Constellation Software Inc.

INTERIM FINANCIAL REPORT

Third Quarter Fiscal Year 2013

For the three and nine month periods ended
September 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 nine month periods ended September 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. Certain totals, subtotals and percentages may not reconcile due to rounding.

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

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A, October 30, 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 "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 millions of dollars, except percentages and per share amounts)

Unaudited

	Three months ended September 30, 2013	Three months ended September 30, 2012	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended September 30, 2013	Nine months ended September 30, 2012	Period-Over-Period Change $	Period-Over-Period Change %
Revenue	**315.9**	**226.0**	**89.9**	**40%**	**870.5**	**630.2**	**240.3**	**38%**
Expenses	255.2	177.3	77.8	44%	705.5	498.6	206.9	41%
Adjusted EBITDA	**60.7**	**48.6**	**12.1**	**25%**	**165.0**	**131.6**	**33.4**	**25%**
Depreciation	2.6	2.1	0.5	24%	7.3	5.6	1.6	29%
Amortization of intangible assets	33.8	22.1	11.7	53%	90.0	61.6	28.4	46%
Foreign exchange (gain) loss	(1.6)	(0.3)	(1.3)	410%	0.5	(0.3)	0.8	NM
Equity in net (income) loss of equity investees	(0.3)	(0.2)	(0.1)	39%	(0.7)	0.9	(1.5)	NM
Finance income	(0.4)	(2.1)	1.7	-82%	(0.9)	(3.5)	2.7	-75%
Finance costs	1.7	1.1	0.6	51%	5.0	2.9	2.0	70%
Profit (loss) before income taxes	24.9	25.9	(1.0)	-4%	63.8	64.4	(0.6)	-1%
Income taxes expense (recovery)								
Current income tax expense (recovery)	4.6	5.9	(1.4)	-23%	16.2	16.1	0.1	1%
Deferred income tax expense (recovery)	(1.9)	(1.1)	(0.8)	75%	(3.1)	(4.3)	1.1	-27%
Income tax expense (recovery)	2.7	4.8	(2.2)	-45%	13.1	11.8	1.3	11%
Net income (loss)	**22.2**	**21.1**	**1.2**	**6%**	**50.7**	**52.6**	**(1.9)**	**-4%**
Adjusted net income (loss)	**54.1**	**42.1**	**12.0**	**29%**	**137.6**	**109.9**	**27.6**	**25%**
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income (loss) per share								
Basic and diluted	$ 1.05	$ 0.99	$ 0.06	6%	$ 2.39	$ 2.48	$ (0.09)	-4%
Adjusted EBITDA per share								
Basic and diluted	$ 2.86	$ 2.30	$ 0.57	25%	$ 7.79	$ 6.21	$ 1.58	25%
Adjusted net income per share								
Basic and diluted	$ 2.55	$ 1.99	$ 0.57	29%	$ 6.49	$ 5.19	$ 1.30	25%
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 nine month periods ended September 30, 2013 and 2012

Revenue:

Total revenue for the quarter ended September 30, 2013 was $315.9 million, an increase of 40%, or $89.9 million, compared to $226 million for the comparable period in 2012. For the first nine months of 2013 total revenues were $870.5 million, an increase of 38%, or $240.3 million, compared to $630.2 million for the comparable period in 2012. The increase for both the three and nine month periods compared to the same periods in the prior year is mainly attributable to growth from acquisitions, however, the Company did experience positive organic growth of 4% and 3%, 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.

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

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Licenses	26.8	18.8	8.0	43%	71.6	49.7	21.8	44%
Professional services	62.8	50.5	12.3	24%	184.8	138.6	46.3	33%
Hardware and other	35.0	25.7	9.2	36%	90.2	73.4	16.8	23%
Maintenance and other recurring	191.3	131.0	60.3	46%	523.9	368.5	155.3	42%
	315.9	226.0	89.9	40%	870.5	630.2	240.3	38%

$M - Millions of dollars

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

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

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Public Sector								
Licenses	17.6	12.7	5.0	39%	46.5	33.3	13.2	40%
Professional services	49.4	39.7	9.7	24%	145.7	107.5	38.3	36%
Hardware and other	31.1	22.4	8.7	39%	78.6	63.5	15.1	24%
Maintenance and other recurring	119.8	85.8	34.0	40%	324.6	242.3	82.3	34%
	217.9	160.6	57.3	36%	595.4	446.5	148.9	33%
Private Sector								
Licenses	9.2	6.1	3.1	50%	25.1	16.4	8.6	53%
Professional services	13.4	10.8	2.6	24%	39.1	31.1	8.0	26%
Hardware and other	3.9	3.3	0.6	17%	11.7	10.0	1.7	17%
Maintenance and other recurring	71.5	45.2	26.4	58%	199.3	126.2	73.0	58%
	98.0	65.4	32.6	50%	275.1	183.7	91.4	50%

Public Sector

For the quarter ended September 30, 2013, total revenue in the public sector reportable segment increased by 36%, or $57.3 million to $217.9 million, compared to $160.6 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, total revenue increased by 33%, or $148.9 million to $595.4 million, compared to $446.5 million for the comparable period in 2012. Total revenue growth from acquired businesses contributed approximately $52 million to our Q3 2013 revenues and $131 million to our nine months ended September 30, 2013 revenues compared to the same periods in 2012, as we completed 31 acquisitions since the beginning of 2012. Organic revenue growth was 4% in Q3 2013 and 3% for the nine months ended September 30, 2013 compared to the same periods in 2012.

Private Sector

For the quarter ended September 30, 2013, total revenue in the private sector reportable segment increased 50%, or $32.6 million to $98 million, compared to $65.4 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013 total revenue increased by 50%, or $91.4 million to $275.1 million, compared to $183.7 million for the comparable period in 2012. Total revenue growth from acquired businesses contributed approximately $30 million to our Q3 2013 revenues and $83 million to our nine months ended September 30, 2013 revenues compared to the same periods in 2012, as we completed 25 acquisitions since the beginning of 2012. Revenues increased organically by 4% for both the three and nine months ended September 30, 2013 compared to the same periods in 2012.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Expenses								
Staff	167.5	120.2	47.3	39%	473.8	339.5	134.3	40%
Hardware	20.8	14.6	6.2	43%	53.1	37.5	15.6	42%
Third party license, maintenance and professional services	27.6	15.1	12.4	82%	71.8	44.1	27.8	63%
Occupancy	7.9	5.5	2.4	45%	21.2	15.1	6.1	40%
Travel	11.2	8.6	2.6	30%	31.8	24.6	7.2	29%
Telecommunications	3.8	2.8	1.0	37%	10.3	7.8	2.4	31%
Supplies	5.8	3.5	2.3	65%	15.4	10.8	4.6	43%
Professional fees	4.0	4.0	0.0	1%	11.2	8.0	3.2	39%
Other, net	6.6	3.1	3.5	112%	16.9	11.1	5.8	52%
	255.2	177.3	77.8	44%	705.5	498.6	206.9	41%

Overall expenses for the quarter ended September 30, 2013 increased 44%, or $77.8 million to $255.2 million, compared to $177.3 million during the same period in 2012. As a percentage of total revenue, expenses increased to 81% in the quarter ended September 30, 2013 compared to 78% in the quarter ended September 30, 2012. During the nine months ended September 30, 2013, expenses increased 41%, or $206.9 million to $705.5 million, compared to $498.6 million during the same period in 2012. As a percentage of total revenue, overall expenses increased to 81% in the nine months ended September 30, 2013 compared to 79% in the same period in 2012. Our average employee headcount grew 38% in 2013 from 4,787 in the quarter ended September 30, 2012 to 6,589 in the quarter ended September 30, 2013 primarily due to acquisitions.

Staff expense – Staff expenses increased 39% or $47.3 million for the quarter ended September 30, 2013 and 40% or $134.3 million for the nine months ended September 30, 2013 over the same periods in 2012. 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 September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Professional services	37.6	27.3	10.2	37%	108.8	76.9	31.9	41%
Maintenance	30.8	24.2	6.6	27%	89.7	68.2	21.6	32%
Research and development	47.7	32.6	15.1	46%	128.9	91.2	37.7	41%
Sales and marketing	23.5	16.5	7.0	43%	68.1	46.6	21.4	46%
General and administration	27.9	19.6	8.3	42%	78.3	56.6	21.7	38%
	167.5	120.2	47.3	39%	473.8	339.5	134.3	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. The growth in maintenance staff expenses is lower than the growth in other operating departments as a result of the QuadraMed acquisition which closed on June 3, 2013. The QuadraMed business currently operates with a proportionately lower number of maintenance staff to maintenance and other recurring revenue than our typical vertical market software businesses.

Hardware expenses – Hardware expenses increased 43% or $6.2 million for the quarter ended September 30, 2013 and 42% or $15.6 million for the nine months ended September 30, 2013 over the same periods in 2012. Hardware expenses have increased in excess of the growth in hardware revenue, resulting in hardware margins for the three and nine months ended September 30, 2013 of 40% and 41% respectively, compared to 43% and 49% 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. In addition, the QuadraMed business unit recorded a $5.4 million hardware sale during the three months ended September 30, 2013 at a margin of 18%.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 82% or $12.4 million for the quarter ended September 30, 2013 and 63% or $27.8 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in third party license, maintenance and professional services expenses is primarily due to an increase in maintenance and other recurring revenue for the three and nine months ended September 30, 2013 compared to the same periods in 2012. Expenses have increased at a rate in excess of the growth in revenue as a result of the payment processing business associated with the Club Solutions acquisition which closed on March 14, 2013. This business is highly dependent on the provision of services by third party payment processors.

Occupancy expenses – Occupancy expenses increased 45% or $2.4 million for the quarter ended September 30, 2013 and 40% or $6.1 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in occupancy expenses for both periods is primarily due to the occupancy expenses of acquired businesses. In addition, expenses were recorded in the three months ended September 30, 2013 related to office relocations of existing businesses.

Travel, Telecommunications and Supplies expenses – Travel, Telecommunications and Supplies expenses increased 39% or $5.9 million for the quarter ended September 30, 2013 and 33% or $14.2 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees increased 1% for the quarter ended September 30, 2013 and 39% or $3.2 million for the nine months ended September 30, 2013 over the same periods in 2012. The increase in professional fees for the nine months ended September 30, 2013 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 increased 112% or $3.5 million for the quarter ended September 30, 2013 and 52% or $5.8 million for the nine months ended September 30, 2013 over the same periods in 2012. During the three months ended September 30, 2013 a $2 million expense was recorded related to an impairment of a customer receivable. The Company is pursuing various avenues in an attempt to recover the amount. Remaining 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 September 30,		Period-Over-Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2013	2012	$	%	2013	2012	$	%
	($M, except percentages)				($M, except percentages)			
Depreciation	2.6	2.1	0.5	24%	7.3	5.6	1.6	29%
Amortization of intangible assets	33.8	22.1	11.7	53%	90.0	61.6	28.4	46%
Foreign exchange (gain) loss	(1.6)	(0.3)	(1.3)	410%	0.5	(0.3)	0.8	NM
Equity in net (income) loss of equity investees	(0.3)	(0.2)	(0.1)	39%	(0.7)	0.9	(1.5)	NM
Finance income	(0.4)	(2.1)	1.7	-82%	(0.9)	(3.5)	2.7	-75%
Finance costs	1.7	1.1	0.6	51%	5.0	2.9	2.0	70%
Income tax expense (recovery)	2.7	4.8	(2.2)	-45%	13.1	11.8	1.3	11%
	38.5	27.6	10.9	39%	114.3	79.0	35.3	45%

NM - Not meaningful

Depreciation – Depreciation of property and equipment increased 24% or $0.5 million for the quarter ended September 30, 2013 and 29% or $1.6 million for the nine months ended September 30, 2013 over the same periods in 2012. The increases in depreciation expense are primarily attributable to an increase in the carrying amount of our property and equipment asset balance over the twelve month period ended September 30, 2013 as a result of acquisitions completed during this period.

Amortization of intangible assets – Amortization of intangible assets increased 53% or $11.7 million for the quarter ended September 30, 2013 and 46% or $28.4 million for the nine months ended September 30, 2013 over the same periods in 2012. The increases in amortization expense are attributable to an increase in the carrying amount of our intangible asset balance over the twelve month period ended September 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 September 30, 2013, we realized a foreign exchange gain of $1.6 million compared to a gain of $0.3 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013 the foreign exchange loss was $0.5 million compared to a foreign exchange gain of $0.3 million 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 income of $0.3 million for the quarter ended September 30, 2013 compared to income of $0.2 million for the quarter ended September 30, 2012. For the nine months ended September 30, 2013, Equity in net (income) loss of equity investees was income of $0.7 million compared to a loss of $0.9 million for the same period in 2012. The $0.9 million loss for the nine months ended September 30, 2012 primarily relates to our proportionate share of a loss recorded by an equity investee resulting from an impairment charge on goodwill, which did not repeat in the current period.

Finance income – Finance income for the quarter ended September 30, 2013 was $0.4 million compared to $2.1 million for the quarter ended September 30, 2012. During the nine months ended September 30, 2013, Finance income was $0.9 million compared to $3.5 million for the same period in 2012. The decrease in finance income for the three and nine months ended September 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 September 30, 2013 increased $0.6 million to $1.7 million, compared to $1.1 million for the quarter ended June 30, 2012. During the nine months ended September 30, 2013, Finance costs increased $2 million to $5 million, from $2.9 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 entered into on June 17, 2013 that settled on September 3, 2013.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended September 30, 2013, income tax expense decreased $2.2 million to $2.7 million compared to $4.8 million for the quarter ended September 30, 2012. During the nine months ended September 30, 2013, income tax expense increased $1.3 million to $13.1 million, from $11.8 million over the same period in 2012.

Net Income and Earnings per Share:

Net income for the quarter ended September 30, 2013 was $22.2 million compared to net income of $21.1 million for the same period in 2012. On a per share basis this translated into a net income per diluted share of $1.05 in the quarter ended September 30, 2013 compared to net income per diluted share of $0.99 in the quarter ended September 30, 2012. For the nine months ended September 30, 2013, net income was $50.7 million or $2.39 per diluted share compared to $52.6 million or $2.48 per diluted share for the same period in 2012. The decrease in net income for the nine months ended September 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 September 30, 2013, Adjusted EBITDA increased to $60.7 million compared to $48.6 million in the quarter ended September 30, 2012 representing an increase of 25%. Adjusted EBITDA margin was 19% for the quarter ended September 30, 2013, compared to 22% for the same period in 2012. For the first nine months of 2013, Adjusted EBITDA increased to $165 million compared to $131.6 million during the same period in 2012, representing an increase of 25%. Adjusted EBITDA margin was 19% in the first nine months of 2013, compared to 21% for the same period in 2012. The decrease in Adjusted EBITDA margins in the three and nine months ended September 30, 2013 is primarily attributed to North American hiring to address backlog and to staff new investments in growth initiatives, the impact of recent European acquisitions, the impact of the acquired payment processing business which operates at lower gross margins than our typical vertical market software businesses, and the impact of the $2 million expense recorded in "Other, net" related to an impairment of a customer receivable. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	($M, except percentages)		($M, except percentages)	
Total revenue	315.9	226.0	870.5	630.2
Net income (loss)	22.2	21.1	50.7	52.6
Adjusted for:				
Income tax expense (recovery)	2.7	4.8	13.1	11.8
Foreign exchange (gain) loss	(1.6)	(0.3)	0.5	(0.3)
Equity in net (income) loss of equity investees	(0.3)	(0.2)	(0.7)	0.9
Finance income	(0.4)	(2.1)	(0.9)	(3.5)
Finance costs	1.7	1.1	5.0	2.9
Amortization of intangible assets	33.8	22.1	90.0	61.6
Depreciation	2.6	2.1	7.3	5.6
Adjusted EBITDA	60.7	48.6	165.0	131.6
Adjusted EBITDA margin	19%	22%	19%	21%

Adjusted net income:

For the quarter ended September 30, 2013, Adjusted net income increased to $54.1 million from $42.1 million for the quarter ended September 30, 2012, representing an increase of 29%. Adjusted net income margin was 17% for the quarter ended September 30, 2013, compared to 19% for the same period in 2012. For the first nine months of 2013, Adjusted net income increased to $137.6 million from $109.9 million during the same period in 2012, representing an increase of 25%. Adjusted net income margin was 16% in the first nine months of 2013, compared to 17% for the same period in 2012. The decrease in Adjusted net income margins for the three and nine months ended September 30, 2012 is primarily caused by the same factors that caused the decrease in Adjusted EBITDA margins as described above. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

(Unaudited)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	($M, except percentages)		($M, except percentages)	
Total revenue	315.9	226.0	870.5	630.2
Net income (loss)	22.2	21.1	50.7	52.6
Adjusted for:				
Amortization of intangible assets	33.8	22.1	90.0	61.6
Deferred income tax expense (recovery)	(1.9)	(1.1)	(3.1)	(4.3)
Adjusted net income (loss)	54.1	42.1	137.6	109.9
Adjusted net income margin	17%	19%	16%	17%

Quarterly Results (unaudited)

	Quarter Ended							
	Dec. 31 2011	Mar. 31 2012	Jun. 30 2012	Sep. 30 2012	Dec. 31 2012	Mar. 31 2013	Jun. 30 2013	Sep. 30 2013
	($M, except per share amounts)							
Revenue	198.4	195.3	209.0	226.0	261.0	256.4	298.2	315.9
Net Income (loss)	19.4	13.9	17.6	21.1	40.1	9.2	19.2	22.2
Adjusted Net Income	40.2	31.7	36.2	42.1	62.3	33.3	50.1	54.1
Net Income (loss) per share								
Basic & diluted	0.92	0.66	0.83	0.99	1.89	0.43	0.91	1.05
Adjusted Net Income (loss) per share								
Basic & diluted	1.90	1.50	1.71	1.99	2.94	1.57	2.36	2.55

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 historically there has been a consistent 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") including certain long-term contracts that contained contingent liabilities that the Company believed were unlikely to exceed $16 million in the aggregate. The contingent liabilities related 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. Beginning in February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation, as a result of receiving a letter from a customer, initiated the 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. In December 2012, the subsidiary of Constellation obtained a favorable arbitration ruling in the amount of $10 million which was subsequently reduced in July 2013 to $6 million by a court judgment. The July 2013 court ruling also resolved an additional claim filed by the customer alleging no contract existed between the parties. In September 2013 the customer initiated the appeals process in relation to the July 2013 court ruling. 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. The contract with the customer has a $9 million limitation of liability clause that the Company believes applies to all claims.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) increased by $98.6 million to $103.3 million in the nine months ended September 30, 2013 resulting from acquisitions. The amount drawn on our credit facility increased to $148.3 million from $46 million at the end of 2012, and cash increased by $3.7 million to $45 million at September 30, 2013 compared to $41.3 million at December 31, 2012.

Total assets increased $172.8 million, from $812.7 million at December 31, 2012 to $985.5 million at September 30, 2013. The increase is primarily due to an increase in accounts receivable of $39.6 million, work in progress of $16 million, other current assets of $13.5 million and intangible assets of $120.5 million primarily arising from acquisitions made in 2013, offset by a decrease in deferred income tax assets of $31 million also arising from acquisitions made in 2013.

Current liabilities increased $199.9 million, from $472.5 million at December 31, 2012 to $672.4 million at September 30, 2013. The increase is primarily due to an increase in borrowings on our line of credit of $103.3 million, an increase in accounts payable and accrued liabilities of $35 million, and an increase in deferred revenue of $69 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 $M's)

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net cash provided by operating activities	87.6	139.5
Net cash from (used in) financing activities	(59.4)	36.3
Net cash from (used in) acquisition activities	(13.1)	(168.8)
Net cash from (used in) other investing activities	(2.9)	(2.7)
Net cash from (used in) investing activities	(16.0)	(171.5)
Effect of foreign currency	0.4	(0.6)
Net increase (decrease) in cash and cash equivalents	**12.6**	**3.6**

The net cash flows from operating activities were $139.5 million for the nine months ended September 30, 2013. The $139.5 million provided by operating activities resulted from $50.7 million in net income, plus $114.3 million of non-cash adjustments to net income, offset by $5.9 million of cash used by an increase in our non-cash operating working capital and $19.6 million in taxes paid.

The net cash flows from financing activities in the nine months ended September 30, 2013 was $36.3 million, which is mainly a result of an increase in bank indebtedness of $102.3 million, which is offset by dividends paid in the period of $63.6 million.

The net cash flows used in investing activities in the nine months ended September 30, 2013 was $171.5 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $168.8 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 September 30, 2013, we had drawn $148.3 million on this facility. Transaction costs associated with this facility have been included as part of the carrying amount of the liability and are being amortized through profit or loss using the effective interest rate method. As at September 30, 2013, the carrying amount of such costs relating to this facility totalling $1.3 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 September 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 nine month period ending September 30, 2013, the Company purchased two contracts of this nature totaling approximately $42 million. At September 30, 2013 one contract remains unsettled and the Company has recorded its fair value at September 30, 2013 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss of $0.04 million has been recorded in interest expense as part of finance costs. The contract was settled on October 1, 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 nine month periods ended September 30, 2013:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	71%	62%	69%	60%
CAD	7%	14%	8%	16%
GBP	8%	8%	8%	9%
EURO	7%	7%	7%	7%
CHF	2%	3%	2%	4%
Others	5%	6%	6%	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 nine months ended September 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 consolidated 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. Amendments to IAS 32 are effective for periods beginning on or after January 1, 2014 with early adoption permitted.

The Company intends to adopt the amendments to IAS 32 in its consolidated 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.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect the amendments to have a material impact on the financial statements.

Share Capital

As at September 30, 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 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 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 September 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:

The President and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The President and Chief Financial Officer have been advised that the 1992 control framework the President and the Chief Financial Officer used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

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

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

CONSTELLATION SOFTWARE INC.

For the three and nine month periods ended September 30, 2013 and 2012

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	$ 44,962	$ 41,313
Equity security available-for-sale	627	470
Accounts receivable	166,598	126,987
Work in progress	52,958	36,926
Inventories	21,327	18,739
Other assets (note 5)	42,640	29,178
	329,112	253,613
Non-current assets:		
Property and equipment	22,990	21,300
Deferred income taxes	73,288	104,307
Other assets (note 5)	37,305	31,104
Intangible assets (note 6)	522,807	402,355
	656,390	559,066
Total assets	$ 985,502	$ 812,679
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7)	$ 147,045	$ 44,356
Accounts payable and accrued liabilities	182,595	147,559
Dividends payable (note 10)	21,151	20,945
Deferred revenue	293,075	224,049
Provisions (note 8)	5,498	6,396
Acquired contract liabilities	2,027	3,535
Acquisition holdback payments	18,155	20,635
Income taxes payable	2,889	5,066
	672,435	472,541
Non-current liabilities:		
Deferred income taxes	24,755	29,283
Acquired contract liabilities	17,232	26,073
Acquisition holdback payments	3,495	5,973
Other liabilities (note 5)	22,859	20,005
	68,341	81,334
Total liabilities	740,776	553,875
Shareholders' equity (note 10):		
Capital stock	99,283	99,283
Accumulated other comprehensive income	441	1,621
Retained earnings	145,002	157,900
	244,726	258,804
Subsequent events (notes 10 and 18)		
Total liabilities and shareholders' equity	$ 985,502	$ 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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue (note 11)	$ 315,877	$ 225,980	$ 870,497	$ 630,227
Expenses				
Staff	167,493	120,197	473,840	339,517
Hardware	20,800	14,554	53,057	37,486
Third party license, maintenance and professional services	27,579	15,134	71,848	44,095
Occupancy	7,895	5,450	21,169	15,114
Travel	11,154	8,595	31,785	24,607
Telecommunications	3,831	2,792	10,258	7,842
Supplies	5,782	3,512	15,405	10,810
Professional fees	3,999	3,979	11,220	8,046
Other, net	6,639	3,130	16,908	11,104
Depreciation	2,624	2,112	7,258	5,633
Amortization of intangible assets	33,773	22,099	90,034	61,643
	291,569	201,554	802,782	565,897
Foreign exchange loss (gain)	(1,636)	(321)	500	(330)
Equity in net (income) loss of equity investees	(300)	(216)	(657)	875
Finance income (note 12)	(375)	(2,066)	(875)	(3,529)
Finance costs (note 12)	1,705	1,131	4,972	2,923
	(606)	(1,472)	3,940	(61)
Profit (loss) before income taxes	24,914	25,898	63,775	64,391
Current income tax expense (recovery)	4,563	5,918	16,230	16,087
Deferred income tax expense (recovery)	(1,896)	(1,085)	(3,133)	(4,277)
Income tax expense (recovery) (note 9)	2,667	4,833	13,097	11,810
Net income (loss)	22,247	21,065	50,678	52,581
Earnings (loss) per share				
Basic and diluted (note 13)	$ 1.05	$ 0.99	$ 2.39	$ 2.48

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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net income (loss)	$ 22,247	$ 21,065	$ 50,678	$ 52,581
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	(115)	8,907	157	13,821
Net unrealized foreign exchange gain (loss) on available-for-sale financial asset during the period	-	72	-	45
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(1,900)	-	(2,963)
Foreign currency translation differences from foreign operations	2,083	1,875	(1,350)	1,073
Current income tax recovery (expense)	92	34	13	26
Deferred income tax recovery (expense)	-	(1,063)	-	(1,376)
Other comprehensive (loss) income for the period, net of income tax	2,060	7,925	(1,180)	10,626
Total comprehensive income (loss) for the period	$ 24,307	$ 28,990	$ 49,498	$ 63,207

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)

Nine months ended September 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 (loss)	-	-	-	-	50,678	50,678
Other comprehensive income (loss)						
Net change in fair value of available-for-sale financial asset during the period	-	-	157	157	-	157
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 foreign operations	-	(1,350)	-	(1,350)	-	(1,350)
Current tax recovery (expense)	-	13	-	13	-	13
Deferred tax recovery (expense)	-	-	-	-	-	-
Total other comprehensive income (loss) for the period	**-**	**(1,337)**	**157**	**(1,180)**	**-**	**(1,180)**
Total comprehensive income (loss) for the period	**-**	**(1,337)**	**157**	**(1,180)**	**50,678**	**49,498**
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company (note 10)	-	-	-	-	(63,576)	(63,576)
Balance at September 30, 2013	**$ 99,283**	**$ 113**	**$ 328**	**$ 441**	**$ 145,002**	**$ 244,726**

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)
Nine months ended September 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	-	-	-	-	52,581	52,581
Other comprehensive income (loss)						
Net change in fair value of available-for-sale financial assets during the period	-	-	13,821	13,821	-	13,821
Net unrealized foreign exchange adjustment gain (loss) on available-for-sale financial assets during the period	-	-	45	45	-	45
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial assets	-	-	(2,963)	(2,963)	-	(2,963)
Foreign currency translation differences from foreign operations	-	1,073	-	1,073	-	1,073
Current tax recovery (expense)	-	26	-	26	-	26
Deferred tax recovery (expense)	-	-	(1,376)	(1,376)	-	(1,376)
Total other comprehensive income for the period	**-**	**1,099**	**9,527**	**10,626**	**-**	**10,626**
Total comprehensive income for the period	**-**	**1,099**	**9,527**	**10,626**	**52,581**	**63,207**
Transactions with owners, recorded directly in equity						
Dividends to shareholders of the Company (note 10)	-	-	-	-	(63,576)	(63,576)
Balance at September 30, 2012	**$ 99,283**	**$ 1,281**	**$ 16,306**	**$ 17,587**	**$ 139,041**	**$ 255,911**

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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash flows from operating activities:				
Net income (loss)	$ 22,247	$ 21,065	$ 50,678	$ 52,581
Adjustments for:				
Depreciation	2,624	2,112	7,258	5,633
Amortization of intangible assets	33,773	22,099	90,034	61,643
Equity in net (income) loss of equity investees	(300)	(216)	(657)	875
Finance income	(375)	(2,066)	(875)	(3,529)
Finance costs	1,705	1,131	4,972	2,923
Income tax expense	2,667	4,833	13,097	11,810
Foreign exchange loss (gain)	(1,636)	(321)	500	(330)
Change in non-cash operating working capital exclusive of effects of business combinations (note 17)	32,317	4,492	(5,932)	(29,347)
Income taxes paid	(5,440)	(7,596)	(19,609)	(18,311)
Net cash flows from operating activities	87,582	45,533	139,466	83,948
Cash flows from (used in) financing activities:				
Interest paid	(1,053)	(634)	(2,334)	(1,471)
Decrease in other non current liabilities	(191)	(192)	(70)	(70)
(Decrease) increase in bank indebtedness, net	(36,949)	6,710	102,302	36,052
Credit facility transaction costs	-	(191)	-	(2,077)
Dividends paid	(21,192)	(21,192)	(63,576)	(42,384)
Net cash flows from (used in) in financing activities	(59,385)	(15,499)	36,322	(9,950)
Cash flows from (used in) investing activities:				
Acquisition of businesses, net of cash acquired (note 4)	(7,073)	(14,507)	(152,124)	(65,144)
Post-acquisition settlement payments, net of receipts	(6,008)	(7,038)	(16,693)	(11,671)
Purchases of available-for-sale financial assets	-	(131)	-	(211)
Proceeds from sale of available-for-sale equity securities	-	7,293	-	9,156
Proceeds from sale of intangible assets	-	-	-	101
Interest and dividends received	348	164	348	243
Proceeds from sale of assets	(105)	-	5,439	-
Property and equipment purchased	(3,181)	(2,132)	(8,478)	(4,673)
Net cash flows used in investing activities	(16,019)	(16,351)	(171,508)	(72,199)
Effect of foreign currency on cash and cash equivalents	420	388	(631)	451
Increase (decrease) in cash and cash equivalents	12,598	14,071	3,649	2,250
Cash, beginning of period	32,364	21,671	41,313	33,492
Cash, end of period	$ 44,962	$ 35,742	$ 44,962	$ 35,742

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

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 September 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
School and special library information systems		

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 statements.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (IFRS), issued and outstanding as of October 30, 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 their estimated fair value.

(c) Functional and presentation of currency

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

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 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 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 consolidated 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. Amendments to IAS 32 are effective for periods beginning on or after January 1, 2014 with early adoption permitted.

The Company intends to adopt the amendments to IAS 32 in its consolidated 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.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect the amendments to have a material impact on the 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 $27,421; however the Company has recorded an allowance of $3,885 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

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

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. During the three months ended September 30, 2013, the Company made certain changes to the provisional amounts estimated at June 30, 2013. The changes to the net assets acquired primarily relate to a reduction in accounts receivable of $2,401, a reduction in other current assets of $7,147, a reduction in deferred revenue of $16,195, a reduction in deferred income taxes of $8,821 and a reduction in goodwill of $14,182.

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

Assets acquired:		
Cash	$	7,165
Accounts receivable		23,536
Other current assets		11,567
Property and equipment		1,430
Other non-current assets		1,954
Technology assets		40,463
Customer assets		33,282
Backlog		7,867
		127,264
Liabilities assumed:		
Current liabilities		17,478
Deferred revenue (i)		28,790
Deferred income taxes		21,940
		68,208
Goodwill		25,925
Total consideration	**$**	**84,981**

(i) Includes acquired contract liabilities of $13,282.

(b) During the nine month period ended September 30, 2013, the Company closed twenty additional acquisitions for aggregate cash consideration of $93,252 plus cash holdbacks of $6,733 and contingent consideration with an estimated fair value of $2,837 resulting in total consideration of $102,822. 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 September 30, 2013 has been recorded at its estimated fair value at the various acquisition dates. The estimated fair value of the applicable contingent consideration is calculated using the 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 $7,156. Aggregate contingent consideration of $16,954 (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 charge and recovery of $11 and $21 has been recorded for the three and nine months ended September 30, 2013, respectively, as a result of such changes (recovery of $191 and $70 for the three and nine months ended September 30, 2012, respectively).

Of the twenty acquisitions, the Company acquired 100% of the shares of twelve businesses and acquired the net assets of the other eight 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, agri-business, public safety, retail management and distribution, ride share and school special library information systems 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. Eight of the acquisitions have been included in the Private reportable segment and twelve 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 $393 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $23,709; however the Company has recorded an allowance of $1,343 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. 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. During the three month period ended September 30, 2013, the Company reversed the provision relating to the receivable as a result of an agreement that was reached with the seller and the subsequent cash collection of the receivable in October 2013.

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	$ 4,316	$ 6,378	$ 10,694
Accounts receivable	6,575	15,791	22,366
Other current assets	4,819	2,826	7,645
Property and equipment	762	998	1,760
Other non-current assets	540	246	786
Deferred income taxes	-	56	56
Technology assets	17,716	46,099	63,815
Customer assets	6,514	25,037	31,551
Backlog	45	906	951
	41,287	98,337	139,624
Liabilities assumed:			
Current liabilities	6,750	9,879	16,629
Deferred revenue (i)	9,905	8,564	18,469
Deferred income taxes	309	7,270	7,579
Other non-current liabilities	-	-	-
	16,964	25,713	42,677
Goodwill	204	5,671	5,875
Total consideration	**$ 24,527**	**$ 78,295**	**$ 102,822**

(i) Includes acquired contract liabilities of $897.

(c) The 2013 business acquisitions contributed revenue of $106,642 and net loss of $8,495 during the nine month period ended September 30, 2013. Revenue and net loss amounts from acquisitions included in the Public sector were $57,956 and $1,807, respectively. Revenue and net loss amounts from acquisitions included in the Private sector were $48,686 and $6,688, respectively. If these acquisitions had occurred on January 1, 2013, management estimates that consolidated revenue would have been $951,868 and consolidated net income for the nine-month period ended September 30, 2013 would have been $47,576 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 other liabilities

(a) Other assets

	September 30, 2013	December 31, 2012
Prepaid assets	$ 27,295	$ 19,961
Investment tax credits recoverable	4,625	3,726
Acquired contract assets	1,123	1,586
Sales tax receivable	2,159	414
Other receivables	7,438	3,491
Total current assets	$ 42,640	$ 29,178
Investment tax credits recoverable	$ 10,269	$ 8,316
Non-current trade and other receivables	12,264	9,013
Equity accounted investees (i)	13,766	13,456
Acquired contract assets	1,006	319
Total non-current assets	$ 37,305	$ 31,104

(i) The Company's share of net income in its investments currently being accounted for as equity investees for the three and nine month periods ended September 30, 2013 was $300 and $657 respectively (2012 – income and loss of $216 and $875, respectively). Dividends received for the period were $348 (2012 - $240).

(b) Other liabilities

	September 30, 2013	December 31, 2012
Contingent consideration	$ 13,997	$ 12,175
Other non-current liabilities	8,862	7,830
Total non-current liabilities	$ 22,859	$ 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	103,867	67,434	9,023	-	32,051	212,375
Effect of movements in foreign exchange	(1,553)	(1,043)	13	(21)	(141)	(2,745)
Balance at September 30, 2013	$ 610,363	$ 249,478	$ 23,834	$ 2,705	$ 123,135	$ 1,009,515
Accumulated amortization and impairment losses						
Balance at January 1, 2013	$ 286,519	$ 94,770	$ 13,598	$ 2,643	$ -	$ 397,530
Amortization for the year	61,466	24,515	3,970	83	-	90,034
Effect of movements in foreign exchange	(637)	(216)	18	(21)	-	(856)
Balance at September 30, 2013	$ 347,348	$ 119,069	$ 17,586	$ 2,705	$ -	$ 486,708
Carrying amounts						
At January 1, 2013	$ 221,530	$ 88,317	$ 1,200	$ 83	$ 91,225	$ 402,355
At September 30, 2013	$ 263,015	$ 130,409	$ 6,248	$ -	$ 123,135	$ 522,807

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 September 30, 2013, $148,300 (December 31, 2012 – $46,000) had been drawn from this credit facility, and letters of credit totaling $4,200 (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 nine month periods ended September 30, 2013 relating to this line-of-credit amounted to $129 and $387 respectively (September 30, 2012 - $224 and $303 respectively). As at September 30, 2013, the carrying amount of such costs totaling $1,255 (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		(1,161)
Provisions recorded during the period		1,834
Provisions used during the period		(1,551)
Effect of movements in foreign exchange		(20)
At September 30, 2013	$	5,498

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 nine months ended September 30, 2013 was 11% and 21% respectively (three and nine months ended September 30, 2012 was 19% and 18%).

10. Capital and other components of equity

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

Dividends

During the nine months ended September 30, 2013 the Board of Directors approved and the Company declared dividends of $3.00 per common share. The dividend declared in the third quarter ended September 30, 2013 of $1.00 per share representing $21,192 was paid and settled on October 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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
License revenue	$ 26,836	$ 18,790	$ 71,561	$ 49,724
Professional services revenue	62,777	50,494	184,827	138,556
Hardware and other revenue	34,953	25,709	90,238	73,415
Maintenance and other recurring revenue	191,311	130,987	523,871	368,532
Total	**$ 315,877**	**$ 225,980**	**$ 870,497**	**$ 630,227**

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. Otherwise, revenues are recognized based on the stated amounts in the applicable customer arrangements.

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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	$ -	$ (1,900)	$ -	$ (2,963)
Gain on sale of non-current assets	-	-	(369)	(321)
Other finance income	(375)	(166)	(506)	(245)
Finance income	$ (375)	$ (2,066)	$ (875)	$ (3,529)
Interest expense on bank indebtedness	$ 920	$ 416	$ 2,386	$ 1,122
Amortization of debt related transaction costs	129	224	387	947
Other finance costs	656	491	2,199	854
Finance costs	$ 1,705	$ 1,131	$ 4,972	$ 2,923

The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. During the period, the Company purchased a contract of this nature with a value of $19,915 and has recorded its fair value at September 30, 2013 based on foreign exchange rates relative to the stated rate in the contract. The fair value loss of $35 has been recorded in finance costs in profit or loss. The contract was settled on October 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 nine months ended September 30, 2013, 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 included a hold-back receivable of $500 which was settled in 2013). No significant gain or loss arose on the transaction.

13. Earnings per share

Basic and diluted earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Numerator:				
Net income (loss)	$ 22,247	$ 21,065	$ 50,678	$ 52,581
Denominator:				
Basic and diluted shares outstanding	21,192	21,192	21,192	21,192
Earnings (loss) per share				
Basic and diluted	$ 1.05	$ 0.99	$ 2.39	$ 2.48

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 September 30, 2013, the fair value of the line of credit is $148,300 and the carrying value $147,045. (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

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

- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

Financial assets and financial liabilities measured at fair value as at September 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.

	September 30, 2013			December 31, 2012		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Assets:						
Equity securities	$ 627	$ -	$ 627	$ 470	$ -	$ 470
	$ 627	$ -	$ 627	$ 470	$ -	$ 470
Liabilities:						
Contingent consideration	$ -	$ 16,954	$ 16,954	$ -	$ 15,209	$ 15,209
Foreign exchange forward contract	$ 35	$ -	$ 35	$ 233	$ -	$ 233
	$ 35	$ 16,954	$ 16,989	$ 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	3,234
Cash payments	(2,129)
Charges through profit or loss	698
Foreign exchange	(58)
Balance at September 30, 2013	16,954

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 September 30, 2013	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 217,888	$ 97,989	$ -	$ 315,877
Expenses				
Staff	116,466	51,027	-	167,493
Hardware	18,548	2,252	-	20,800
Third party licenses, maintenance and professional services	13,975	13,604	-	27,579
Occupancy	5,360	2,535	-	7,895
Travel	8,853	2,301	-	11,154
Telecommunications	2,628	1,203	-	3,831
Supplies	4,567	1,215	-	5,782
Professional fees	2,693	1,306	-	3,999
Other, net	2,147	4,492	-	6,639
Depreciation	1,899	716	9	2,624
Amortization of intangible assets	21,818	11,955	-	33,773
	198,954	92,606	9	291,569
Foreign exchange (gain) loss	326	(716)	(1,246)	(1,636)
Equity in net (income) loss of equity investees	-	-	(300)	(300)
Finance income	(414)	40	(1)	(375)
Finance costs	340	279	1,086	1,705
Inter-company expenses (income)	4,939	3,544	(8,483)	-
	5,191	3,147	(8,944)	(606)
Profit (loss) before income tax	13,743	2,236	8,935	24,914
Current income tax expense (recovery)	4,306	1,506	(1,249)	4,563
Deferred income tax expense (recovery)	(166)	(1,730)	-	(1,896)
Income tax expense (recovery)	4,140	(224)	(1,249)	2,667
Net income (loss)	9,603	2,460	10,184	22,247

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

Nine months ended September 30, 2013	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 595,417	$ 275,080	$ -	$ 870,497
Expenses				
Staff	323,192	150,648	-	473,840
Hardware	46,404	6,653	-	53,057
Third party licenses, maintenance and professional services	37,855	33,993	-	71,848
Occupancy	14,631	6,538	-	21,169
Travel	25,178	6,607	-	31,785
Telecommunications	6,833	3,425	-	10,258
Supplies	12,126	3,279	-	15,405
Professional fees	8,004	3,216	-	11,220
Other, net	7,862	9,046	-	16,908
Depreciation	5,148	2,083	27	7,258
Amortization of intangible assets	57,218	32,816	-	90,034
	544,451	258,304	27	802,782
Foreign exchange (gain) loss	(936)	300	1,136	500
Equity in net (income) loss of equity investees	-	-	(657)	(657)
Finance income	(440)	(389)	(46)	(875)
Finance costs	829	647	3,496	4,972
Inter-company expenses (income)	13,597	9,444	(23,041)	-
	13,050	10,002	(19,112)	3,940
Profit (loss) before income tax	37,916	6,774	19,085	63,775
Current income tax expense (recovery)	12,438	6,814	(3,022)	16,230
Deferred income tax expense (recovery)	191	(3,324)	-	(3,133)
Income tax expense (recovery)	12,629	3,490	(3,022)	13,097
Net income (loss)	25,287	3,284	22,107	50,678

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

Three months ended September 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 160,583	$ 65,397	$ -	$ 225,980
Expenses				
Staff	84,688	35,509	-	120,197
Hardware	12,485	2,069	-	14,554
Third party licenses, maintenance and professional services	9,463	5,671	-	15,134
Occupancy	3,841	1,609	-	5,450
Travel	6,905	1,690	-	8,595
Telecommunications	1,885	907	-	2,792
Supplies	2,613	899	-	3,512
Professional fees	3,232	747	-	3,979
Other, net	1,433	1,697	-	3,130
Depreciation	1,452	562	98	2,112
Amortization of intangible assets	15,251	6,848	-	22,099
	143,248	58,208	98	201,554
Foreign exchange (gain) loss	545	(688)	(178)	(321)
Equity in net (income) loss of equity investees	-	-	(216)	(216)
Finance income	(129)	(35)	(1,902)	(2,066)
Finance costs	301	190	640	1,131
Inter-company expenses (income)	4,190	1,972	(6,162)	-
	4,907	1,439	(7,818)	(1,472)
Profit (loss) before income tax	12,428	5,750	7,720	25,898
Current income tax expense (recovery)	4,636	2,279	(997)	5,918
Deferred income tax expense (recovery)	241	(1,193)	(133)	(1,085)
Income tax expense (recovery)	4,877	1,086	(1,130)	4,833
Net income (loss)	7,551	4,664	8,850	21,065

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

Nine months ended September 30, 2012	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 446,537	$ 183,690	$ -	$ 630,227
Expenses				
Staff	237,380	102,137	-	339,517
Hardware	31,500	5,986	-	37,486
Third party licenses, maintenance and professional services	28,510	15,585	-	44,095
Occupancy	10,573	4,541	-	15,114
Travel	19,341	5,266	-	24,607
Telecommunications	5,102	2,740	-	7,842
Supplies	8,105	2,705	-	10,810
Professional fees	6,002	2,044	-	8,046
Other, net	6,325	4,779	-	11,104
Depreciation	3,917	1,427	289	5,633
Amortization of intangible assets	42,891	18,752	-	61,643
	399,646	165,962	289	565,897
Foreign exchange (gain) loss	1,239	(237)	(1,332)	(330)
Equity in net (income) loss of equity investees	-	-	875	875
Finance income	(482)	(76)	(2,971)	(3,529)
Finance costs	383	430	2,110	2,923
Inter-company expenses (income)	14,960	6,066	(21,026)	-
	16,100	6,183	(22,344)	(61)
Profit (loss) before income tax	30,791	11,545	22,055	64,391
Current income tax expense (recovery)	12,835	5,542	(2,290)	16,087
Deferred income tax expense (recovery)	(1,491)	(3,218)	432	(4,277)
Income tax expense (recovery)	11,344	2,324	(1,858)	11,810
Net income (loss)	19,447	9,221	23,913	52,581

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") including certain long-term contracts that contained contingent liabilities that the Company believed were unlikely to exceed $16,000 in the aggregate. The contingent liabilities related 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. Beginning in February 2011, MAXIMUS Inc. ("Maximus") and a subsidiary of Constellation, as a result of receiving a letter from a customer, initiated the 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. In December 2012, the subsidiary of Constellation obtained a favorable arbitration ruling in the amount of $10,000 which was subsequently reduced in July 2013 to $6,000 by a court judgment. The July 2013 court ruling also resolved an additional claim filed by the customer alleging no contract existed between the parties. In September 2013 the customer initiated the appeals process in relation to the July 2013 court ruling. 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**.** The contract with the customer has a $9,000 limitation of liability clause that the Company believes applies to all claims.

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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Decrease (increase) in accounts receivable	$ 6,984	$ (2,724)	$ (1,720)	$ 264
Decrease (increase) in work in progress	(5,032)	(2,312)	(7,648)	(5,595)
Decrease (increase) in other current assets	1,140	(3,689)	(5,852)	(4,821)
Decrease (increase) in inventory	(1,502)	(451)	(1,516)	(1,319)
Decrease (increase) in non-current assets	(355)	(8,601)	(3,699)	(8,138)
Change in acquired contract assets and liabilities	(900)	(1,944)	(10,336)	(6,687)
Increase (decrease) in other non-current liabilities	1,207	(74)	4	(4,851)
Increase (decrease) increase in accounts payable and accrued liabilities, excluding holdbacks from acquisitions	22,968	13,355	3,746	(15,009)
Increase (decrease) in deferred revenue	9,647	10,149	22,764	16,800
Increase (decrease) in provisions	(1,840)	783	(1,675)	9
	$ 32,317	$ 4,492	$ (5,932)	$ (29,347)

18. Subsequent events

On October 30, 2013 the Company declared a $1.00 per share dividend that is payable on January 3, 2014 to all common shareholders of record at close of business on December 17, 2013.