Constellation Software Inc.

INTERIM FINANCIAL REPORT

First Quarter Fiscal Year 2015

For the three month period ended
March 31, 2015
(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 month period ended March 31, 2015, 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, April 29, 2015. 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 EBITA, Adjusted EBITA margin, Adjusted net income, and Adjusted net income margin.

The term ''Adjusted EBITA'' refers to net income before adjusting for finance and other income, finance costs, income taxes, share in net income or loss of equity investees, impairment of non-financial assets, amortization, and foreign exchange gain or loss. The Company believes that Adjusted EBITA 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 intangible asset amortization and the other items listed above. ''Adjusted EBITA margin'' refers to the percentage that Adjusted EBITA for any period represents as a portion of total revenue for that period. Prior to December 2013, the Company had reported "Adjusted EBITDA" in its MD&A. Adjusted EBITDA refers to Adjusted EBITA as defined above then further excludes depreciation. The Company uses depreciation as a proxy for the cash flows used to purchase property and equipment required to support the Company's main business activities. As such, the Company believes Adjusted EBITA is a more useful measure then Adjusted EBITDA.

''Adjusted net income'' means net income adjusted for non-cash expenses (income) such as amortization of intangible assets, deferred income taxes, the TSS membership liability revaluation charge, and certain other expenses (income), and excludes the portion of the adjusted net income of Total Specific Solutions (TSS) B.V. ("TSS") attributable to the minority owners of TSS (see "Capital Resources and Commitments" section). 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, the TSS membership liability revaluation charge, and certain other non-cash expenses (income) incurred or recognized by the Company from time to time, and adjusts for the portion of TSS' Adjusted net income not attributable to shareholders of Constellation. ''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 EBITA and Adjusted net income are not recognized measures under IFRS and, accordingly, readers are cautioned that Adjusted EBITA 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 EBITA and Adjusted net income may differ from other issuers and, accordingly, Adjusted EBITA and Adjusted net income may not be comparable to similar measures presented by other issuers. See ''Results of Operations —Adjusted EBITA'' and ''— Adjusted net income'' for a reconciliation of Adjusted EBITA and Adjusted net income to Net income. Adjusted EBITA includes 100% of the Adjusted EBITA of TSS.

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)

	Three months ended March 31, 2015	Three months ended March 31, 2014	Period-Over-Period Change $	Period-Over-Period Change %
Revenue	**422.9**	**394.8**	**28.0**	**7%**
Expenses	329.5	332.0	(2.5)	-1%
Adjusted EBITA	**93.4**	**62.8**	**30.6**	**49%**
Adjusted EBITA margin	22%	16%		
Amortization of intangible assets	41.5	42.8	(1.3)	-3%
Foreign exchange (gain) loss	(1.7)	0.2	(1.9)	NM
TSS membership liability revaluation charge	6.0	-	6.0	NM
Share in net (income) loss of equity investees	(0.7)	(0.1)	(0.6)	475%
Finance and other income	(0.3)	(0.5)	0.2	-45%
Finance costs	4.3	3.3	1.0	29%
Income before income taxes	44.3	17.1	27.2	159%
Income taxes expense (recovery)				
Current income tax expense (recovery)	13.9	6.6	7.3	110%
Deferred income tax expense (recovery)	(2.5)	1.6	(4.2)	NM
Income tax expense (recovery)	11.4	8.2	3.1	38%
Net income	**32.9**	**8.9**	**24.0**	**270%**
Adjusted net income	**74.7**	**53.3**	**21.4**	**40%**
Adjusted net income margin	18%	14%		
Weighted average number of shares outstanding (000's)				
Basic and diluted	21,192	21,192		
Net income per share				
Basic and diluted	$ 1.55	$ 0.42	$ 1.13	270%
Adjusted EBITA per share				
Basic and diluted	$ 4.41	$ 2.96	$ 1.44	49%
Adjusted net income per share				
Basic and diluted	$ 3.52	$ 2.52	$ 1.01	40%
Cash dividends declared per share				
Basic and diluted	$ 1.00	$ 1.00	$ -	0%

NM - Not meaningful

Comparison of the first quarter ended March 31, 2015 and 2014

Revenue:

Total revenue for the quarter ended March 31, 2015 was $422.9 million, an increase of 7%, or $28.0 million, compared to $394.8 million for the comparable period in 2014. The increase is attributable to growth from acquisitions as the Company experienced negative organic growth of 2% in the quarter. 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. For the quarter ended March 31, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 6% reduction in the Company's organic growth rate compared to the first quarter of 2014.

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

	Three months ended March 31,		Period-Over-Period Change	
	2015	2014	$	%
	($M, except percentages)			
Licenses	30.3	26.5	3.8	15%
Professional services	92.7	91.8	0.9	1%
Hardware and other	31.0	33.8	(2.7)	-8%
Maintenance and other recurring	268.8	242.8	26.0	11%
	422.9	394.8	28.0	7%

$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 quarter ended March 31, 2015 compared to the same period in 2014:

	Three months ended March 31,		Period-Over-Period Change	
	2015	2014	$	%
	($M, except percentages)			
Public Sector				
Licenses	19.3	16.2	3.1	19%
Professional services	74.8	75.2	(0.4)	0%
Hardware and other	25.3	28.6	(3.3)	-11%
Maintenance and other recurring	171.5	157.8	13.7	9%
	290.9	277.8	13.1	5%
Private Sector				
Licenses	11.0	10.3	0.8	8%
Professional services	17.9	16.6	1.3	8%
Hardware and other	5.7	5.2	0.5	10%
Maintenance and other recurring	97.3	84.9	12.4	15%
	132.0	117.1	14.9	13%

Public Sector

For the quarter ended March 31, 2015, total revenue in the public sector reportable segment increased 5%, or $13.1 million to $290.9 million, compared to $277.8 million for the quarter ended March 31, 2014. Total revenue growth from acquired businesses contributed approximately $21 million to our Q1 2015 revenues compared to the same periods in 2014, as we completed 14 acquisitions since the beginning of 2014. Organic revenue growth was negative 3% in Q1 2015 compared to the same period in 2014. For the quarter ended March 31, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 6% reduction in the public sector revenue organic growth rate compared to the first quarter of 2014.

Private Sector

For the quarter ended March 31, 2015, total revenue in the private sector reportable segment increased 13%, or $14.9 million to $132.0 million, compared to $117.1 million for the quarter ended March 31, 2014. Total revenue growth from acquired businesses contributed approximately $17 million to our Q1 2015 revenues compared to the same period in 2014, as we completed 12 acquisitions since the beginning of 2014. Organic revenue growth was negative 2% in Q1 2015 compared to the same period in 2014. For the quarter ended March 31, 2015, the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 5% reduction in the private sector revenue organic growth rate compared to the first quarter of 2014.

Expenses:

The following table displays the breakdown of our expenses:

	Three months ended March 31,		Period-Over-Period Change	
	2015	2014	$	%
	($M, except percentages)			
Expenses				
Staff	221.9	225.7	(3.8)	-2%
Hardware	17.8	18.7	(1.0)	-5%
Third party license, maintenance and professional services	38.8	35.3	3.5	10%
Occupancy	10.6	10.0	0.6	6%
Travel	11.8	11.4	0.4	3%
Telecommunications	4.1	3.9	0.1	4%
Supplies	9.6	8.7	0.9	10%
Professional fees	4.8	5.0	(0.2)	-5%
Other, net	6.3	9.1	(2.9)	-31%
Depreciation	3.9	4.1	(0.2)	-4%
	329.5	332.0	(2.5)	-1%

Overall expenses for the quarter ended March 31, 2015 decreased 1%, or $2.5 million to $329.5 million, compared to $332.0 million during the same period in 2014. As a percentage of total revenue, expenses decreased to 78% for the quarter ended March 31, 2015 from 84% for the same period in 2014. Our average employee headcount grew 12% in 2015 from 8,571 for the quarter ended March 31, 2014 to 9,578 for the quarter ended March 31, 2015 primarily due to acquisitions. For the quarter ended March 31, 2015 the appreciation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 6% reduction in expenses compared to the first quarter of 2014.

Staff expense – Staff expenses decreased 2% or $3.8 million for the quarter ended March 31, 2015 over the same period in 2014. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended March 31,		Period-Over-Period Change	
	2015	2014	$	%
	($M, except percentages)			
Professional services	53.4	57.8	(4.5)	-8%
Maintenance	41.9	39.3	2.6	7%
Research and development	62.5	63.9	(1.4)	-2%
Sales and marketing	30.6	29.2	1.4	5%
General and administration	33.5	35.5	(2.0)	-6%
	221.9	225.7	(3.8)	-2%

The decline in expenses is primarily due to the appreciation of the US dollar against most major currencies in which the Company transacts business, and the reduction in expenses incurred by Total Specific Solutions (TSS) B.V. ("TSS"). Excluding the approximate 6% overall reduction in expenses as a result of foreign exchange, staff expenses at TSS for the quarter ended March 31, 2015 decreased by 18% or approximately $7 million compared to the same period in 2014. Severance of approximately $3 million relating to a headcount transformation program at TSS was recorded in Q1 2014 versus approximately $0.4 million in Q1 2015, and headcount decreased by 12% over the same period, resulting in an approximately $4 million reduction in staff expenses. The majority of the TSS headcount reduction was in the professional services and research and development departments. Severance of approximately $4 million is forecasted to be expensed for the remainder of 2015.

Hardware expenses – Hardware expenses decreased 5% or $1.0 million for the quarter ended March 31, 2015 over the same period in 2014, slightly less than the 8% decline in hardware and other revenue. Hardware margin for the three months ended March 31, 2015 was 43% as compared to 45% for the same period in 2014.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses increased 10% or $3.5 million for the quarter ended March 31, 2015 over the same period in 2014. The increase is primarily due to an increase in maintenance and other recurring revenue for the three months ended March 31, 2015 compared to the same period in 2014.

Occupancy expenses – Occupancy expenses increased 6% or $0.6 million for the quarter ended March 31, 2015 over the same period in 2014. The increase in occupancy expenses is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications and Supplies expenses – Travel, Telecommunications and Supplies expenses increased 6% or $1.4 million for the quarter ended March 31, 2015 over the same period in 2014. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees – Professional fees decreased 5% or $0.2 million for the quarter ended March 31, 2015 over the same period in 2014. The decrease in professional fees is primarily the result of a reduction in legal expenses due to a decline in acquisition activity and reduced expenses associated with the TSS headcount transformation program in Q1 2015 as compared to Q1 2014.

Other, net – Other expenses decreased 31% or $2.9 million for the quarter ended March 31, 2015 over the same period in 2014. The following table provides a further breakdown of expenses within this category.

	Three months ended March 31,		Period-Over-Period Change	
	2015	2014	$	%
	($M, except percentages)			
Advertising and promotion	4.0	4.8	(0.8)	-16%
Recruitment and training	2.1	2.1	0.0	0%
Bad debt expense	(0.5)	1.1	(1.6)	NM
R&D tax credits	(2.0)	(1.6)	(0.4)	26%
Contingent consideration	0.4	(0.0)	0.5	NM
Other expense, net	2.2	2.8	(0.6)	-21%
	6.3	9.1	(2.9)	-31%

The advertising and promotion expense decline was primarily associated with TSS. It is expected that the advertising and promotion expenses of TSS will increase in future quarters, as opposed to this being a permanent savings. The reduction in bad debt expense relates to the timing of adjustments made to provisions for uncollectable accounts receivable. The increase in R&D tax credits relates to claims made in the US and Australia that were not made in Q1 2014. The increase in contingent consideration expenses relate to adjustments to expected earnout payments associated with acquisitions. The expected earnout payments have increased primarily as a result of an increase to the revenue forecast for one acquisition.

Depreciation – Depreciation of property and equipment decreased 4% or $0.2 million for the quarter ended March 31, 2015 over the same period in 2014. The decrease in depreciation expense is primarily attributable to the appreciation of the US dollar against most major currencies in which the Company transacts business.

Other Income and Expenses:

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

	Three months ended March 31,		Period-Over-Period Change	
	2015	2014	$	%
	($M, except percentages)			
Amortization of intangible assets	41.5	42.8	(1.3)	-3%
Foreign exchange (gain) loss	(1.7)	0.2	(1.9)	NM
TSS membership liability revaluation charge	6.0	-	6.0	NM
Share in net (income) loss of equity investees	(0.7)	(0.1)	(0.6)	475%
Finance and other income	(0.3)	(0.5)	0.2	-45%
Finance costs	4.3	3.3	1.0	29%
Income tax expense (recovery)	11.4	8.2	3.1	38%
	60.5	53.9	6.5	12%

NM - Not meaningful

Amortization of intangible assets – Amortization of intangible assets decreased 3% or $1.3 million for the quarter ended March 31, 2015 over the same period in 2014. The decrease in amortization expense is attributable to a decrease in the carrying amount of our intangible asset balance over the twelve month period ended March 31, 2015 as a result of the appreciation of the US dollar against most major currencies in which the Company transacts business and a decline in acquisition activity 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 March 31, 2015, we realized a foreign exchange gain of $1.7 million compared to a loss of $0.2 million for the quarter ended March 31, 2014. Unrealized foreign exchange gains of $6.3 million and $4.4 million were recorded in Q1 2015 relating to the Company's unsecured subordinated floating rate debentures that were issued in Q4 2014 and are denominated in Canadian dollars, and intercompany loans. The $4.4 million foreign exchange gain related to intercompany loans was recorded in other comprehensive income for the period but is not included in net income for the period in accordance with IFRS. The gain relating to the Company's unsecured subordinated floating rate debentures was almost entirely offset by the counter balancing $4.4 million unrealized foreign exchange loss on these intercompany loans that is included in net income for the period in accordance with IFRS.

TSS membership liability revaluation charge – The valuation of the TSS membership liability that was put in place in Q4 2014 increased by approximately 14% or $6.0 million primarily as a result of an increase in the net tangible assets of TSS in Q1 2015 and growth in maintenance revenue. The liability recorded on the balance sheet increased by only 2% in Q1 2015 as a result of a foreign exchange gain that was recorded through other comprehensive income. The TSS membership liability is denominated in Euros and the Euro declined 11% versus the US dollar in Q1 2015.

Share in net (income) loss of equity investees – Share in the net (income) loss of equity investees was income of $0.7 million for the quarter ended March 31, 2015 compared to income of $0.1 million for the same period in 2014 in line with the increased profitability of equity investees.

Finance and other income – Finance and other income for the quarter ended March 31, 2015 was $0.3 million compared to $0.5 million for the same period in 2014. A gain of $0.3 million relating to the sale of equity securities available-for-sale was recorded in Q1 2014 and no similar gain was recorded in Q1 2015.

Finance costs – Finance costs for the quarter ended March 31, 2015 increased $1.0 million to $4.3 million, compared to $3.3 million for the same period in 2014. The increase in finance costs primarily relates to interest paid on the Company's unsecured subordinated floating rate debentures that were issued in Q4 2014. This increase was partially offset by reduced interest expense on our credit facilities resulting from decreased average borrowings in Q1 2015 compared to Q1 2014.

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 March 31, 2015, income tax expense increased $3.1 million to $11.4 million compared to $8.2 million for the same period in 2014. Current tax expense as a percentage of adjusted net income before tax was 15% for the quarter ended March 31, 2015 versus 11% for the comparable period in 2014. This rate, which has historically approximated our cash tax rate, has ranged between 10% and 12% annually from 2011 to 2013. The quarterly rate can sometimes fall outside of the annual range due to out of period adjustments. As a result of the depletion of tax credits available to certain Canadian entities and a proportionately higher level of profitability in the US, the rate has gradually increased and was 16% for the fiscal year ended December 31, 2014. In Q1 2015, a current tax expense of $2.1 million was recorded that will not actually result in a cash outlay due to the utilization of R&D tax credits. R&D tax credits in the amount of $10.2 million were utilized to offset taxes payable on taxable income for the fiscal year ended December 31, 2014. Current tax expense however reflects gross taxes before the application of R&D tax credits. The deferred income tax expense decrease of $4.2 million for the quarter ended March 31, 2015 relates to various items including changes in recognition of certain deferred income tax assets.

Net Income and Earnings per Share:

Net income for the quarter ended March 31, 2015 was $32.9 million compared to net income of $8.9 million for the same period in 2014. On a per share basis this translated into a net income per diluted share of $1.55 in the quarter ended March 31, 2015 compared to net income per diluted share of $0.42 for the same period in 2014. There were no changes in the number of shares outstanding.

Adjusted EBITA:

For the quarter ended March 31, 2015, Adjusted EBITA increased to $93.4 million compared to $62.8 million for the same period in 2014 representing an increase of 49%. Adjusted EBITA margin was 22% for the quarter ended March 31, 2015 and 16% for the same period in 2014. See "Non-IFRS Measures" for a description of Adjusted EBITA and Adjusted EBITA margin.

The following table reconciles Adjusted EBITA to net income:

	Three months ended March 31, 2015	Three months ended March 31, 2014
	($M, except percentages)	
Total revenue	422.9	394.8
Net income	32.9	8.9
Adjusted for:		
Income tax expense (recovery)	11.4	8.2
Foreign exchange (gain) loss	(1.7)	0.2
TSS membership liability revaluation charge	6.0	-
Share in net (income) loss of equity investees	(0.7)	(0.1)
Finance and other income	(0.3)	(0.5)
Finance costs	4.3	3.3
Amortization of intangible assets	41.5	42.8
Adjusted EBITA	93.4	62.8
Adjusted EBITA margin	22%	16%

Adjusted net income:

For the quarter ended March 31, 2015, Adjusted net income increased to $74.7 million from $53.3 million for the same period in 2014, representing an increase of 40%. Adjusted net income margin was 18% for the quarter ended March 31, 2015 and 14% for the same period in 2014. See "Non-IFRS Measures" for a description of Adjusted net income and Adjusted net income margin.

Non-controlling interest in the Adjusted net income of TSS - As explained in the "Capital Resources and Commitments" section below, in Q4 2014 33.29% of the voting interests in TSS were sold, however no adjustment has been made in the Company's Unaudited Condensed Consolidated Interim Financial Statements to reflect the 33.29% of earnings that are not attributable to Constellation shareholders. Instead, due to an option available to the minority owners to exercise a put option to sell all or a portion of their interests back to Constellation, the minority interest is accounted for as a liability on the Company's balance sheet. The liability is revalued at each period end in accordance with an agreed upon valuation methodology with the change being included in net income. The non-controlling interest in the Adjusted net income of TSS for the quarter ended March 31, 2015 was $3.2 million and nil for the same period in 2014.

The following table reconciles Adjusted net income to net income:

	Three months ended March 31, 2015	2014
	($M, except percentages)	
Total revenue	422.9	394.8
Net income	32.9	8.9
Adjusted for:		
Amortization of intangible assets	41.5	42.8
TSS membership liability revaluation charge	6.0	-
Less non-controlling interest in the Adjusted net income of TSS	(3.2)	-
Deferred income tax expense (recovery)	(2.5)	1.6
Adjusted net income	74.7	53.3
Adjusted net income margin	18%	14%

Quarterly Results

	Quarter Ended Mar. 31 2013	Jun. 30 2013	Sep. 30 2013	Dec. 31 2013	Mar. 31 2014	Jun. 30 2014	Sep. 30 2014	Dec. 31 2014	Mar. 31 2015
	($M, except per share amounts)								
Revenue	256.4	298.2	315.9	340.3	394.8	415.9	418.8	439.8	422.9
Net Income	9.2	19.2	22.2	42.5	8.9	23.0	31.9	39.3	32.9
Adjusted Net Income	33.3	50.1	54.1	69.2	53.3	65.0	69.3	86.6	74.7
Net Income per share									
Basic & diluted	0.43	0.91	1.05	2.00	0.42	1.08	1.51	1.86	1.55
Adjusted Net Income per share									
Basic & diluted	1.57	2.36	2.55	3.26	2.52	3.07	3.27	4.09	3.52

We 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 revenue 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 Total Specific Solutions (TSS) B.V. ("TSS")

On December 31, 2013, the Company acquired 100% of the shares of TSS for aggregate cash consideration of approximately $342 million (€248 million). The Company previously provided supplemental information on TSS. TSS in not considered a reportable segment of Constellation, however, management chose to provide certain supplemental financial to provide greater clarity into the operating performance and cash flow from operations of TSS. The Company has decided not to provide supplemental financial information on TSS going forward as the operating performance and cash flow from operations of the business are now consistent with those of Company.

Liquidity

Our net borrowings (bank indebtedness excluding capitalized transaction costs less cash) decreased by $73.6 million to $71.7 million in the quarter ended March 31, 2015 resulting from cash flows from operations exceeding capital deployed on acquisitions. The amount drawn on our credit facilities decreased by $12.5 million to $203.5 million at March 31, 2015 from $216.0 million at the end of 2014, and cash increased by $61.1 million to $131.8 million at March 31, 2015 compared to $70.7 million at December 31, 2014.

Total assets increased $53.8 million, from $1,433.1 million at December 31, 2014 to $1,486.9 million at March 31, 2015. The increase is primarily due to an increase in cash of $61.1 million, and increase in accounts receivable of $29.2 million offset by a decrease in intangible assets of $49.1 relating to the amortization of intangible assets for accounting purposes. At March 31, 2015 TSS held a cash balance of $72.9 million. As explained in the "Capital Resources and Commitments" section below, there are limitations on TSS' ability to distribute funds to Constellation.

Current liabilities increased $90.6 million, from $758.8 million at December 31, 2014 to $849.5 million at March 31, 2015. The increase is primarily due to an increase in deferred revenue of $111.8 million mainly due to the timing of maintenance and other billings versus performance and delivery under those customer arrangements, offset by a $21.0 million decrease in accounts payable and accrued liabilities.

Net Changes in Cash Flows
(in $M's)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Net cash provided by operating activities	112.6	99.5
Net cash from (used in) financing activities	(21.3)	(16.8)
Net cash from (used in) acquisition activities	(22.2)	(13.2)
Net cash from (used in) other investing activities	(2.1)	(3.7)
Net cash from (used in) investing activities	(24.3)	(16.9)
Effect of foreign currency	(5.9)	(1.4)
Net increase (decrease) in cash and cash equivalents	**61.1**	**64.5**

The net cash flows from operating activities were $112.6 million for the quarter ended March 31, 2015. The $112.6 million provided by operating activities resulted from $32.9 million in net income plus $64.4 million of non-cash adjustments to net income and $29.9 million of cash provided from our non-cash operating working capital offset by $14.6 million in taxes paid.

The net cash flows used in financing activities in the quarter ended March 31, 2015 were $21.3 million, which is mainly a result of dividends paid in the period of $21.2 million and a decrease in bank indebtedness of $3.5 million, offset by interest paid of $3.7 million on bank indebtedness and the Company's unsecured subordinated floating rate debentures.

The net cash flows used in investing activities in the quarter ended March 31, 2015 were $24.3 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $22.2 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

Bank Indebtedness

On March 13, 2012, we entered into a new revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300 million. The revolving credit facility 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. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material 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 March 31, 2015, we had drawn $68.0 million on this facility, and letters of credit totalling $14.0 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis. 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 March 31, 2015, the carrying amount of such costs totalling $0.5 million has been classified as part of bank indebtedness in the statement of financial position.

On December 6, 2013, we amended our credit facility to facilitate the acquisition of TSS. A new one year $350 million term facility was added solely for the purposes of funding the TSS acquisition and related expenses (the "TSS Acquisition Facility"). The TSS Acquisition Facility was non-amortizing and had an interest rate calculated at US prime or LIBOR plus interest rate spreads based on a leverage table consistent with the spreads applicable to Constellation's credit facility. On December 31, 2014, the TSS Acquisition Facility expired and the outstanding balance was repaid.

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 66.71% of TSS, entered into a €150 million (approximately $190 million) term and €10 million (approximately $13 million) multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. On June 24, 2014, €130 million (approximately $165 million) was drawn on the term component of the CNH Facility and used to repay a portion of the TSS Acquisition Facility. €30 million must be repaid in instalments over the next six years, and €100 million is non-amortizing and due in seven years. The remaining €20 million term component of the CNH Facility remains undrawn. If drawn, principal must be repaid in five equal instalments starting on June 24, 2018. As at March 31, 2015 no amounts had been drawn on the €10 million multicurrency revolving component of the CNH Facility. The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH 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 March 31, 2015, the carrying amount of such costs relating to this facility totalling $5.1 million (€4.7 million) has been classified as part of non-current bank indebtedness in the statement of financial position.

The CNH Facility and Constellation's other credit facilities are independent of each other. The CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or any subsidiary subject to the terms of the CNH Facility other than, in each case, CNH and its subsidiaries. Similarly, CNH and its subsidiaries did not guarantee Constellation's other credit facilities and are not subject to the provisions thereof. Constellation's credit facilities impose limitations on the aggregate amount of investment that Constellation may make in CNH and its subsidiaries and the financial results of CNH and its subsidiaries are not included for the purposes of determining compliance by Constellation with the financial covenants in Constellation's other credit facilities. The CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the "Debentures") with a total principal value of C$96.0 million for total proceeds of C$91.2 million. The proceeds were used by the Company to pay down $81.2 million of the TSS Acquisition Facility. The Debentures have a maturity date of March 31, 2040.

On April 17, 2015, the Company filed a final short form prospectus in relation to a rights offering pursuant to which the Company will issue rights that will entitle shareholders of the Company to purchase up to an additional C$200 million aggregate principal amount of Debentures. The Debentures will be issued as an additional tranche of, and will form a single series with, the outstanding C$96.0 million aggregate principal amount of Debentures, Series 1 of the Company. There is no minimum principal amount of Debentures that must be issuable upon the exercise of rights.

TSS Membership Liability

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in CNH. Proceeds from this transaction in the amount of €39.4 million (US$48.5 million) were utilized to repay, in part, the TSS Acquisition Facility. In accordance with IFRS, 100% of the financial results for TSS are included in the consolidated financial results of the Company.

Commencing any time after March 31, 2015, each of the minority owners may exercise a put option to sell all or a portion of their interests in CNH back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the membership agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of CNH. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners' interests put, no later than 30 business days from the date notice is received (classified as a current liability), and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made.

The seller of TSS also has an option available to it to sell approximately 68% of its interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement, in the event that Robin Van Poelje, TSS' CEO, is no longer employed by TSS. The approximately 32% remaining interest can be sold via the put option described above.

In the event of a change of control in Constellation, the minority owners would have the option to sell 100% of their interests in CNH for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Constellation would be obligated to remit payment in respect thereof no later than 30 business days from the date notice is given.

Commencing at any time after December 31, 2023, Constellation may exercise a call option to purchase all of the minority owners' interests in CNH, for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Upon exercise of the call option, the full purchase price will be paid within 30 business days of the notice date, following which the minority owners' membership in the Coop will be terminated. There is a valuation premium if the call option is exercised versus the put option.

If any of TSS' executive management team that participate in the Members Agreement are terminated for urgent cause as defined in Section 7:678 of the Dutch Civil Code, Constellation shall have the right to purchase all of the interests beneficially owned by the terminated executive for an amount calculated in accordance with the valuation methodology described within the Members Agreement. The full purchase price will be paid within 30 business days from the date notice is given, following which the terminated executive's membership in the Coop will be terminated. An option does exist for the terminated executive to elect to be paid in annual installments of 33.33% of his interests in CNH over a 3 year period. The valuation of the interests being purchased will be calculated at each annual payment date.

Other commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration, 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 March 31, 2015.

The TSS membership liability commitment assumes that the minority owners have exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at April 29, 2015. See the "Critical Accounting Estimate" section of the Company's 2014 Annual Consolidated Financial Statements for a discussion on the valuation methodology utilized.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact will impact future revenue and net earnings. Our analysis related to the change in average exchange rates from 2014 to 2015 suggests that the impact to EBITA margins for the quarter ended March 31, 2015 was less than 1%. The impact to organic revenue growth for the quarter ended March 31, 2015 was approximately negative 6%. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, revenues, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the quarter ended March 31, 2015, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the quarter ended March 31, 2015:

Three Months Ended March 31, 2015		
Currencies	% of Revenue	% of Expenses
USD	59%	49%
CAD	8%	14%
GBP	9%	10%
EURO	18%	17%
CHF	1%	3%
Others	6%	6%
Total	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.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2015, and have not been applied in preparing our consolidated 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 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2017 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

Share Capital

As at April 29, 2015, 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. In February 2013 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 March 31, 2015, 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 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 period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

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

CONSTELLATION SOFTWARE INC.

For the three months ended March 31, 2015 and 2014

CONSTELLATION SOFTWARE INC.

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

(Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash	$ 131,817	$ 70,679
Accounts receivable	229,226	200,056
Work in progress	60,626	51,483
Inventories	25,426	25,246
Other assets (note 5)	74,027	63,294
	521,122	410,758
Non-current assets:		
Property and equipment	35,166	37,227
Deferred income taxes	57,007	60,763
Other assets (note 5)	35,292	36,942
Intangible assets	838,294	887,435
	965,759	1,022,367
Total assets	$ 1,486,881	$ 1,433,125
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	$ 69,688	$ 66,326
TSS membership liability (note 8)	17,673	17,345
Accounts payable and accrued liabilities	224,008	244,996
Dividends payable (note 11)	21,387	21,192
Deferred revenue	459,091	347,336
Provisions (note 9)	10,191	13,399
Acquisition holdback payments	23,840	22,665
Income taxes payable	23,598	25,588
	849,476	758,847
Non-current liabilities:		
Bank indebtedness (note 6)	133,798	149,654
TSS membership liability (note 8)	31,087	30,515
Debentures (note 7)	72,495	78,642
Deferred income taxes	99,601	107,275
Acquisition holdback payments	3,579	3,603
Other liabilities (note 5)	37,369	44,758
	377,929	414,447
Total liabilities	1,227,405	1,173,294
Shareholders' equity (note 11):		
Capital stock	99,283	99,283
Accumulated other comprehensive income	(31,379)	(19,290)
Retained earnings	191,572	179,838
	259,476	259,831
Subsequent events (notes 11 and 18)		
Total liabilities and shareholders' equity	$ 1,486,881	$ 1,433,125

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)

Three months ended March 31, 2015 and 2014
(Unaudited)

	2015	2014
Revenue		
License	$ 30,325	$ 26,481
Professional services	92,706	91,810
Hardware and other	31,048	33,792
Maintenance and other recurring	268,812	242,766
	422,891	394,849
Expenses		
Staff	221,852	225,672
Hardware	17,785	18,739
Third party license, maintenance and professional services	38,800	35,319
Occupancy	10,581	9,958
Travel	11,810	11,415
Telecommunications	4,086	3,945
Supplies	9,559	8,707
Professional fees	4,807	5,039
Other, net	6,284	9,141
Depreciation	3,926	4,087
Amortization of intangible assets	41,481	42,802
	370,971	374,824
Foreign exchange loss (gain)	(1,723)	172
TSS membership liability revaluation charge (note 8)	6,030	-
Share in net (income) loss of equity investee	(690)	(120)
Finance and other income (note 12)	(258)	(468)
Finance costs (note 12)	4,283	3,314
	7,642	2,898
Income before income taxes	44,278	17,127
Current income tax expense (recovery)	13,896	6,611
Deferred income tax expense (recovery)	(2,544)	1,620
Income tax expense (recovery) (note 10)	11,352	8,231
Net income	32,926	8,896
Earnings per share		
Basic and diluted (note 13)	$ 1.55	$ 0.42

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)

Three months ended March 31 2015 and 2014
(Unaudited)

	2015	2014
Net income	$ 32,926	$ 8,896
Items that are or may be reclassified subsequently to net income:		
Net change in fair value of available-for-sale financial asset during the period	-	93
Net change in fair value of derivatives designated as hedges during the period	(230)	-
Amounts reclassified to profit during the period related to realized gains on available-for-sale financial asset	-	(264)
Foreign currency translation differences from foreign operations	(11,929)	320
Current income tax recovery (expense)	-	35
Deferred income tax recovery (expense)	70	(12)
Other comprehensive (loss) income for the period, net of income tax	(12,089)	172
Total comprehensive income for the period	$ 20,837	$ 9,068

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)

Three months ended March 31, 2015

	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 derivatives designed as hedges	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2015	**$ 99,283**	**$ (18,880)**	**$ (410)**	**$ -**	**$ (19,290)**	**$ 179,838**	**$ 259,831**
Total comprehensive income for the year							
Net income	-	-	-	-	-	32,926	32,926
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial asset during the year	-	-	-	-	-	-	-
Net change in fair value of derivatives designated as hedges during the year	-	-	(230)	-	(230)	-	(230)
Amounts reclassified to profit during the year related to realized gains on available-for-sale financial assets	-	-	-	-	-	-	-
Foreign currency translation differences from foreign operations	-	(11,929)	-	-	(11,929)	-	(11,929)
Current tax recovery (expense)	-	-	-	-	-	-	-
Deferred tax recovery (expense)	-	-	70	-	70	-	70
Total other comprehensive income (loss) for the year	**-**	**(11,929)**	**(160)**	**-**	**(12,089)**	**-**	**(12,089)**
Total comprehensive income (loss) for the year	**-**	**(11,929)**	**(160)**	**-**	**(12,089)**	**32,926**	**20,837**
Transactions with owners, recorded directly in equity Dividends to shareholders of the Company (note 11)	-	-	-	-	-	(21,192)	(21,192)
Balance at March 31, 2015	**$ 99,283**	**$ (30,809)**	**$ (570)**	**$ -**	**$ (31,379)**	**$ 191,572**	**$ 259,476**

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)
Three months ended March 31, 2014

	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 derivatives designed as hedges	Amounts related to gains/losses on available-for-sale financial assets			
Balance at January 1, 2014	**$ 99,283**	**$ (32)**	**$ -**	**$ 481**	**$ 449**	**$ 166,267**	**$ 265,999**
Total comprehensive income for the year							
Net income	-	-	-	-	-	8,896	8,896
Other comprehensive income (loss)							
Net change in fair value of available-for-sale financial assets during the year	-	-	-	93	93	-	93
Amounts reclassified to profit during the year related to realized gains on available-for-sale financial assets	-	-	-	(264)	(264)	-	(264)
Foreign currency translation differences from foreign operations	-	320	-	-	320	-	320
Current tax recovery (expense)	-	35	-	-	35	-	35
Deferred tax recovery (expense)	-	(12)	-		(12)	-	(12)
Total other comprehensive income for the year	**-**	**343**	**-**	**(171)**	**172**	**-**	**172**
Total comprehensive income for the year	**-**	**343**	**-**	**(171)**	**172**	**8,896**	**9,068**
Transactions with owners, recorded directly in equity							
Dividends to shareholders of the Company (note 11)	-	-	-	-	-	(21,192)	(21,192)
Balance at March 31, 2014	**$ 99,283**	**$ 311**	**$ -**	**$ 310**	**$ 621**	**$ 153,971**	**$ 253,875**

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)

Three months ended March 31, 2015 and 2014
(Unaudited)

	2015	2014
Cash flows from operating activities:		
Net income	$ 32,926	$ 8,896
Adjustments for:		
Depreciation	3,926	4,087
Amortization of intangible assets	41,481	42,802
TSS membership liability revaluation charge	6,030	-
Share in net (income) loss of equity investee	(690)	(120)
Finance and other income	(258)	(468)
Finance costs	4,283	3,314
Income tax expense (recovery)	11,352	8,231
Foreign exchange loss (gain)	(1,723)	172
Change in non-cash operating working capital exclusive of effects of business combinations (note 17)	29,939	37,896
Income taxes paid	(14,618)	(5,285)
Net cash flows from operating activities	112,648	99,525
Cash flows from (used in) financing activities:		
Interest paid	(3,591)	(2,215)
Increase (decrease) in bank indebtedness, net	3,500	6,601
Dividends paid	(21,192)	(21,192)
Net cash flows from (used in) in financing activities	(21,283)	(16,806)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 4)	(20,511)	(10,834)
Post-acquisition settlement payments, net of receipts	(1,681)	(2,344)
Proceeds from sale of available-for-sale equity securities	-	404
Interest and dividends received	41	130
Property and equipment purchased	(2,138)	(4,218)
Net cash flows used in investing activities	(24,289)	(16,862)
Effect of foreign currency on cash and cash equivalents	(5,938)	(1,380)
Increase (decrease) in cash and cash equivalents	61,138	64,477
Cash, beginning of period	70,679	77,967
Cash, end of period	$ 131,817	$ 142,444

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 March 31, 2015 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	Rental
Local government	Insurance	Electric utilities
Agri-business	Collections management	Court
Marine asset management	Water utilities	School and special library
Communications	Credit unions	Drink distribution
Higher education	Financial services	

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	Financial services
Tire distribution	Salons and spas	Association management
Housing finance agencies	Municipal treasury & debt systems	Public housing authorities
Tour operators	Auto clubs	Real estate brokers and agents
Long-term care	Textiles and apparel	Home and community care

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 2014 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 April 29, 2015, the date the Board of Directors approved the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s 2014 annual consolidated financial statements.

(b) Basis of measurement

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

(c) Functional and presentation of currency

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

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2014 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 2014 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

Annual Improvements to IFRS

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards. Most of the amendments apply prospectively for annual periods beginning on or after July 1, 2014. The Company adopted these amendments in its financial statements effective January 1, 2015. The adoption of the amendments did not have a material impact on the financial statements.

(b) New standards and interpretations not yet adopted

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 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. We are assessing the impact of this standard on our consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for fiscal years beginning on or after January 1, 2017 and is available for early adoption. The standard contains a single model that applies to contracts with customers. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

4. Business acquisitions

(a) During the three month period ended March 31, 2015, the Company completed three acquisitions for aggregate cash consideration of $22,484 plus cash holdbacks of $1,387 and contingent consideration with an estimated fair value of $65 resulting in total consideration of $23,936. 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 March 31, 2015 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 include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed a maximum of $150. Aggregate contingent consideration of $22,183 (December 31, 2014 - $23,534) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other expenses, net in the condensed consolidated interim statements of income. An expense of $431 has been recorded for the three months ended March 31, 2015, as a result of such changes (a recovery of $31 for the three months ended March 31, 2014).

There were no acquisitions during the period that were deemed to be individually significant. Of the three acquisitions, the Company acquired 100% of the shares of one business and acquired the net assets of the other two businesses. The cash holdbacks are payable over a two year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the three month period ended March 31, 2015 include software companies catering to the following markets; public safety, school administration, and attractions, 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. Two of the acquisitions have been included in the Public reportable segment and one has been included in the Private 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 $21 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $10,732; however the Company has recorded an allowance of $1,028 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during 2015 and the last three quarters of 2014. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The cash consideration associated with these provisional estimates totals $123,463.

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the three month period ended March 31, 2015 is as follows:

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

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 1,807	$ 166	$ 1,973
Accounts receivable	9,306	398	9,704
Other current assets	7,685	9	7,694
Property and equipment	1,058	-	1,058
Technology assets	23,590	1,500	25,090
Customer assets	14,055	175	14,230
	57,501	2,248	59,749
Liabilities assumed:			
Current liabilities	7,264	10	7,274
Deferred revenue	21,334	507	21,841
Deferred income taxes	6,658	-	6,658
Other non-current liabilities	61	-	61
	35,317	517	35,834
Goodwill	-	21	21
Total consideration	**$ 22,184**	**$ 1,752**	**$ 23,936**

(b) The 2015 business acquisitions had no significant impact on revenues or net income for the three months ended March 31, 2015. There was also no significant impact on the Company's revenues or net income on a pro-forma basis for the three months ended March 31, 2015.

5. Other assets and other liabilities

(a) Other assets

	March 31, 2015	December 31, 2014
Prepaid and other current assets	$ 49,439	$ 41,228
Investment tax credits recoverable	15,479	13,810
Sales tax receivable	3,310	2,402
Other receivables	5,799	5,854
Total current assets	$ 74,027	$ 63,294
Investment tax credits recoverable	$ 9,815	$ 11,828
Non-current trade and other receivables	10,340	10,622
Equity accounted investees (i)	14,887	14,242
Work in progress	250	250
Total non-current assets	$ 35,292	$ 36,942

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

(i) The Company's share of net income in its investments currently being accounted for as equity investees for the three month period ended March 31, 2015 was $690 (March 31, 2014 – income of $120).

(b) Other liabilities

		March 31, 2015		December 31, 2014
Contingent consideration	$	12,499	$	18,101
Acquired contract liabilities		7,743		8,213
Other non-current liabilities		17,127		18,444
Total non-current liabilities	$	37,369	$	44,758

6. Bank indebtedness

On March 13, 2012, the Company entered into a revolving credit facility with a syndicate of Canadian chartered banks and U.S. banks in the amount of $300,000 (December 31, 2014 - $300,000). The revolving credit facility 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 the time. The credit facility is collateralized by substantially all of the Company's assets including the assets of the majority of the Company's material 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 the Company's subsidiaries until 2016. As at March 31, 2015, $68,000 (December 31, 2014 – $64,500) had been drawn from this credit facility, and letters of credit totaling $13,900 (December 31, 2014 - $14,051) 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 months ended March 31, 2015 relating to this line-of-credit amounted to $129 (March 31, 2014 - $129). As at March 31, 2015 the carrying amount of such costs totaling $480 (December 31, 2014 - $609) has been classified as part of bank indebtedness in the consolidated statement of financial position.

On June 24, 2014 Constellation Software Netherlands Holding Cooperatief U.A. ("CNH"), a subsidiary of Constellation and the indirect owner of 100% of TSS, entered into a €150,000 term and €10,000 multicurrency revolving credit facility (the "CNH Facility") with a number of European and North American financial institutions. The CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The CNH Facility is collateralized by substantially all of the assets owned by CNH and its subsidiaries which includes substantially all of the assets of TSS and its subsidiaries. The CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. On June 24, 2014, €130,000 was drawn on the term component of the CNH Facility. The terms of the CNH Facility require that €30,000 must be repaid in instalments over the next six years, and €100,000 is non-amortizing and due in seven years. The remaining €20,000 term component of the CNH Facility is currently available and if drawn must be repaid in five equal instalments starting on June 24, 2018. As at March 31, 2015 no amounts had been drawn on the €10,000 multicurrency revolving component of the CNH Facility (December 31, 2014 - $nil). The revolving component of the CNH Facility is available for acquisitions, working capital needs, and other general corporate purposes until June 24, 2020. Transaction costs associated with the CNH 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. Amortized costs recognized in the three months ended March 31, 2015 relating to this facility amounted to $220. As at March 31, 2015, the carrying amount of such costs relating to this facility totalling approximately $5,082 (€4,684) has been classified as part of bank indebtedness in the consolidated statement of financial position (December 31, 2014 - $5,930 (€4,879)).

The CNH Facility and Constellation's credit facilities are independent of each other. The CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or its subsidiaries subject to the terms of the CNH Facility other than, in each case, CNH and its subsidiaries. Similarly, CNH and its subsidiaries did not guarantee Constellation's other credit facilities and are not subject to the provisions thereof. Constellation's credit facilities impose limitations on the aggregate amount of investment that Constellation may make in CNH and its subsidiaries and the financial results of CNH and its subsidiaries are not included for the purposes of determining compliance by Constellation with the financial covenants in Constellation's other credit facilities. The CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

7. Debentures

On October 1, 2014 and November 19, 2014, the Company issued debentures (the "Debentures") with a total principal value of C$96,038 for total proceeds of C$91,236. The Debentures have a maturity date of March 31, 2040 (the "Maturity Date"). From and including the date of issue to but excluding March 31, 2015, the Debentures will bear interest at a rate of 7.4% per annum, paid quarterly in arrears. The rate from March 31, 2015 to March 30, 2016 will be 8.5%. From and including March 31, 2016 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12 month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election ("PIK Election"), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Debentures will be redeemable in certain circumstances at the option of the Company or the holder. During the period beginning on March 16 and ending on March 31 of each year, the Company will have the right, at its option, to give notice to holders of Debentures of its intention to redeem the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. During the period beginning on March 1 and ending on March 15 of each year, holders of Debentures will also have the right, at their option, to give notice to the Company of their intention to require the Company to repurchase (or to "put") the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for repurchase. During the period ended March 31, 2015, no notices for redemption of the debentures were received or given by the Company.

8. TSS Membership Liability

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the TSS acquisition, and on the basis of the term sheets attached thereto, Constellation and the sellers of TSS along with members of TSS' executive management team (collectively, the "minority owners") entered into a Members Agreement pursuant to which the minority owners acquired 33.29% of the voting interests in Constellation Software Netherlands Holdings Cooperatief (the "Coop"). Total proceeds from this transaction was €39,375 (US$48,503).

Commencing any time after December 31, 2014, each of the minority owners may exercise a put option to sell all or a portion of their interests in the Coop back to Constellation for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Accordingly, the Company classified the proceeds from the membership agreement as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of the Coop. Upon the exercise of a put option, Constellation would be obligated to redeem up to 33.33% of the minority owners' interests put, no later than 30 business days from the date notice is received, and up to 33.33% on each of the first and second anniversary of the date the first redemption payment is made. In determining the valuation of the liability at each reporting period, we assume the minority owners exercised their put option on the last day of the current reporting period, and redeemed 33.33% of their interests on exercise (which is classified as a current liability), and will redeem 33.33% on each of the first and second anniversary dates. Maintenance and recurring revenue of the Coop for the trailing twelve months determined at the end of the current reporting period was used as the basis for valuing the interests at each redemption date. Any increase or decrease in the value of the membership liability will be recorded as an expense or income respectively in the Consolidated Statements of Income for the period. During the three months ended March 31, 2015, an expense of $6,030 was recognized in the Consolidated Statements of Income.

The seller of TSS also has an option available to it to sell approximately 68% of its interests in the Coop, for an amount calculated in accordance with a valuation methodology described within the Members Agreement, in the event that Robin Van Poelje, TSS' CEO, is no longer employed by TSS. The approximately 32% remaining interest can be sold via the put option described above.

In the event of a change of control in Constellation, the minority owners would have the option to sell 100% of their interests in the Coop for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Constellation would be obligated to remit payment in respect thereof no later than 30 business days from the date notice is given.

Commencing at any time after December 31, 2023, Constellation may exercise a call option to purchase all of the minority owners' interests in the Coop, for an amount calculated in accordance with a valuation methodology described within the Members Agreement. Upon exercise of the call option, the full purchase price will be paid within 30 business days of the notice date, following which the minority owners' membership in the Coop will be terminated.

If any of TSS' executive management team that participate in the Members agreement are terminated for urgent cause as defined in Section 7:678 of the Dutch Civil Code, Constellation shall have the right to purchase all of the interests beneficially owned by the terminated executive for an amount calculated in accordance with the a valuation methodology described with the Members Agreement. The full purchase price will be paid within 30 business days from the date notice is given, following which the terminated executive's membership in the Coop will be terminated. An option does exist for the terminated executive to elect to be paid in annual installments of 33.33% of his interests in the Coop over a 3 year period. The valuation of the interests being purchased will be calculated at each reporting period.

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

9. Provisions

At January 1, 2015	$	13,399
Reversal		(26)
Provisions recorded during the period		1,377
Provisions used during the period		(3,688)
Effect of movements in foreign exchange and other		(871)
At March 31, 2015	$	10,191

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

10. 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 months ended March 31, 2015 was 26% (three months ended March 31, 2014 was 48%).

11. Capital and other components of equity

	Common Shares		
	Number		Amount
December 31, 2014	21,191,530	$	99,283
March 31, 2015	21,191,530	$	99,283

Dividends and other distributions to shareholders

During the three months ended March 31, 2015 the Board of Directors approved and the Company declared dividends of $1.00 per common share.

A dividend of $1.00 per share representing $21,192 was accrued as at December 31, 2014 and subsequently paid and settled on January 5, 2015.

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

12. Finance income and finance costs

	Three months ended March 31, 2015	2014
Gain on sale of available-for-sale financial assets transferred from other comprehensive income	$ -	$ (264)
Other finance income	(258)	(204)
Finance income	$ (258)	$ (468)
Interest expense on bank indebtedness and debentures	$ 3,585	$ 2,507
Amortization of debt related transaction costs	310	215
Other finance costs	388	592
Finance costs	$ 4,283	$ 3,314

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 did not purchase any additional forward foreign exchange contracts.

During 2014, the Company entered into a floating-to-fixed interest rate swap to manage its cash-flow interest rate risk associated with the CNH Facility. The notional principal amount of the outstanding floating to fixed interest rate swap contract at March 31, 2015 was €130,000. The fair value of the interest rate swap contract at March 31, 2015 was $711 (December 31, 2014 - $546).

13. Earnings per share

Basic and diluted earnings per share

	Three months ended March 31, 2015	2014
Numerator:		
Net income	$ 32,926	$ 8,896
Denominator:		
Basic and diluted shares outstanding	21,192	21,192
Earnings per share		
Basic and diluted	$ 1.55	$ 0.42

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

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 carrying value of the TSS membership liability approximates its fair value.

The Company has capitalized transaction costs associated with its current revolving credit facility and CNH Facility. As a result at March 31, 2015, the fair value of the line of credit is $68,000 and the carrying value $67,520. (December 31, 2014: fair value $64,500, carrying value $63,894). As at March 31, 2015, the fair value of the CNH Facility is $141,050 and the carrying value is $135,966 (December 31, 2014: fair value of $158,015 and carrying value of $152,086). As at March 31, 2015, the fair value of the Debentures is $94,174 and the carrying value is $72,495 (December 31, 2014: fair value of $93,322 and carrying value of $78,642).

Fair value hierarchy

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

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

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

Financial assets and financial liabilities measured at fair value as at March 31, 2015 and December 31, 2014 in the consolidated 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.

	March 31, 2015				December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities								
Contingent consideration	$ -	$ -	$ 22,183	$ 22,183	$ -	$ -	$ 23,534	$ 23,534
Interest rate swap contract	-	711	-	711	-	546	-	546
	-	**711**	**22,183**	**22,894**	**-**	**546**	**23,534**	**24,080**

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended March 31, 2015 and 2014.

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

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, 2015	23,534
Increase from business acquisitions	65
Cash payments	(1,398)
Charges through profit or loss	605
Foreign exchange	(623)
Balance at March 31, 2015	22,183

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. 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, referred to as Operating Groups by the Company, being Volaris, Harris, Total Specific Solutions, Jonas, Perseus, and Vela. The operating segments are 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 March 31, 2015	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 290,902	$ 131,989	$ -	$ 422,891
Expenses				
Staff	153,923	67,929	-	221,852
Hardware	14,319	3,466	-	17,785
Third party licenses, maintenance and professional services	23,262	15,538	-	38,800
Occupancy	7,039	3,542	-	10,581
Travel	8,294	3,516	-	11,810
Telecommunications	2,429	1,657	-	4,086
Supplies	7,429	2,130	-	9,559
Professional fees	3,326	1,481	-	4,807
Other, net	2,499	3,785	-	6,284
Depreciation	2,846	1,069	11	3,926
Amortization of intangible assets	28,684	12,797	-	41,481
	254,050	116,910	11	370,971
Foreign exchange (gain) loss	2,270	(2,878)	(1,115)	(1,723)
TSS membership liability revaluation charge	6,030	-	-	6,030
Equity in net (income) loss of equity investees	-	-	(690)	(690)
Finance income	(222)	(36)	-	(258)
Finance costs	2,027	230	2,026	4,283
Intercompany expenses (income)	7,239	3,635	(10,874)	-
	17,344	951	(10,653)	7,642
Profit before income tax	19,508	14,128	10,642	44,278
Current income tax expense (recovery)	10,624	4,184	(912)	13,896
Deferred income tax expense (recovery)	(1,425)	1,449	(2,568)	(2,544)
Income tax expense (recovery)	9,199	5,633	(3,480)	11,352
Net income	10,309	8,495	14,122	32,926

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

Three months ended March 31, 2014	Public Sector	Private Sector	Other	Consolidated Total
Revenue	$ 277,780	$ 117,069	$ -	$ 394,849
Expenses				
Staff	163,261	62,411	-	225,672
Hardware	15,692	3,047	-	18,739
Third party licenses, maintenance and professional services	20,282	15,037	-	35,319
Occupancy	6,904	3,054	-	9,958
Travel	8,271	3,144	-	11,415
Telecommunications	2,408	1,537	-	3,945
Supplies	7,143	1,564	-	8,707
Professional fees	3,652	1,387	-	5,039
Other, net	5,446	3,695	-	9,141
Depreciation	3,327	746	14	4,087
Amortization of intangible assets	29,237	13,565	-	42,802
	265,623	109,187	14	374,824
Foreign exchange (gain) loss	369	(621)	424	172
Equity in net (income) loss of equity investees	-	-	(120)	(120)
Finance income	(31)	(23)	(414)	(468)
Finance costs	248	332	2,734	3,314
Intercompany expenses (income)	5,978	3,392	(9,370)	-
	6,564	3,080	(6,746)	2,898
Profit before income tax	5,593	4,802	6,732	17,127
Current income tax expense (recovery)	4,557	3,412	(1,358)	6,611
Deferred income tax expense (recovery)	322	(169)	1,467	1,620
Income tax expense (recovery)	4,879	3,243	109	8,231
Net income	714	1,559	6,623	8,896

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.

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

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. In February 2013 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.

17. Changes in non-cash operating working capital

	Three months ended March 31, 2015	Three months ended March 31, 2014
Decrease (increase) in accounts receivable	$ (31,534)	$ (9,729)
Decrease (increase) in work in progress	(5,819)	(8,246)
Decrease (increase) in other current assets	(10,620)	(1,649)
Decrease (increase) in inventory	(402)	(2,492)
Decrease (increase) in non-current assets	1,177	660
Increase (decrease) in other non-current liabilities	(5,667)	(2,782)
Increase (decrease) increase in accounts payable and accrued liabilities, excluding holdbacks from acquisitions	(17,558)	(43,927)
Increase (decrease) in deferred revenue	102,732	104,242
Increase (decrease) in provisions	(2,370)	1,819
	$ 29,939	$ 37,896

18. Subsequent events

On April 29, 2015, the Company declared a $1.00 per share dividend that is payable on July 3, 2015 to all common shareholders of record at close of business on June 17, 2015.

On April 17, 2015, the Company filed a final short form prospectus in relation to a rights offering pursuant to which the Company will issue rights that will entitle shareholders of the Company to purchase up to C$200 million aggregate principal amount of unsecured subordinated floating rate debentures of the Company. The debentures will be issued as an additional tranche of, and will form a single series with, the outstanding C$96 million aggregate principal amount of unsecured subordinated floating rate Debentures, Series 1 of the Company. There is no minimum principal amount of debentures that must be issuable upon the exercise of rights.