CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2012 and with our Annual Consolidated Financial Statements for the year ended December 31, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "$" are to U.S. dollars and all references to "C$" are to Canadian dollars.

Additional information about Constellation Software Inc. (the "Company" or "Constellation"), including our most recently filed Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, October 31, 2012. 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, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net income and Adjusted net income margin.

The term ''Adjusted EBITDA'' refers to net income before adjusting for finance income, finance costs, income taxes, equity in net loss of equity investees, impairment of non-financial assets, depreciation, amortization, and foreign exchange loss (gain). The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and the other items listed above. ''Adjusted EBITDA margin'' refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

‘‘Adjusted net income’’ means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, and certain other expenses (income). The Company believes that Adjusted net income is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration amortization of intangible assets, deferred income taxes, and certain other non-cash expenses (income) incurred by the Company from time to time. ‘‘Adjusted net income margin’’ refers to the percentage that Adjusted net income for any period represents as a portion of total revenue for that period.

Adjusted EBITDA and Adjusted net income are not recognized measures under IFRS and, accordingly, shareholders are cautioned that Adjusted EBITDA and Adjusted net income should not be construed as alternatives to net income determined in accordance with IFRS. The Company’s method of calculating Adjusted EBITDA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITDA and Adjusted net income may not be comparable to similar measures presented by other issuers. See ‘‘Results of Operations —Adjusted EBITDA’’ and ‘‘— Adjusted net income’’ for a reconciliation of Adjusted EBITDA and Adjusted net income to net income.

Overview

We acquire, manage and build vertical market software (“VMS”) businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash flow and revenue growth during the past several years.

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable, where applicable. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates “when and if available” and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions and arrangements, as well as sales of customized hardware assembled internally. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, occupancy costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements and other general operating expenses.

Results of Operations
(In thousands of dollars, except percentages and per share amounts)
Unaudited

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011 (Recast-Note 1)	$	%	2012	2011 (Recast-Note 1)	$	%
Revenue	**225,980**	**202,253**	**23,727**	**12%**	**630,227**	**574,984**	**55,243**	**10%**
Expenses	177,343	157,818	19,525	12%	498,621	453,753	44,868	10%
Adjusted EBITDA	**48,637**	**44,435**	**4,202**	**9%**	**131,606**	**121,231**	**10,375**	**9%**
Depreciation	2,112	1,957	155	8%	5,633	6,039	(406)	-7%
Amortization of intangible assets	22,099	19,135	2,964	15%	61,643	55,733	5,910	11%
Impairment of non-financial assets	0	518	(518)	-100%	0	518	(518)	-100%
Foreign exchange (gain) loss	(321)	(905)	584	-65%	(330)	3,028	(3,358)	-111%
Equity in net (income) loss of equity investees	(216)	0	(216)	NM	875	0	875	NM
Finance income	(2,066)	(2,795)	729	-26%	(3,529)	(6,167)	2,638	-43%
Finance costs	1,131	1,462	(331)	-23%	2,923	4,589	(1,666)	-36%
Profit before income taxes	25,898	25,063	835	3%	64,391	57,491	6,900	12%
Income taxes expense (recovery)								
Current income tax expense	5,918	4,999	919	18%	16,087	13,476	2,611	19%
Deferred income tax (recovery) expense	(1,085)	759	(1,844)	-243%	(4,277)	(93,764)	89,487	-95%
Income tax expense (recovery)	4,833	5,758	(925)	-16%	11,810	(80,288)	92,098	-115%
Net income	**21,065**	**19,305**	**1,760**	**9%**	**52,581**	**137,779**	**(85,198)**	**-62%**
Adjusted net income	**42,079**	**39,717**	**2,362**	**6%**	**109,947**	**100,266**	**9,681**	**10%**
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic and diluted	$ 0.99	$ 0.91	$ 0.08	9%	$ 2.48	$ 6.50	$ (4.02)	-62%
Adjusted EBITDA per share								
Basic and diluted	$ 2.30	$ 2.10	$ 0.20	9%	$ 6.21	$ 5.72	$ 0.49	9%
Adjusted net income per share								
Basic and diluted	$ 1.99	$ 1.87	$ 0.11	6%	$ 5.19	$ 4.73	$ 0.46	10%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ -	$ 1.00		$ 3.00	$ 2.00	$ 1.00	50%

NM - Not meaningful
Note 1: Net income for the three and nine months ended September 30, 2011 has been adjusted to correct for an error. This out-of-period error, which was corrected in the quarter ended December 31, 2011, resulted in a reduction of the deferred income tax recovery recognized in profit and loss for the three and nine month periods totalling $2,613 and $6,967 respectively, as compared to amounts previously reported for these periods.

Comparison of the three and nine months ended September 30, 2012 and 2011

Revenue:

Total revenue for the quarter ended September 30, 2012 was $226 million, an increase of 12%, or $24 million, compared to $202 million for the comparable period in 2011. For the first nine months of 2012 total revenues were $630 million, an increase of 10%, or $55 million, compared to $575 million for the comparable period in 2011. The increase for both the three and nine month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions as organic growth was negative 2% and negative 1%, respectively. For acquired businesses, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition compared to the revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation.

Constellation acquired the Public Transit Solutions business ("PTS") from Continental Automotive AG ("Continental") on November 2, 2009. Given the substantial amount of non-recurring revenue historically earned by PTS, gross revenue from PTS has fluctuated significantly in the past and will continue to do so in the future. As well, a number of acquired contracts were recorded at their estimated fair value as of the date of acquisition. Under this accounting treatment, excess profits or costs relative to normalized profitability are recorded as contract assets or liabilities and recognized as revenues and cost of revenues over the term to completion of the contract. As a result, the revenue and costs of these contracts reflected through profit or loss will differ from the revenue and costs that would have been recognized under normal course percentage of completion contract accounting. As such, management has chosen to provide supplemental organic growth disclosure to provide greater clarity regarding the impact of PTS on Constellation’s consolidated financial results. Excluding PTS, organic growth for Constellation was 2% in Q3 2012 and 1% for the nine months ended September 30, 2012.

The following table provides a summary of the impact of PTS on Constellation’s organic revenue growth:

Organic Revenue Growth

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Constellation	-2%	-1%
Constellation excluding PTS	2%	1%

Further details of the PTS acquisition are provided under “Acquisition of PTS from Continental”.

Software license revenue for the quarter ended September 30, 2012 increased by 20%, or $3 million to $19 million, from $16 million compared to the same period in 2011. During the nine months ended September 30, 2012, software license revenue increased by 8%, or $4 million to $50 million, from $46 million compared to the same period in 2011. Professional services revenue for the quarter ended September 30, 2012 increased by 10%, or $5 million to $51 million, from $46 million compared to the same period in 2011. During the nine months ended September 30, 2012, professional services revenue increased by 3%, or $4 million to $139 million, from $135 million compared to the same period in 2011. Hardware and other revenue for the quarter ended September 30, 2012 decreased by 20%, or $6 million to $26 million, from $32 million compared to the same period in 2011. During the nine months ended September 30, 2012, hardware and other revenue decreased by 12%, or $10 million to $73 million, from $83 million compared to the same period in 2011. Maintenance and other recurring revenues for the quarter ended September 30, 2012 increased by 20%, or $22 million to $131 million, from $109 million compared to the same period in 2011. During the nine months ended September 30, 2012, maintenance and other recurring revenues increased by 19%, or $58 million to $369 million, from $311 million compared to the same period in 2011. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Period-Over-Period Change $	Period-Over-Period Change %
	($000, except percentages)				($000, except percentages)			
Licenses	18,790	15,640	3,150	20%	49,724	46,164	3,560	8%
Professional services	50,494	45,724	4,770	10%	138,556	135,129	3,427	3%
Hardware and other	25,709	32,054	(6,345)	-20%	73,415	83,158	(9,743)	-12%
Maintenance and other recurring	130,987	108,835	22,152	20%	368,532	310,533	57,999	19%
	225,980	202,253	23,727	12%	630,227	574,984	55,243	10%

We aggregate our business into two distinct segments for financial reporting purposes: (i) the public sector reportable segment, which includes business units focused primarily on government and government-related customers, and (ii) the private sector reportable segment, which includes business units focused primarily on commercial customers.

The following table displays our revenue by reportable segment and the percentage change for the three and nine months ended September 30, 2012 compared to the same periods in 2011:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Period-Over-Period Change $	Period-Over-Period Change %
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	12,656	10,927	1,729	16%	33,310	32,237	1,073	3%
Professional services	39,689	36,706	2,983	8%	107,480	109,200	(1,720)	-2%
Hardware and other	22,407	29,035	(6,628)	-23%	63,452	74,311	(10,859)	-15%
Maintenance and other recurring	85,831	73,174	12,657	17%	242,295	211,284	31,011	15%
	160,583	149,842	10,741	7%	446,537	427,032	19,505	5%
Private Sector								
Licenses	6,134	4,713	1,421	30%	16,414	13,927	2,487	18%
Professional services	10,805	9,018	1,787	20%	31,076	25,929	5,147	20%
Hardware and other	3,302	3,019	283	9%	9,963	8,847	1,116	13%
Maintenance and other recurring	45,156	35,661	9,495	27%	126,237	99,249	26,988	27%
	65,397	52,411	12,986	25%	183,690	147,952	35,738	24%

Public Sector

For the quarter ended September 30, 2012, total revenue in the public sector reportable segment increased by 7%, or $11 million to $161 million, compared to $150 million for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, total revenue increased by 5%, or $20 million to $447 million, compared to $427 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately $17 million to our Q3 2012 revenues and $33 million to our nine months ended September 30, 2012 revenues compared to the same periods in 2011. We completed 21 acquisitions since the beginning of 2011, 10 of which were acquired in fiscal year 2011. Organic revenues decreased by 4% in Q3 2012 and decreased by 3% in the nine months ended September 30, 2012 compared to the same periods in 2011. Excluding PTS, where revenue was expected to decrease, organic revenues remained unchanged in Q3 2012 and decreased by 1% in the nine months ended September 30, 2012 respectively, compared to the same periods in 2011.

Organic Revenue Growth

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Public Sector	-4%	-3%
Public Sector excluding PTS	0%	-1%

The organic revenue change was primarily driven by a decrease in PTS hardware revenue from long-term customer contracts.

Private Sector

For the quarter ended September 30, 2012, total revenue in the private sector reportable segment increased 25%, or $13 million to $65 million, compared to $52 million for the quarter ended September 30, 2011. For the nine months ended September 30, 2012 total revenue increased by 24%, or $36 million to $184 million, compared to $148 million for the comparable period in 2011. Revenue growth from acquired businesses contributed approximately $10 million to our Q3 2012 revenues and $28 million to our nine months ended September 30, 2012 revenues compared to the same periods in 2011. We completed 23 acquisitions since the beginning of 2011, 12 of which were acquired in fiscal year 2011. Revenues increased organically by 5% in both Q3 2012 and in the nine months ended September 30, 2012 compared to the same periods in 2011.

The organic revenue change was primarily driven by strong sales to both existing and new customers primarily in our fitness, food service and attractions verticals.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Expenses								
Staff	120,197	103,085	17,112	17%	339,517	299,691	39,826	13%
Hardware	14,554	18,723	(4,169)	-22%	37,486	47,607	(10,121)	-21%
Third party license, maintenance and professional services	15,134	13,320	1,814	14%	44,095	37,932	6,163	16%
Occupancy	5,450	4,948	502	10%	15,114	14,251	863	6%
Travel	8,595	7,221	1,374	19%	24,607	20,679	3,928	19%
Telecommunications	2,792	2,554	238	9%	7,842	7,435	407	5%
Supplies	3,512	3,451	61	2%	10,810	11,747	(937)	-8%
Professional fees	3,979	2,068	1,911	92%	8,046	6,788	1,258	19%
Other	3,130	2,448	682	28%	11,104	7,623	3,481	46%
	177,343	157,818	19,525	12%	498,621	453,753	44,868	10%

Overall expenses for the quarter ended September 30, 2012 increased 12%, or $19 million to $177 million, compared to $158 million during the same period in 2011. As a percentage of total revenue, expenses remained consistent at 78% in the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011. During the nine months ended September 30, 2012, expenses increased 10%, or $45 million to $499 million, compared to $454 million during the same period in 2011. As a percentage of total revenue, overall expenses remained consistent at 79% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The growth in expenses for the three and nine month periods is primarily due to the growth in the number of employees. Our average employee headcount grew 22% from 3,930 in the quarter ended September 30, 2011 to 4,787 in the quarter ended September 30, 2012 primarily due to acquisitions.

Staff expense – Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Professional Services staff expenses include personnel and related costs associated with our delivery of professional services. Research and Development staff expenses include personnel and related costs associated with our research and development efforts. Sales and Marketing staff expenses consist primarily of the personnel and related costs associated with our sales and marketing functions. General and Administrative staff expenses consist primarily of the personnel and related costs associated with the administration of the business. The table below compares the period over period variances.

	Three months ended September 30, 2012	2011	Period-Over-Period Change $	%	Nine months ended September 30, 2012	2011	Period-Over-Period Change $	%
	($000, except percentages)				($000, except percentages)			
Professional services	27,330	25,019	2,311	9%	76,922	76,055	867	1%
Maintenance	24,158	19,747	4,411	22%	68,166	57,148	11,018	19%
Research and development	32,617	26,337	6,280	24%	91,161	76,574	14,587	19%
Sales and marketing	16,478	13,401	3,077	23%	46,636	40,433	6,203	15%
General and administration	19,614	18,581	1,033	6%	56,632	49,481	7,151	14%
	120,197	103,085	17,112	17%	339,517	299,691	39,826	13%

Professional services – Staff expenses related to our Professional services operating department increased 9%, or $2 million to $27 million, for the quarter ended September 30, 2012. During the nine months ended September 30, 2012 staff expenses related to our Professional services operating department increased 1%, or $1 million to $77 million, compared to $76 million over the same period in 2011. The increase in staff expenses related to our Professional services operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Maintenance – Staff expenses related to our Maintenance operating department increased 22%, or $4 million to $24 million, for the quarter ended September 30, 2012 compared to $20 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our Maintenance operating department increased 19%, or $11 million to $68 million, compared to $57 million over the same period in 2011. The increase in staff expenses related to our Maintenance operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Research and development – Staff expenses related to our Research and development operating department increased 24%, or $7 million to $33 million for the quarter ended September 30, 2012 from $26 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our Research and development operating department increased 19%, or $14 million to $91 million, compared to $77 million over the same period in 2011. The increase in staff expenses related to our Research and development operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Sales and marketing – Staff expenses related to our Sales and marketing operating department increased 23%, or $3 million to $16 million for the quarter ended September 30, 2012 compared to $13 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our Sales and marketing operating department increased 15%, or $7 million to $47 million, compared to $40 million over the same period in 2011. The increase in staff expenses related to our Sales and marketing operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

General and administration – Staff expenses related to our General and administrative operating department increased 6%, or $1 million to $20 million for the quarter ended September 30, 2012 from $19 million for the same period in 2011. During the nine months ended September 30, 2012 staff expenses related to our General and administrative operating department increased 14%, or $7 million to $57 million, compared to $50 million over the same period in 2011. The increase in staff expenses related to our General and administration operating department was primarily due to the growth in the number of employees compared to the same periods in 2011.

Hardware expenses – Hardware expenses for the quarter ended September 30, 2012 decreased 22%, or $4 million to $15 million, compared to $19 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Hardware expenses decreased 21%, or $11 million to $37 million, from $48 million over the same periods in 2011. The decrease in hardware expenses is attributable to the decrease in hardware and other revenue.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses for the quarter ended September 30, 2012 increased 14%, or $2 million to $15 million, compared to $13 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Third party license, maintenance and professional services expense increased 16%, or $6 million to $44 million, from $38 million over the same period in 2011. The increase is primarily due to an increase in maintenance revenue for the three and nine months ended September 30, 2012 compared to the same periods in 2011.

Travel expenses – Travel expenses for the quarter ended September 30, 2012 increased 19%, or $2 million to $9 million, compared to $7 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Travel expenses increased 19%, or $4 million to $25 million, from $21 million over the same period in 2011. The increase is primarily due to increased travel expenses associated with acquisition activity and an increase in the Company's international operations.

Professional fees – Professional fees for the quarter ended September 30, 2012 increased 92%, or $2 million to $4 million, compared to $2 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012 Professional fees increased 19%, or $1 million to $8 million, from $7 million over the same period in 2011. The increase is primarily due to legal and tax advisory fees associated with acquisitions, tax planning, and legal fees associated with the customer dispute as described under "Acquisition of certain software assets and liabilities from MAXIMUS Inc."

Other – Other expenses for the quarter ended September 30, 2012 increased 28%, or $1 million to $3 million, compared to $2 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Other expenses increased 46%, or $3 million to $11 million, from $8 million over the same period in 2011. The increase is primarily due to an increase in marketing related expenses and recruitment expenses and fees incurred in connection with the secondary offering of the Company's common shares in Q1 2012.

Other Income and Expenses:

The following table displays the breakdown of our other income and expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2012	2011	$	%	2012	2011	$	%
	($000, except percentages)				($000, except percentages)			
Depreciation	2,112	1,957	155	8%	5,633	6,039	(406)	-7%
Amortization of intangible assets	22,099	19,135	2,964	15%	61,643	55,733	5,910	11%
Impairment of non-financial assets	0	518	(518)	-100%	0	518	(518)	-100%
Foreign exchange (gain) loss	(321)	(905)	584	-65%	(330)	3,028	(3,358)	-111%
Equity in net (income) loss of equity investees	(216)	0	(216)	NM	875	0	875	NM
Finance income	(2,066)	(2,795)	729	-26%	(3,529)	(6,167)	2,638	-43%
Finance costs	1,131	1,462	(331)	-23%	2,923	4,589	(1,666)	-36%
Income tax expense (recovery)	4,833	5,758	(925)	NM	11,810	(80,288)	92,098	NM
	27,572	25,130	2,442	10%	79,025	(16,548)	95,573	-578%

Depreciation – Depreciation of property and equipment remained unchanged at $2 million in the quarter ended September 30, 2012 compared to the same period in 2011. During the nine months ended September 30, 2012, depreciation of property and equipment remained unchanged at $6 million compared to the same period in 2011.

Amortization of intangible assets – Amortization of intangible assets for the quarter ended September 30, 2012 increased by 15%, or $3 million to $22 million, compared to $19 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Amortization of intangible assets increased 11%, or $6 million to $62 million, from $56 million over the same period in 2011. The increase is attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended September 30, 2012 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended September 30, 2012, our foreign exchange gain was $0.3 million compared to a gain of $1 million in the quarter ended September 30, 2011. For the nine months ended September 30, 2011 the foreign exchange gain was $0.3 million compared to a loss of $3 million for the same period in 2011. The foreign exchange loss in the prior year was due to realized losses on the settlement of certain non-USD liabilities and due to holding losses on certain non-USD liabilities.

Equity in net (income) loss of equity investees – Equity in net (income) loss of equity investees was an income of $0.2 million for the quarter ended September 30, 2012 compared to nil for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, Equity in net (income) loss of equity investees was a loss of $1 million compared to nil for the same period in 2011. The $0.2 million of income in the quarter ended September 30, 2012 relates to our proportionate share of the income recorded by an equity investee for the period. The $1 million loss for the nine months ended September 30, 2012 resulted primarily from our share of a goodwill impairment charge recorded by the equity investee.

Finance income – Finance income for the quarter ended September 30, 2012 decreased 26%, or $1 million to $2 million, compared to $3 million for the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Finance income decreased 43%, or $2 million to $4 million, from $6 million over the same period in 2011. The decrease in finance income for the three and nine month periods ending September 30, 2012 is due to a lower gain realized on available-for-sale financial assets.

Finance costs – Finance costs for the quarter ended September 30, 2012 remained unchanged at $1 million compared to the quarter ended September 30, 2011. During the nine months ended September 30, 2012, Finance costs decreased 36%, or $2 million to $3 million, from $5 million over the same period in 2011. The decrease in finance costs for the nine month periods ended September 30, 2012 is primarily due to less interest expense on our revolving line of credit resulting from relatively decreased borrowings.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our tax rate is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses. The decrease in income tax recovery for the nine months ended September 30, 2012 compared to the same period in 2011 was primarily due to a transfer of certain intangible assets from one subsidiary to another in the same period last year. In the prior year, a deferred tax asset was recorded on the increase in fair market value arising on the sale of intellectual property between entities within the Company at the rate of tax of the entity that acquired the assets notwithstanding that the gains are not otherwise recorded for accounting and financial reporting on consolidation. The deferred income tax recovery recorded through profit or loss represented the amount of these deferred income tax deductions that the Company determined was probable of being utilized for income tax deduction purposes in the future. Excluding deferred income tax recovery, income tax expense as a percent of net income before income taxes was 23% for the quarter ended September 30, 2012 compared to 20% for the same period in 2011. Excluding deferred income tax recovery, income tax expense as a percent of net income before income taxes was 25% for the nine months ended September 30, 2012 compared to 23% for the same period in 2011.

Net Income:

Net income for the quarter ended September 30, 2012 was $21 million compared to net income of $19 million for the same period in 2011. On a per share basis this translated into a net income per diluted share of $0.99 in the quarter ended September 30, 2012 compared to net income per diluted share of $0.91 in the quarter ended September 30, 2011. For the first nine months of 2012, net income was $53 million or $2.48 per diluted share compared to $138 million or $6.50 per diluted share in the first nine months of 2011. Excluding our income tax recovery, net income remained unchanged at $20 million in the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011 and increased by 10% to $48 million from $44 million in the nine months ended September 30, 2012. The increase in net income, excluding the income tax recovery, in the nine months ended September 30, 2012 was primarily due to an increase in Adjusted EBITDA.

Adjusted EBITDA:

For Q3 2012, Adjusted EBITDA increased to $49 million compared to $44 million in Q3 2011 representing an increase of 9%. Adjusted EBITDA margin was 22% in both the third quarter of 2012 and 2011. For the first nine months of 2012, Adjusted EBITDA increased to $132 million compared to $121 million during the same period in 2011, representing an increase of 9%. Adjusted EBITDA margin was 21% in both the first nine months of 2012 and the first nine months of 2011. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 225,980	$ 202,253	$ 630,227	$ 574,984
Net income	21,065	19,305	52,581	137,779
Adjusted for:				
Income tax expense (recovery)	4,833	5,758	11,810	(80,288)
Foreign exchange (gain) loss	(321)	(905)	(330)	3,028
Equity in net (income) loss of equity investees	(216)	0	875	0
Finance income	(2,066)	(2,795)	(3,529)	(6,167)
Finance costs	1,131	1,462	2,923	4,589
Impairment of non-financial assets	0	518	0	518
Amortization of intangible assets	22,099	19,135	61,643	55,733
Depreciation	2,112	1,957	5,633	6,039
Adjusted EBITDA	48,637	44,435	131,606	121,231
Adjusted EBITDA margin	22%	22%	21%	21%

Adjusted net income:

For Q3 2012, Adjusted net income increased by $2 million to $42 million compared to $40 million in Q3 2011, representing an increase of 6%. Adjusted net income margin was 19% in the third quarter of 2012 compared to 20% in the third quarter 2011. For the first nine months of 2012, Adjusted net income increased by

$10 million to $110 million compared to $100 million during the same period in 2011, representing an increase of 10%. Adjusted net income margin was 17% in both the first nine months of 2012 and 2011. The increase in Adjusted net income for the three and nine months ended September 30, 2012 is largely due to an increase in Adjusted EBITDA. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

(Unaudited)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 225,980	$ 202,253	$ 630,227	$ 574,984
Net income	21,065	19,305	52,581	137,779
Adjusted for:				
Amortization of intangible assets	22,099	19,135	61,643	55,733
Impairment of non-financial assets	0	518	0	518
Deferred income tax (recovery) expense	(1,085)	759	(4,277)	(93,764)
Adjusted net income	42,079	39,717	109,947	100,266
Adjusted net income margin	19%	20%	17%	17%

Quarterly Results

(Unaudited)	Dec. 31 2010	Mar. 31 2011	Jun. 30 2011	Sep. 30 2011	Dec. 31 2011	Mar. 31 2012	Jun. 30 2012	Sep. 30 2012
	Quarter Ended ($000, except per share amounts)							
		Note 1	*Note 1*	*Note 1*				
Revenue	171,986	177,632	195,099	202,253	198,357	195,278	208,969	225,980
Net Income	10,877	62,488	55,986	19,305	19,395	13,924	17,592	21,065
Adjusted Net Income	22,546	27,042	33,507	39,717	40,229	31,707	36,161	42,079
Net Income per share								
Basic & diluted	0.51	2.95	2.64	0.91	0.92	0.66	0.83	0.99
Adjusted Net Income per share								
Basic & diluted	1.06	1.28	1.58	1.87	1.90	1.50	1.71	1.99

Note 1: Net income amounts for each of the quarterly periods in the nine months ended September 30, 2011 have been adjusted to correct for out of period errors that were corrected for in the quarter ended December 31, 2011. This resulted in a reduction of the deferred income tax recovery in profit and loss for each of the quarterly periods in the nine months ended September 30, 2011 totalling $1,741, $2,613 and $2,613 respectively, which have been reflected herein.

We do not generally experience significant seasonality in our operating results from quarter to quarter. However, our quarterly results may fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain occasional expenditures or gains which may include bargain purchase gains and loss (gain) on the sale of available-for-sale equity securities and other assets.

Acquisition of PTS from Continental

On November 2, 2009, Constellation acquired the Public Transit Solutions business ("PTS") from Continental AG ("Continental").

Management believes cash flows from operations is useful supplemental information about the performance of the underlying business as certain acquisition related accounting adjustments and the impact of contract accounting in a business combination under IFRS, where applicable, may result in reported earnings that differ materially from cash flow from operations. Additionally, non-cash operating working capital requirements can fluctuate significantly depending on contract billings, customer deposits and inventory requirements, which may have a material impact on cash flows from operations.

A number of acquired contracts were recorded at their estimated fair value as of the date of acquisition. Under this accounting treatment, excess profits or costs relative to normalized profitability are recorded as contract assets or liabilities and recognized as revenues and cost of revenues over the term to completion of the contract. As a result, the revenue and costs of these contracts reflected through profit or loss will differ from the revenue and costs that would have been recognized under normal course percentage of completion contract accounting.

Cash flows from operations from PTS will fluctuate significantly from quarter to quarter due to the timing of receipt of milestone payments associated with large customer contracts. PTS has contributed $33 million in cash flows from operations since the date of acquisition; however, in the first nine months of 2012, cash flows from operations at PTS were negative $2 million. The negative operating cash flows for the nine months ended September 30, 2012 was primarily driven by the payment of 2011 employee bonuses and an increase in net working capital.

As part of the PTS acquisition, Constellation also assumed certain long-term contracts that contain contingent liabilities which may, but in management’s opinion are unlikely to, exceed $2 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by PTS. The contingent liabilities represent the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

Supplemental Financial Information for PTS

The table below provides certain supplemental statements of comprehensive income and cash flows information regarding PTS for the three and nine months ended September 30, 2012. PTS is not considered a reportable operating segment of Constellation; however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flows from operations of each business. Management believes cash flows from operations is useful supplemental information about the performance of the underlying business as certain purchase price adjustments and contract accounting under IFRS may result in reported earnings that differ materially from cash flow from operations.

Supplemental financial information

(Unaudited)	For the three months ended September 30, 2012 Constellation Software Inc. (excluding PTS)	PTS	Consolidated	For the nine months ended September 30, 2012 Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	$ 193,251	$ 32,729	$ 225,980	$ 535,099	$ 95,128	$ 630,227
Adjusted EBITDA	42,795	5,842	48,637	113,633	17,973	131,606
EBITDA as % Total Revenue	22%	18%	22%	21%	19%	21%
Net Income	$ 16,509	$ 4,556	$ 21,065	$ 37,894	$ 14,687	$ 52,581
Cash flows from operating activities:						
Net income	$ 16,509	$ 4,556	$ 21,065	$ 37,894	$ 14,687	$ 52,581
Adjustments to reconcile net income to net cash flows from operations, including taxes paid:	18,854	1,122	19,976	57,772	2,942	60,714
Change in non-cash operating working capital	2,951	1,541	4,492	(9,317)	(20,030)	(29,347)
Cash flows from operating activities	$ 38,314	$ 7,219	$ 45,533	$ 86,349	$ (2,401)	$ 83,948

Adjusted EBITDA to net income reconciliation

(Unaudited)	For the three months ended September 30, 2012 Constellation Software Inc. (excluding PTS)	PTS	Consolidated	For the nine months ended September 30, 2012 Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	$ 193,251	$ 32,729	$ 225,980	$ 535,099	$ 95,128	$ 630,227
Net income	16,509	4,556	21,065	37,894	14,687	52,581
Adjusted for:						
Income tax expense	3,989	844	4,833	9,635	2,175	11,810
Other expenses (income)	(1,739)	267	(1,472)	(678)	617	(61)
Amortization of intangible assets	22,099	-	22,099	61,643	-	61,643
Depreciation	1,937	175	2,112	5,139	494	5,633
Adjusted EBITDA	42,795	5,842	48,637	113,633	17,973	131,606
Adjusted EBITDA margin	22%	18%	22%	21%	19%	21%

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of MAXIMUS Inc.'s Asset, Justice, and Education businesses ('MAJES') for net cash consideration of $34 million.

As part of the acquisition, the Company also acquired certain long-term contracts that contain contingent liabilities which may, but are unlikely to, exceed $15 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

In February 2011, MAXIMUS Inc. (“Maximus”) and a subsidiary of Constellation received a letter from a customer initiating a dispute resolution process under the customer’s contract. The customer alleges that the subsidiary of Constellation and MAXIMUS failed to observe the most favoured customer pricing terms of the contract and also raised a number of claims pertaining to services and products delivered under the contract. The subsidiary of the Company, MAXIMUS, and the customer have resolved the issues relating to the most favoured customer pricing terms of the contract without liability to the Company, but pursuant to the contract have entered arbitration proceedings in respect of the customer’s remaining claims. The potential liability is undefined with respect to the remainder of the claims in arbitration, however, the contract with the customer has a $9 million limitation of liability clause that the Company believes will apply to all of the claims in arbitration, should there be an unfavourable outcome to the Company. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation. As a result, the customer is seeking restitution of a minimum of $12 million. Constellation does not believe the claim is valid and intends to contest it to the full extent possible.

Liquidity

Our net cash position (cash less bank indebtedness) at September 30, 2012 was negative $3 million compared to $33 million at December 31, 2011. Net borrowings on our line of credit increased by $39 million and cash increased by $3 million to $36 million at September 30, 2012 compared to our cash position of $33 million at December 31, 2011.

Total assets increased $129 million, from $631 million at December 31, 2011 to $760 million at September 30, 2012. The increase is primarily due to an increase in accounts receivable of $24 million, work in progress of $9 million, and other current and non-current assets of $13 million associated with an increase in intangible assets of $62 million arising from acquisitions made in 2012.

Current liabilities increased $117 million, from $321 million at December 31, 2011 to $438 million at September 30, 2012. The increase can be explained by an increase in borrowings on our line of credit of $39 million, an increase in accounts payable and accrued liabilities of $9 million, an increase in dividends payable of $21 million, an increase in deferred revenue of $43 million primarily due to acquisitions and the timing of billings versus revenue recognized and an increase in acquisition holdback payments of $9 million in connection with increased capital deployed on acquisitions. This increase was partially offset by a decrease in acquired contract liabilities of $2 million.

Net Changes in Cash Flows (in millions of $)	**Nine months ended September 30, 2012**	**Nine months ended September 30, 2011**
Net cash provided by operating activities	$84	$81
Net cash used in financing activities	(10)	(60)
Net cash used in investing activities	(72)	(33)
Positive (negative) impact of foreign currency	0.5	(0.5)
Net increase (decrease) in cash and cash equivalents	$3	($13)

The net cash flows from operating activities was $84 million for the nine months ended September 30, 2012. The $84 million provided by operating activities resulted from approximately $53 million in net income, plus $79 million of non-cash adjustments to net income, offset by $29 million of cash used by an increase in our non-cash operating working capital and $18 million in taxes paid.

The net cash used in financing activities in the nine months ended September 30, 2012 was $10 million, which is mainly a result of an increase in bank indebtedness of $36 million, which was offset by dividends paid in the period of $42 million. The decrease in net cash used in financing activities in 2012 compared to the prior year is mainly attributed to a change in bank indebtedness. In the nine months ended September 30, 2011, we paid down $12 million of bank indebtedness compared to an increase of $36 million for the nine months ended September 30, 2012.

The net cash used in investing activities in the nine months ended September 30, 2012 was $72 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $77 million (including payments for holdbacks relating to acquisitions closed prior to December 31, 2011) and the purchase of property and equipment of $5 million, which was offset by $9 million of proceeds from sale of available-for-sale financial assets. The increase in cash used for investing activities in the nine months ended September 30, 2012 compared to the same period in the prior year is mainly attributed to payments related to acquisitions. For the nine months ended September 30, 2011, we made $36 million in acquisition related payments (including payments for holdbacks relating to acquisitions closed prior to December 31, 2010) compared to payments of $77 million for the same period in 2012.

We believe we have more than sufficient cash to continue to operate for the foreseeable future. Generally our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the acquisitions.

Capital Resources and Commitments

In Q1 2012, we entered into a new credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million which replaced our previous $160 million facility. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As at September 30, 2012, we had drawn $41 million on this facility. Transaction costs associated with this facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at September 30, 2012, the carrying amount of such costs relating to this facility totalling $2 million has been classified as part of bank indebtedness in the statement of financial position. Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration, or earn out obligations, based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities (aside from our shareholdings in publicly traded companies included in our available for sale financial assets and our equity investments included in other assets) that would have a significant effect on our assets and liabilities as at September 30, 2012.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. During the period, the Company purchased a contract of this nature with a value of $19 million and has recorded its fair value at September 30, 2012 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss adjustment of $0.2 million has been recorded in finance costs in profit or loss. The contract was settled on October 3, 2012.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and nine month periods ended September 30, 2012:

	Three Months Ended September 30,2012		Nine Months Ended September 30, 2012	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	68%	57%	67%	55%
CAD	10%	21%	11%	22%
GBP	11%	10%	12%	11%
EURO	5%	3%	5%	3%
CHF	1%	4%	1%	4%
Others	5%	5%	4%	5%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all of our liabilities and commitments are reflected as part of our statement of financial position.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The relevant standards are listed below.

IFRS 9 Financial Instruments

IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

IFRS 10 Consolidated Financial Statements

The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 11 Joint Arrangements

The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature and extent of the Company's interests in other entities.

IFRS 13 Fair Value Measurement

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 1 Presentation of Financial Statements

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

Amendments to IAS 19 Employee Benefits

The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities

The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

Share Capital

As at October 31, 2012, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Canada Revenue Agency Reassessment and Other Tax Uncertainties

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately $20 million relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA has determined that the subsidiary owes approximately $6 million in federal tax and interest and approximately $5 million in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8 million in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. At this stage, the Company believes the proposed reassessment is without merit and intends to appeal the reassessment. The Company believes that it has adequately provided for the probable outcome in respect of this matter and as such no additional provision has been recorded in the Unaudited Condensed Consolidated Interim Financial Statements during the period. There is no assurance, however, that the Company's appeal will be successful and, if unsuccessful, the Company's future financial results and tax provisions could be adversely affected. The $8 million payment made in September 2012 has been recorded in other non-current assets.

The Company is subject to various other income tax audits by various authorities in respect of prior periods that could result in additional tax expense in future periods. While the outcome of such other outstanding audits and claims remains uncertain, it is expected that they will be resolved without a material impact to the Company's financial position.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2012, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

In accordance with National Instrument 52-109 which requires certification of disclosure in issuers' interim filings, the President and Chief Financial Officer have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The control framework the President and the Chief Financial Officer used to design the Company’s ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the nine-month period ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect the Company’s ICFR. No such changes were identified through their evaluation.