Constellation Software Inc.

INTERIM FINANCIAL REPORT

Second Quarter Fiscal Year 2021

For the three and six month periods ended
June 30, 2021
(UNAUDITED)

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 six month periods ended June 30, 2021, 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. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

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 as of the date of this MD&A, August 5, 2021. 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 Free cash flow available to shareholders.

Free cash flow available to shareholders ''FCFA2S'' refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on other facilities, credit facility transaction costs, repayments of lease obligations, the IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and, accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See ‘‘Results of Operations —Free cash flow available to shareholders” for a reconciliation of FCFA2S to net cash flows from operating activities.

Corporate Reorganization

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

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

The Company now reflects a non-controlling interest in Topicus of 69.7% as at June 30, 2021. The equity interest of 30.3% that the Company reflects in Topicus principally comprises the ordinary units of Topicus Coop ("Topicus Coop Ordinary Units") that are currently owned by the Joday Group and subject to the terms of the investor rights and governance agreement entered into by CSI, the Joday Group, Ijssel B.V., Topicus and Topicus Coop on January 5, 2021 (the "IRGA").

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 flows 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. 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 rights to certain product updates "when and if available". Professional service revenue consists of fees charged for implementation and integration services, customized programming, product training and consulting. Hardware sales include the resale of third party hardware that forms part of our customer solutions, 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, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs, depreciation, and other general operating expenses.

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

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
Revenue	**1,249**	**922**	**327**	**35%**	**2,425**	**1,875**	**550**	**29%**
Expenses	912	656	255	39%	1,769	1,372	397	29%
Amortization of intangible assets	124	96	28	29%	242	190	52	27%
Foreign exchange (gain) loss	15	10	6	57%	2	4	(1)	-37%
IRGA / TSS membership liability revaluation charge	22	17	5	28%	82	35	47	134%
Finance and other income	(2)	(1)	(1)	61%	(4)	(2)	(2)	142%
Impairment of intangible and other non-financial assets	2	4	(1)	-33%	5	8	(3)	-35%
Redeemable preferred securities expense (income)	32	-	32	NM	295	-	295	NM
Finance costs	17	10	6	61%	32	22	10	46%
Income before income taxes	128	131	(3)	-2%	2	246	(244)	-99%
Income tax expense (recovery)								
Current income tax expense (recovery)	75	70	5	7%	138	115	24	21%
Deferred income tax expense (recovery)	(25)	(22)	(2)	11%	(39)	(34)	(5)	14%
Income tax expense (recovery)	50	48	2	5%	99	80	19	23%
Net income (loss) attributable to:								
Equity holders of CSI	88	83	5	7%	80	166	(86)	-52%
Non-controlling interests	(11)	-	(11)	NM	(177)	-	(177)	NM
Net income (loss)	**78**	**83**	**(5)**	**-6%**	**(97)**	**166**	**(263)**	**NM**
Net cash flows from operating activities	**171**	**237**	**(66)**	**-28%**	**667**	**597**	**69**	**12%**
Free cash flow available to shareholders	**145**	**190**	**(46)**	**-24%**	**413**	**501**	**(88)**	**-18%**
Weighted average number of shares outstanding								
Basic and diluted	21.2	21.2			21.2	21.2		
Net income (loss) per share								
Basic and diluted	$ 4.16	$ 3.90	$ 0.26	7%	$ 3.76	$ 7.81	$ (4.06)	-52%
Net cash flows from operating activities per share								
Basic and diluted	$ 8.07	$ 11.17	$ (3.10)	-28%	$ 31.46	$ 28.18	$ 3.27	12%
Free cash flow available to shareholders per share								
Basic and diluted	$ 6.84	$ 8.99	$ (2.15)	-24%	$ 19.48	$ 23.64	$ (4.15)	-18%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 2.00	$ 2.00	$ -	0%

NM - Not meaningful
Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Comparison of the three and six month periods ended June 30, 2021 and 2020

Revenue:

Total revenue for the quarter ended June 30, 2021 was $1,249 million, an increase of 35%, or $327 million, compared to $922 million for the comparable period in 2020. For the first six months of 2021 total revenues were $2,425 million, an increase of 29%, or $550 million, compared to $1,875 million for the comparable period in 2020. The increase for both the three and six month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 14% and 10% respectively, 8% and 5% respectively after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation.

The following table displays the breakdown of our revenue according to revenue type:

	Three months ended June 30,		Period-Over-Period Change		Q220 Proforma Adj. (Note 1)	Organic Growth	Six months ended June 30,		Period-Over-Period Change		Q220 Proforma Adj. (Note 2)	Organic Growth
	2021	2020	$	%	$	%	2021	2020	$	%	$	%
	($ in millions, except percentages)						($ in millions, except percentages)					
Licenses	71	51	20	40%	10	18%	137	108	29	27%	21	6%
Professional services	254	170	84	50%	47	17%	491	347	144	41%	92	12%
Hardware and other	43	35	8	24%	2	16%	82	77	5	7%	5	1%
Maintenance and other recurring	880	666	214	32%	118	12%	1,714	1,342	372	28%	220	10%
	1,249	922	327	35%	176	14%	2,425	1,875	550	29%	337	10%

$M - Millions of dollars

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended June 30, 2020 from companies acquired after March 31, 2020. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the six months ended June 30, 2020 from companies acquired after December 31, 2019. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q2 2019.

	Quarter Ended								
	Jun. 30 2019	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020	Mar. 31 2021	Jun. 30 2021
Licenses	5%	-14%	-10%	-8%	-30%	-10%	-6%	-4%	18%
Professional services	-7%	-8%	-8%	-8%	-17%	-8%	-4%	6%	17%
Hardware and other	-15%	-2%	-22%	3%	-23%	-7%	-13%	-12%	16%
Maintenance and other recurring	2%	1%	2%	0%	-3%	2%	4%	7%	12%
Revenue	**-1%**	**-2%**	**-3%**	**-2%**	**-8%**	**-1%**	**1%**	**6%**	**14%**

The following table shows the same information adjusting for the impact of foreign exchange movements.

	Quarter Ended								
	Jun. 30 2019	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020	Mar. 31 2021	Jun. 30 2021
Licenses	8%	-12%	-9%	-7%	-28%	-11%	-7%	-8%	12%
Professional services	-4%	-5%	-7%	-6%	-16%	-10%	-6%	1%	10%
Hardware and other	-14%	0%	-21%	4%	-22%	-10%	-15%	-16%	10%
Maintenance and other recurring	4%	3%	3%	2%	-1%	1%	2%	3%	7%
Revenue	**2%**	**0%**	**-2%**	**0%**	**-7%**	**-3%**	**-1%**	**1%**	**8%**

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Expenses								
Staff	665	480	185	39%	1,306	990	316	32%
Hardware	23	22	2	7%	45	45	0.4	1%
Third party license, maintenance and professional services	109	77	32	42%	205	156	49	31%
Occupancy	10	8	1	17%	19	17	2	11%
Travel, Telecommunications, Supplies & Software and equipment	44	31	13	41%	83	82	1	1%
Professional fees	17	13	4	32%	32	26	6	22%
Other, net	14	0	14	NM	19	5	14	266%
Depreciation	30	25	4	18%	59	51	9	17%
	912	656	256	39%	1,769	1,372	397	29%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.
NM - Not meaningful

Overall expenses for the quarter ended June 30, 2021 increased 39%, or $256 million to $912 million, compared to $656 million during the same period in 2020. As a percentage of total revenue, expenses equalled 73% for the quarter ended June 30, 2021 and 71% for the same period in 2020. During the six months ended June 30, 2021, expenses increased 29%, or $397 million to $1,769 million, compared to $1,372 million during the same period in 2020. As a percentage of total revenue, expenses were 73% for both the six months ended June 30, 2021 and 2020. For the three and six months ended June 30, 2021 the change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 5% increase in expenses compared to the comparable periods of 2020.

Staff expense – Staff expenses increased 39% or $185 million for the quarter ended June 30, 2021 and 32% or $316 million for the six months ended June 30, 2021 over the same periods in 2020. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2021	2020	$	%	2021	2020	$	%
	($ in millions, except percentages)				($ in millions, except percentages)			
Professional services	136	102	34	33%	271	212	59	28%
Maintenance	134	96	38	40%	262	197	65	33%
Research and development	180	140	40	29%	354	283	71	25%
Sales and marketing	91	66	25	39%	177	136	41	30%
General and administrative	124	77	47	61%	242	162	80	49%
	665	480	185	39%	1,306	990	316	32%

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the three and six months ended June 30, 2021 was primarily due to the growth in the number of employees compared to the same periods in 2020 primarily due to acquisitions.

Hardware expenses – Hardware expenses increased 7% or $2 million for the quarter ended June 30, 2021 and 1% or $0.4 million for the six months ended June 30, 2021 over the same periods in 2020 as compared with the 24% and 7% increases in hardware and other revenue for the three and six month periods ending June 30, 2021 respectively over the comparable periods in 2020. Hardware margins for the three and six months ended June 30, 2021 were 46% and 45% respectively as compared to 37% and 42% for the comparable periods in 2020.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 42% or $32 million for the quarter ended June 30, 2021 and 31% or $49 million for the six months ended June 30, 2021 over the same periods in 2020. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses – Occupancy expenses increased 17% or $1 million for the quarter ended June 30, 2021 and 11% or $2 million for the six months ended June 30, 2021 over the same periods in 2020. The increase is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses – Travel, Telecommunications, Supplies & Software and equipment expenses increased 41% or $13 million for the quarter ended June 30, 2021 and 1% or $1 million for the six months ended June 30, 2021 over the same periods in 2020. The increase in these expenses relating to acquired businesses for the six month period is partially offset by a decrease in these expenses due to travel restrictions related to COVID-19.

Professional fees – Professional fees increased 32% or $4 million for the quarter ended June 30, 2021 and 22% or $6 million for the six months ended June 30, 2021 over the same periods in 2020. There are no individually material reasons contributing to this variance.

Other, net – Other expenses increased from nil to $14 million for the quarter ended June 30, 2021 and increased 266% or $14 million for the six months ended June 30, 2021 over the same periods in 2020. The following table provides a further breakdown of expenses within this category.

	Three months ended June 30, 2021	Three months ended June 30, 2020	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2021	Six months ended June 30, 2020	Period-Over-Period Change $	Period-Over-Period Change %
	($ in millions, except percentages)				($ in millions, except percentages)			
Advertising and promotion	12	8	4	59%	23	20	2	11%
Recruitment and training	6	2	4	160%	10	6	4	65%
Bad debt expense	1	2	(1)	-50%	0	5	(5)	-92%
R&D tax credits	(7)	(6)	(1)	18%	(13)	(11)	(2)	16%
Contingent consideration	5	8	(3)	-34%	6	(4)	10	NM
Government assistance	(8)	(17)	10	-56%	(15)	(18)	3	-17%
Other expense, net	5	4	1	27%	8	7	1	11%
	14	0	14	NM	19	5	14	266%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The governments of various jurisdictions in which we have operations have approved legislation and taken administrative actions intended to aid businesses that have been adversely impacted by COVID-19, including making grants or credits available to eligible entities to subsidize or offset qualifying expenses, including employee wages, or to lower payroll taxes or required social insurance programs (in certain countries), in each case subject to limits and other specified criteria. During the six months ended June 30, 2021, we determined that we qualify for an estimated aggregate amount of $15 million of grants from various government authorities, including the Canada Emergency Wage Subsidy (CEWS) announced by the Government of Canada in April 2020, and recognized such amounts as a reduction in expenses during Q1 and Q2 2021. We have either submitted, or expect to submit, claims for such grants. As at June 30, 2021, the amount of grants receivable totaled $5 million. We will continue to evaluate all applicable government relief programs but currently do not anticipate applying for any significant governmental assistance in Q3 2021, or thereafter. There can be no assurance that COVID-19-related governmental assistance to offset our costs will be available in Q3 2021 (or thereafter), and if so, whether we will qualify for or receive any such assistance.

The contingent consideration expense amounts recorded for the three and six months ended June 30, 2021 related to an increase in anticipated acquisition earnout payment accruals primarily as a result of increases to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly. There are no individually material reasons contributing to the remaining variances.

Depreciation – Depreciation of property and equipment increased 18% or $4 million for the quarter ended June 30, 2021 and 17% or $9 million for the six months ended June 30, 2021 over the same periods in 2020. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2021	Six months ended June 30, 2020	Period-Over-Period Change $	Period-Over-Period Change %
	($ in millions, except percentages)				($ in millions, except percentages)			
Amortization of intangible assets	124	96	28	29%	242	190	52	27%
Foreign exchange (gain) loss	15	10	6	57%	2	4	(1)	-37%
IRGA / TSS membership liability revaluation charge	22	17	5	28%	82	35	47	134%
Finance and other expense (income)	(2)	(1)	(1)	61%	(4)	(2)	(2)	142%
Impairment of intangible and other non-financial assets	2	4	(1)	-33%	5	8	(3)	-35%
Redeemable preferred securities expense (income)	32	-	32	NM	295	-	295	NM
Finance costs	17	10	6	61%	32	22	10	46%
Income tax expense (recovery)	50	48	2	5%	99	80	19	23%
	259	183	76	42%	754	338	416	123%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Amortization of intangible assets – Amortization of intangible assets increased 29% or $28 million for the quarter ended June 30, 2021 and 27% or $52 million for the six months ended June 30, 2021 over the same periods in 2020. The increase in amortization expense for the three and six months ended June 30, 2021 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended June 30, 2021 as a result of acquisitions completed during this twelve-month 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 three and six months ended June 30, 2021, we realized foreign exchange losses of $15 million and $2 million respectively compared to losses of $10 million and $4 million for the same periods in 2020. The following table provides a breakdown of these amounts.

	Three months ended June 30, 2021	Three months ended June 30, 2020	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2021	Six months ended June 30, 2020	Period-Over-Period Change $	Period-Over-Period Change %
	($ in millions, except percentages)				($ in millions, except percentages)			
Unrealized foreign exchange (gain) loss related to:								
- revaluation of intercompany loans between entities with differing functional currencies (1)	0	(1)	2	NM	1	15	(15)	-96%
- revaulation of the Company's unsecured subordinated floating rate debentures as a result of the appreciation (depreciation) of the Canadian dollar against the US dollar.	4	8	(4)	-55%	6	(10)	16	NM
- revaluation of the liability associated with the IRGA (Euro denominated liability)	4	-	4	NM	(7)	-	(7)	NM
Remaining foreign exchange (gain) loss	7	3	4	131%	3	(1)	4	NM
	15	10	6	57%	2	4	(1)	-37%

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

(1) Offsetting amounts recorded in other comprehensive income. Net impact to Total comprehensive income for each period is nil.

The remaining foreign exchange gains and losses per the table above are primarily related to the unrealized foreign exchange translation gains and losses of certain non-US dollar denominated working capital balances to US dollars as a result of the depreciation or appreciation of the US dollar.

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

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

The valuation of the IRGA liability (previously the TSS membership liability) increased by approximately 6% or $22 million from Q1 2021, and approximately 26% or $82 million from Q4 2020. The increases are primarily the result of the growth in TSS' reported trailing twelve month maintenance revenue (primarily due to acquisitions). Maintenance revenue and net tangible assets are the two main drivers in the calculation of the liability. Also, in conjunction with the termination of the Members Agreement and the execution of the IRGA, the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis. This change accounted for $19 million of the $82 million expense. The liability recorded on the balance sheet increased by 16% or $50 million over the six month period ended June 30, 2021 from $311 million to $362 million as a result of the revaluation charge of $82 million offset by a distribution to the Joday Group of $22 million and a $10 million foreign exchange gain. (A portion of the gain was recorded through other comprehensive income and a portion through net income.) The IRGA / TSS membership liability is denominated in Euros and the Euro depreciated 3% versus the US dollar during the first six months of 2021.

Finance and other expense (income) – Finance and other income for the three and six months ended June 30, 2021 was $2 million and $4 million respectively, compared to $1 million and $2 million respectively for the same periods in 2020. Interest earned on cash balances for the three and six months ended June 30, 2021 was $0.6 million and $1.2 million respectively, compared to $0.2 million and $0.3 million respectively for the same periods in 2020.

Impairment of intangible and other non-financial assets – Impairment expenses of $2 million and $5 million were recorded in the three and six month periods ended June 30, 2021 compared to $4 million and $8 million for the same periods in 2020. The 2021 expenses primarily relate to four business acquired in 2019 and 2020 that have been unable to achieve the goals established in their associated investment thesis and is not related to COVID-19. The 2020 expenses primarily relate to nine businesses acquired during 2018 and 2019 where the forecasted cash flows had declined significantly from the forecasted cash flows at the time of acquisition primarily due to the near-term impact, as well as the yet uncertain but probable longer-term impact of the COVID-19 pandemic.

Redeemable preferred securities expense (income) – The redeemable preferred securities expense for the three and six months ended June 30, 2021 was $32 million and $295 million respectively, with no similar expense recorded for the same periods in 2020. In conjunction with the acquisition of Topicus.com B.V., Topicus Coop issued 5,842,882 Topicus Coop Preference Units (the "Preferred Securities") to Ijssel B.V. The Preferred Securities are non-voting and prior to the Notification of Conversion (as defined below), were redeemable at the option of the holder for a redemption price of approximately €19.06 ($23.28) per security. The redemption price was either to be settled in cash or through the issuance of a variable number of Topicus Coop Ordinary Units of equal value. The Preferred Securities are convertible into Topicus Coop Ordinary Units at a conversion ratio of 1:1, and the Topicus Coop Ordinary Units are convertible into Subordinate Voting Shares of Topicus also at a conversion ratio of 1:1. The Preferred Securities holders will also be entitled to a fixed annual cumulative dividend of 5% per annum on the initial Preferred Securities value of approximately €19.06 ($23.28) per security.

The Preferred Securities had been recorded at fair value at the end of each reporting period until the Notification of Conversion (as defined below). The change in fair value of the Preferred Securities was recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss) up to the date of the Notification of Conversion (as defined below).

During the three months ended June 30, 2021, the Preferred Securities reached the Mandatory Conversion Moment (as described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021). As a result of reaching the Mandatory Conversion Moment, the Preferred Securities holders notified Topicus that they were electing to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022 ("**Notification of Conversion**"). On the date that Topicus received the Notification of Conversion from the Preferred Securities holders, the Preferred Securities were re-classified from a liability to equity (non-controlling interest) because the Preferred Securities were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notice of Conversion, the Preferred Securities holders are required to convert their Preferred Securities to Topicus Coop Ordinary Units on February 1, 2022, however, they may choose to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021). On the Notification of Conversion date, the Company also accrued the expected dividend to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

As noted above, the fair value of the Preferred Securities had been recorded at fair value at the end of each reporting period until the Notification of Conversion. Based on the Preferred Securities conversion right, the fair value of the Preferred Securities was primarily dependent on the price movement of Topicus' Subordinate Voting Shares. At March 31, 2021 the market price of Topicus' Subordinate Voting Shares closed at C$82.54 or approximately $65.54. The increase in value from $23.28 to $65.54 multiplied by the 5.8 million Preferred Securities outstanding equalled approximately $247 million. The Notification of Conversion was received from the Preferred Securities holders on May 17, 2021. The closing market price of Topicus' Subordinate Voting Shares on that date was C$89.87 or approximately $74.28. The increase in value from $65.54 to $74.28 multiplied by the 5.8 million Preferred Securities outstanding equalled approximately $51 million. The net increase for the six months ended June 30, 2021 was therefore $298 million ($247 million + $51 million). The difference between the increases of $51 million and $298 million and the fair value adjustment of $32 million and $295 million for the three and six month periods ended June 31, 2021 primarily relates to the impact of share price volatility and optionality and the accrued dividend of $1 million and $3 million for each respective period.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in Note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2021.

Finance costs – Finance costs for the quarter ended June 30, 2021 increased $6 million to $17 million, compared to $10 million for the same period in 2020. During the six months ended June 30, 2021, finance costs increased $10 million to $32 million, from $22 million for the same period in 2020. The increases are primarily a result of an increase in the average debt outstanding in 2021 as compared to 2020.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis 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 and other credits. For the quarter ended June 30, 2021, income tax expense increased $2 million to $50 million compared to $48 million for the same period in 2020. During the six months ended June 30, 2021, income tax expense increased $19 million to $99 million compared to $80 million for the same period in 2020. Current tax expense has historically approximated our cash tax rate however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of "other, net" expenses in the statement of income (loss). The Company's consolidated effective tax rate in respect of continuing operations for the three and six months ended June 30, 2021 was 39% and 5,258% respectively (37% and 33% respectively for the three and six months ended June 30, 2020). The 2021 effective tax rate is impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

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

Net Income (Loss) and Earnings (Loss) per Share:

The Net income attributable to common shareholders of CSI for the quarter ended June 30, 2021 was $88 million compared to net income of $83 million for the same period in 2020. On a per share basis this translated into a net income per diluted share of $4.16 in the quarter ended June 30, 2021 compared to net income per diluted share of $3.90 for the same period in 2020. For the six months ended June 30, 2021, net income attributable to common shareholders of CSI was $80 million or $3.76 per diluted share compared to $166 million or $7.81 per diluted share for the same period in 2020. There was no change in the number of shares outstanding.

Net cash flows from operating activities ("CFO"):

For the quarter ended June 30, 2021, CFO decreased $66 million to $171 million compared to $237 million for the same period in 2020 representing a decrease of 28%. For the six months ended June 30, 2021, CFO increased $69 million to $667 million compared to $597 million for the same period in 2020 representing an increase of 12%.

Free cash flow available to shareholders ("FCFA2S"):

For the quarter ended June 30, 2021, FCFA2S decreased $46 million to $145 million compared to $190 million for the same period in 2020 representing a decrease of 24%. For the six months ended June 30, 2021, FCFA2S decreased $88 million to $413 million compared to $501 million for the same period in 2020 representing a decrease of 18%.

CFO and FCFA2S for the three and six months ended June 30, 2020 were positively impacted by certain government's COVID-19 relief programs that allowed the deferral of approximately $29 million of tax instalment payments from Q2 2020 to Q3 2020, Q4 2020 and Q2 2021. Cash tax payments increased $78 million and $91 million for the three and six months ended June 30, 2021 over the same periods in 2020.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	($ in millions, except percentages)		($ in millions, except percentages)	
Net cash flows from operating activities	171	237	667	597
Adjusted for:				
Interest paid on lease obligations	(2)	(2)	(5)	(4)
Interest paid on other facilities	(9)	(5)	(18)	(14)
Credit facility transaction costs	(2)	(0)	(4)	(0)
Payments of lease obligations	(20)	(16)	(41)	(30)
IRGA / TSS membership liability revaluation charge	(22)	(17)	(82)	(35)
Property and equipment purchased	(7)	(6)	(11)	(13)
Interest and dividends received	1	0	1	0
	110	190	507	501
Less amount attributable to Non-controlling interests	35		(94)	-
Free cash flow available to shareholders	145	190	413	501

Due to rounding, certain totals may not foot.

Quarterly Results

	Quarter Ended									
	Mar. 31 2019	Jun. 30 2019	Sep. 30 2019	Dec. 31 2019	Mar. 31 2020	Jun. 30 2020	Sep. 30 2020	Dec. 31 2020	Mar. 31 2021	Jun. 30 2021
Revenue	819	846	870	956	953	922	1,003	1,091	1,176	1,249
Net income (loss) *	87	73	82	92	83	83	122	149	(9)	88
CFO	284	50	177	255	361	237	234	355	495	171
FCFA2S	250	12	134	193	311	190	181	307	269	145
Net income per share *										
Basic & diluted	4.09	3.45	3.85	4.34	3.91	3.90	5.78	7.02	-0.41	4.16
CFO per share										
Basic & diluted	13.40	2.36	8.37	12.02	17.01	11.17	11.05	16.73	23.38	8.07
FCFA2S per share										
Basic & diluted	11.81	0.58	6.35	9.12	14.66	8.99	8.56	14.47	12.67	6.84

* Attributable to equity holders of CSI

We experience seasonality in our operating results in that CFO and FCFA2S in the first quarter of every year is typically the highest and CFO and FCFA2S in the second quarter of every year is the lowest. The key driver impacting this seasonality is the timing of annual maintenance contract renewals. Our quarterly results may also 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 expenses or gains, which may include changes in provisions, acquired contract liabilities, foreign exchange gains and losses, bargain purchase gains, and gains or losses on the sale of financial and other assets.

Spin-Out of Topicus.com Inc.

Constellation (TSX:CSU) and Topicus (TSXV:TOI) announced on January 5, 2021 that Constellation, acting through its Total Specific Solutions ("TSS") operating group and its subsidiary TPCS Holding B.V., completed the purchase of 100% of the shares of Topicus.com B.V., a Netherlands-based diversified vertical market software provider, from IJssel B.V. and that in connection with the closing of the acquisition, TSS has been spun out of Constellation and now operates, together with Topicus.com B.V., as a separate public company, Topicus.com Inc. (collectively, the "Spin-Out Transactions").

In connection with the completion of the Spin-Out Transactions, on January 4, 2021, all of Constellation's common shareholders of record on December 28, 2020 received, by way of a dividend-in-kind, 1.859817814 subordinate voting shares of Topicus.com (the "Spin-Out Shares") for each common share of Constellation held.

Constellation's equity interest in TSS prior to the Spin-Out Transactions was 66.7%. Constellation's equity interest in Topicus after completion of the Spin-Out Transactions on a fully diluted basis is approximately 30.4%. In addition, Constellation as the holder of the Topicus Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding voting shares at such time. As a result of the Topicus Super Voting Share Constellation consolidated the financial results of Topicus with its financial results.

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Topicus for the three and six months ended June 30, 2021. Topicus 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 flow from operations of Topicus considering Constellation's equity ownership.

Selected Balance Sheet Information
As at June 30, 2021

(Unaudited)	**Constellation Software Inc. (excluding Topicus)**	**Topicus**	**Consolidated**
Cash	774	77	851
Bank debt	536	150	686

Statement of Income
(Excluding intercompany activity)

(Unaudited)	For the three months ended June 30, 2021			For the six months ended June 30, 2021		
	Constellation Software Inc. (excluding Topicus)	**Topicus**	**Consolidated**	**Constellation Software Inc. (excluding Topicus)**	**Topicus**	**Consolidated**
Revenue	**1,035**	**214**	**1,249**	**1,996**	**429**	**2,425**
Expenses	750	162	912	1,449	319	1,769
		-	-			
Amortization of intangible assets	99	25	124	193	49	242
Foreign exchange (gain) loss	15	0	15	2	0	2
IRGA / Membership liability revaluation charge	22	-	22	82	-	82
Finance and other income	(2)	(0)	(2)	(4)	0	(4)
Bargain purchase gain	0	-	0	0	-	0
Impairment of intangible and other non-financial assets	0	2	2	4	2	5
Redeemable preferred securities expense (income)	-	32	32	-	295	295
Finance costs	13	4	17	25	7	32
Income before income taxes	138	(10)	128	246	(244)	2
Income tax expense (recovery)						
Current income tax expense (recovery)	65	10	75	116	23	138
Deferred income tax expense (recovery)	(20)	(4)	(25)	(28)	(11)	(39)
Income tax expense (recovery)	44	6	50	88	11	99
Net income	**94**	**(16)**	**78**	**158**	**(255)**	**(97)**
Net cash flows from operating activities	**212**	**(41)**	**171**	**513**	**154**	**667**

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended June 30, 2021			For the six months ended June 30, 2021		
	Constellation Software Inc. (excluding Topicus)	**Topicus**	**Consolidated**	**Constellation Software Inc. (excluding Topicus)**	**Topicus**	**Consolidated**
Licenses	10%	23%	12%	1%	4%	1%
Professional services	11%	10%	11%	4%	11%	6%
Hardware and other	10%	0%	10%	-4%	-9%	-4%
Maintenance and other recurring	7%	7%	7%	5%	7%	5%
Revenue	8%	8%	8%	4%	8%	5%

Liquidity

Our net cash position (cash less bank indebtedness excluding capitalized transaction costs) decreased by $141 million to $383 million in the six months ended June 30, 2021 resulting from the net capital deployed on acquisitions plus dividends exceeding cash flows from operations. Cash increased by $94 million to $851 million at June 30, 2021 compared to $758 million at December 31, 2020 and bank indebtedness increased by $235 million to $468 million at June 30, 2021 compared to $233 million at December 31, 2020.

Total assets increased $916 million, from $4,375 million at December 31, 2020 to $5,291 million at June 30, 2021. The increase is primarily due to a $94 million increase in cash, $22 million increase in accounts receivable, $38 million increase in unbilled revenue, $52 million increase in other current assets, and $675 million increase in intangible assets. At June 30, 2021 six subsidiaries holding cash totalling $117 million maintained debt facilities, which facilities are without recourse to Constellation. As explained in the "Capital Resources and Commitments" section below, there are limitations on the ability of these subsidiaries to distribute funds to Constellation.

Current liabilities increased $292 million, from $2,040 million at December 31, 2020 to $2,332 million at June 30, 2021. The increase is primarily due to an increase in deferred revenue of $260 million mainly due to acquisitions made since December 31, 2020 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements.

Net Changes in Cash Flows
($ in millions)

	Six months ended June 30, 2021	Six months ended June 30, 2020
Net cash provided by operating activities	667	597
Net cash from (used in) financing activities	12	(100)
Cash used in the acquisition of businesses	(658)	(230)
Cash obtained with acquired businesses	85	24
Net cash from (used in) other investing activities	(8)	(14)
Net cash from (used in) investing activities	(582)	(220)
Effect of foreign currency	(4)	(9)
Net increase (decrease) in cash and cash equivalents	**94**	**269**

The net cash flows from operating activities were $667 million for the six months ended June 30, 2021. The $667 million provided by operating activities resulted from a net loss of $97 million plus $813 million of non-cash adjustments to net income and $100 million of cash from non-cash operating working capital, offset by $149 million in taxes paid.

The net cash flows from financing activities in the six months ended June 30, 2021 were $12 million, which is mainly a result of $134 million from the issuance of term debt facilities offset by dividends paid of $42 million, a distribution to the Joday Group of $22 million, and lease obligation payments of $41 million.

The net cash flows used in investing activities in the six months ended June 30, 2021 were $582 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $658 million (including payments for holdbacks relating to prior acquisitions, less the additional subscription amount of $33 million received by Ijssel related to the acquisition of Topicus.com B.V.) offset by $85 million of acquired cash.

We believe we have sufficient cash and available credit capacity 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 potential acquisitions.

Capital Resources and Commitments

CSI Facility

On December 13, 2019, Constellation completed an amendment and restatement of its revolving credit facility agreement (the "CSI Facility"), with a syndicate of Canadian chartered banks, U.S. banks, and a Japanese bank in the amount of $700 million, extending its maturity date to December 2024. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is currently collateralized by the majority of the Company's assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at June 30, 2021, $nil had been drawn from this credit facility, and letters of credit totaling $87 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis.

Guarantees

One of CSI's subsidiaries has entered into a $90 million (GBP 65 million) term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

Debt without recourse to CSI

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

Debt without recourse to CSI comprises the following ($ in millions):

	Revolving Credit Facilities	Term Debt Facilities	Total
Principal outstanding at June 30, 2021 (and equal to fair value)	$ 36	$ 342	$ 378
Deduct: Carrying value of transaction costs included in debt balance	(0)	(9)	(9)
Carrying value at June 30, 2021	35	333	368
Current portion	35	6	41
Non-current portion	-	327	327

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the "Debentures") with a total principal value of C$96.0 million for total proceeds of C$91.2 million. The proceeds were used by the Company to pay down $81.2 million of outstanding bank indebtedness.

On September 30, 2015, the Company issued an additional tranche of Debentures with a total principal value of C$186.2 million for total proceeds of C$214.2 million. The proceeds were used by the Company to pay down $130.4 million of outstanding bank indebtedness. The September 30, 2015 issuance formed a single series with the outstanding C$96.0 million aggregate principal amount of Debentures, Series 1 of the Company. The Debentures have a maturity date of March 31, 2040.

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

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

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

Any time after January 5, 2021, any member of the Joday Group has the right, at his or its option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

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

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

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

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

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

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

During the periods ended June 30, 2021 and December 31, 2020, no options were exercised.

Redeemable Preferred Securities

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

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

During the three months ended June 30, 2021, the Preferred Securities reached the Mandatory Conversion Moment (as described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021). As a result of reaching the Mandatory Conversion Moment, the Preferred Securities holders notified Topicus that they were electing to convert their Preferred Securities into Topicus Coop Ordinary Units, which conversion would become effective on February 1, 2022. On the date that Topicus received the Notification of Conversion from the Preferred Securities holders, the Preferred Securities were re-classified from a liability to equity (non-controlling interest) because the Preferred Securities were no longer redeemable for cash or through the issuance of Topicus Coop Ordinary Units of equal value, or any combination thereof. Following receipt of the Notification of Conversion, the holders of the Preferred Securities are required to convert their Preferred Securities to Topicus Coop Ordinary Units on February 1, 2022, however, they may choose to convert prior to February 1, 2022 pursuant to the Topicus Coop Preference Unit Conversion Right (as defined in note 9 to the Company’s Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2021). On the Notification of Conversion date, the Company also accrued the expected divided to be paid relating to the period from the Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

Further descriptions of the significant terms and conditions of these Topicus Coop Preference Units are described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021.

Other commitments

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 based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was $79 million at June 30, 2021. Aside from the aforementioned and the redeemable Preferred Securities, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at June 30, 2021.

The IRGA liability commitment assumes that the Joday Group has exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at August 5, 2021. See note 7 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021 for a discussion on the valuation methodology utilized.

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 will impact future revenue and net income. The impact to organic revenue growth for the three and six months ended June 30, 2021 was approximately positive 5% and 4% respectively. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, revenues, 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. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the six months ended June 30, 2021, the Company did not purchase any contracts of this nature.

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 six months ended June 30, 2021:

	Three Months Ended June 30, 2021		Six Months Ended June 30, 2021	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	46%	41%	46%	41%
EUR	24%	25%	25%	26%
GBP	9%	10%	9%	9%
CAD	7%	10%	7%	10%
AUD	5%	5%	5%	5%
BRL	1%	1%	1%	1%
CHF	1%	2%	1%	2%
SEK	1%	1%	1%	1%
Others	5%	5%	4%	4%
Total	100%	100%	100%	100%

Due to rounding, certain totals may not foot.

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for insignificant and short-term 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.

Share Capital

As at August 5, 2021, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in our 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 operations 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.

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material.

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 June 30, 2021, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have 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:

The President and Chief Financial Officer have designed or caused to be designed by those under their supervision, disclosure controls and procedures which provide reasonable assurance that 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. The President and Chief Financial Officer have been advised that 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 by those under their supervision, whether or not there were changes to its ICFR during the period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

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

CONSTELLATION SOFTWARE INC.

For the three and six months ended June 30, 2021 and 2020
Unaudited

CONSTELLATION SOFTWARE INC.

Consolidated Statements of Financial Position

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

Unaudited

	June 30, 2021	December 31, 2020	June 30, 2020
Assets			
Current assets:			
Cash	$ 851	$ 758	$ 585
Accounts receivable	505	483	393
Unbilled revenue	137	98	103
Inventories	28	27	32
Other assets (note 5)	271	219	207
	1,792	1,585	1,319
Non-current assets:			
Property and equipment	93	86	78
Right of use assets	263	251	241
Deferred income taxes	58	52	45
Other assets (note 5)	86	75	73
Intangible assets (note 6)	3,000	2,325	2,011
	3,499	2,790	2,448
Total assets	$ 5,291	$ 4,375	$ 3,767
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	$ 131	$ 113	$ 192
Debt without recourse to Constellation Software Inc. (note 8)	41	28	3
Redeemable preferred securities (note 9)	7	-	-
Accounts payable and accrued liabilities	671	666	480
Dividends payable (note 12)	21	21	21
Deferred revenue	1,222	962	938
Provisions (note 10)	13	12	10
Acquisition holdback payables	78	85	72
Lease obligations	80	74	67
Income taxes payable (note 11)	67	78	95
	2,332	2,040	1,879
Non-current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	548	421	374
Debt without recourse to Constellation Software Inc. (note 8)	327	199	159
Deferred income taxes (note 11)	372	285	243
Acquisition holdback payables	43	37	29
Lease obligations	209	201	193
Other liabilities (note 5)	139	146	98
	1,637	1,288	1,095
Total liabilities	3,969	3,328	2,974
Shareholders' equity (note 12):			
Capital stock	99	99	99
Other equity	(162)	-	-
Accumulated other comprehensive income (loss)	(56)	(31)	(57)
Retained earnings	1,017	980	752
Non-controlling interests (notes 1, 9 and 18)	423	-	-
	1,322	1,048	794
Subsequent events (notes 12 and 19)			
Total liabilities and shareholders' equity	$ 5,291	$ 4,375	$ 3,767

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income (loss)

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

Three and six months ended June 30, 2021

Unaudited

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue				
License	$ 71	$ 51	$ 137	$ 108
Professional services	254	170	491	347
Hardware and other	43	35	82	77
Maintenance and other recurring	880	666	1,714	1,342
	1,249	922	2,425	1,875
Expenses				
Staff	665	480	1,306	990
Hardware	23	22	45	45
Third party license, maintenance and professional services	109	77	205	156
Occupancy	10	8	19	17
Travel, telecommunications, supplies, software and equipment	44	31	83	82
Professional fees	17	13	32	26
Other, net	14	0	19	5
Depreciation	30	25	59	51
Amortization of intangible assets (note 6)	124	96	242	190
	1,035	752	2,010	1,562
Foreign exchange loss (gain)	15	10	2	4
IRGA/TSS Membership liability revaluation charge (note 7)	22	17	82	35
Finance and other expense (income) (note 13)	(2)	(1)	(4)	(2)
Bargain purchase gain	0	(0)	0	(0)
Impairment of intangible and other non-financial assets (note 6)	2	4	5	8
Redeemable preferred securities expense (income) (note 9)	32	-	295	-
Finance costs (note 13)	17	10	32	22
	86	39	413	67
Income (loss) before income taxes	128	131	2	246
Current income tax expense (recovery)	75	70	138	115
Deferred income tax expense (recovery)	(25)	(22)	(39)	(34)
Income tax expense (recovery)	50	48	99	80
Net income (loss)	78	83	(97)	166
Net income (loss) attributable to:				
Equity holders of Constellation Software Inc. (notes 1 and 18)	88	83	80	166
Non-controlling interests (notes 1 and 18)	(11)	-	(177)	-
Net income (loss)	78	83	(97)	166
Earnings per common share of Constellation Software Inc.				
Basic and diluted (note 14)	$ 4.16	$ 3.90	$ 3.76	$ 7.81

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and six months ended June 30, 2021
Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net income (loss)	$ 78	$ 83	$ (97)	$ 166
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	5	13	(18)	(17)
Other comprehensive income (loss) for the period, net of income tax	5	13	(18)	(17)
Total comprehensive income (loss) for the period	$ 83	$ 96	$ (115)	$ 149
Total other comprehensive income (loss) attributable to:				
Equity holders of Constellation Software Inc. (notes 1 and 18)	11	13	(6)	(17)
Non-controlling interests (notes 1 and 18)	(6)	-	(11)	-
Total other comprehensive income (loss)	$ 5	$ 13	$ (18)	$ (17)
Total comprehensive income (loss) attributable to:				
Equity holders of Constellation Software Inc. (notes 1 and 18)	99	96	73	149
Non-controlling interests (notes 1 and 18)	(16)	-	(188)	-
Total comprehensive income (loss)	$ 83	$ 96	$ (115)	$ 149

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

Six months ended June 30, 2021

	Equity Attributable to Shareholders of CSI						
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2021	**$ 99**	**$ -**	**$ (31)**	**$ 980**	**$ 1,048**	**-**	**$ 1,048**
Total comprehensive income (loss) for the period:							
Net income (loss)	-	-	-	80	80	(177)	(97)
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other	-	-	(6)	-	(6)	(11)	(18)
Total other comprehensive income (loss) for the period	**-**	**-**	**(6)**	**-**	**(6)**	**(11)**	**(18)**
Total comprehensive income (loss) for the period	**-**	**-**	**(6)**	**80**	**73**	**(188)**	**(115)**
Transactions with owners, recorded directly in equity							
Special dividend of Topicus Subordinate Voting Shares (note 1 and 12)	-	(141)	(16)	-	(157)	157	-
Issuance of Topicus Coop Ordinary Units to non-controlling interests (note 4)	-	(21)	(2)	-	(23)	23	-
Net acquisition of non-controlling interest associated with acquisitions and other movements	-	1	-	0	1	2	3
Dividends to shareholders of the Company (note 12)	-		-	(42)	(42)	-	(42)
Reclassification of Redeemable preferred securities of Topicus Coop from liabilities to non-controlling interest	-	-	-	-	-	434	434
Accrued dividends to preference unit holders of Topicus Coop (note 9)	-	-	-	-	-	(5)	(5)
Balance at June 30, 2021	**$ 99**	**$ (162)**	**(56)**	**$ 1,017**	**$ 899**	**$ 423**	**$ 1,322**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited
Six months ended June 30, 2020

	Equity Attributable to Shareholders of CSI						
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2020	**$ 99**	**$ -**	**$ (40)**	**$ 628**	**$ 687**	**$ -**	**$ 687**
Total comprehensive income (loss) for the period:							
Net income (loss)	-	-	-	166	166	-	166
Other comprehensive income (loss)							
Foreign currency translation differences from foreign operations and other	-	-	(17)	-	(17)	-	(17)
Total other comprehensive income (loss) for the period	**-**	**-**	**(17)**	**-**	**(17)**	**-**	**(17)**
Total comprehensive income (loss) for the period	**-**	**-**	**(17)**	**166**	**149**	**-**	**149**
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 12)	-		-	(42)	(42)	-	(42)
Balance at June 30, 2020	**$ 99**	**$ -**	**$ (57)**	**$ 752**	**$ 794**	**$ -**	**$ 794**

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows
(In millions of U.S. dollars, except per share amounts. Due to rounding, numbers presented may not foot.)

Three and six months ended June 30, 2021
Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash flows from (used in) operating activities:				
Net income (loss)	$ 78	$ 83	$ (97)	$ 166
Adjustments for:				
Depreciation	30	25	59	51
Amortization of intangible assets	124	96	242	190
IRGA/TSS Membership liability revaluation charge	22	17	82	35
Finance and other expense (income)	(2)	(1)	(4)	(2)
Bargain purchase (gain)	0	(0)	0	(0)
Impairment of intangible and other non-financial assets	2	4	5	8
Redeemable preferred securities expense (income) (note 9)	32	-	295	-
Finance costs	17	10	32	22
Income tax expense (recovery)	50	48	99	80
Foreign exchange loss (gain)	15	10	2	4
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 17)	(99)	(35)	100	100
Income taxes paid	(97)	(19)	(149)	(57)
Net cash flows from (used in) operating activities	171	237	667	597
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(2)	(2)	(5)	(4)
Interest paid on debt	(9)	(5)	(18)	(14)
Increase (decrease) in CSI facility (note 7)	-	100	-	35
Increase (decrease) in revolving credit debt facilities without recourse to CSI	6	-	12	(55)
Proceeds from issuance of term debt facilities without recourse to CSI	55	15	134	15
Repayments of term debt facilities without recourse to CSI	(1)	(3)	(2)	(4)
Credit facility transaction costs	(2)	(0)	(4)	(0)
Payments of lease obligations	(20)	(16)	(41)	(30)
Distribution to the Joday Group (note 7)	-	-	(22)	-
Dividends paid	(21)	(21)	(42)	(42)
Net cash flows from (used in) in financing activities	6	67	12	(100)
Cash flows from (used in) investing activities:				
Acquisition of businesses (note 4)	(292)	(68)	(606)	(175)
Cash obtained with acquired businesses (note 4)	40	10	85	24
Post-acquisition settlement payments, net of receipts	(39)	(23)	(85)	(55)
Receipt of additional subscription amount from the sellers of Topicus.com B.V. (note 4)	33	-	33	-
Purchases of other investments	-	(1)	(0)	(2)
Interest, dividends and other proceeds received	1	1	3	1
Property and equipment purchased	(7)	(6)	(11)	(13)
Net cash flows from (used in) investing activities	(263)	(87)	(582)	(220)
Effect of foreign currency on cash and cash equivalents	5	5	(4)	(9)
Increase (decrease) in cash	(81)	221	94	269
Cash, beginning of period	$ 932	$ 364	$ 758	$ 316
Cash, end of period	851	$ 585	$ 851	$ 585

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity
2. Basis of presentation
3. Significant accounting policies
4. Business acquisitions
5. Other assets and other non-current liabilities
6. Intangible assets
7. Debt with recourse to CSI
8. Debt without recourse to CSI
9. Redeemable preferred securities
10. Provisions
11. Income taxes
12. Capital and other components of equity
13. Finance and other income and finance costs
14. Earnings per share
15. Financial instruments
16. Contingencies
17. Changes in non-cash operating assets and liabilities
18. Non-controlling interests
19. Subsequent events

1. Reporting entity

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

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

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

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

Preferred Share Investment in Topicus.com Inc.

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

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

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

Conversion

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

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

Redemption at the Option of CSI

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

Topicus Preferred Share Retraction Right

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

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

Topicus Preferred Share Put Right

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

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

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

Redemption at the Option of Topicus

Subject to the terms of the IRGA, if the Topicus Subordinate Voting Shares achieve (the "Mandatory Conversion Moment") a volume weighted average share price that is equal to or greater than the Canadian dollar equivalent of 125% of the initial Topicus Preferred Share value of approximately EUR 19.06 per share (being the Canadian dollar equivalent of approximately EUR 23.83), (the "Premium Target Price") determined on the basis of the 60-day volume weighted average trading price of the Topicus Subordinate Voting Shares for any 60-day trading period, and CSI has not exercised the Topicus Preferred Share Conversion Right within 30 days after notice has been given to it that the Premium Target Price has been achieved, Topicus will redeem the Topicus Preferred Shares in exchange for a cash payment to CSI of approximately EUR 19.06 per share (the "Topicus Mandatory Conversion Moment Call Right"). During the three months ended June 30, 2021, the Mandatory Conversion Moment was reached and CSI elected to convert their Topicus Preferred Shares to Topicus Subordinate Voting Shares. As a result, the Topicus Mandatory Conversion Moment Call Right is no longer applicable.

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

Topicus Call Right

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

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

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

2. Basis of presentation

(a) Statement of compliance

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

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards ("IFRS"), issued and outstanding as of August 5, 2021, the date the board of directors approved the condensed consolidated interim financial statements.

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

(b) Basis of measurement

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

(c) Functional and presentation of currency

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

(d) Use of estimates and judgements

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

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

The Company is closely monitoring the impact of COVID-19 on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. The COVID-19 pandemic has had disruptive effects in countries in which the Company operates and has adversely impacted many of its business units' operations to date, including through the cancellation by certain customers of their ongoing software maintenance contracts and the suspension or cancellation of new software purchases. The pandemic may also have an adverse impact on many of the Company's customers, including their ability to satisfy ongoing payment obligations to the Company, which could increase the Company's bad debt exposure. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may continue to adversely affect the Company's results of operations, cash flows and financial position as well as its customers in future periods, and this impact could be material. During the three and six months ended June 30, 2021, the Company recorded income of $8 and $15 ($17 and $18 for the three and six months ended June 30, 2020) relating to government grants from various government authorities relating to the pandemic. The Company has recorded the income for the three and six months ended June 30, 2021 within "Other, net" expenses in the condensed consolidated interim statements of income (loss).

3. Significant accounting policies

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

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

4. Business acquisitions

During the six-month period ended June 30, 2021, the Company completed a number of acquisitions for aggregate cash consideration of $606 plus cash holdbacks of $60 and contingent consideration with an estimated fair value of $7. In conjunction with the acquisition of Topicus.com B.V., the Company (through Topicus Coop) also issued 5,842,882 Topicus Coop Preference Units to the seller for an initial subscription price of $102 plus an additional subscription amount of $34 which was paid to the Company in May 2021. The Company (through Topicus Coop) also issued 5,842,882 Topicus Coop Ordinary Units to the seller in conjunction with the acquisition of Topicus.com B.V. The total consideration resulting from acquisitions in the six-month period ended June 30, 2021 was $774. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration for acquisitions during the six-month period ended June 30, 2021 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. For these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed $40. Aggregate contingent consideration of $79 (December 31, 2020 - $88) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other, net in the condensed consolidated interim statements of income (loss). An expense of $5 and $6 has been recorded for the three and six months ended June 30, 2021, as a result of such changes (expense of $8 and a recovery of $4 for the three and six months ended June 30, 2020).

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

The acquisitions during the six-month period ended June 30, 2021 include software companies catering to the following markets: insurance, agribusiness, healthcare, financial services, education, local government, mining, communications, transit, utilities, asset management, tire distribution, hospitality, real estate brokers and agents, church and religion, public libraries, enterprise resource planning, safety management, product development, home builders, cinema management and ticketing, retail management and distribution, all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $32 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $81; however, the Company has recorded an allowance of $8 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during the last two quarters of 2020 and the first two quarters of 2021. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The cash consideration associated with these provisional estimates totals $910. During the three-month period ended June 30, 2021, the Company made changes to provisional estimates of prior quarter preliminary purchase price allocations of intangible assets and corresponding deferred income taxes. The significant changes include a decrease of definite life intangible assets of $36, an increase to goodwill of $27 and a decrease of deferred tax liabilities of $10. The impact of these provisional changes to the purchase price allocation did not have a significant impact on the Condensed Consolidated Interim Statements of Income (Loss).

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

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

Assets acquired:		
Cash	$	85
Accounts receivable		72
Other current assets		55
Property and equipment		17
Other non-current assets		34
Deferred income taxes		11
Trademarks		24
Technology assets		366
Customer assets		405
		1,067
Liabilities assumed:		
Current liabilities		90
Deferred revenue		87
Deferred income taxes		133
Long-term debt		90
Other non-current liabilities		35
		435
Non-controlling interest		5
Goodwill		147
Total consideration	**$**	**774**

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

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

5. Other assets and other non-current liabilities

(a) Other assets

		June 30, 2021		December 31, 2020
Prepaid expenses and other current assets	$	152	$	115
Investment tax credits recoverable		28		24
Sales tax receivable		25		18
Equity securities held for trading		11		9
Other receivables		55		52
Total other current assets	$	271	$	219
Investment tax credits recoverable	$	18	$	12
Costs to obtain a contract		43		40
Non-current trade and other receivables and other assets		22		21
Equity accounted investees		2		2
Total other non-current assets	$	86	$	75

(b) Other non-current liabilities

		June 30, 2021		December 31, 2020
Contingent consideration	$	53	$	67
Deferred revenue		48		44
Other non-current liabilities		37		35
Total other non-current liabilities	$	139	$	146

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

6. Intangible Assets

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2020	$ 2,169	$ 1,309	$ 16	$ 3	$ 7	$ 361	$ 3,865
Acquisitions through business combinations	343	285	-	-	-	60	688
Effect of movements in foreign exchange	57	47	0	0	0	15	119
Balance at December 31, 2020	$ 2,568	$ 1,640	$ 17	$ 3	$ 8	$ 435	$ 4,671
Balance at January 1, 2021	$ 2,568	$ 1,640	$ 17	$ 3	$ 8	$ 435	$ 4,671
Acquisitions through business combinations	366	414	-	-	24	140	944
Effect of movements in foreign exchange	(15)	(15)	0	(0)	(1)	(6)	(35)
Balance at June 30, 2021	$ 2,920	$ 2,039	$ 17	$ 3	$ 30	$ 570	$ 5,580
Accumulated amortization and impairment losses							
Balance at January 1, 2020	$ 1,351	$ 495	$ 16	$ 3	$ 2	$ -	$ 1,868
Amortization for the period	261	142	0	0	0	-	403
Impairment charge	6	2	-	-	-	4	12
Effect of movements in foreign exchange	43	19	0	0	0	-	63
Balance at December 31, 2020	$ 1,662	$ 659	$ 17	$ 3	$ 3	$ 4	$ 2,346
Balance at January 1, 2021	$ 1,662	$ 659	$ 17	$ 3	$ 3	$ 4	$ 2,346
Amortization for the period	147	94	0	0	1	-	242
Impairment charge	2	3	-	-	-	0	5
Effect of movements in foreign exchange	(9)	(5)	(0)	0	0	-	(14)
Balance at June 30, 2021	$ 1,802	$ 751	$ 17	$ 3	$ 3	$ 4	$ 2,580
Carrying amounts							
At January 1, 2020	$ 817	$ 813	$ (0)	$ 0	$ 5	$ 361	$ 1,997
At December 31, 2020	$ 907	$ 981	$ (0)	$ 0	$ 5	$ 432	$ 2,325
At January 1, 2021	$ 907	$ 981	$ (0)	$ 0	$ 5	$ 432	$ 2,325
At June 30, 2021	$ 1,118	$ 1,288	$ 0	$ 0	$ 27	$ 567	$ 3,000

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

7. Debt with recourse to CSI

	CSI Facility	Liability of CSI under the IRGA	Debentures	Term Loan		Total
Principal outstanding at June 30, 2021 (and, except for debentures, equal to fair value)	$ -	$ 362	$ 228	$ 90		$ 679
Deduct: Carrying value of transaction costs included in debt balance	-	-	-	(1)		(1)
Carrying value at June 30, 2021	-	362	228	89	-	679
Current portion	-	131	-	-		131
Non-current portion	-	231	228	89		548

CSI Facility

On December 13, 2019, Constellation completed an amendment and restatement of its revolving credit facility agreement (the "CSI Facility"), with a syndicate of Canadian chartered banks, U.S. banks, and a Japanese bank in the amount of $700, extending its maturity date to December 2024. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is currently collateralized by the majority of the Company's assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which, if not remedied within a cure period, would trigger the repayment of any outstanding balance. As at June 30, 2021 $nil (December 31, 2020 – $nil) had been drawn from this credit facility, and letters of credit totaling $87 (December 31, 2020 - $19) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are being amortized through profit or loss using the effective interest rate method. As at June 30, 2021 the carrying amount of such costs is $1 (December 31, 2020 - $1).

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

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

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

Any time after January 5, 2021, any member of the Joday Group has the right, at their option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

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

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

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

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

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

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

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

Debentures

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

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

The interest rate from and including:

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

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

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

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

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

The fair value of the debentures as at June 30, 2021 was $308 (December 31, 2020 - $284).

Term Loan

One of CSI's subsidiaries has entered into a $89 (GBP 65) term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

8. Debt without recourse to CSI

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

Debt without recourse to CSI comprises the following:

	Revolving Credit Facilities	Term Debt Facilities	Total
Principal outstanding at June 30, 2021 (and equal to fair value)	$ 36	$ 342	$ 378
Deduct: Carrying value of transaction costs included in debt balance	(0)	(9)	(9)
Carrying value at June 30, 2021	35	333	368
Current portion	35	6	41
Non-current portion	-	327	327

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

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

Year	Term Debt Facilities
2021	2
2022	6
2023	16
2024	5
2025	178
2026	61
2027	1
2028	72
	342

9. Redeemable Preferred Securities

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

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

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

Notification of Conversion date to the expected conversion date of February 1, 2022. The dividend to be paid relating to this period has been recorded directly in equity (non-controlling interest).

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

Conversion

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

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

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

Redemption at the Option of the Holder

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

Prior to the Notification of Conversion, the “Topicus Coop Preference Unit Retraction Right” provided that (i) at any time until July 5, 2021, CSI would have had the right (but not the obligation) to sell all of its Topicus Preferred Shares to Topicus and exercise the Topicus Preferred Share Call Price Right, in which case, the holders of the Topicus Coop Preference Units would have been entitled to sell all of their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Units Call Price Right, and (ii) at any time after July 5, 2021, holders representing 95% of the Preferred Securities (excluding any Topicus Coop Preference Units held by Topicus) would have had the right (but not the obligation) to entitle the holders of the Topicus Coop Preference Units to sell all of their Topicus Coop Preference Units to Topicus Coop and exercise the Topicus Coop Preference Unit Call Price Right. Subsequent to the Notification of Conversion, the Topicus Coop Preference Units are no longer retractable.

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

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

Redemption at the Option of Topicus Coop

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

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

10. Provisions

At January 1, 2021	$	20
Reversal		0
Provisions recorded during the period		10
Provisions used during the period		(8)
Effect of movements in foreign exchange and other		(0)
At June 30, 2021	$	23
Provisions classified as current liabilities		13
Provisions classified as other non-current liabilities		10

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

11. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three and six months ended June 30, 2021 was 39% and 5,258% (37% and 33% for the three and six months ended June 30, 2020). The 2021 effective tax rate is impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

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

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

12. Capital and other components of equity

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

Dividends and other distributions to shareholders

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

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

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

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

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest income on cash	$ (1)	$ (0)	$ (1)	$ (0)
(Increase) decrease in the fair value of equity securities held for trading	(1)	(0)	(2)	2
Share in net (income) loss of equity investee	0	0	1	0
Finance and other income	(1)	(1)	(1)	(3)
Finance and other expense (income)	$ (2)	$ (1)	$ (4)	$ (2)
Interest expense on debt and debentures	$ 11	$ 8	$ 21	$ 16
Interest expense on lease obligations	2	2	5	4
Amortization of debt related transaction costs	0	0	1	1
Amortization of debenture discount (premium) and associated rights offering, net	-	(1)	(1)	(2)
Other finance costs	3	1	6	3
Finance costs	$ 17	$ 10	$ 32	$ 22

14. Earnings per share

Basic and diluted earnings per share

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Numerator:				
Net income attributable to common shareholders of CSI	$ 88	$ 83	$ 80	$ 166
Denominator:				
Basic and diluted shares outstanding	21,191,530	21,191,530	21,191,530	21,191,530
Earnings per share				
Basic and diluted	$ 4.16	$ 3.90	$ 3.76	$ 7.81

15. Financial instruments

Fair values versus carrying amounts

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

Fair value hierarchy

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

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

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

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

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

	June 30, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	$ 11	$ -	$ -	$ 11	$ 9	$ -	$ -	$ 9
	11	**-**	**-**	**11**	**9**	**-**	**-**	**9**
Liabilities:								
Redeemable preferred securities	$ -	$ -	$ 7	$ 7	$ -	$ -	$ -	$ -
Contingent consideration	-	-	79	79	-	-	88	88
	-	**-**	**86**	**86**	**-**	**-**	**88**	**88**

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

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

Contingent Consideration

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

Balance at January 1, 2021	88
Increase from business acquisitions	7
Cash recoveries (payments)	(24)
Charges through profit or loss	8
Foreign exchange and other movements	0
Balance at June 30, 2021	79
Contingent consideration classified as current liabilities	26
Contingent consideration classified as other non-current liabilities	53

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

Redeemable Preferred Securities

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

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

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

16. Contingencies

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

17. Changes in non-cash operating assets and liabilities

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Decrease (increase) in current accounts receivable	$ 47	$ 77	$ 33	$ 48
Decrease (increase) in current unbilled revenue	3	6	(11)	12
Decrease (increase) in other current assets	(6)	6	(28)	(4)
Decrease (increase) in inventories	(1)	1	(1)	0
Decrease (increase) in other non-current assets	(5)	(3)	(9)	1
Increase (decrease) in other non-current liabilities	(4)	5	(13)	(8)
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	11	(4)	(52)	(68)
Increase (decrease) in current deferred revenue	(141)	(123)	180	122
Increase (decrease) in current provisions	(2)	(0)	1	(3)
Change in non-cash operating working capital	$ (99)	$ (35)	$ 100	$ 100

18. Non-controlling interests

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

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

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

	As at June 30, 2021	Intra-Group Eliminations	Total
Non-controlling interest	69.7%		
Current assets	209		
Non-current assets	914		
Total assets	1,123		
Current liabilities	446		
Non-current liabilities	328		
Total liabilities	774		
Less: Non-controlling interest of Topicus subsidaries	4		
Less: Preference units of Topicus Coop classified as non-controlling interest	429		
Net assets	(84)	71	(13)
Net assets allocated to the non-controlling interests of Topicus			(9)
Add: Non-controlling interest of Topicus Coop subsidaries			4
Add: Preference units of Topicus Coop classified as non-controlling interest			429
Total non-controlling interest			423

	Three months ended June 30, 2021	Intra-Group Eliminations	Total
Revenue	215		
Expenses	192		
Redeemable preferred securities expense (income) (notes 1 and 9)	(186)		
Income (loss) before income taxes	209		
Income tax expense	6		
Net income (loss) prior to non-controlling interest allocation of Topicus subsidaries	203		
Less: Non-controlling interest of Topicus subsidaries	(0)		
Less: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest	1		
Net income (loss) after allocation of non-controlling interest of Topicus subsidaries	202	(219)	(16)
Net income (loss) attributable to non-controlling interests of Topicus			(11)
Add: Non-controlling interest of Topicus Coop subsidaries			(0)
Add: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest			1
Total non-controlling interest			(11)

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

	Six months ended June 30, 2021	Intra-Group Eliminations	Total
Revenue	431		
Expenses	378		
Redeemable preferred securities expense (income) (notes 1 and 9)	2,737		
Income (loss) before income taxes	(2,684)		
Income tax expense	11		
Net income (loss) prior to non-controlling interest allocation of Topicus subsidaries	(2,695)		
Less: Non-controlling interest of Topicus subsidaries	0		
Less: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest	1		
Net income (loss) after allocation of non-controlling interest of Topicus subsidaries	(2,696)	2,440	(255)
Net income (loss) attributable to non-controlling interests of Topicus			(178)
Add: Non-controlling interest of Topicus Coop subsidaries			0
Add: Income allocated to Preference Units of Topicus Coop classified as non-controlling interest			1
Total non-controlling interest			(177)

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

	Three months ended June 30, 2021	Six months ended June 30, 2021
Cash flows from (used in) operating activities	(41)	154
Cash flows from (used in) in financing activities	(1)	8
Cash flows from (used in) investing activities	17	(149)

19. Subsequent events

On August 5, 2021 the Company declared a $1.00 per share dividend that is payable on October 8, 2021 to all common shareholders of record at close of business on September 17, 2021.

Subsequent to June 30, 2021, the Company completed or entered into agreements to acquire a number of businesses for aggregate cash consideration of $122 on closing plus cash holdbacks of $23 and contingent consideration with an estimated fair value of $2 for total consideration of $146. The business acquisitions include companies catering primarily to the oil and gas, public libraries, fleet and facility management, healthcare, elevator, publishing, communications, not-for-profit, retail management and distribution, and homebuilders verticals and are all software companies similar to the existing business of the Company.