665,642 Topicus Coop Preference Units (collectively the “Topicus Coop Units”) resulting in an interest of 30.29% in Topicus Coop as of September 30, 2021. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

Any time after January 5, 2021, any member of the Joday Group has the right, at their option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon

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the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

In the event of a change of control of CSI, any member of the Joday Group has the right, at their option, to sell all of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase all such Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

If CSI reduces its economic interest in Topicus by a sale or transfer of its economic interest (and not due to any additional issuance of any shares or equity by Topicus) by more than one-third (calculated on a fully converted basis in accordance with the IRGA), any member of the Joday Group has the right, at their option, to sell to CSI one-third of its Topicus Coop Units at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such put option by a member of the Joday Group, CSI will be obligated to purchase all such put Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI. Any member of the Joday Group has a similar right to sell one-half or all of its remaining Topicus Coop Units, respectively, at its option, if CSI further reduces its remaining fully-diluted economic interest in Topicus by a sale or transfer of its economic interest by one-half and again if CSI sells its entire remaining economic interest in Topicus.

All of the Topicus Coop Ordinary Units and Topicus Coop Preference Units held by the Joday Group and Ijssel B.V. (collectively, the "Topicus Coop Exchangeable Units") are exchangeable, directly or indirectly, for Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

At any time after December 31, 2023, CSI has the right, at its option, to buy all of the Topicus Coop Units and shares of Topicus held by certain members of the Joday Group (excluding Joday) at a cash price per Topicus Coop Unit (or share of Topicus, as applicable) determined in accordance with the IRGA. After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

In addition, if certain individuals affiliated with Joday are terminated from their employment with Topicus Coop or an affiliate thereof for urgent cause (as defined in the Dutch Civil Code), CSI has the right, at its option, to buy all of Topicus Coop Units held by such individuals at a cash price per Topicus Coop Unit determined in accordance with the IRGA.

The Company has continued to classify the above obligations of CSI under the terms of the IRGA as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis determined at the end of the current reporting period was used as the basis for valuing the interests at each redemption date. Any increase or decrease in the value of such liability is recorded as an expense or income in the consolidated statements of income (loss) for the period. In conjunction with the termination of the Members Agreement and the execution of the IRGA, the Company recognized an expense of \$19 as the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis.

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During the periods ended September 30, 2021 and December 31, 2020, no options were exercised. During the period, a distribution in the amount of \$22 was paid to the Joday Group.

## *Debentures*

On October 1, 2014 and November 19, 2014, the Company issued debentures with a total principal value of C\$96 for total proceeds of C\$91. On September 30, 2015, the Company issued another tranche of debentures (collectively with the 2014 issuances called the “Debentures”) with a total principal value of C\$186 for total proceeds of C\$214.

The Debentures have a maturity date of March 31, 2040 (the “Maturity Date”).

The interest rate from and including:

- March 31, 2019 but excluding March 31, 2020 was 8.8%
- March 31, 2020 but excluding March 31, 2021 was 8.4%
- March 31, 2021 but excluding March 31, 2022 is 7.2%

Subsequent from and including March 31, 2022 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12-month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election (“PIK Election”), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Debentures will be redeemable in certain circumstances at the option of the Company or the holder. During the period beginning on March 16 and ending on March 31 of each year, the Company will have the right, at its option, to give notice to holders of Debentures of its intention to redeem the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. During the period beginning on March 1 and ending on March 15 of each year, holders of Debentures will also have the right, at their option, to give notice to the Company of their intention to require the Company to repurchase (or to “put”) the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for repurchase.

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During the periods ended September 30, 2021 and December 31, 2020, no notices for redemption of the Debentures were received or given by the Company.

The fair value of the debentures as at September 30, 2021 was \$301 (December 31, 2020 - \$284).

## *Term Loan*

One of CSI's subsidiaries has entered into a GBP 65 term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

## **8. Debt without recourse to CSI**

Certain of CSI's subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. CSI does not guarantee the debt of these subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

Debt without recourse to CSI comprises the following:

	Revolving Credit Facilities	Term Debt Facilities	Total
Principal outstanding at September 30, 2021 (and equal to fair value)	\$ 46	\$ 341	387
Deduct: Carrying value of transaction costs included in debt balance	(0)	(8)	(9)
Carrying value at September 30, 2021	46	333	378
Current portion	46	8	54
Non-current portion	-	325	325

The annual minimum repayment requirements for the term facilities without recourse to CSI are as follows:

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Year	Term Debt Facilities
2021	3
2022	7
2023	21
2024	5
2025	173
2026	61
2027	1
2028	70
2029	-
2030	0
	<hr/>
	341

## 9. Redeemable Preferred Securities

In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units to Ijssel B.V. The Topicus Coop Preference Units are non-voting and prior to the Notification of Conversion were redeemable at the option of the holder for a redemption price of approximately EUR 19.06 per unit. The redemption price would either be settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units. The number of Topicus Coop Ordinary Units would be determined based on the terms of the Topicus Coop Preference Units. The Topicus Coop Preference Units are convertible into Topicus Coop Ordinary Units (note 18) at a conversion ratio of 1:1. The Topicus Coop Preference Unit holders will also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Topicus Coop Preference Unit value of approximately EUR 19.06 per unit.

The fair value of the Topicus Coop Preference Units owned by Ijssel B.V. at issuance was \$136 and was classified as a liability. The Company determined that the conversion option associated with the Topicus Coop Preference Units did not result in a fixed amount of cash being exchanged for a fixed amount of units (i.e. the conversion option does not meet the “fixed for fixed” requirement). As a result, the Topicus Coop Preference Units had been recorded at fair value at the end of each reporting period up to the Notification of Conversion date. The change in fair value of the Topicus Coop Preference Units owned by Ijssel B.V. was recorded as a redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss) up to the Notification of Conversion date.

During the three months ended June 30, 2021, the Topicus Coop Preference Units reached the Mandatory Conversion Moment (see below). As a result of reaching the Mandatory Conversion Moment, the Topicus Coop Preference Unit holders notified Topicus that they were electing to convert their Topicus Coop Preference Units into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022 (“Notification of Conversion”). On the date that Topicus received the Notification of Conversion from the Topicus Coop Preference Unit holders, the Topicus Coop Preference Units were re-classified from a liability to equity (non-controlling interest) because the Topicus Coop Preference Units were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notification of Conversion, the holders of the Topicus Coop Preference Units are required to convert their Topicus Coop Preference Units to Topicus Coop Ordinary Units on February 1, 2022, however, they may choose to convert prior to February 1, 2022

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pursuant to the Topicus Coop Preference Unit Conversion Right (as defined below). On the Notification of Conversion date, the Company also accrued the expected dividend to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

Further descriptions of the significant terms and conditions of these Topicus Coop Preference Units are described below. The terms and conditions of the Topicus Coop Preference Units should be read in conjunction with the terms and conditions of the Topicus Preferred Shares held by CSI in Topicus (note 1).

## *Conversion*

Holders of the Topicus Coop Preference Units are entitled to convert some or all of their Topicus Coop Preference Units into Topicus Coop Ordinary Units on a one for one basis at any time (the "Topicus Coop Preference Unit Conversion Right"). Pursuant to the terms of the IRGA and the exchange agreement entered into among Topicus, Topicus Coop, the Joday Group and Ijssel B.V. (the "Exchange Agreement"), the portion of the Topicus Coop Preference Units which constitute Topicus Coop Exchangeable Units are indirectly exchangeable for Topicus Subordinate Voting Shares.

Upon the exercise of the Topicus Coop Preference Unit Conversion Right, the holders of the Topicus Coop Preference Units will be entitled to receive all accrued but unpaid dividends accruing to the day before the conversion date. Pursuant to the terms of the IRGA, the board of directors of Topicus Coop will make a determination as to whether Topicus Coop has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Topicus Coop Preference Units in cash. If the board of directors of Topicus Coop determines that Topicus Coop does not have sufficient cash on hand, the accrued but unpaid dividends will be satisfied by the issuance of Topicus Coop Ordinary Units of equal value, based on the terms of the Topicus Coop Preference Units.

Holders of Topicus Coop Preference Units are entitled to exercise their Topicus Coop Preference Unit Conversion Right, and either continue to hold Topicus Coop Ordinary Units, or, pursuant to the terms of the IRGA and the Exchange Agreement, the portion of Topicus Coop Ordinary Units which constitute Topicus Coop Exchangeable Units can be exchanged for Topicus Subordinate Voting Shares.

## *Redemption at the Option of the Holder*

Prior to the Notification of Conversion, upon the exercise by Topicus Coop of the Topicus Coop Call Right (as defined below), or the exercise of the Topicus Coop Preference Unit Retraction Right (as defined below), holders of the Topicus Coop Preference Units had a right that mirrored the Topicus Preferred Share Call Price Right (but at the Topicus Coop level) (the "Topicus Coop Preference Unit Call Price Right"), and was subject to substantially the same terms and restrictions as applied to the Topicus Preferred Share Call Price Right (but at the Topicus Coop level). As the Topicus Coop Preference Unit Call Price Right occurred at the Topicus Coop level, the holders of the Topicus Coop Preference Units would have received Topicus Coop Ordinary Units, and not Topicus Subordinate Voting Shares, in connection with the exercise of this right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

Prior to the Notification of Conversion, the "Topicus Coop Preference Unit Retraction Right" provided that (i) at any time until July 5, 2021, CSI would have had the right (but not the obligation) to sell all of its Topicus Preferred Shares to Topicus and exercise the Topicus Preferred Share Call Price Right, in which case, the holders of the Topicus Coop Preference Units would have been entitled to sell all of their Topicus Coop Preference Units to Topicus Coop



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and exercise the Topicus Coop Preference Units Call Price Right, and (ii) at any time after July 5, 2021, holders representing 95% of the Preferred Securities (excluding any Topicus Coop Preference Units held by Topicus) would have had the right (but not the obligation) to entitle the holders of the Topicus Coop Preference Units to sell all of their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Unit Call Price Right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer retractable.

Prior to the Notification of Conversion, holders of the Topicus Coop Preference Units had a redemption right that mirrored the Topicus Preferred Share Put Right (but at the Topicus Coop level), and was subject to substantially the same terms and restrictions that applied to the Topicus Preferred Share Put Right (but at the Topicus Coop level). Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

## *Redemption at the Option of Topicus Coop*

Prior to the Notification of Conversion, Topicus Coop had a redemption right in respect of the Topicus Coop Preference Units that mirrored the Topicus Mandatory Conversion Moment Call Right (but at the Topicus Coop level) and was subject to substantially the same terms and restrictions that applied to the Topicus Mandatory Conversion Moment Call Right (but at the Topicus Coop level). This right could only be exercised by Topicus Coop if Topicus exercised the Topicus Mandatory Conversion Moment Call Right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

Prior to the Notification of Conversion, Topicus Coop had a redemption right in respect of the Topicus Coop Preference Units that mirrored the Topicus Call Right (but at the Topicus Coop level), and which was subject to substantially the same terms and restrictions that apply to the Topicus Call Right (but at the Topicus Coop level) (the "Topicus Coop Call Right"). The Topicus Coop Call Right could only be exercised by Topicus Coop if Topicus exercised the Topicus Call Right concurrently. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer redeemable.

## 10. Provisions

At January 1, 2021	\$	20
Reversal		(2)
Provisions recorded during the period		11
Provisions used during the period		(7)
Effect of movements in foreign exchange and other		(1)
At September 30, 2021	\$	21
Provisions classified as current liabilities		11
Provisions classified as other non-current liabilities		10

The provisions balance is comprised of various individual provisions for onerous contracts and other estimated liabilities of the Company of uncertain timing or amount.

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## 11. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three and nine months ended September 30, 2021 was 35% and 87% (27% and 31% for the three and nine months ended September 30, 2020). The 2021 year to date effective tax rate is impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

Constellation is subject to tax audits in the countries in which the Company does business globally. These tax audits could result in additional tax expense in future periods relating to historical filings. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company's intercompany transactions, including financing and transfer pricing policies which generally involve subjective areas of taxation and a significant degree of judgment. If any of these tax authorities are successful with their challenges, the Company's income tax expense may be adversely affected and Constellation could also be subject to interest and penalty charges.

## 12. Capital and other components of equity

	Common Shares	
	Number	Amount
September 30, 2021	21,191,530	\$ 99
December 31, 2020	21,191,530	\$ 99

### *Dividends and other distributions to shareholders*

During the three months ended March 31, 2021, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on March 16, 2021. The dividend declared in the quarter ended March 31, 2021 representing \$21 was paid and settled on April 9, 2021. During the three months ended June 30, 2021, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on June 19, 2021. The dividend declared in the quarter ended June 30, 2021 representing \$21 was paid and settled on July 10, 2021. During the three months ended September 30, 2021, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on September 17, 2021. The dividend declared in the quarter ended September 30, 2021 representing \$21 was paid and settled on October 8, 2021.

A dividend of \$1.00 per share representing \$21 was accrued as at December 31, 2020 and subsequently paid and settled on January 11, 2021.

On December 18, 2020, the Company declared a special dividend pursuant to which all common shareholders of record on December 28, 2020 of the Company were entitled to receive, by way of a dividend-in-kind, 1.859817814 Topicus Subordinate Voting Shares for each Constellation Software Inc. share held. The dividend was distributed on January 4, 2021.

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## 13. Finance and other expense (income) and finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest income on cash	\$ (1)	\$ (0)	\$ (2)	\$ (1)
(Increase) decrease in the fair value of equity securities held for trading	(1)	(2)	(3)	0
Share in net (income) loss of equity investee	(1)	0	(0)	0
Finance and other income	(2)	(0)	(3)	(4)
<b>Finance and other expense (income)</b>	<b>\$ (4)</b>	<b>\$ (2)</b>	<b>\$ (9)</b>	<b>\$ (4)</b>
Interest expense on debt and debentures	\$ 12	\$ 8	\$ 33	\$ 23
Interest expense on lease obligations	2	2	7	6
Amortization of debt related transaction costs	1	0	1	1
Amortization of debenture discount (premium) and associated rights offering, net	-	(1)	(1)	(3)
Other finance costs	4	3	10	6
<b>Finance costs</b>	<b>\$ 18</b>	<b>\$ 13</b>	<b>\$ 50</b>	<b>\$ 34</b>

## 14. Earnings per share

### *Basic and diluted earnings per share*

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net income attributable to common shareholders of CSI	\$ 107	\$ 122	\$ 186	\$ 288
<b>Denominator:</b>				
Basic and diluted shares outstanding	21,191,530	21,191,530	21,191,530	21,191,530
<b>Earnings per share</b>				
Basic and diluted	\$ 5.04	\$ 5.76	\$ 8.79	\$ 13.58

## 15. Financial instruments

### *Fair values versus carrying amounts*

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, income taxes payable, the majority of acquisition holdbacks, and the CSI Facility, approximate their fair values due to the short-term nature of these instruments. The carrying value of the debt without recourse to CSI and the Term Loan approximate their fair values as the debt is subject to market interest rates. The carrying value of the IRGA liability approximates fair value.

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## Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Financial assets and financial liabilities measured at fair value as at September 30, 2021 and December 31, 2020 in the condensed consolidated interim financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations and the Redeemable preferred securities.

	September 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Equity securities held for trading	\$ 19	\$ -	\$ -	\$ 19	\$ 9	\$ -	\$ -	\$ 9
	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Liabilities:</b>								
Redeemable preferred securities	\$ -	\$ -	\$ 7	\$ 7	\$ -	\$ -	\$ -	\$ -
Contingent consideration	-	-	85	85	-	-	88	88
	<b>-</b>	<b>-</b>	<b>92</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>88</b>	<b>88</b>

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended September 30, 2021 and December 31, 2020.

The following tables shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

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## *Contingent Consideration*

Balance at January 1, 2021	88
Increase from business acquisitions	13
Cash recoveries (payments)	(26)
Charges through profit or loss	13
Foreign exchange and other movements	(3)
<hr/> Balance at September 30, 2021	<hr/> 85
Contingent consideration classified as current liabilities	29
Contingent consideration classified as other non-current liabilities	56

Estimates of the fair value of contingent consideration are performed by the Company on a quarterly basis. Key unobservable inputs include revenue/profitability growth rates and the discount rates applied (8% to 11%). The estimated fair value increases as the annual revenue/profitability growth rate increases and as the discount rate decreases and vice versa.

## *Redeemable Preferred Securities*

Balance at January 1, 2021	\$ -
Issuance in relation to the acquisition of Topicus.com B.V.	136
Charges through profit or loss	295
Foreign exchange and other movements	5
Reclassification of Redeemable preferred securities to non-controlling interest	(434)
Accrued and unpaid dividends recorded upon re-classification to equity	5
<hr/> Balance at September 30, 2021	<hr/> 7

Estimates of the fair value of the Redeemable Preferred Securities are performed by the Company on a quarterly basis up to the Notification of Conversion date. Key unobservable inputs include expected volatility and credit spread of the Topicus Preferred Shares. The estimated fair value increases as the expected volatility increases. The estimated fair value decreases as the credit spread increases. The key observable input is the subordinated voting share price of Topicus.com Inc. As the Topicus.com Inc. subordinate voting share price increases, the fair value of the Redeemable Preferred Securities increases. Subsequent to the Notification of Conversion, the principal portion of the redeemable preferred securities has been reclassified to equity (non-controlling interest).

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## 16. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, income and sales tax, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

## 17. Changes in non-cash operating assets and liabilities

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Decrease (increase) in current accounts receivable	\$ 7	\$ (4)	\$ 40	\$ 44
Decrease (increase) in current unbilled revenue	(15)	4	(26)	16
Decrease (increase) in other current assets	2	(5)	(25)	(9)
Decrease (increase) in inventories	0	3	(1)	3
Decrease (increase) in other non-current assets	(9)	(1)	(18)	0
Increase (decrease) in other non-current liabilities	8	10	(5)	2
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	36	23	(16)	(45)
Increase (decrease) in current deferred revenue	(75)	(61)	104	61
Increase (decrease) in current provisions	(1)	0	(1)	(3)
<b>Change in non-cash operating working capital</b>	<b>\$ (47)</b>	<b>\$ (32)</b>	<b>\$ 53</b>	<b>\$ 69</b>

## 18. Non-controlling interests

The Company's non-controlling interests at September 30, 2021 were associated with Topicus, a company whose operations are based in the Netherlands. Prior to January 4, 2021, the Company reflected a 100% ownership interest in Topicus. However, as outlined in Note 1 and Note 4 to the condensed consolidated interim financial statements, Constellation's equity interest in Topicus was reduced from 100% to 30.3% (69.7% being non-controlling interest) in 2021. The non-controlling interest in Topicus also comprises of the Topicus Coop Preference Units held by Ijssel B.V. which were reclassified from liabilities to non-controlling interest following the Notification of Conversion (note 9).

The following tables summarize the information relating to the Company's non-controlling interests in Topicus before and after intercompany eliminations:

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	As at September 30, 2021	Intra-Group Eliminations	Total
Non-controlling interest	69.7%		
Current assets	207		
Non-current assets	876		
Total assets	<u>1,083</u>		
Current liabilities	409		
Non-current liabilities	315		
Total liabilities	<u>723</u>		
Less: Non-controlling interest of Topicus subsidiaries	3		
Less: Preference units of Topicus Coop classified as non-controlling interest	431		
Net assets	<u>(74)</u>	67	<u>(7)</u>
Net assets allocated to the non-controlling interests of Topicus			(5)
Add: Non-controlling interest of Topicus Coop subsidiaries			3
Add: Preference units of Topicus Coop classified as non-controlling interest			431
Total non-controlling interest			<u>429</u>
	<b>Three months ended September 30, 2021</b>	<b>Intra-Group Eliminations</b>	<b>Total</b>
Revenue	209		
Expenses	182		
Redeemable preferred securities expense (income) (notes 1 and 9)	-		
Income (loss) before income taxes	<u>27</u>		
Income tax expense	6		
Net income (loss) prior to non-controlling interest allocation	<u>21</u>		
Less: Non-controlling interest of Topicus subsidiaries	(0)		
Less: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest	2		
Net income (loss) after allocation of non-controlling interest of Topicus subsidiaries and Preference Units	<u>20</u>	<u>(1)</u>	<u>19</u>
Net income (loss) attributable to non-controlling interests of Topicus			13
Add: Non-controlling interest of Topicus Coop subsidiaries			(0)
Add: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest			2
Total non-controlling interest			<u>15</u>

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	Nine months ended September 30, 2021	Intra-Group Eliminations	Total
Revenue	640		
Expenses	560		
Redeemable preferred securities expense (income) (notes 1 and 9)	2,737		
Income (loss) before income taxes	<u>(2,657)</u>		
Income tax expense	17		
Net income (loss) prior to non-controlling interest allocation	<u>(2,674)</u>		
Less: Non-controlling interest of Topicus subsidiaries	0		
Less: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest	2		
Net income (loss) after allocation of non-controlling interest of Topicus subsidiaries and Preference Units	<u>(2,676)</u>	2,439	<u>(237)</u>
Net income (loss) attributable to non-controlling interests of Topicus			(165)
Add: Non-controlling interest of Topicus Coop subsidiaries			0
Add: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest			<u>2</u>
Total non-controlling interest			<u>(162)</u>

Financial information on the statement of cash flows for Topicus is as follows:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Cash flows from (used in) operating activities	10	164
Cash flows from (used in) in financing activities	2	10
Cash flows from (used in) investing activities	(10)	(159)

## 19. Subsequent events

On November 4, 2021 the Company declared a \$1.00 per share dividend that is payable on January 11, 2022 to all common shareholders of record at close of business on December 20, 2021.

Subsequent to September 30, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of \$329 on closing plus cash holdbacks of \$35 and contingent consideration with an estimated fair value of \$6 for total consideration of \$370. The business acquisitions include companies catering primarily to the oil and gas, advertising and marketing, communications, financial services, legal, property management, public safety, healthcare, education, life insurance, student information systems, publishing, and enterprise resource planning verticals and are all software companies similar to the existing business of the Company.