Constellation Software Inc.

INTERIM FINANCIAL REPORT

Second Quarter Fiscal Year 2013

For the three and six month periods ended
June 30, 2013
(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, 2013 and with our Annual Consolidated Financial Statements for the year ended December 31, 2012, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

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

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

Forward Looking Statements

Certain statements in this report, including those under "Outlook" below, 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, July 31, 2013. 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 "Outlook" and "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

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

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

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

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

Overview

We acquire, manage and build vertical market software (“VMS”) businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular markets. Our focus on acquiring businesses with growth potential, managing them well and then building them, has allowed us to generate significant cash 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 in which the fair value of maintenance and/or professional service fees are determinable, where applicable. Maintenance and other recurring revenue primarily consists of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service, subscriptions, combined software/support contracts, transaction-related revenues, and hosted products. Maintenance and other recurring fee arrangements generally include ongoing customer support and rights to certain product updates “when and if available” and products sold on a subscription basis. Professional service revenue consists of fees charged for implementation 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 and other general operating expenses.

Results of Operations

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

Unaudited

	Three months ended June 30, 2013	Three months ended June 30, 2012	Period-Over-Period Change $	Period-Over-Period Change %	Six months ended June 30, 2013	Six months ended June 30, 2012	Period-Over-Period Change $	Period-Over-Period Change %
Revenue	**298,189**	**208,969**	**89,220**	**43%**	**554,620**	**404,247**	**150,373**	**37%**
Expenses	236,485	165,267	71,218	43%	450,318	321,278	129,040	40%
Adjusted EBITDA	**61,704**	**43,702**	**18,002**	**41%**	**104,302**	**82,969**	**21,333**	**26%**
Depreciation	2,422	1,803	619	34%	4,634	3,521	1,113	32%
Amortization of intangible assets	29,800	20,269	9,531	47%	56,261	39,544	16,717	42%
Foreign exchange loss (gain)	361	(217)	578	NM	2,136	(9)	2,145	NM
Equity in net (income) loss of equity investees	(13)	209	(222)	NM	(357)	1,091	(1,448)	NM
Finance income	(10)	(394)	384	NM	(500)	(1,463)	963	-66%
Finance costs	2,151	774	1,377	178%	3,267	1,792	1,475	82%
Profit before income taxes	26,993	21,258	5,735	27%	38,861	38,493	368	1%
Income taxes expense (recovery)								
Current income tax expense	6,687	5,366	1,321	25%	11,667	10,169	1,498	15%
Deferred income tax expense (recovery)	1,074	(1,700)	2,774	NM	(1,237)	(3,192)	1,955	NM
Income tax expense	7,761	3,666	4,095	112%	10,430	6,977	3,453	49%
Net income	**19,232**	**17,592**	**1,640**	**9%**	**28,431**	**31,516**	**(3,085)**	**-10%**
Adjusted net income	**50,106**	**36,161**	**13,945**	**39%**	**83,455**	**67,868**	**15,587**	**23%**
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic and diluted	$ 0.91	$ 0.83	$ 0.08	9%	$ 1.34	$ 1.49	$ (0.15)	-10%
Adjusted EBITDA per share								
Basic and diluted	$ 2.91	$ 2.06	$ 0.85	41%	$ 4.92	$ 3.92	$ 1.01	26%
Adjusted net income per share								
Basic and diluted	$ 2.36	$ 1.71	$ 0.66	39%	$ 3.94	$ 3.20	$ 0.74	23%
Cash dividends declared per share								
Basic and diluted	$ 1.00	$ 1.00	$ -	0%	$ 2.00	$ 2.00	$ -	0%

NM - Not meaningful

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

Revenue:

Total revenue for the quarter ended June 30, 2013 was $298 million, an increase of 43%, or $89 million, compared to $209 million for the comparable period in 2012. For the first six months of 2013 total revenues were $555 million, an increase of 37%, or $150 million, compared to $404 million for the comparable period in 2012. The increase for both the three and six month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions, however, the Company did experience positive organic growth of 8% and 4%, respectively. 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 revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. During the quarter ended June 30, 2013, a contract that was previously accounted for on a zero margin basis due to uncertainty regarding profitability was completed, resulting in the recognition of previously deferred profit margin as part of professional services revenue in the amount of $5 million. Excluding this amount, organic growth would have been 6% and 3% for the three and six month periods ended June 30, 2013, respectively. We currently have no other material contracts accounted for on a zero margin basis.

Software license revenue for the quarter ended June 30, 2013 increased by 50%, or $8 million to $24 million, from $16 million compared to the same period in 2012. During the six months ended June 30, 2013, software license revenue increased by 45%, or $14 million to $45 million, from $31 million compared to the same period in 2012. Professional services revenue for the quarter ended June 30, 2013 increased by 46%, or $21 million to $67 million, from $46 million compared to the same period in 2012. During the six months ended June 30, 2013, professional services revenue increased by 39%, or $34 million to $122 million, from $88 million compared to the same period in 2012. Hardware and other revenue for the quarter ended June 30, 2013 increased by 32%, or $7 million to $29 million, from $22 million compared to the same period in 2012. During the six months ended June 30, 2013, hardware and other revenue increased by 16%, or $8 million to $55 million, from $48 million compared to the same period in 2012. Maintenance and other recurring revenues for the quarter ended June 30, 2013 increased by 43%, or $53 million to $178 million, from $125 million compared to the same period in 2012. During the six months ended June 30, 2013, maintenance and other recurring revenues increased by 40%, or $95 million to $333 million, from $238 million compared to the same period in 2012.The following table displays the breakdown of our revenue according to revenue type:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($000, except percentages)				($000, except percentages)			
Licenses	24,057	15,994	8,063	50%	44,725	30,934	13,791	45%
Professional services	66,951	45,935	21,016	46%	122,050	88,062	33,988	39%
Hardware and other	29,477	22,351	7,126	32%	55,285	47,706	7,579	16%
Maintenance and other recurring	177,704	124,689	53,015	43%	332,560	237,545	95,015	40%
	298,189	208,969	89,220	43%	554,620	404,247	150,373	37%

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

The following table displays our revenue by reportable segment and the percentage change for the three and six months ended June 30, 2013 compared to the same periods in 2012:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	15,703	10,864	4,839	45%	28,878	20,654	8,224	40%
Professional services	53,180	35,489	17,691	50%	96,359	67,791	28,568	42%
Hardware and other	25,319	18,756	6,563	35%	47,490	41,045	6,445	16%
Maintenance and other recurring	107,197	82,613	24,584	30%	204,802	156,464	48,338	31%
	201,399	147,722	53,677	36%	377,529	285,954	91,575	32%
Private Sector								
Licenses	8,354	5,130	3,224	63%	15,847	10,280	5,567	54%
Professional services	13,771	10,446	3,325	32%	25,691	20,271	5,420	27%
Hardware and other	4,158	3,595	563	16%	7,795	6,661	1,134	17%
Maintenance and other recurring	70,507	42,076	28,431	68%	127,758	81,081	46,677	58%
	96,790	61,247	35,543	58%	177,091	118,293	58,798	50%

Public Sector

For the quarter ended June 30, 2013, total revenue in the public sector reportable segment increased by 36%, or $54 million to $201 million, compared to $148 million for the quarter ended June 30, 2012. For the six months ended June 30, 2013, total revenue increased by 32%, or $92 million to $378 million, compared to $286 million for the comparable period in 2012. Revenue growth from acquired businesses contributed approximately $40 million to our Q2 2013 revenues and $80 million to our six months ended June 30, 2013 revenues compared to the same periods in 2012, as we completed 26 acquisitions since the beginning of 2012. Organic revenue growth was 10% in Q2 2013 and 4% for the six months ended June 30, 2013 compared to the same periods in 2012. As mentioned above, during the quarter ended June 30, 2013, a contract that was previously accounted for on a zero margin basis due to uncertainty regarding profitability was completed, resulting in the recognition of previously deferred profit margin as part of professional services revenue in the amount of $5 million. Excluding this amount, organic growth would have been 6% and 2% for the three and six month periods ended June 30, 2013, respectively.

Private Sector

For the quarter ended June 30, 2013, total revenue in the private sector reportable segment increased 58%, or $36 million to $97 million, compared to $61 million for the quarter ended June 30, 2012. For the six months ended June 30, 2013 total revenue increased by 50%, or $59 million to $177 million, compared to $118 million for the comparable period in 2012. Revenue growth from acquired businesses contributed approximately $32 million to our Q2 2013 revenues and $53 million to our six months ended June 30, 2013 revenues compared to the same periods in 2012, as we completed 23 acquisitions since the beginning of 2012. Revenues increased organically by 6% in Q2 2013 and 5% for the six months ended June 30, 2013 compared to the same periods in 2012.

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	
	2013	2012	$	%	2013	2012	$	%
	($000, except percentages)				($000, except percentages)			
Expenses								
Staff	158,243	113,689	44,554	39%	306,347	219,320	87,027	40%
Hardware	16,246	10,705	5,541	52%	32,257	22,932	9,325	41%
Third party license, maintenance and professional services	25,829	14,715	11,114	76%	44,269	28,961	15,308	53%
Occupancy	6,694	5,039	1,655	33%	13,274	9,664	3,610	37%
Travel	11,125	7,766	3,359	43%	20,631	16,012	4,619	29%
Telecommunications	3,334	2,553	781	31%	6,427	5,050	1,377	27%
Supplies	4,975	3,866	1,109	29%	9,623	7,298	2,325	32%
Professional fees	3,760	2,222	1,538	69%	7,221	4,067	3,154	78%
Other, net	6,279	4,712	1,567	33%	10,269	7,974	2,295	29%
	236,485	165,267	71,218	43%	450,318	321,278	129,040	40%

Overall expenses for the quarter ended June 30, 2013 increased 43%, or $71 million to $236 million, compared to $165 million during the same period in 2012. As a percentage of total revenue, expenses remained consistent at 79% in the quarter ended June 30, 2013 compared to the quarter ended June 30, 2012. During the six months ended June 30, 2013, expenses increased 40%, or $129 million to $450 million, compared to $321 million during the same period in 2012. As a percentage of total revenue, overall expenses increased to 81% in the six months ended June 30, 2013 compared to 79% in the same period in 2012. The increase in expenses as a percentage of total revenue for the six month period is primarily attributed to North American hiring to address backlog and to staff new investments in growth initiatives, as well as the impact of recent European acquisitions. Our average employee headcount grew 39% in 2013 from 4,377 in the quarter ended June 30, 2012 to 6,104 in the quarter ended June 30, 2013 primarily due to acquisitions.

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

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($000, except percentages)				($000, except percentages)			
Professional services	36,639	25,733	10,906	42%	71,231	49,592	21,639	44%
Maintenance	30,075	23,002	7,073	31%	58,947	44,008	14,939	34%
Research and development	42,160	30,207	11,953	40%	81,176	58,544	22,632	39%
Sales and marketing	23,382	15,619	7,763	50%	44,591	30,158	14,433	48%
General and administration	25,988	19,128	6,860	36%	50,403	37,018	13,385	36%
	158,244	113,689	44,555	39%	306,348	219,320	87,028	40%

The increase in staff expenses across all of our operating departments was primarily due to the growth in the number of employees compared to the same periods in 2012 primarily due to acquisitions.

Professional services – Staff expenses related to our Professional services operating department increased 42%, or $11 million, to $37 million for the quarter ended June 30, 2013 compared to $26 million for the same period in 2012. During the six months ended June 30, 2013 staff expenses related to our Professional services operating department increased 44%, or $21 million to $71 million, compared to $50 million over the same period in 2012.

Maintenance – Staff expenses related to our Maintenance operating department increased 31%, or $7 million, to $30 million for the quarter ended June 30, 2013 compared to $23 million for the same period in 2012. During the six months ended June 30, 2013 staff expenses related to our Maintenance operating department increased 34%, or $15 million to $59 million, compared to $44 million over the same period in 2012.

Research and development – Staff expenses related to our Research and development operating department increased 40%, or $12 million, to $42 million for the quarter ended June 30, 2013 compared to $30 million for the same period in 2012. During the six months ended June 30, 2013 staff expenses related to our Research and development operating department increased 39%, or $23 million to $81 million, compared to $59 million over the same period in 2012.

Sales and marketing – Staff expenses related to our Sales and marketing operating department increased 50%, or $8 million, to $23 million for the quarter ended June 30, 2013 compared to $16 million for the same period in 2012. During the six months ended June 30, 2013 staff expenses related to our Sales and marketing operating department increased 48%, or $14 million to $45 million, compared to $30 million over the same period in 2012.

General and administration – Staff expenses related to our General and administration operating department increased 36%, or $7 million, to $26 million for the quarter ended June 30, 2013 compared to $19 million for the same period in 2012. During the six months ended June 30, 2013 staff expenses related to our General and administration operating department increased 36%, or $13 million to $50 million, compared to $37 million over the same period in 2012.

Hardware expenses – Hardware expenses for the quarter ended June 30, 2013 increased 52%, or $6 million to $16 million, compared to $11 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013 hardware expenses increased 41%, or $9 million to $32 million, from $23 million over the same periods in 2012. Hardware margins for the three and six months ended June 30, 2013 were 45% and 42% respectively, compared to 52% in the same periods in 2012. This decline in hardware margins is primarily driven by the delivery on some large contracts by the European and US PTS businesses in the first half of 2012 that included higher margins than the business typically achieves, and a change in the hardware sales mix.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses for the quarter ended June 30, 2013 increased 76% or $11 million to $26 million, compared to $15 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013 Third party license, maintenance and professional services expense increased 53%, or $15 million to $44 million, from $29 million over the same period in 2012. The increases are primarily due to an increase in maintenance revenue for the three and six months ended June 30, 2013 compared to the same periods in 2012.

Occupancy expenses – Occupancy expenses for the quarter ended June 30, 2013 increased 33%, or $2 million to $7 million, compared to $5 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013 Occupancy expenses increased 37%, or $4 million to $13 million, from $10 million over the same period in 2012. The increase is primarily due to the occupancy expenses of acquired businesses.

Travel expenses – Travel expenses for the quarter ended June 30, 2013 increased 43%, or $3 million to $11 million, compared to $8 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013 Travel expenses increased 29%, or $5 million to $21 million, from $16 million over the same period in 2012. The increase is primarily due to increased travel expenses incurred by acquired businesses.

Professional fees – Professional fees for the quarter ended June 30, 2013 increased 69%, or $2 million to $4 million, compared to $2 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013 Professional fees increased 78%, or $3 million to $7 million, from $4 million over the same period in 2012. The increase is primarily due to legal and tax advisory fees associated with acquisitions and tax planning, and fees associated with the implementation of the Company's dividend reinvestment and employee share ownership plans.

Other, net – Other expenses for the quarter ended June 30, 2013 increased 33% or $2 million to $6 million, compared to $5 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013 Other expenses increased 29%, or $2 million to $10 million, from $8 million over the same period in 2012. The increases are primarily due to increased expenses incurred by acquired businesses.

Other Income and Expenses:

The following tables display the breakdown of our other income and expenses:

	Three months ended June 30,		Period-Over-Period Change		Six months ended June 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($000, except percentages)				($000, except percentages)			
Depreciation	2,422	1,803	619	34%	4,634	3,521	1,113	32%
Amortization of intangible assets	29,800	20,269	9,531	47%	56,261	39,544	16,717	42%
Foreign exchange loss (gain)	361	(217)	578	NM	2,136	(9)	2,145	NM
Equity in net (income) loss of equity investees	(13)	209	(222)	NM	(357)	1,091	(1,448)	NM
Finance income	(10)	(394)	384	-97%	(500)	(1,463)	963	-66%
Finance costs	2,151	774	1,377	178%	3,267	1,792	1,475	82%
Income tax expense	7,761	3,666	4,095	112%	10,430	6,977	3,453	49%
	42,472	26,110	16,362	63%	75,871	51,453	24,418	47%

NM - Not meaningful

Depreciation – Depreciation of property and equipment for the quarter ended June 30, 2013 increased 34% to $2 million compared to the same period in 2012. During the six months ended June 30, 2013, depreciation of property and equipment increased 32% to $5 million compared to the same period in 2012. The increases are primarily attributable to an increase in the carrying amount of our property and equipment asset balance over the twelve month period ended June 30, 2013 as a result of acquisitions completed during this period.

Amortization of intangible assets – Amortization of intangible assets for the quarter ended June 30, 2013 increased by 47%, or $10 million to $30 million, compared to $20 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013, Amortization of intangible assets increased 42%, or $17 million to $56 million, from $40 million over the same period in 2012. The increases are attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended June 30, 2013 as a result of acquisitions completed during this period.

Foreign exchange – Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended June 30, 2013, we realized a foreign exchange loss of $0.4 million compared to a gain of $0.2 million for the quarter ended June 30, 2012. For the six months ended June 30, 2013 the foreign exchange loss was $2 million compared to no foreign exchange gain or loss for the same period in 2012. The foreign exchange losses are due to realized losses on the settlement of certain non-US denominated liabilities and due to holding, or unrealized, losses on certain non-US denominated liabilities.

Equity in net (income) loss of equity investees – Equity in the net (income) loss of equity investees was nil for the quarter ended June 30, 2013 compared to a loss of $0.2 million for the quarter ended June 30, 2012. For the six months ended June 30, 2013, Equity in net (income) loss of equity investees was income of $0.4 million compared to a loss of $1 million for the same period in 2012. The $1 million loss in 2012 primarily relates to our proportionate share of a loss recorded by an equity investee resulting from an impairment charge on goodwill.

Finance income – Finance income for the quarter ended June 30, 2013 was nil compared to $0.4 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013, Finance income was $0.5 million compared to $1.5 million for the same period in 2012. The decrease in finance income for the three and six months ended June 30, 2013 is due to reduced gains on sales of non-current assets and equity securities available-for-sale as compared to the same periods in the prior year.

Finance costs – Finance costs for the quarter ended June 30, 2013 increased $1.4 million to $2.2 million, compared to $0.8 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013, Finance costs increased $1.5 million to $3.3 million, from $1.8 million over the same period in 2012. The increase in Finance costs primarily relates to increased interest expense on our revolving line of credit resulting from increased average borrowings in 2013 compared to 2012, and a mark to market loss recorded on a forward foreign exchange contract that remained unsettled at June 30, 2013.

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, 2013, income tax expense increased $4 million to $8 million compared to $4 million for the quarter ended June 30, 2012. During the six months ended June 30, 2013, income tax expense increased $3 million to $10 million, from $7 million over the same period in 2012.

Net Income and Earnings per Share:

Net income for the quarter ended June 30, 2013 was $19 million compared to net income of $18 million for the same period in 2012. On a per share basis this translated into a net income per diluted share of $0.91 in the quarter ended June 30, 2013 compared to net income per diluted share of $0.83 in the quarter ended June 30,

2012. For the six months ended June 30, 2013, net income was $28 million or $1.34 per diluted share compared to $32 million or $1.49 per diluted share for the same period in 2012. The decrease in net income for the six months ended June 30, 2013 over the same period in 2012 was primarily due to an increase in the amortization expense attributable to intangible assets as a result of acquisitions completed during 2012 and 2013. There were no changes in the number of shares outstanding.

Adjusted EBITDA:

For the quarter ended June 30, 2013, Adjusted EBITDA increased to $62 million compared to $44 million in the quarter ended June 30, 2012 representing an increase of 41%. Adjusted EBITDA margin was 21% in both the quarter ended June 30, 2013 and the quarter ended June 30, 2012. For the first six months of 2013, Adjusted EBITDA increased to $104 million compared to $83 million during the same period in 2012, representing an increase of 26%. Adjusted EBITDA margin was 19% in the first six months of 2013 and 21% in the first six months of 2012. Excluding the $5 million in deferred profit margin recognized on the contract accounted for using the zero margin basis referred to in the revenue section above, Adjusted EBITDA margins would have been 19% and 18% for the three and six month periods ended June 30, 2013, respectively. The decrease in EBITDA margins (excluding the $5 million deferred profit margin amount) in the three and six months ended June 30, 2013 is primarily attributed to North American hiring to address backlog and to staff new investments in growth initiatives, as well as the impact of recent European acquisitions. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 298,189	$ 208,969	$ 554,620	$ 404,247
Net income	19,232	17,592	28,431	31,516
Adjusted for:				
Income tax expense	7,761	3,666	10,430	6,977
Foreign exchange loss (gain)	361	(217)	2,136	(9)
Equity in net (income) loss of equity investees	(13)	209	(357)	1,091
Finance income	(10)	(394)	(500)	(1,463)
Finance costs	2,151	774	3,267	1,792
Amortization of intangible assets	29,800	20,269	56,261	39,544
Depreciation	2,422	1,803	4,634	3,521
Adjusted EBITDA	61,704	43,702	104,302	82,969
Adjusted EBITDA margin	21%	21%	19%	21%

Adjusted net income:

For the quarter ended June 30, 2013, Adjusted net income increased to $50 million from $36 million for the quarter ended June 30, 2012, representing an increase of 39%. Adjusted net income margin was 17% in both the quarter ended June 30, 2013 and June 30, 2012. For the first six months of 2013, Adjusted net income increased to $83 million from $68 million during the same period in 2012, representing an increase of 23%.

Adjusted net income margin was 15% in the first six months of 2013, compared to 17% for the same period in 2012. The increase in Adjusted net income for the three and six months ended June 30, 2012 is largely due to an increase in Adjusted EBITDA. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

(Unaudited)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 298,189	$ 208,969	$ 554,620	$ 404,247
Net income	19,232	17,592	28,431	31,516
Adjusted for:				
Amortization of intangible assets	29,800	20,269	56,261	39,544
Deferred income tax expense (recovery)	1,074	(1,700)	(1,237)	(3,192)
Adjusted net income	50,106	36,161	83,455	67,868
Adjusted net income margin	17%	17%	15%	17%

Quarterly Results (unaudited)

	Sep. 30 2011	Dec. 31 2011	Mar. 31 2012	Jun. 30 2012	Sep. 30 2012	Dec. 31 2012	Mar. 31 2013	Jun. 30 2013
	Quarter Ended ($000, except per share amounts)							
Revenue	202,253	198,357	195,278	208,969	225,980	260,999	256,431	298,189
Net Income	19,305	19,395	13,924	17,592	21,065	40,051	9,199	19,232
Adjusted Net Income	39,717	40,229	31,707	36,161	42,079	62,251	33,349	50,106
Net Income per share								
Basic & diluted	0.91	0.92	0.66	0.83	0.99	1.89	0.43	0.91
Adjusted Net Income per share								
Basic & diluted	1.87	1.90	1.50	1.71	1.99	2.94	1.57	2.36

We do experience seasonality in our operating results in that Adjusted Net Income margins in the first quarter of every year are typically lower than margins achieved in the second, third and fourth quarters. The key drivers for the lower margins are increased payroll tax costs associated with our annual bonus payments that are made in the month of March, and the fact that there is always a focus at year end to complete sales implementation projects which generally translates into increased professional services revenue in the fourth quarter and decreased professional services in the first quarter. 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, bargain purchase gains and gains or losses on the sale of financial 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 Solutions businesses ("MAJES"). As part of the acquisition, the Company also acquired certain long-term contracts that contain contingent liabilities which may, but are unlikely to, exceed $16 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

In February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation received a letter from a customer initiating a dispute resolution process under the customer's contract. The customer alleged that the subsidiary of Constellation and Maximus failed to provide the services and products required to be delivered under the contract. The subsidiary of the Company, Maximus, and the customer, pursuant to the terms of the contract, entered into arbitration proceedings in respect of the customer's claims. The potential liability was undefined with respect to the claims in arbitration, however, the contract with the customer has a $9 million limitation of liability clause that the Company believes will apply to all of the claims. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation and was seeking restitution of a minimum of $12 million. In December 2012, the subsidiary of Constellation obtained an arbitration ruling in relation to the customer dispute. The arbitration ruling concluded that no amounts were owed by the subsidiary to the customer for the various claims made by the customer and that the customer owes the subsidiary approximately $10 million in fees for services provided under the contract and for amounts owing due to a breach of contract by the customer. Constellation sought to obtain a court judgement to enforce the arbitration ruling. The court issued a judgment dated July 18, 2013, reducing the award to the subsidiary from approximately $10 million to approximately $6 million. The gains based on this ruling have been deemed to be contingent in nature and, accordingly, have not been recognized in the condensed consolidated interim financial statements.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) increased by $148 million to $151 million resulting from acquisitions. The amount drawn on our credit facility increased to $185 million from $46 million at the end of 2012, and cash decreased by $9 million to $32 million at June 30, 2013 compared to $41 million at December 31, 2012.

Total assets increased $171 million, from $813 million at December 31, 2012 to $984 million at June 30, 2013. The increase is primarily due to an increase in accounts receivable of $43 million, work in progress of $17 million, other current assets of $13 million and intangible assets of $148 million primarily arising from acquisitions made in 2013, offset by a decrease in cash of $9 million and deferred income taxes of $49 million also arising from acquisitions made in 2013.

Current liabilities increased $208 million, from $473 million at December 31, 2012 to $681 million at June 30, 2013. The increase is primarily due to an increase in borrowings on our line of credit of $139 million, and an increase in deferred revenue of $65 million mainly due to acquisitions and the timing of maintenance and other billings versus performance and delivery under those customer arrangements.

Net Changes in Cash Flows

(in $000's)	**Three months ended June 30, 2013**	**Six months ended June 30, 2013**
Net cash provided by operating activities	17,972	51,884
Net cash from financing activities	54,427	95,707
Net cash used in acquisition activities	(80,622)	(155,736)
Net cash used in other investing activities	(3,065)	247
Net cash from (used in) investing activities	(83,687)	(155,489)
Effect of foreign currency	(661)	(1,051)
Net increase (decrease) in cash and cash equivalents	**(11,949)**	**(8,949)**

The net cash flows from operating activities were $52 million for the six months ended June 30, 2013. The $52 million provided by operating activities resulted from $28 million in net income, plus $76 million of non-cash adjustments to net income, offset by $38 million of cash used by an increase in our non-cash operating working capital and $14 million in taxes paid.

The net cash flows from financing activities in the six months ended June 30, 2013 was $96 million, which is mainly a result of an increase in bank indebtedness of $139 million, which is offset by dividends paid in the period of $42 million.

The net cash flows used in investing activities in the six months ended June 30, 2013 was $155 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $155 million (including payments for holdbacks relating to prior acquisitions).

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

On March 13, 2012, we entered into a new credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million which replaced our previous $160 million facility. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. The credit facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. 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 until 2016. As at June 30, 2013, we had drawn $185 million on this facility. Transaction costs associated with this facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at June 30, 2013, the carrying amount of such costs relating to this facility totalling $1 million has been classified as part of bank indebtedness in the statement of financial position.

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration, or earn out obligations, based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at June 30, 2013.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. 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 month period ending June 30, 2013, the Company purchased a single contract of this nature totaling approximately $21 million. At June 30, 2013 the contract remains unsettled and the Company has recorded its fair value at June 30, 2013 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss of $0.7 million has been recorded in interest expense as part of finance costs. The contract was settled on July 2, 2013.

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 month periods ended June 30, 2013:

	Three Months Ended June 30, 2013		Six Months Ended June 30, 2013	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	68%	59%	68%	58%
CAD	8%	16%	9%	17%
GBP	8%	9%	8%	9%
EURO	8%	7%	8%	8%
CHF	3%	4%	3%	4%
Others	5%	5%	4%	4%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

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

Proposed Transactions

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

Disposal of Assets

During the six months ended June 30, 2013, the Company sold the Technology and Cloud solution assets of the previously acquired Computer Software Innovations, Inc. to Encore Technology Group for total proceeds of $4 million (which included a hold-back receivable of $0.5 million). No significant gain or loss arose on the transaction.

Recent Accounting Pronouncements

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

Amendments to IAS 32, Offsetting Financial Assets and Liabilities

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

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

Share Capital

As at July 31, 2013, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors, including those set forth below and also those included 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 operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Canada Revenue Agency Reassessment and Other Tax Uncertainties

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

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

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At June 30, 2013, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

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

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

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the six month period ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

An operational control deficiency was identified subsequent to June 30, 2013 and the Company is in the process of implementing new controls to mitigate any future impact. Management does not consider the operational control deficiency or any impact thereof to constitute a material weakness from an ICFR perspective.

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

CONSTELLATION SOFTWARE INC.

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

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

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

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

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

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

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

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

Six months ended June 30, 2013	Capital stock	Accumulated other comprehensive income/(loss)		Total accumulated other comprehensive income/(loss)	Retained earnings	Total
		Cumulative translation account	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2013	**$ 99,283**	**$ 1,450**	**$ 171**	**$ 1,621**	**$ 157,900**	**$ 258,804**
Total comprehensive income for the period						
Net income	-	-	-	-	28,431	28,431
Other comprehensive income (loss)						
Net change in fair value of available-for-sale financial asset during the period	-	-	272	272	-	272
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial asset during the period	-	-	-	-	-	-
Amounts reclassified to profit during the period related to realized gains on available-for-sale investment	-	-	-	-	-	-
Foreign currency translation differences from from foreign operations	-	(3,433)	-	(3,433)	-	(3,433)
Current tax recovery	-	(79)	-	(79)	-	(79)
Deferred tax recovery	-	-	-	-	-	-
Total other comprehensive income (loss) for the period	**-**	**(3,512)**	**272**	**(3,240)**	**-**	**(3,240)**
Total comprehensive income (loss) for the period	**-**	**(3,512)**	**272**	**(3,240)**	**28,431**	**25,191**
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company (note 10)	-	-	-	-	(42,384)	(42,384)
Balance at June 30, 2013	**$ 99,283**	**$ (2,062)**	**$ 443**	**$ (1,619)**	**$ 143,947**	**$ 241,611**

See accompanying notes to the condensed consolidated interim financial statements

CONSTELLATION SOFTWARE INC.

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

(Unaudited)
Six months ended June 30, 2012

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

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

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

See accompanying notes to the condensed consolidated interim financial statements.

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 non-current liabilities
6. Intangible assets
7. Bank indebtedness
8. Provisions
9. Income taxes
10. Capital and other components of equity
11. Revenue
12. Finance income and finance costs
13. Earnings per share
14. Financial instruments
15. Operating segments
16. Contingencies
17. Changes in non-cash operating working capital
18. Subsequent events

1. Reporting entity

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

Public Sector:

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

Private Sector:

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

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies disclosed in Note 3 of the Company's 2012 annual consolidated financial standards.

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

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

(b) Basis of measurement

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

(c) Functional and presentation of currency

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

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2012 annual consolidated financial statements. Actual results may differ from these estimates.

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

3. Significant accounting policies

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

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

(a) New standards and interpretations adopted

IFRS 10 Consolidated Financial Statements

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

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

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

IFRS 11 Joint Arrangements

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

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

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures

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

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

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

Amendments to IAS 1 Presentation of Financial Statements

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

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

The Company adopted the amendments in its interim and annual financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the condensed consolidated interim financial statements.

Amendments to IAS 19 Employee Benefits

The amendments require the following:

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

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

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

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

Amendments to IFRS 7, Offsetting Financial Assets and Liabilities

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

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

(b) New standards and interpretations not yet adopted

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

Amendments to IAS 32, Offsetting Financial Assets and Liabilities

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

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

4. Business acquisitions

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

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

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

The gross contractual amounts of acquired receivables was $26,818; however the Company has recorded an allowance of $881 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of the acquisition, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisition. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities.

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

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

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

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

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

The acquisitions during the period include software companies catering to the following markets; health clubs, healthcare, event management, metal service centres, local government, window manufacturers, transit, school administration, insurance, and radiology & laboratory information systems markets, all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these condensed consolidated interim financial statements from the date of each acquisition. Six of the acquisitions have been included in the Private reportable segment and seven have been included in the Public reportable segment.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $2,655 is expected to be deductible for income tax purposes.

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

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

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

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

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

(i) Includes acquired contract liabilities of $561.

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

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

5. Other assets and non-current liabilities

(a) Other assets

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

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

(b) Other non-current liabilities

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

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

6. Intangible assets

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

7. Bank indebtedness

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

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

8. Provisions

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

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

9. Income taxes

Income tax expense is recognized on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three and six months ended June 30, 2013 was 29% and 27% respectively (three and six months ended June 30, 2012 was 17% and 18%).

10. Capital and other components of equity

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

Dividends

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

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

11. Revenue

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

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

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

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

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

12. Finance income and finance costs

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

The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. During the period, the Company purchased a contract of this nature with a value of $20,637 and has recorded its fair value at June 30, 2013 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss of $686 has been recorded in finance costs in profit or loss. The contract was settled on July 2, 2013. The Company had one forward contract outstanding as at December 31, 2012 with a value of $19,000 and the contract was settled on January 3, 2013.

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

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

13. Earnings per share

Basic and diluted earnings per share

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

14. Financial instruments

Fair values versus carrying amounts

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

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

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

Fair value hierarchy

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

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

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

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. The Company has no financial assets or liabilities measured using level 2 inputs.

Financial assets and financial liabilities measured at fair value as at June 30, 2013 and December 31, 2012 in the financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations.

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

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

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

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

15. Operating segments

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

Reportable segments

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

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

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

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

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

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

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

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

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

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

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

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

16. Contingencies

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

On September 30, 2008, Constellation acquired certain assets and liabilities of Maximus Inc.'s Asset, Justice, and Education Solutions businesses ("MAJES"). As part of the acquisition, the Company also acquired certain long-term contracts that contain contingent liabilities which may, but are unlikely to, exceed $16,000 in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

In February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation received a letter from a customer initiating a dispute resolution process under the customer's contract. The customer alleged that the subsidiary of Constellation and Maximus failed to provide the services and products required to be delivered under the contract. The subsidiary of the Company, Maximus, and the customer, pursuant to the terms of the contract, entered into arbitration proceedings in respect of the customer's claims. The potential liability was undefined with respect to the claims in arbitration, however, the contract with the customer has a $9,000 limitation of liability clause that the Company believes will apply to all of the claims. In October 2012, the customer filed a claim in court alleging no contract existed between the customer and the subsidiary of Constellation and was seeking restitution of a minimum of $12,000. In December 2012, the subsidiary of Constellation obtained an arbitration ruling in relation to the customer dispute. The arbitration ruling concluded that no amounts were owed by the subsidiary to the customer for the various claims made by the customer and that the customer owes the subsidiary approximately $10,000 in fees for services provided under the contract and for amounts owing due to a breach of contract by the customer. Constellation sought to obtain a court judgement to enforce the arbitration ruling. The court issued a judgment dated July 18, 2013, reducing the award to the subsidiary from approximately $10,000 to approximately $6,000. The gains based on this ruling have been deemed to be contingent in nature and, accordingly, have not been recognized in the condensed consolidated interim financial statements.

In July 2012, a subsidiary of Constellation received a notice of reassessment for the 2004 taxation year from the Canadian tax authorities ("CRA") which increased taxable income of the subsidiary by approximately $20,000 relating to a gain on the sale of property between entities under common control. As a result of the notice of reassessment, the CRA has determined that the subsidiary owes approximately $6,000 in federal tax and interest and approximately $5,000 in provincial tax and interest. In order to appeal the reassessment, the subsidiary paid $8,000 in September 2012 representing 50% of the amount owing from the federal reassessment and 100% of the amount owing from the provincial reassessment. At this stage, the Company believes the proposed reassessment is without merit and is challenging the reassessment. During the period, the Company filed an appeal with the Tax Court of Canada. The Company believes that it has adequately provided for the probable outcome in respect of this matter and as such no additional provision has been recorded in these financial statements during the period. There is no assurance, however, that the Company's appeal will be successful and, if unsuccessful, the Company's future financial results and tax expense could be adversely affected. The $8,000 payment made in September 2012 has been recorded in other non-current assets, representative of the deposit on account.

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

17. Changes in non-cash operating working capital

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

18. Subsequent events

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

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