CONSTELLATION SOFTWARE INC.

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

The following discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements for the three and six month periods ended June 30, 2009 and the accompanying notes, and with our consolidated annual financial statements and our annual MD&A for the year ended December 31, 2008. Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

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

Additional information about the Company, 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 known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, August 5, 2009. 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-GAAP Measures

This MD&A includes certain measures which have not been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted Net Income margin.

The term ''Adjusted EBITDA'' refers to net income before deducting interest, taxes, depreciation, amortization, loss on held for trading investments related to mark to market adjustments, and other expenses, and before including gain (loss) on sale of short-term investments, marketable securities, other assets, and foreign exchange. The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and the other items listed above. ''Adjusted EBITDA margin'' refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

''Adjusted Net Income'' means net income plus amortization of intangible assets and future income taxes. The Company believes that Adjusted Net Income is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration amortization of intangibles and future income taxes as these are non-cash expenses that do not necessarily reflect the decrease in economic value of acquisitions. The majority of future income taxes relate to the amortization of intangible assets, and thus are being added back to more closely match the non-cash future tax recovery with the amortization of intangibles. ''Adjusted Net Income margin'' refers to the percentage that Adjusted Net Income for any period represents as a portion of total revenue for that period.

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

Overview

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

Our revenue consists primarily of software license fees, maintenance fees, and professional service fees. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under single-year, multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable. Maintenance revenue primarily consists of fees charged for customer support on our software products post-delivery. Maintenance fee arrangements generally include ongoing customer support and rights to certain product updates "if and when available" and products sold on a subscription basis. Professional service revenue consists of fees charged for product training, consulting and implementation services. Our customers typically purchase a combination of software, maintenance and professional services, although the types, mix and quantity of each varies by customer and by product.

Cost of revenue consists primarily of the costs directly related to revenues including third party costs and internal costs related to the delivery of professional services and maintenance. Cost of revenue is generally expected to increase in the future as a result of increases in revenue.

Research and development expenses include personnel and related costs associated with our research and development efforts.

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing functions, including advertising, commissions, trade shows and other promotional materials.

General and administration expenses include personnel and related costs associated with the administration of our business, rental of office space, legal and professional fees and insurance.

Results of Operations

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

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
Revenue	**101,515**	**77,742**	**23,773**	**31%**	**198,767**	**151,345**	**47,422**	**31%**
Cost of Revenue	36,990	28,625	8,365	29%	72,819	57,252	15,567	27%
Gross Profit	64,525	49,117	15,408	31%	125,948	94,093	31,855	34%
Expenses								
Research and development	15,281	11,327	3,954	35%	29,982	22,957	7,025	31%
Sales and marketing	10,683	9,841	842	9%	20,780	17,882	2,898	16%
General and administration	16,227	14,051	2,176	15%	32,292	26,850	5,442	20%
Total Expenses (pre amortization)	42,191	35,219	6,972	20%	83,054	67,689	15,365	23%
Adjusted EBITDA	**22,334**	**13,898**	**8,436**	**61%**	**42,894**	**26,404**	**16,490**	**62%**
Depreciation	889	841	48	6%	1,639	1,626	13	1%
Total Expenses	43,080	36,060	7,020	19%	84,693	69,315	15,378	22%
Income before the undernoted	**21,445**	**13,057**	**8,388**	**64%**	**41,255**	**24,778**	**16,477**	**66%**
Amortization of intangible assets	14,309	9,201	5,108	56%	28,688	17,297	11,391	66%
Other expenses	1,286	0	1,286	NA	1,474	0	1,474	NA
Loss (gain) on sale of short-term investments, marketable securities and other assets	(33)	24	(57)	-238%	(33)	(24)	(9)	38%
Interest expense	686	234	452	193%	1,366	397	969	244%
Foreign exchange gain	(371)	(192)	(179)	93%	(1,398)	(663)	(735)	111%
Income before income taxes	5,568	3,790	1,778	47%	11,158	7,771	3,387	44%
Income taxes (recovery)								
Current	3,505	991	2,514	254%	6,657	1,952	4,705	241%
Future	(1,684)	(603)	(1,081)	179%	(3,027)	(1,912)	(1,115)	58%
	1,821	388	1,433	369%	3,630	40	3,590	8975%
Net income	**3,747**	**3,402**	**345**	**10%**	**7,528**	**7,731**	**(203)**	**-3%**
Adjusted net income	**16,372**	**12,000**	**4,372**	**36%**	**33,189**	**23,116**	**10,073**	**44%**
Weighted avg # of shares outstanding (000's)								
Basic	21,168	21,147			21,159	21,130		
Diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic	$ 0.18	$ 0.16	$ 0.02	13%	$ 0.36	$ 0.37	$ (0.01)	-3%
Diluted	$ 0.18	$ 0.16	$ 0.02	13%	$ 0.36	$ 0.36	$ -	0%
Adjusted EBITDA per share								
Basic	$ 1.06	$ 0.66	$ 0.40	61%	$ 2.03	$ 1.25	$ 0.78	62%
Diluted	$ 1.05	$ 0.66	$ 0.39	59%	$ 2.02	$ 1.25	$ 0.77	62%
Adjusted net income per share								
Basic	$ 0.77	$ 0.57	$ 0.20	35%	$ 1.57	$ 1.09	$ 0.48	44%
Diluted	$ 0.77	$ 0.57	$ 0.20	35%	$ 1.57	$ 1.09	$ 0.48	44%

Comparison of the second quarter and six months ended June 30, 2009 and 2008

Revenue:

Total revenue for the quarter ended June 30, 2009 was $102 million, an increase of 31%, or $24 million, compared to $78 million for the comparable period in 2008. For the first six months of 2009 total revenues were $199 million, an increase of 31%, or $47 million, compared to $151 million for the comparable period in 2008. The increase for both the second quarter and six month periods compared to the same periods in the prior year, was entirely attributable to growth from acquisitions, as organic growth from our existing businesses declined by approximately 2% for the second quarter and 4% for the first six months.

Software license revenue for the quarter ended June 30, 2009 was $9 million, similar to the same period in 2008. During the six months ended June 30, 2009, license revenue increased by 11% or $2 million to $20 million, from $18 million for the same period in 2008. Professional services and other services revenue for the quarter ended June 30, 2009 increased by 39%, or $7 million to $25 million, from $18 million for the same period in 2008. During the six months ended June 30, 2009, professional services and other services revenue increased by 45% or $16 million to $50 million, from $34 million for the same period in 2008. Hardware and other revenue for the quarter ended June 30, 2009 increased by 72%, or $3 million to $8 million from $5 million for the same period in 2008. During the six months ended June 30, 2009, hardware and other revenue increased by 41% or $4 million to $14 million, from $10 million for the same period in 2008. Maintenance revenues for the quarter ended June 30, 2009 increased by 29%, or $13 million to $59 million, from $46 million for the same period in 2008. During the six months ended June 30, 2009, maintenance revenue increased by 29% or $26 million to $115 million, from $89 million for the same period in 2008. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended June 30,				Six months ended June 30,			
	2009	2008	2009	2008	2009	2008	2009	2008
	($000)		(% of total revenue)		($000)		(% of total revenue)	
Licenses	9,025	9,057	9%	12%	19,881	17,930	10%	12%
Professional services and other:								
Services	25,344	18,257	25%	23%	49,956	34,367	25%	23%
Hardware and other	7,834	4,562	8%	6%	13,661	9,718	7%	6%
Maintenance	59,312	45,866	58%	59%	115,269	89,330	58%	59%
	101,515	77,742	100%	100%	198,767	151,345	100%	100%

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

The following table displays our revenue by reporting segment and the percentage change for the three and six months ended June 30, 2009 compared to the same periods in 2008:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	7,130	5,950	1,180	20%	16,143	11,391	4,752	42%
Professional services and other:								
Services	22,129	14,354	7,775	54%	43,825	26,541	17,284	65%
Hardware and other	6,953	3,499	3,454	99%	11,983	7,586	4,397	58%
Maintenance	41,549	28,965	12,584	43%	80,301	55,565	24,736	45%
	77,761	52,768	24,993	47%	152,252	101,083	51,169	51%
Private Sector								
Licenses	1,895	3,107	(1,212)	-39%	3,738	6,539	(2,801)	-43%
Professional services and other:								
Services	3,215	3,903	(688)	-18%	6,131	7,825	(1,694)	-22%
Hardware and other	881	1,063	(182)	-17%	1,679	2,133	(454)	-21%
Maintenance	17,763	16,901	862	5%	34,967	33,765	1,202	4%
	23,754	24,974	(1,220)	-5%	46,515	50,262	(3,747)	-7%

Public Sector

For the quarter ended June 30, 2009, total revenue in the public sector segment increased 47%, or $25 million, to $78 million, compared to $53 million for the quarter ended June 30, 2008. For the six months ended June 30, 2009, total revenue increased by 51% or $51 million, to $152 million, compared to $101 million for the comparable period in 2008. The increases for both the three and six month periods were significant across all revenue types. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed 14 acquisitions since the beginning of 2008 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately $23 million to our Q2 2009 revenues and $50 million to our revenues in the six months ended June 30, 2009. In calculating our organic growth, we assume that the companies we've acquired continue, during the 12 months following their acquisition, to achieve revenues at a level consistent with the revenues they achieved during the 12 months preceding their acquisition by Constellation. Actual revenues achieved by each company acquired could be higher or lower than the amounts estimated, however Constellation believes that this method of calculating organic growth provides a reasonable estimate of actual organic growth achieved. Revenues increased organically by $2 million in Q2 2009 and $1 million in the six months ended June 30, 2009 compared to the same periods in 2008. Organic revenue changes were negligible across all operating groups.

Private Sector

For the quarter ended June 30, 2009, total revenue in the private sector segment decreased 5%, or $1 million, to $24 million, compared to $25 million for the quarter ended June 30, 2008. For the six months ended June 30, 2009 total revenue decreased by 7% or $4 million, to $47 million, compared to $50 million for the comparable period in 2008. Revenue growth from acquired businesses was significant for both the three and six month periods as we completed nine acquisitions since the beginning of 2008 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately $2 million to our Q2 2009 revenues and $4 million to our revenues in the six months ended June 30, 2009. Revenues decreased organically by $3 million in Q2 2009 and $7 million in the six months ended June 30, 2009 compared to the same periods in 2008. The organic revenue decline was primarily driven by the following:

- **Homebuilder and Friedman operating groups** (decrease of approximately $2.5 million for Q2 and $6 million for the first 6 months). These operating groups continued to feel the effects of the housing slowdown in the U.S. The decline was apparent across all revenue streams as many of our existing and prospective clients have delayed purchasing decisions. Our Homebuilding and Friedman operating groups are significantly affected by decreasing demand for new housing and building products. These groups continue to see decreased demand for their products and services and we believe that demand may decrease further given the weakness in the underlying industries that they serve.

Gross Profit by Source:

The following table displays the breakdown of our gross profit by revenue source and as a percentage of total revenue:

	Three months ended June 30,				Six months ended June 30,			
	2009	2008	2009	2008	2009	2008	2009	2008
			($000)				($000)	
Gross profit licenses	92%	90%	8,323	8,111	92%	91%	18,354	16,251
Gross profit services & maintenance	65%	62%	54,709	39,840	63%	61%	104,568	75,662
Gross profit hardware & other	19%	26%	1,493	1,166	22%	22%	3,026	2,180
Gross profit on total revenue	64%	63%	64,525	49,117	63%	62%	125,948	94,093

Gross profit increased for the quarter ended June 30, 2009 to $65 million, or 64% of total revenue, from $49 million, or 63% of total revenue, for the quarter ended June 30, 2008. The increase in gross margin dollars is attributable to the overall increase in total revenue. For the first six months of 2009, our gross profit increased to $126 million or 63% of total revenue, from $94 million or 62% of total revenue for the comparable period in 2008. The increase in gross margin dollars is attributable to the overall increase in total revenue. Our licenses, services and maintenance revenue margins experienced minimal change vs. 2008 in both the three and six month periods. Hardware and other revenue margins can fluctuate significantly, given the relatively small size of this category and its diverse product mix.

Operating Expenses:

The following table displays the breakdown of our operating expenses by category:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
	($000, except percentages)				($000, except percentages)			
Research and development	15,281	11,327	3,954	35%	29,982	22,957	7,025	31%
Sales and marketing	10,683	9,841	842	9%	20,780	17,882	2,898	16%
General and administration	16,227	14,051	2,176	15%	32,292	26,850	5,442	20%
Depreciation	889	841	48	6%	1,639	1,626	13	1%
	43,080	36,060	7,020	19%	84,693	69,315	15,378	22%

Overall operating expenses for the quarter ended June 30, 2009 increased 19%, or $7 million, to $43 million, compared to $36 million during the same period in 2008. As a percentage of total revenue, operating expenses decreased from 46% in the quarter ended June 30, 2008 to 42% in the quarter ended June 30, 2009. During the six months ended June 30, 2009, operating expenses increased 22%, or $15 million, to $85 million, compared to $69 million during the same period in 2008. As a percentage of total revenue, operating expenses decreased from 46% in the six months ended June 30, 2008 to 43% in the six months ended June 30, 2009. The growth in expenses for the three and six month periods is primarily due to the growth in the number of employees offset by the depreciation of

the Canadian dollar versus the U.S. dollar. Our average employee headcount associated with operating expenses grew 26% from 911 in the quarter ended June 30, 2008 to 1,146 in the quarter ended June 30, 2009 primarily due to acquisitions. During the six months ended June 30, 2009, headcount associated with operating expenses was up 26% to an average headcount of 1,134 compared to an average of 897 during the same period in 2008. Deterioration of the Canadian dollar vs. the U.S. dollar has a significant positive impact on operating expenses as a disproportionate amount of our total expenses, including costs of goods sold, are originated in Canadian dollars (See "Foreign Currency Exposure" below). The average exchange rate for the Canadian dollar changed significantly in the periods being measured, as evidenced by a 13% decrease in Q2 2009 vs. Q2 2008 and a 16% decrease for the comparable six month periods.

Research and development – Research and development expenses increased 35%, or $4 million, to $15 million for the quarter ended June 30, 2009 compared to $11 million for the same period in 2008. During the six months ended June 30, 2009, research and development expense increased 31%, or $7 million, to $30 million, compared to $23 million over the same period in 2008. As a percentage of total revenue, research and development expense remained consistent at 15% for both the three and six month periods ended June 30, 2009 compared to the same periods in 2008. The increase in expenses as a dollar amount for the three and six month periods is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q2 2009, we averaged 659 staff compared to 512 in the same period in 2008, representing a 29% increase in headcount. For the six months ending June 30, 2009, we averaged 653 staff compared to 501 in the same period in 2008, representing a 30% increase in headcount.

We currently do not have any capitalized software development costs. All of our software development costs are expensed as incurred.

Sales and marketing – Sales and marketing expenses increased 9%, or $1 million to $11 million, in the quarter ended June 30, 2009 compared to $10 million for the same period in 2008. As a percentage of total revenue, sales and marketing expenses decreased to 11% in the quarter ended June 30, 2009 from 13% for the same period in 2008. During the six months ended June 30, 2009, sales and marketing expense increased 16%, or $3 million, to $21 million, compared to $18 million over the same period in 2008. As a percentage of total revenue, sales and marketing decreased to 10% from 12 % in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The increase in expenses as a dollar amount during the quarter is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q2 2009, we averaged 258 staff compared to 212 in the same period in 2008, representing a 22% increase in headcount. For the six months ending June 30, 2009, we averaged 252 staff compared to 208 in the same period in 2008, representing a 21% increase in headcount. The increase in headcount was offset by the positive impact of the deterioration of the Canadian dollar combined with a reduction in some discretionary expenses.

General and administration – General and administration ("G&A") expenses increased 15%, or $2 million, to $16 million in the quarter ended June 30, 2009 from $14 million for the same period in 2008. As a percentage of total revenue, G&A expenses decreased to 16% in Q2 2009 from 18% in Q2 2008. During the six months ended June 30, 2009, G&A expense increased 20%, or $5 million, to $32 million, compared to $27 million during the same period in 2008. As a percentage of total revenue, G&A decreased to 16% from 18% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. The increase in expenses as a dollar amount during the quarter is largely attributable to our growth in headcount from both acquisitions and internal hiring. The decrease in G&A expense as a percentage of revenue for both the three and six month periods ended June 30 2009 compared to the same periods in 2008 is largely due to the positive impact of the deterioration of the Canadian dollar. For Q2 2009, we averaged 229 staff compared to 187 in the same period in 2008, representing a 22% increase in headcount. For the six months ending June 30, 2009, we averaged 229 staff compared to 188 in the same period in 2008.

Depreciation of property and equipment – Depreciation of property and equipment for the quarter and six months ended June 30, 2009 did not change materially from the comparable periods in 2008.

Non-Operating Expenses:

The following table displays the breakdown of our non-operating expenses by category:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
	($000, except percentages)				($000, except percentages)			
Amortization of intangible assets	14,309	9,201	5,108	56%	28,688	17,297	11,391	66%
Other expenses	1,286	0	1,286	NA	1,474	0	1,474	NA
Loss (gain) on sale of short term investments, marketable securities and other assets	(33)	24	(57)	-238%	(33)	(24)	(9)	38%
Interest expense	686	234	452	193%	1,366	397	969	244%
Foreign exchange gain	(371)	(192)	(179)	93%	(1,398)	(663)	(735)	111%
Income taxes	1,821	388	1,433	369%	3,630	40	3,590	8975%
	17,698	9,655	8,043	83%	33,727	17,047	16,680	98%

Amortization of intangible assets – Amortization of intangible assets was $14 million for the quarter ended June 30, 2009 compared to $9 million for the same period in 2008, representing an increase of 56%. For the six months ended June 30, 2009, amortization of intangibles increased 66%, to $29 million, compared to $17 million over the same period in 2008. Both the three and six month increases are attributable to the increases in our intangible asset balance (on a cost basis) over the twelve month period ended June 30, 2009 as a result of the acquisitions that we completed during this period.

Other expense – Other expense was $1.3 million for the quarter ended June 30, 2009 compared to nil for the same period in the previous year. For the six months ended June 30, 2009, other expense was $1.5 million compared to nil for the comparable period in 2008. The increase in other expense for both periods is primarily due to a non-cash write-down of a UK sterling denominated investment. Although the investment is classified as available for sale, which requires fair value adjustments be recorded in other comprehensive income, it was determined that a holding loss relating to the depreciation of the UK sterling is other than temporary and as such a loss was recorded in the statement of operations for the decline in value of the investment relating to the depreciation of the UK sterling since the investment was made.

Interest expense – Net interest expense was $0.7 million for the quarter ended June 30, 2009 compared to $0.2 million for the same period in the previous year. For the six months ended June 30, 2009, interest expense was $1.4 million compared to $0.4 million for the comparable period in 2008. The increase in interest expense for both periods is due to the increase in our borrowings to fund acquisitions. At the end of the second quarter of 2007, we completed an investment in VCG Inc. which generates approximately $0.1 million per quarter in interest income. Our excess cash balances (to the extent that we have excess cash) also generate interest income. These sources of interest income are offset by periodic borrowings on our line of credit to fund acquisitions. As a result, we expect interest income / expense to fluctuate significantly in the future depending upon the timing of acquisitions and the amount we borrow against our line of credit to complete them.

Foreign exchange gain – Most of our businesses are organized geographically so that many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended June 30, 2009, our foreign exchange gain was $0.4 million compared to a gain of $0.2 million for Q2 2008. For the six months ended June 30, 2009, the gain was $1.4 million versus a gain of $0.7 million during the same period in 2008. The foreign exchange gain for the three and six months ended June 30, 2009 is partly attributable to a decrease in the closing rate for the Canadian dollar vs. the US dollar at June 30, 2009 vs. December 31, 2008. As we generally run our business with negative working capital and we had a portion of our net liabilities denominated in Canadian dollars, when we re-valued Canadian dollar net liabilities to US dollars (our functional currency) at quarter end, we recorded a foreign exchange gain. A gain was also realized on Canadian dollar liabilities settled in Q1 2009 at an exchange rate that was favourable to the rate used to value the liabilities at December 31, 2008.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our tax rate is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses. For the quarter ended June 30, 2009, the income tax expense was $1.8 million, compared to $0.4 million for the same period in 2008. For the six months ended June 30, 2009, the provision for income taxes was $3.6 million, compared to $0.1 million in 2008. The significant increase in the tax expense for both the three and six months ended June 30, 2009 compared to the same periods in 2008 is mainly attributable to an increase in taxable income and due to the utilization of tax losses in certain jurisdictions in 2008 that were not available in the same periods in 2009.

Net Income:

Net income for the quarter ended June 30, 2009 was $3.7 million compared to net income of $3.4 million for the same period in 2008. On a per share basis this translated into a net income per diluted share of $0.18 in Q2 2009 vs. a net income per diluted share of $0.16 in Q2 2008. For the first six months of 2009, net income was $7.5 million or $0.36 per diluted share compared to $7.7 million or $0.36 per diluted share in the first six months of 2008. Net income in Q2 and for the first six months of 2009 was positively impacted by the growth in our Adjusted EBITDA offset by increases in amortization of intangibles, other expense and income tax expense.

Adjusted EBITDA:

For Q2 2009, Adjusted EBITDA increased by $8 million to $22 million compared to $14 million in Q2 2008, representing an increase of 61%. Adjusted EBITDA margin was 22% in the second quarter of 2009 and was 18% in the comparable period in 2008. For the first six months of 2009, Adjusted EBITDA increased by $16 million to $43 million compared to $26 million during the same period in 2008, representing an increase of 62%. Adjusted EBITDA margin was 22% in the first six months of 2009, compared to 17% of total revenue for the same period in 2008. The increase in Adjusted EBITDA margin for the three and six months ended June 30, 2009 is largely due to the depreciation of the Canadian dollar as a disproportionate amount of our total expenses, including costs of goods sold, are originated in Canadian dollars (See "Foreign Currency Exposure" below). The average exchange rate for the Canadian dollar changed significantly in the periods being measured; decreasing by 13% versus the U.S. dollar in Q2 2009 compared with Q2 2008 and by 16% in the six months ended June 30, 2009 versus the same period in 2008. See "Non-GAAP Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income (loss):

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 101,515	$ 77,742	$ 198,767	$ 151,345
Net income	3,747	3,402	7,528	7,731
Add back:				
Income taxes	1,821	388	3,630	40
Foreign exchange gain	(371)	(192)	(1,398)	(663)
Interest expense	686	234	1,366	397
Loss (gain) on sale of short-term investments, marketable securities and other assets	(33)	24	(33)	(24)
Other expenses	1,286	0	1,474	0
Amortization of intangible assets	14,309	9,201	28,688	17,297
Depreciation	889	841	1,639	1,626
Adjusted EBITDA	22,334	13,898	42,894	26,404
Adjusted EBITDA margin	22%	18%	22%	17%

Adjusted net income:

For Q2 2009, Adjusted Net Income increased by $4 million to $16 million compared to $12 million in Q2 2008, representing an increase of 36%. Adjusted Net Income margin was 16% in the second quarter of 2009, compared to 15% of total revenue for the same period in 2008. For the first six months of 2009, Adjusted net income increased by $10 million to $33 million compared to $23 million during the same period in 2008, representing an increase of 44%. Adjusted net income margin was 17% in the first six months of 2009, compared to 15% of total revenue for the same period in 2008. See "Non-GAAP Measures" for a description of Adjusted Net Income and Adjusted Net Income margin.

The following table reconciles Adjusted net income to net income:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 101,515	$ 77,742	$ 198,767	$ 151,345
Net income	3,747	3,402	7,528	7,731
Add back:				
Amortization of intangible assets	14,309	9,201	28,688	17,297
Future income taxes (recovery)	(1,684)	(603)	(3,027)	(1,912)
Adjusted net income	16,372	12,000	33,189	23,116
Adjusted net income margin	16%	15%	17%	15%

Quarterly Results

	Quarter Ended							
	Sep. 30, 2007	Dec. 31, 2007	Mar. 31, 2008	Jun. 30, 2008	Sep. 30, 2008	Dec. 31, 2008	Mar. 31, 2009	Jun. 30, 2009
	($000, except per share amounts)							
Revenue	60,574	66,068	73,603	77,742	80,790	98,397	97,252	101,515
Net Income	3,326	1,640	4,329	3,402	3,293	3,970	3,781	3,747
Net Income per share								
Basic	0.16	0.08	0.21	0.16	0.16	0.19	0.18	0.18
Diluted	0.16	0.08	0.20	0.16	0.16	0.19	0.18	0.18

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

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of MAXIMUS Inc.'s Asset, Justice, and Education businesses ('MAJES') for aggregate cash consideration of $35 million plus a cash holdback of $5 million resulting in total consideration of $40 million. The table below provides certain supplemental income statement and cash flow information regarding MAJES for the three and six months ended June 30, 2009. MAJES 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 MAJES. Management believes cash flow from operations is useful supplemental information about the performance of the underlying business as certain purchase price adjustments and contract accounting under GAAP may result in reported earnings that differ materially from cash flow from operations. Certain contracts acquired as part of the MAJES business are being accounted for using the completed contract method of accounting. As a result, the revenue and costs on these contracts will not be reflected in the statement of operations until such contracts are complete. In the interim, the impact on cash flow will be reflected in the statement of cash flow from operating activities.

As part of the MAJES acquisition, Constellation assumed certain long-term contracts that contain contingent liabilities that may, but in management's opinion are unlikely to, exceed $16 million in the aggregate.

Statement of Operations
For the three and six months ended June 30, 2009

(Unaudited)	For the 3 months ended June 30, 2009			For the 6 months ended June 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Revenue	$ 82,624	$18,891	$ 101,515	$ 161,212	$37,555	$ 198,767
Cost of revenue	30,516	6,474	36,990	58,624	14,195	72,819
Gross Profit	52,108	12,417	64,525	102,588	23,360	125,948
Total Expenses (pre amortization)	35,276	6,915	42,191	69,965	13,089	83,054
Adjusted EBITDA	16,832	5,502	22,334	32,623	10,271	42,894
EBITDA as % Total Revenue	20%	29%	22%	20%	27%	22%
Depreciation	792	97	889	1,534	105	1,639
Income before the undernoted	16,040	5,405	21,445	31,089	10,166	41,255
Amortization of intangible assets	11,909	2,400	14,309	24,239	4,449	28,688
Other expenses (income)	1,583	(15)	1,568	1,424	(15)	1,409
Income before income taxes	2,548	3,020	5,568	5,426	5,732	11,158
Income taxes	165	1,656	1,821	1,437	2,193	3,630
Net Income	$ 2,383	$ 1,364	$ 3,747	$ 3,989	$ 3,539	$ 7,528

Cash flow from operating activities
For the three and six months ended June 30, 2009

(Unaudited)	For the 3 months ended June 30, 2009			For the 6 months ended June 30, 2009		
	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Cash flows from operating activities:						
Net income	$ 2,383	$ 1,364	$ 3,747	$ 3,989	$ 3,539	$ 7,528
Adjustments to reconcile net income to net cash flows from operations:						
Depreciation	792	97	889	1,534	105	1,639
Amortization of intangible assets	11,909	2,400	14,309	24,239	4,449	28,688
Future income taxes	(2,036)	352	(1,684)	(2,982)	(45)	(3,027)
Other non-cash items	521	-	521	(428)	-	(428)
Change in non-cash operating working capital	(3,601)	2,887	(714)	(17,812)	1,351	(16,461)
Cash flows from operating activities	$ 9,968	$ 7,100	$ 17,068	$ 8,540	$ 9,399	$ 17,939

Adjusted EBITDA to net income reconciliation
For the three and six months ended June 30, 2009

	For the 3 months ended June 30, 2009			For the 6 months ended June 30, 2009		
(Unaudited)	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Total revenue	$ 82,624	$18,891	$ 101,515	$ 161,212	$37,555	$ 198,767
Net income	2,383	1,364	3,747	3,989	3,539	7,528
Add back:						
Income tax expense	165	1,656	1,821	1,437	2,193	3,630
Other expenses (income)	1,583	(15)	1,568	1,424	(15)	1,409
Amortization of intangible assets	11,909	2,400	14,309	24,239	4,449	28,688
Depreciation	792	97	889	1,534	105	1,639
Adjusted EBITDA	16,832	5,502	22,334	32,623	10,271	42,894
Adjusted EBITDA margin	20%	29%	22%	20%	27%	22%

Liquidity

Our cash position (net of borrowings on our line of credit) at June 30, 2009 increased to negative $25 million, from negative $30 million at December 31, 2008. Borrowings on our line of credit decreased by $23 million offset by a decrease in cash of $18 million.

Total assets decreased $30 million, from $386 million at December 31, 2008 to $356 million at June 30, 2009. The majority of the decrease can be explained by decreases in: a) cash of $18 million (explanation provided below in net changes to cash flow) and b) intangible assets of $19 million due to the amortization of intangible assets.

Current liabilities decreased $35 million, from $253 million as of December 31, 2008, to $218 million at June 30, 2009. The majority of the decrease can be explained by decreases in a) bank indebtedness of $23 million b) accounts payable and accrued liabilities of $16 million primarily due to the payment of 2008 employee bonuses in Q1 2009. These decreases were offset by an increase in deferred revenue of $8 million, due to the growth in our business and due to acquisitions.

Net Changes in Cash Flow	**Six months ended June 30, 2009**
	(in millions of $)
Net cash provided by operating activities	$18
Net cash used in financing activities	(28)
Net cash used in investing activities	(10)
Effect of exchange rate changes on cash and cash equivalents	2
Net decrease in cash and cash equivalents	($18)

The net cash flow from operating activities was $18 million for the six months ended June 30, 2009. The $18 million provided by operating activities resulted from $8 million in net income, plus adjustments for $26 million of

non-cash expenses included in net income, offset by $16 million of cash used by changes in our non-cash operating working capital.

The net cash used in financing activities in the six months ended June 30, 2009 was $28 million. The cash was used to reduce our borrowings on our line of credit by $23 million and to pay a dividend of $0.216 per share (cash usage of $5 million).

The net cash used in investing activities in the six months ended June 30, 2009 was $10 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $8 million (including payments for holdbacks relating to prior acquisitions).

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

Capital Resources and Commitments

We have a $130 million credit facility that is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As of June 30, 2009, we had drawn $37 million on this facility and issued letters of credit for $6 million which limits our borrowing capacity dollar for dollar.

Commitments include operating leases for office equipment and facilities, letters of credit, bank guarantees, 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 "earn out" payments based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in unconsolidated companies (aside from our shareholdings in publicly traded companies included in our short term investments and our investment in VCG Inc.) that would have a significant effect on our assets and liabilities as at June 30, 2009.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. Currently, we do not use hedging techniques to mitigate such currency risks. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue/expenses, as applicable, for the three and six month periods ending June 30, 2009:

Currencies	Three Months Ended Jun. 30, 2009 % of Revenue	% of Expenses	Six Months Ended Jun. 30, 2009 % of Revenue	% of Expenses
USD	83%	68%	83%	68%
CAD	9%	22%	9%	23%
GBP	6%	7%	6%	7%
Others	2%	3%	2%	2%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases, bank guarantees, letters of credit and other low probability and/or contingent liabilities for which we cannot reasonably estimate the outcome (not accrued in accordance with Canadian GAAP), all of our commitments are reflected on our balance sheet.

Transactions with Related Parties

Aside from our Key Employee Loan Program ("KELP"), we had no material related party transactions during 2009. The outstanding balance of loans granted under the KELP as of June 30, 2009 was $0.6 million as compared to $1.1 million as of December 31, 2008.

Proposed Transactions

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

Changes in Accounting Policies

Effective January 1, 2009, the Company adopted CICA Handbook, Section 3064 "Goodwill and Intangible Assets". Section 3064 replaces Section 3062 "Goodwill and Intangible Assets", Section 3450, "Research and Development Costs". It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. There was no impact to the Company's financial statements as a result of adopting this new standard.

Recent Accounting Pronouncements

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for our first quarter of 2011. We have initiated an IFRS transition project with a formal project plan and a project manager. Regular reporting is provided to our senior executive management and to our Board of Directors on the project's progress. We have completed the diagnostic phase of our project, which involved an initial assessment and scoping of the significant differences between existing Canadian GAAP and IFRS.

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2009. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company:

First Time adoption
IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principal of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users,
IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

Impairment
IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.
Impairment testing should be performed at the asset level for long-lived assets and intangible assets.
Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

Recognizing and measuring goodwill or a gain from a bargain purchase
Under IFRS, negative goodwill does not result in the proportionate reduction of certain acquired assets, or the inclusion of contingent liabilities. Rather, negative goodwill is recorded in the P&L.

Provisions
Under IFRS a provision is recognized in the financial statements if it is probable. Probable is defined under IFRS as "more likely than not". This is a lower threshold than "likely" under Canadian GAAP.

Income Taxes
For integrated subsidiaries and foreign-denominated purchases of capital assets, IFRS requires a deferred tax asset/liability to be recorded based on foreign exchange movements, whereby an amount arises based on the difference between the historical rate and the current rate. Under its current structure, Constellation has a significant number of integrated subsidiaries that could be impacted by this difference.

Information systems:
The accounting processes of the Company are not heavily dependent on information systems and based on the initial scoping exercise no significant modifications to information systems are anticipated. The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1. As the Company will perform its accounting under Canadian GAAP for fiscal 2010, the Company is currently working to determine how it will generate in parallel the accounting under IFRS during fiscal 2010. Once the extent of the adjustments needed to convert to IFRS are established, processes will be put in place effective January 2010 to generate the dual accounting.

At this time, we cannot reasonably estimate the impact of adopting IFRS on our consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that

all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. We will consider the impact of adopting this standard on future business combinations.

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. We will consider the impact of adopting this standard on our consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1602, "Noncontrolling interests in Consolidated Financial Statements'. This section specifies that noncontrolling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011 and will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. We will consider the impact of adopting this standard on our consolidated financial statements.

Share Capital

As at August 5, 2009, there were 21,191,530 total shares outstanding comprised of 16,903,530 common shares and 4,288,000 class A non-voting shares.

Outlook

Although we anticipate that our annual revenue and Adjusted EBITDA will vary from year to year, management's objective is to grow each of our annual revenue per share and Adjusted EBITDA per share at an average rate, in the five year period commencing January 1, 2006 and ending December 31, 2010, in excess of 20% per annum. While the mix of organic growth and growth from acquisitions will change from year to year, we anticipate that approximately one half to three quarters of our growth will be attributable to acquisitions over this five year period. The foregoing objectives are based on various assumptions of management, including, without limitation, that (i) there will be a sufficient number of reasonably-priced acquisitions available, and (ii) we will continue to declare modest dividends. See ''Forward-Looking Statements'' and ''Risks and Uncertainties".

Risks and Uncertainties

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

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, 2009, the President and Chief Financial Officer concluded that the

design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

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

In addition, the Chief Executive Officer and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The control framework the Chief Executive Officer 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 Chief Executive Officer and the Chief Financial Officer have evaluated whether or not there were changes to its ICFR during the three-month period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

Exclusion of MAJES

Our assessment of and conclusion on the effectiveness of disclosure controls and procedures and internal control over financial reporting did not include the controls or procedures of the operations of MAJES. Certain summary financial information related to MAJES has been included above under "Acquisition of certain software assets and liabilities from MAXIMUS Inc."