

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

**CONSTELLATION
SOFTWARE INC.**

For the three and six month periods ended June 30, 2013 and 2012

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 32,364	\$ 41,313
Equity security available-for-sale	742	470
Accounts receivable	169,665	126,987
Work in progress	54,138	36,926
Inventories	20,585	18,739
Other assets (note 5)	41,980	29,178
	<u>319,474</u>	<u>253,613</u>
Non-current assets:		
Property and equipment	22,633	21,300
Deferred income taxes	55,424	104,307
Other assets (note 5)	36,038	31,104
Intangible assets (note 6)	550,309	402,355
	<u>664,404</u>	<u>559,066</u>
Total assets	\$ 983,878	\$ 812,679
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	\$ 183,823	\$ 44,356
Accounts payable and accrued liabilities	153,860	147,559
Dividends payable (note 10)	20,552	20,945
Deferred revenue	289,128	224,049
Provisions (note 8)	6,671	6,396
Acquired contract liabilities	2,260	3,535
Acquisition holdback payments	21,450	20,635
Income taxes payable	3,371	5,066
	<u>681,115</u>	<u>472,541</u>
Non-current liabilities:		
Deferred income taxes	17,584	29,283
Acquired contract liabilities	17,584	26,073
Acquisition holdback payments	5,674	5,973
Other liabilities (note 5)	20,310	20,005
	<u>61,152</u>	<u>81,334</u>
Total liabilities	742,267	553,875
Shareholders' equity (note 10):		
Capital stock	99,283	99,283
Accumulated other comprehensive income	(1,619)	1,621
Retained earnings	143,947	157,900
	<u>241,611</u>	<u>258,804</u>
Subsequent events (notes 10 and 18)		
Total liabilities and shareholders' equity	\$ 983,878	\$ 812,679

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue (note 11)	\$ 298,189	\$ 208,969	\$ 554,620	\$ 404,247
Expenses				
Staff	158,243	113,689	306,347	219,320
Hardware	16,246	10,705	32,257	22,932
Third party license, maintenance and professional services	25,829	14,715	44,269	28,961
Occupancy	6,694	5,039	13,274	9,664
Travel	11,125	7,766	20,631	16,012
Telecommunications	3,334	2,553	6,427	5,050
Supplies	4,975	3,866	9,623	7,298
Professional fees	3,760	2,222	7,221	4,067
Other, net	6,279	4,712	10,269	7,974
Depreciation	2,422	1,803	4,634	3,521
Amortization of intangible assets	29,800	20,269	56,261	39,544
	268,707	187,339	511,213	364,343
Foreign exchange loss (gain)	361	(217)	2,136	(9)
Equity in net (income) loss of equity investees	(13)	209	(357)	1,091
Finance income (note 12)	(10)	(394)	(500)	(1,463)
Finance costs (note 12)	2,151	774	3,267	1,792
	2,489	372	4,546	1,411
Profit before income taxes	26,993	21,258	38,861	38,493
Current income tax expense	6,687	5,366	11,667	10,169
Deferred income tax expense (recovery)	1,074	(1,700)	(1,237)	(3,192)
Income tax expense (note 9)	7,761	3,666	10,430	6,977
Net income	19,232	17,592	28,431	31,516
Earnings per share				
Basic and diluted (note 13)	\$ 0.91	\$ 0.83	\$ 1.34	\$ 1.49

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net income	\$ 19,232	\$ 17,592	\$ 28,431	\$ 31,516
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of available-for-sale financial asset during the period	161	1,066	272	4,914
Net unrealized foreign exchange gain (loss) on available-for-sale financial asset during the period	-	(148)	-	(27)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(31)	-	(1,063)
Foreign currency translation differences from foreign operations	(822)	(1,943)	(3,433)	(802)
Current income tax recovery (expense)	(27)	70	(79)	(8)
Deferred income tax recovery (expense)	-	18	-	(313)
Other comprehensive (loss) income for the period, net of income tax	(688)	(968)	(3,240)	2,701
Total comprehensive income for the period	\$ 18,544	\$ 16,624	\$ 25,191	\$ 34,217

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of U.S. dollars)

(Unaudited)

Six months ended June 30, 2013

	Capital stock	Accumulated other comprehensive income/(loss)	Cumulative translation account	Amounts related to gains/losses on available- for-sale financial assets	Total accumulated other comprehensive income/(loss)	Retained earnings	Total
Balance at January 1, 2013	\$ 99,283	\$ 1,450			\$ 1,621	\$ 157,900	\$ 258,804
<i>Total comprehensive income for the period</i>							
Net income	-	-	-	-	-	28,431	28,431
<i>Other comprehensive income (loss)</i>							
Net change in fair value of available-for-sale financial asset during the period	-	-	272		272	-	272
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial asset during the period	-	-	-		-	-	-
Amounts reclassified to profit during the period related to realized gains on available-for-sale investment	-	-	-		-	-	-
Foreign currency translation differences from from foreign operations	-	(3,433)	-		(3,433)	-	(3,433)
Current tax recovery	-	(79)	-		(79)	-	(79)
Deferred tax recovery	-	-	-		-	-	-
Total other comprehensive income (loss) for the period	-	(3,512)	272		(3,240)	-	(3,240)
Total comprehensive income (loss) for the period	-	(3,512)	272		(3,240)	28,431	25,191
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 10)	-	-	-		-	(42,384)	(42,384)
Balance at June 30, 2013	\$ 99,283	\$ (2,062)	\$ 443		\$ (1,619)	\$ 143,947	\$ 241,611

See accompanying notes to the condensed consolidated interim financial statements

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of U.S. dollars)

(Unaudited)

Six months ended June 30, 2012

	Capital stock	Accumulated other comprehensive income/(loss)	Total accumulated other comprehensive income/(loss)	Retained earnings	Total	
		Cumulative translation account	Amounts related to gains/losses on available- for-sale financial assets			
Balance at January 1, 2012	\$ 99,283	\$ 182	\$ 6,779	\$ 6,961	\$ 150,036	\$ 256,280
<i>Total comprehensive income for the period</i>						
Net income	-	-	-	-	31,516	31,516
<i>Other comprehensive income (loss)</i>						
Net change in fair value of available-for-sale financial assets during the period	-	-	4,914	4,914	-	4,914
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	-	-	(27)	(27)	-	(27)
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	-	-	(1,063)	(1,063)	-	(1,063)
Foreign currency translation differences from foreign operations	-	(802)	-	(802)	-	(802)
Current tax expense	-	(8)	-	(8)	-	(8)
Deferred tax expense	-	125	(438)	(313)	-	(313)
Total other comprehensive income for the period	-	(685)	3,386	2,701	-	2,701
Total comprehensive income for the period	-	(685)	3,386	2,701	31,516	34,217
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company (note 10)	-	-	-	-	(42,384)	(42,384)
Balance at June 30, 2012	\$ 99,283	\$ (503)	\$ 10,165	\$ 9,662	\$ 139,168	\$ 248,113

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Cash flows from operating activities:				
Net income	\$ 19,232	\$ 17,592	\$ 28,431	\$ 31,516
Adjustments for:				
Depreciation	2,422	1,803	4,634	3,521
Amortization of intangible assets	29,800	20,269	56,261	39,544
Equity in net (income) loss of equity investees	(13)	209	(357)	1,091
Finance income	(10)	(394)	(500)	(1,463)
Finance costs	2,151	774	3,267	1,792
Income tax expense	7,761	3,666	10,430	6,977
Foreign exchange loss (gain)	361	(217)	2,136	(9)
Change in non-cash operating working capital exclusive of effects of business combinations (note 17)	(34,125)	(9,495)	(38,249)	(33,839)
Income taxes paid	(9,607)	(8,013)	(14,169)	(10,715)
Net cash flows from operating activities	17,972	26,194	51,884	38,415
Cash flows from (used in) financing activities:				
Interest paid	(776)	(501)	(1,281)	(837)
Decrease in other non current liabilities	144	322	121	122
Increase in bank indebtedness, net	76,251	16,342	139,251	29,342
Credit facility transaction costs	-	(46)	-	(1,886)
Dividends paid	(21,192)	(21,192)	(42,384)	(21,192)
Net cash flows from (used in) in financing activities	54,427	(5,075)	95,707	5,549
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(75,158)	(42,830)	(145,051)	(50,637)
Post-acquisition settlement payments, net of receipts	(5,464)	(4,132)	(10,685)	(4,633)
Purchases of available-for-sale financial assets	-	(80)	-	(80)
Proceeds from sale of available-for-sale equity securities	-	55	-	1,863
Proceeds from sale of intangible assets	-	101	-	101
Interest received	-	41	-	79
Proceeds from sale of assets	121	-	5,544	-
Property and equipment purchased	(3,186)	(1,251)	(5,297)	(2,541)
Net cash flows used in investing activities	(83,687)	(48,096)	(155,489)	(55,848)
Effect of foreign currency on cash and cash equivalents	(661)	(165)	(1,051)	63
Decrease in cash and cash equivalents	(11,949)	(27,142)	(8,949)	(11,821)
Cash, beginning of period	44,313	48,813	41,313	33,492
Cash, end of period	\$ 32,364	\$ 21,671	\$ 32,364	\$ 21,671

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

Notes to the condensed consolidated interim financial statements

- | | |
|---|---|
| 1. Reporting entity | 10. Capital and other components of equity |
| 2. Basis of presentation | 11. Revenue |
| 3. Significant accounting policies | 12. Finance income and finance costs |
| 4. Business acquisitions | 13. Earnings per share |
| 5. Other assets and non-current liabilities | 14. Financial instruments |
| 6. Intangible assets | 15. Operating segments |
| 7. Bank indebtedness | 16. Contingencies |
| 8. Provisions | 17. Changes in non-cash operating working capital |
| 9. Income taxes | 18. Subsequent events |

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

1. Reporting entity

Constellation Software Inc. ("Constellation") is a company domiciled in Canada. The address of Constellation's registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The condensed consolidated interim financial statements of Constellation as at and for the period ended June 30, 2013 comprise Constellation and its subsidiaries (together referred to as the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software relating to the markets listed below, and in the provision of related professional services and support.

Public Sector:

Public transit operators	Asset management	Municipal systems
Para transit operators	Fleet and facility management	School administration
School transportation	District attorney	Public safety
Non-emergency medical	Taxi dispatch	Healthcare
Ride share	Benefits administration	Public housing authorities
Local government	Insurance	Housing finance agencies
Agri-business	Collections management	Municipal treasury & debt systems
Rental	Electric utilities	Real estate brokers and agents
Marine asset management	Water utilities	Court

Private Sector:

Private clubs & daily fee golf courses	Lease management	Window manufacturers
Construction	Winery management	Cabinet manufacturers
Food services	Buy here pay here dealers	Made-to-order manufacturers
Health clubs	RV and marine dealers	Window and other dealers
Moving and storage	Pulp & paper manufacturers	Multi-carrier shipping
Metal service centers	Real estate brokers and agents	Supply chain optimization
Attractions	Outdoor equipment dealers	Multi-channel distribution
Leisure centers	Pharmaceutical and biotech manufacturers	Wholesale distribution
Education	Healthcare electronic medical records	Third party logistics warehouse management systems
Radiology & laboratory information systems	Homebuilders	Retail management and distribution
Product licensing	Event management	

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)
Three and six months ended June 30, 2013 and 2012
(Unaudited)

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 2012 annual consolidated financial standards.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (IFRS), issued and outstanding as of July 31, 2013, the date the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2013 could result in a restatement of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2012 annual consolidated financial statements.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, 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 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 2012 annual consolidated 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.

3. Significant accounting policies

Except as disclosed below, the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company's 2012 annual consolidated financial statements, and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)
Three and six months ended June 30, 2013 and 2012
(Unaudited)

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

(a) New standards and interpretations adopted

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27 (2008) survives as IAS 27 (2011) Separate Financial Statements, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Company adopted IFRS 10 for the annual period beginning on January 1, 2013. IFRS 10 did not have a material impact on the condensed consolidated interim financial statements.

IFRS 11 Joint Arrangements

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

The Company adopted IFRS 11 for the annual period beginning on January 1, 2013. IFRS 11 did not have a material impact on the condensed consolidated interim financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company adopted IFRS 12 for the annual period beginning on January 1, 2013. The amendments did not have a material impact on the condensed consolidated interim financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other.

The Company adopted IFRS 13 prospectively in its interim and annual financial statements beginning on January 1, 2013. IFRS 13 did not have a material impact on the condensed consolidated interim financial statements other than the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only.

Amendments to IAS 28 Investments in Associates and Joint Ventures

IAS 28 (2011) carries forward the requirements of IAS 28 (2008), with the following limited amendments:

Associates and joint ventures held for sale. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

The Company adopted the amendments in its financial statements for the annual period beginning on January 1, 2013. The amendments to IAS 28 did not have a material impact on the condensed consolidated interim financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendments require that an entity present separately the items of Other Comprehensive Income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

The Company adopted the amendments in its interim and annual 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 new standard did not have a material impact on the condensed consolidated interim financial statements.

Amendments to IAS 19 Employee Benefits

The amendments require the following:

- Recognition of actuarial gains and losses immediately in other comprehensive income
- Full recognition of past service costs immediately in profit or loss
- Recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation
- Additional disclosures that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits.

The Company adopted the amendments in its financial statements for the annual period beginning on January 1, 2013. The amendments to IAS 19 did not have a material impact on the condensed consolidated interim financial statements.

Amendments to IFRS 7, Offsetting Financial Assets and Liabilities

IFRS 7 has been amended to include additional disclosure requirements for financial assets and liabilities that can be offset in the statement of financial position.

The Company adopted the amendments to IFRS 7 in its interim and annual financial statements beginning on January 1, 2013. The adoption did not have an impact on the condensed consolidated interim financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are not yet effective for the year ending December 31, 2013 and have not been applied in preparing these condensed consolidated interim financial statements. The relevant standards are listed below:

IFRS 9 Financial Instruments

IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

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.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

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.

Amendments to IAS 32, Offsetting Financial Assets and Liabilities

IAS 32 has been amended to include additional presentation requirements for financial assets and liabilities that can be offset in the statement of financial position.

The Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company does not expect the amendments to have a material impact on its financial statements.

4. Business acquisitions

(a) On May 31, 2013, the Company acquired 100% of the shares of QuadraMed Corporation (“QuadraMed”) for aggregate cash consideration of \$76,731 plus cash holdbacks of \$8,250. The cash holdback is payable over one year and will be adjusted, as necessary, for claims under the representations and warranties of the purchase and sale agreement.

QuadraMed operates in the healthcare market and is a software business similar to existing businesses operated by the Company. The acquisition has been accounted for using the acquisition method with the results of operations included in these condensed consolidated interim financial statements from the date of the acquisition. QuadraMed has been included in the Public reportable segment.

The goodwill recognized in connection with this acquisition is primarily attributable to the application of Constellation’s best practices to improve the operations of QuadraMed, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition including assembled workforce. The goodwill is not deductible for income tax purposes.

The gross contractual amounts of acquired receivables was \$26,818; however the Company has recorded an allowance of \$881 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 the acquisition, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisition. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities.

The impact of acquisition accounting applied in connection with the acquisition of QuadraMed is as follows:

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

Assets acquired:	
Cash	\$ 7,165
Accounts receivable	25,937
Other current assets	18,714
Property and equipment	1,959
Other non-current assets	1,954
Technology assets	39,944
Customer assets	33,848
Backlog	7,867
	<hr/>
	137,388
Liabilities assumed:	
Current liabilities	16,768
Deferred revenue	44,985
Deferred income taxes	30,761
	<hr/>
	92,514
Goodwill	40,107
Total consideration	\$ 84,981

(b) During the six month period ended June 30, 2013, the Company closed thirteen additional acquisitions for aggregate cash consideration of \$83,088 plus cash holdbacks of \$5,466 and contingent consideration with an estimated fair value of \$2,193 resulting in total consideration of \$90,747. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition period. The obligation for contingent consideration for acquisitions during the period ended June 30, 2013 has been recorded at its estimated fair value, which has been determined to be \$2,193 at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the weighted probability of the expected contingent consideration to be paid and inclusion of a discount rate as appropriate. As part of these arrangements, which included both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed a maximum of \$5,137. Aggregate contingent consideration of \$16,014 (December 31, 2012 - \$15,209) has been reported in the 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 expenses, net in the statements of income. A recovery of \$9 and \$32 has been recorded for the three and six months ended June 30, 2013 as a result of such changes (recovery and charge of \$22 and \$121 for the three and six months ended June 30, 2012, respectively).

Of the thirteen acquisitions, the Company acquired 100% of the shares of ten businesses and acquired the net assets of the other three businesses. The cash holdbacks are payable over periods ranging from six months to two years and are adjusted, as necessary, for such items as working capital or net tangible asset assessments and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the period include software companies catering to the following markets; health clubs, healthcare, event management, metal service centres, local government, window manufacturers, transit, school

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

administration, insurance, and radiology & laboratory information systems markets, 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 condensed consolidated interim financial statements from the date of each acquisition. Six of the acquisitions have been included in the Private reportable segment and seven have been included in the Public reportable segment.

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 intangibles that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of \$2,655 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was \$18,974; however the Company has recorded an allowance of \$1,270 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

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 2013. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. In addition, during the three month period ended June 30, 2013, the Company reduced the estimated cash flows expected to be collected in respect of an acquired receivable by \$2,300 related to an acquisition that closed in the first quarter of fiscal 2013. The Company is investigating various avenues of recourse related to the recovery of the acquired receivable, however, the reduction in its estimated fair value has been adjusted as part of acquisition accounting.

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the period is as follows:

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	\$ 1,225	\$ 6,378	\$ 7,603
Accounts receivable	4,362	13,342	17,704
Other current assets	5,597	1,740	7,337
Property and equipment	609	1,001	1,610
Other non-current assets	-	205	205
Deferred income taxes	-	56	56
Technology assets	8,270	44,015	52,285
Customer assets	3,179	24,226	27,405
Backlog	45	906	951
	23,287	91,869	115,156
Liabilities assumed:			
Current liabilities	3,663	8,945	12,608
Deferred revenue (i)	4,124	7,181	11,305
Deferred income taxes	-	7,029	7,029
Other non-current liabilities	300	17	317
	8,087	23,172	31,259
Goodwill	120	6,730	6,850
Total consideration	\$ 15,320	\$ 75,427	\$ 90,747

(i) Includes acquired contract liabilities of \$561.

(c) The 2013 business acquisitions contributed revenue of \$44,089 and net loss of \$4,713 during the six month period ended June 30, 2013. Revenue and net loss amounts from acquisitions included in the Public sector were \$16,801 and \$1,541, respectively. Revenue and net loss amounts from acquisitions included in the Private sector were \$27,288 and \$3,172, respectively. If these acquisitions had occurred on January 1, 2013, management estimates that consolidated revenue would have been \$619,493 and consolidated net income for the six-month period ended June 30, 2013 would have been \$23,680 as compared to the amounts reported in the statement of comprehensive income for the same period. In determining these amounts, management has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisitions had occurred on January 1, 2013. The net income from acquisitions includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2013.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

5. Other assets and non-current liabilities

(a) Other assets

	June 30, 2013	December 31, 2012
Prepaid assets	\$ 27,939	\$ 19,961
Investment tax credits recoverable	4,256	3,726
Acquired contract assets	823	1,586
Sales tax receivable	1,905	414
Other receivables	7,057	3,491
Total current	\$ 41,980	\$ 29,178
Investment tax credits recoverable	\$ 9,681	\$ 8,316
Non-current trade and other receivables	11,522	9,013
Equity accounted investees (i)	13,813	13,456
Acquired contract assets	1,022	319
Total non-current	\$ 36,038	\$ 31,104

(i) The Company's share of net income in its investments currently being accounted for as equity investees for the three and six month periods ended June 30, 2013 was \$13 and \$357 respectively (2012 – losses of \$209 and \$1,091, respectively).

(b) Other non-current liabilities

	June 30, 2013	December 31, 2012
Contingent consideration	\$ 13,085	\$ 12,175
Other non-current liabilities	7,225	7,830
Total non-current liabilities	\$ 20,310	\$ 20,005

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

6. Intangible assets

	Technology Assets	Customer Assets	Backlog	Non- competes agreements	Goodwill	Total
Cost						
Balance at January 1, 2013	\$ 508,049	\$ 183,087	\$ 14,798	\$ 2,726	\$ 91,225	\$ 799,885
Acquisitions through business combinations	91,286	62,861	9,023	-	48,101	211,271
Effect of movements in foreign exchange	(7,252)	(2,853)	(110)	(33)	(857)	(11,105)
Balance at June 30, 2013	\$ 592,083	\$ 243,095	\$ 23,711	\$ 2,693	\$ 138,469	\$ 1,000,051
Accumulated amortization and impairment losses						
Balance at January 1, 2013	\$ 286,519	\$ 94,770	\$ 13,598	\$ 2,643	\$ -	\$ 397,530
Amortization for the year	39,186	15,526	1,466	83	-	56,261
Effect of movements in foreign exchange	(2,995)	(940)	(81)	(33)	-	(4,049)
Balance at June 30, 2013	\$ 322,710	\$ 109,356	\$ 14,983	\$ 2,693	\$ -	\$ 449,742
Carrying amounts						
At January 1, 2013	\$ 221,530	\$ 88,317	\$ 1,200	\$ 83	\$ 91,225	\$ 402,355
At June 30, 2013	\$ 269,373	\$ 133,739	\$ 8,728	\$ -	\$ 138,469	\$ 550,309

7. Bank indebtedness

On March 13, 2012, Constellation entered into a credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of \$300,000 (December 31, 2012 - \$300,000). The revolving line-of-credit bears a variable interest rate and is due in full on February 29, 2016 with no fixed repayments required over the term to maturity. Interest rates are calculated at prime or LIBOR plus interest rate spreads based on a leverage table that considers Constellation's indebtedness at that time. The line-of-credit is secured by a general security agreement covering the majority of Constellation's and its subsidiaries' present and future real and personal property, assets and undertaking, including all shares, partnership interests and other equity interests held in the capital of any other company; and is subject to various debt covenants. As at June 30, 2013, \$185,208 (December 31, 2012 - \$46,000) had been drawn from this credit facility, and letters of credit totaling \$4,194 (December 31, 2012 - \$280) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the line-of-credit were included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. Amortized costs recognized in the three and six periods ended June 30, 2013 relating to this line-of-credit amounted to \$129 and \$258 respectively (June 30, 2012 - \$41 and \$79 respectively). As at June 30, 2013, the carrying amount of such costs totaling \$1,385 (December 31, 2012 - \$1,644) has been classified as part of bank indebtedness in the statement of financial position.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars, except per share amounts and as otherwise indicated)
Three and six months ended June 30, 2013 and 2012
(Unaudited)

8. Provisions

At January 1, 2013	\$	6,396
Reversal		(320)
Provisions recorded during the period		1,227
Provisions used during the period		(526)
Effect of movements in foreign exchange		(106)
At June 30, 2013	\$	6,671

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

9. Income taxes

Income tax expense is recognized 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 six months ended June 30, 2013 was 29% and 27% respectively (three and six months ended June 30, 2012 was 17% and 18%).

10. Capital and other components of equity

	Common Shares	
	Number	Amount
December 31, 2012	21,191,530	\$ 99,283
June 30, 2013	21,191,530	\$ 99,283

Dividends

During the six months ended June 30, 2013 the Board of Directors approved and the Company declared dividends of \$2.00 per common share. The Q2 2013 dividend of \$1.00 per share representing \$21,192 was paid and settled on July 3, 2013.

A dividend of \$1.00 per share representing \$21,192 was accrued as at December 31, 2012 and subsequently paid and settled on January 4, 2013.

11. Revenue

The Company sub-classifies revenue within the following components: license revenue, professional services revenue, hardware and other revenue, and maintenance and other recurring revenue. Software license revenue is

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

comprised of license fees charged for the use of software products licensed under multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable. Professional service revenue consists of fees charged for implementation services, custom programming, product training and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction-based fees, managed services, and hosted products.

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
License revenue	\$ 24,057	\$ 15,994	\$ 44,725	\$ 30,934
Professional services revenue	66,951	45,935	122,050	88,062
Hardware and other revenue	29,477	22,351	55,285	47,706
Maintenance and other recurring revenue	177,704	124,689	332,560	237,545
Total	\$ 298,189	\$ 208,969	\$ 554,620	\$ 404,247

Revenues from the application of contract accounting are typically allocated to license revenue, professional service revenue and hardware revenue based on their relative fair values when the amount recognized in the period is determined using the percentage of completion method under contract accounting.

Advances from customers for which the related services have not yet started or performance obligations are not yet completed and billings in excess of costs incurred and recognized profits are recognized and presented as deferred revenue.

12. Finance income and finance costs

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	\$ -	\$ (31)	\$ -	\$ (1,063)
Gain on sale of non-current assets	-	(321)	(369)	(321)
Other finance income	(10)	(42)	(131)	(79)
Finance income	\$ (10)	\$ (394)	\$ (500)	\$ (1,463)
Interest expense on bank indebtedness	\$ 881	\$ 489	\$ 1,466	\$ 706
Amortization of debt related transaction costs	129	41	258	723
Other finance costs	1,141	244	1,543	363
Finance costs	\$ 2,151	\$ 774	\$ 3,267	\$ 1,792

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 \$20,637 and has recorded its fair value at June 30, 2013 based on foreign exchange

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

rates relative to the stated rate in the contract. The fair value loss of \$686 has been recorded in finance costs in profit or loss. The contract was settled on July 2, 2013. The Company had one forward contract outstanding as at December 31, 2012 with a value of \$19,000 and the contract was settled on January 3, 2013.

During the period, the Company sold the technology and cloud solution assets of the previously acquired Computer Software Innovations, Inc. ("CSWI") to Encore Technology Group for total proceeds of \$4,100 (which includes a hold-back receivable of \$500). No significant gain or loss arose on the transaction.

13. Earnings per share

Basic and diluted earnings per share

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Numerator:				
Net income	\$ 19,232	\$ 17,592	\$ 28,431	\$ 31,516
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings per share				
Basic and diluted	\$ 0.91	\$ 0.83	\$ 1.34	\$ 1.49

14. Financial instruments

Fair values versus carrying amounts

The carrying values of accounts receivable, accounts payable, accrued liabilities, the majority of acquisition holdbacks and bank debt, approximate their fair values due to the short-term nature of these instruments. Bank debt is subject to market interest rates.

The Company has capitalized transaction costs associated with its current line of credit. As a result at June 30, 2013, the fair value of the line of credit is \$185,208 and the carrying value \$183,823. (December 31, 2012: fair value \$46,000, carrying value \$44,356).

The fair values of available-for-sale financial assets, being equity investments, at the reporting date are determined by the quoted market values for each investment.

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).

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

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. The Company has no financial assets or liabilities measured using level 2 inputs.

Financial assets and financial liabilities measured at fair value as at June 30, 2013 and December 31, 2012 in the 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.

	June 30, 2013			December 31, 2012		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Assets:						
Equity securities	\$ 742	\$ -	\$ 742	\$ 470	\$ -	\$ 470
	\$ 742	\$ -	\$ 742	\$ 470	\$ -	\$ 470
Liabilities:						
Contingent consideration	\$ -	\$ 16,014	\$ 16,014	\$ -	\$ 15,209	\$ 15,209
Foreign exchange forward contract	\$ 686	\$ -	\$ 686	\$ 233	\$ -	\$ 233
	\$ 686	\$ 16,014	\$ 16,700	\$ 233	\$ 15,209	\$ 15,442

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

Balance at January 1, 2013	15,209
Increase from business acquisitions	2,348
Cash payments	(1,676)
Charges through the income statement	278
Other	-
Foreign exchange	(145)
Balance at June 30, 2013	16,014

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

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

15. Operating segments

Segment information is presented in respect of the Company's business and geographical segments. The accounting policies of the segments are the same as those described in the significant accounting policies section of these condensed consolidated interim financial statements.

Reportable segments

The Company has six operating segments, which have been aggregated into two reportable segments in accordance with IFRS 8 Operating Segments. The Company's Public Sector segment develops and distributes software solutions primarily to government and government-related customers. The Company's Private Sector segment develops and distributes software solutions primarily to commercial customers.

The determination that the Company has two reportable segments is based primarily on the assessment that differences in economic cycles and procedures for securing contracts between our governmental clients and commercial, or private sector clients, are significant, thus warranting distinct segmented disclosures.

Corporate head office operating expenses are allocated to the Company's segments based on the segment's percentage of total consolidated revenue for the allocation period.

Intercompany expenses (income) represent Constellation head office management fees and intercompany interest charged on related borrowings to the reportable segments.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

Three months ended June 30, 2013	Public Sector	Private Sector	Other	Consolidated Total
Revenue	\$ 201,399	\$ 96,790	\$ -	\$ 298,189
Expenses				
Staff	105,886	52,357	-	158,243
Hardware	13,905	2,341	-	16,246
Third party licenses, maintenance and professional services	12,748	13,081	-	25,829
Occupancy	4,651	2,043	-	6,694
Travel	8,927	2,198	-	11,125
Telecommunications	2,126	1,208	-	3,334
Supplies	3,906	1,069	-	4,975
Professional fees	2,679	1,081	-	3,760
Other, net	3,864	2,415	-	6,279
Depreciation	1,680	733	9	2,422
Amortization of intangible assets	18,332	11,468	-	29,800
	178,704	89,994	9	268,707
Foreign exchange (gain) loss	(282)	300	343	361
Equity in net (income) loss of equity investees	-	-	(13)	(13)
Finance income	12	(26)	4	(10)
Finance costs	290	166	1,695	2,151
Inter-company expenses (income)	4,109	3,471	(7,580)	-
	4,129	3,911	(5,551)	2,489
Profit (loss) before income tax	18,566	2,885	5,542	26,993
Current income tax expense (recovery)	5,215	2,431	(959)	6,687
Deferred income tax expense (recovery)	1,433	(359)	-	1,074
Income tax expense (recovery)	6,648	2,072	(959)	7,761
Net income (loss)	11,918	813	6,501	19,232

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

Six months ended June 30, 2013	Public Sector	Private Sector	Other	Consolidated Total
Revenue	\$ 377,529	\$ 177,091	\$ -	\$ 554,620
Expenses				
Staff	206,726	99,621	-	306,347
Hardware	27,856	4,401	-	32,257
Third party licenses, maintenance and professional services	23,880	20,389	-	44,269
Occupancy	9,271	4,003	-	13,274
Travel	16,325	4,306	-	20,631
Telecommunications	4,205	2,222	-	6,427
Supplies	7,559	2,064	-	9,623
Professional fees	5,311	1,910	-	7,221
Other, net	5,715	4,554	-	10,269
Depreciation	3,249	1,367	18	4,634
Amortization of intangible assets	35,400	20,861	-	56,261
	345,497	165,698	18	511,213
Foreign exchange (gain) loss	(1,262)	1,016	2,382	2,136
Equity in net (income) loss of equity investees	-	-	(357)	(357)
Finance income	(26)	(429)	(45)	(500)
Finance costs	489	368	2,410	3,267
Inter-company expenses (income)	8,658	5,900	(14,558)	-
	7,859	6,855	(10,168)	4,546
Profit (loss) before income tax	24,173	4,538	10,150	38,861
Current income tax expense (recovery)	8,132	5,308	(1,773)	11,667
Deferred income tax expense (recovery)	357	(1,594)	-	(1,237)
Income tax expense (recovery)	8,489	3,714	(1,773)	10,430
Net income (loss)	15,684	824	11,923	28,431

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

Three months ended June 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	\$ 147,722	\$ 61,247	\$ -	\$ 208,969
Expenses				
Staff	79,118	34,571	-	113,689
Hardware	8,478	2,227	-	10,705
Third party licenses, maintenance and professional services	9,728	4,987	-	14,715
Occupancy	3,539	1,500	-	5,039
Travel	6,029	1,737	-	7,766
Telecommunications	1,590	963	-	2,553
Supplies	2,837	1,029	-	3,866
Professional fees	1,608	614	-	2,222
Other, net	3,102	1,610	-	4,712
Depreciation	1,254	452	97	1,803
Amortization of intangible assets	14,050	6,219	-	20,269
	131,333	55,909	97	187,339
Foreign exchange (gain) loss	(128)	(55)	(34)	(217)
Equity in net (income) loss of equity investees	-	-	209	209
Finance income	(338)	(22)	(34)	(394)
Finance costs	39	164	571	774
Inter-company expenses (income)	5,488	1,912	(7,400)	-
	5,061	1,999	(6,688)	372
Profit (loss) before income tax	11,328	3,339	6,591	21,258
Current income tax expense (recovery)	4,556	1,470	(660)	5,366
Deferred income tax expense (recovery)	(1,061)	(906)	267	(1,700)
Income tax expense (recovery)	3,495	564	(393)	3,666
Net income (loss)	7,833	2,775	6,984	17,592

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

Six months ended June 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	\$ 285,954	\$ 118,293	\$ -	\$ 404,247
Expenses				
Staff	152,692	66,628	-	219,320
Hardware	19,015	3,917	-	22,932
Third party licenses, maintenance and professional services	19,047	9,914	-	28,961
Occupancy	6,732	2,932	-	9,664
Travel	12,436	3,576	-	16,012
Telecommunications	3,217	1,833	-	5,050
Supplies	5,492	1,806	-	7,298
Professional fees	2,770	1,297	-	4,067
Other, net	4,892	3,082	-	7,974
Depreciation	2,465	865	191	3,521
Amortization of intangible assets	27,640	11,904	-	39,544
	256,398	107,754	191	364,343
Foreign exchange (gain) loss	694	451	(1,154)	(9)
Equity in net (income) loss of equity investees	-	-	1,091	1,091
Finance income	(353)	(41)	(1,069)	(1,463)
Finance costs	82	240	1,470	1,792
Inter-company expenses (income)	10,770	4,094	(14,864)	-
	11,193	4,744	(14,526)	1,411
Profit (loss) before income tax	18,363	5,795	14,335	38,493
Current income tax expense (recovery)	8,199	3,263	(1,293)	10,169
Deferred income tax expense (recovery)	(1,732)	(2,025)	565	(3,192)
Income tax expense (recovery)	6,467	1,238	(728)	6,977
Net income (loss)	11,896	4,557	15,063	31,516

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, 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.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

On September 30, 2008, Constellation acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES"). As part of the acquisition, the Company also acquired certain long-term contracts that contain contingent liabilities which may, but are unlikely to, exceed \$16,000 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 alleged that the subsidiary of Constellation and Maximus failed to provide the services and products required to be delivered under the contract. The subsidiary of the Company, Maximus, and the customer, pursuant to the terms of the contract, entered into arbitration proceedings in respect of the customer's claims. The potential liability was undefined with respect to the claims in arbitration, however, the contract with the customer has a \$9,000 limitation of liability clause that the Company believes will apply to all of the claims. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation and was seeking restitution of a minimum of \$12,000. In December 2012, the subsidiary of Constellation obtained an arbitration ruling in relation to the customer dispute. The arbitration ruling concluded that no amounts were owed by the subsidiary to the customer for the various claims made by the customer and that the customer owes the subsidiary approximately \$10,000 in fees for services provided under the contract and for amounts owing due to a breach of contract by the customer. Constellation sought to obtain a court judgement to enforce the arbitration ruling. The court issued a judgment dated July 18, 2013, reducing the award to the subsidiary from approximately \$10,000 to approximately \$6,000. The gains based on this ruling have been deemed to be contingent in nature and, accordingly, have not been recognized in the condensed consolidated interim financial statements.

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 \$20,000 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 \$6,000 in federal tax and interest and approximately \$5,000 in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid \$8,000 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 is challenging the reassessment. During the period, the Company filed an appeal with the Tax Court of Canada. 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 these 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 expense could be adversely affected. The \$8,000 payment made in September 2012 has been recorded in other non-current assets, representative of the deposit on account.

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2013 and 2012

(Unaudited)

17. Changes in non-cash operating working capital

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
(Increase) decrease in accounts receivable	\$ (14,009)	\$ 2,215	\$ (8,704)	\$ 2,988
(Increase) in work in progress	(763)	(548)	(2,616)	(3,283)
(Increase) decrease in other current assets	102	949	(6,992)	(1,132)
Decrease (increase) in inventory	163	(133)	(14)	(868)
(Increase) decrease in non-current assets	(1,649)	(604)	(3,344)	463
Change in acquired contract assets and liabilities	(7,567)	(2,185)	(9,436)	(4,743)
(Decrease) in other non-current liabilities	(1,319)	(3,948)	(1,203)	(4,777)
Increase (decrease) increase in accounts payable and accrued liabilities				
excluding holdbacks from acquisitions	6,162	9,582	(19,222)	(28,364)
(Decrease) increase in deferred revenue	(15,498)	(14,839)	13,117	6,651
Increase (decrease) in provisions	253	16	165	(774)
	\$ (34,125)	\$ (9,495)	\$ (38,249)	\$ (33,839)

18. Subsequent events

Subsequent to June 30, 2013, the Company acquired 100% of the shares of one entity and acquired the net assets of another entity for aggregate cash consideration of \$710 on closing plus cash holdbacks of \$290 and contingent consideration with an estimate fair value of \$68 resulting in total consideration of \$1,068. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition period. The business acquisitions include companies catering to the Agri-business and Public safety markets, and are all software companies similar to the existing business of the Company. Both of the businesses will be included in the Company's Public Sector segment. Due to the timing of these acquisitions completed subsequent to June 30, 2013, the Company is unable to provide additional disclosure as the accounting for these business combinations is incomplete.

On July 31, 2013 the Company declared a \$1.00 per share dividend that is payable on October 3, 2013 to all common shareholders of record at close of business on September 17, 2013.