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

CONSTELLATION SOFTWARE INC.

For the three months ended March 31, 2019 and 2018
Unaudited

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position

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

Unaudited

	March 31, 2019	December 31, 2018*
Assets		
Current assets:		
Cash	$ 717	$ 589
Accounts receivable	362	362
Unbilled revenue	97	80
Inventories	39	34
Other assets (note 5)	165	143
	1,380	1,207
Non-current assets:		
Property and equipment	67	67
Right of use assets (note 22)	209	-
Deferred income taxes	48	47
Other assets (note 5)	65	64
Intangible assets (note 6)	1,556	1,549
	1,944	1,728
Total assets	$ 3,324	$ 2,935
Liabilities and Shareholders' Equity		
Current liabilities:		
CSI facility (note 7)	$ -	$ -
Debt without recourse to Constellation Software Inc. (note 8)	1	51
TSS membership liability (note 9)	65	67
Accounts payable and accrued liabilities	388	464
Dividends payable (note 13)	445	21
Deferred revenue	877	657
Provisions (note 11)	19	7
Acquisition holdback payables	47	47
Lease obligations (note 22)	51	-
Income taxes payable	38	30
	1,931	1,344
Non-current liabilities:		
Debt without recourse to Constellation Software Inc. (note 8)	104	102
TSS membership liability (note 9)	114	117
Debentures (note 10)	218	215
Deferred income taxes	195	192
Acquisition holdback payables	12	25
Lease obligations (note 22)	170	-
Other liabilities (note 5)	74	74
	888	725
Total liabilities	2,820	2,069
Shareholders' equity (note 13):		
Capital stock	99	99
Accumulated other comprehensive income (loss)	(40)	(37)
Retained earnings	445	804
	505	866
Subsequent events (notes 13 and 20)		
Total liabilities and shareholders' equity	$ 3,324	$ 2,935

See accompanying notes to the condensed consolidated interim financial statements.

* The Company retrospectively applied IFRS 16 using the modified retrospective method. Under this method, the comparative information is not restated. See note 22.

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2019 and 2018
Unaudited

	Three months ended March 31, 2019	Three months ended March 31, 2018*
Revenue		
License	$ 53	$ 44
Professional services	158	142
Hardware and other	36	33
Maintenance and other recurring	572	500
	819	718
Expenses		
Staff	445	389
Hardware	21	18
Third party license, maintenance and professional services	69	61
Occupancy (note 22)	9	19
Travel, telecommunications, supplies, software and equipment	44	42
Professional fees	11	10
Other, net	21	13
Depreciation (note 22)	21	7
Amortization of intangible assets	75	69
	715	628
Foreign exchange loss (gain)	1	(14)
TSS membership liability revaluation charge (note 9)	10	7
Finance and other expense (income) (note 14)	(3)	(9)
Bargain purchase (gain) (note 4)	(28)	(0)
Finance costs (notes 14, 22)	9	5
	(11)	(11)
Income before income taxes	115	101
Current income tax expense (recovery)	36	26
Deferred income tax expense (recovery)	(8)	(8)
Income tax expense (recovery)	28	19
Net income	87	83
Earnings per share		
Basic and diluted (note 15)	$ 4.09	$ 3.90

See accompanying notes to the condensed consolidated interim financial statements.

* The Company retrospectively applied IFRS 16 using the modified retrospective method. Under this method, the comparative information is not restated. See note 22.

CONSTELLATION SOFTWARE INC.

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

Three months ended March 31, 2019 and 2018
Unaudited

	Three months ended March 31, 2019	2018*
Net income	$ 87	$ 83
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation differences from foreign operations	(3)	(4)
Deferred income tax recovery (expense)	-	-
Other comprehensive (loss) income for the period, net of income tax	(3)	(4)
Total comprehensive income (loss) for the period	$ 83	$ 78

See accompanying notes to the condensed consolidated interim financial statements.
* The Company retrospectively applied IFRS 16 using the modified retrospective method. Under this method, the comparative information is not restated. See note 22.

CONSTELLATION SOFTWARE INC.

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

Unaudited

Three months ended March 31, 2019	Capital stock	Accumulated other comprehensive income/(loss) Cumulative translation account	Retained earnings	Total*
Balance at January 1, 2019	**$ 99**	**$ (37)**	**$ 804**	**$ 866**
Total comprehensive income for the period:				
Net income	-	-	87	87
Other comprehensive income (loss)				
Foreign currency translation differences from foreign operations	-	(3)	-	(3)
Total other comprehensive income (loss) for the period	**-**	**(3)**	**-**	**(3)**
Total comprehensive income (loss) for the period	**-**	**(3)**	**87**	**83**
Transactions with owners, recorded directly in equity				
Dividends to shareholders of the Company (note 13)	-	-	(445)	(445)
Balance at March 31, 2019	**$ 99**	**$ (40)**	**$ 445**	**$ 505**

See accompanying notes to the condensed consolidated interim financial statements.
* The Company retrospectively applied IFRS 16 using the modified retrospective method. Under this method, the comparative information is not restated. See note 22.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Changes in Equity

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

Unaudited

Three months ended March 31, 2018

	Capital stock	Accumulated other comprehensive income/(loss) Cumulative translation account	Retained earnings	Total*
Balance at January 1, 2018	**$ 99**	**$ (27)**	**$ 532**	**$ 604**
Impact of change in accounting policy	-	-	(23)	(23)
Total comprehensive income for the period:				
Net income	-	-	83	83
Other comprehensive income (loss)				
Foreign currency translation differences from foreign operations	-	(4)	-	(4)
Total other comprehensive income for the period	**-**	**(4)**	**-**	**(4)**
Total comprehensive income for the period	**-**	**(4)**	**83**	**78**
Transactions with owners, recorded directly in equity				
Dividends to shareholders of the Company (note 13)	-	-	(21)	(21)
Balance at March 31, 2018	**$ 99**	**$ (31)**	**$ 570**	**$ 638**

See accompanying notes to the condensed consolidated interim financial statements.

* The Company retrospectively applied IFRS 16 using the modified retrospective method. Under this method, the comparative information is not restated. See note 22.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows

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

Three months ended March 31, 2019 and 2018
Unaudited

	Three months ended March 31, 2019	2018*
Cash flows from operating activities:		
Net income	$ 87	$ 83
Adjustments for:		
Depreciation	21	7
Amortization of intangible assets	75	69
TSS membership liability revaluation charge	10	7
Finance and other expense (income)	(3)	(9)
Bargain purchase (gain)	(28)	(0)
Finance costs	9	5
Income tax expense (recovery)	28	19
Foreign exchange loss (gain)	1	(14)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 19)	123	147
Income taxes paid	(38)	(55)
Net cash flows from operating activities	284	258
Cash flows from (used in) financing activities:		
Interest paid on lease obligations (note 22)	(2)	-
Interest paid on other facilities	(8)	(5)
Increase (decrease) in New CNH Facility, net	(51)	(58)
Repayments of Acceo facility	(0)	-
Repayments of lease obligations (note 22)	(10)	-
Distribution to TSS minority owners (note 9)	(11)	-
Dividends paid	(21)	(21)
Net cash flows from (used in) in financing activities	(103)	(84)
Cash flows from (used in) investing activities:		
Acquisition of businesses (note 4)	(47)	(320)
Cash obtained with acquired businesses (note 4)	25	23
Post-acquisition settlement payments, net of receipts	(26)	(17)
Interest, dividends and other proceeds received	3	1
Property and equipment purchased	(7)	(4)
Net cash flows from (used in) investing activities	(52)	(317)
Effect of foreign currency on cash and cash equivalents	(1)	2
Increase (decrease) in cash	128	(141)
Cash, beginning of period	589	489
Cash, end of period	$ 717	$ 348

See accompanying notes to the condensed consolidated interim financial statements.

* The Company retrospectively applied IFRS 16 using the modified retrospective method. Under this method, the comparative information is not restated. See note 22.

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, 2019 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
Education	Financial services	Notaries
Fashion retail	Pharmacies	Long-term care
Home and community care	County systems	Research management
Retail management and distribution	Public housing authorities	Not-for-profit organizations
Automotive	Accountancy	Catering
Small and medium sized businesses	Property management	Food services
Creative agencies	Commercial printing	Horticulture
Event management	Distillery	Hospitality
Manufacturing plant performance		

Private Sector:

Private clubs and 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 and paper manufacturers	Multi-carrier shipping
Metal service centers	Agriculture equipment dealers	Supply chain optimization
Attractions	Outdoor equipment dealers	Multi-channel distribution
Leisure centers	Education	Wholesale distribution
Retail management and distribution	Healthcare electronic medical records	Homebuilders
Radiology and laboratory information systems	Pharmaceutical and biotech manufacturers	Third party logistics warehouse management systems
Product licensing	Event management	Financial services
Tire distribution	Salons and spas	Association management
Housing finance agencies	Municipal treasury and debt systems	Public housing authorities
Tour operators	Auto clubs	Real estate brokers and agents
Long-term care	Textiles and apparel	Home and community care
Hospitality	Mining	Ombudsman
Aerospace	Design and welding	Manufacturing plant performance
Oil and gas	Publishing	Marinas
Small and medium sized businesses	Healthcare	Automotive
Local government		

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 2018 annual consolidated financial statements except as disclosed herein.

The policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standards (IFRS), issued and outstanding as of May 1, 2019, 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 2018 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 2018 annual consolidated financial statements and described in these condensed consolidated interim financial statements. Actual results may differ from these estimates.

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

3. Significant accounting policies

Except for the adoption of IFRS 16 *Leases* (“IFRS 16”), the significant accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company’s 2018 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

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

New standards and interpretations adopted

IFRS 16 Leases

The Company has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17, Leases and related interpretations.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model, requiring lessees to recognize right-of-use assets and lease liabilities for all major leases. The impact of the transition to IFRS 16 is shown in Note 22. The Company’s accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

4. Business acquisitions

(a) During the three-month period ended March 31, 2019, the Company completed a number of acquisitions for aggregate cash consideration of $47 plus cash holdbacks of $12 and contingent consideration with an estimated fair value of $10 resulting in total consideration of $70. The contingent consideration is payable on the achievement of certain financial targets in the post-acquisition periods. The obligation for contingent consideration for acquisitions during the three-month period ended March 31, 2019 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. For these arrangements, which include both maximum, or capped, and unlimited contingent consideration amounts, the estimated increase to the initial consideration is not expected to exceed a maximum of $20. Aggregate contingent consideration of $35 (December 31, 2018 - $19) has been reported in the condensed consolidated interim statement of financial position at its estimated fair value relating to applicable acquisitions completed in the current and prior periods. Changes made to the estimated fair value of contingent consideration are included in other, net in the condensed consolidated interim statements of income. An expense of $5 has been recorded for the three months ended March 31, 2019, as a result of such changes (expense of $0 for the three months ended March 31, 2018).

There were no acquisitions during the three-month period that were deemed to be individually significant. 70% of the total businesses acquired during the three-month period were acquisitions of shares and the remainder were asset acquisitions. The cash holdbacks are generally payable over a two-year period and are adjusted, as necessary, for such items as working capital or net tangible asset assessments, as defined in the agreements, and claims under the respective representations and warranties of the purchase and sale agreements.

The acquisitions during the three month period ended March 31, 2019 include software companies catering to the following markets: communications, event management, automotive, public housing, local government, manufacturing plant performance, transit, distillery, healthcare, asset management, real estate brokers and agents, attractions, small and medium sized businesses, court, homebuilders, retail management and distribution, and oil and gas all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of each acquisition.

The goodwill recognized in connection with these acquisitions is primarily attributable to the application of Constellation's best practices to improve the operations of the companies acquired, synergies with existing businesses of Constellation, and other intangibles that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of $0 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was $9; however, the Company has recorded an allowance of $0.2 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity and timing of certain acquisitions made, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the acquisitions closed during the last three quarters of 2018 and first quarter of 2019. 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 $251.

The $24 million bargain purchase gain relates to an acquisition where the seller will continue as a minority partner in the business. The seller contributed $17 million into the partnership.

The aggregate impact of acquisition accounting applied in connection with business acquisitions in the three-month period ended March 31, 2019 is as follows:

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

	Public Sector	Private Sector	Consolidated
Assets acquired:			
Cash	$ 25	$ 1	$ 25
Accounts receivable	7	2	9
Other current assets	2	0	2
Property and equipment	2	0	2
Other non-current assets	2	0	2
Deferred income taxes	0	-	0
Technology assets	28	13	41
Customer assets	31	9	40
	96	26	122
Liabilities assumed:			
Current liabilities	6	2	8
Deferred revenue	6	3	9
Deferred income taxes	10	2	11
Other non-current liabilities	2	0	2
	23	7	31
Goodwill	1	2	2
Bargain purchase gain	(24)	-	(24)
Total consideration	**$ 49**	**$ 20**	**$ 70**

(b) The 2019 business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income for the three months ended March 31, 2019. The materiality threshold is reviewed on a regular basis taking into account the quantitative (contribution to revenue and net income) and qualitative (size and comparability with other Constellation businesses) factors of current period acquisitions on both an individual and aggregate basis.

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

5. Other assets and other non-current liabilities

(a) Other assets

	March 31, 2019	December 31, 2018
Prepaid and other current assets	$ 88	$ 74
Investment tax credits recoverable	25	26
Sales tax receivable	10	10
Other receivables	42	32
Total other current assets	$ 165	$ 143
Investment tax credits recoverable	$ 11	$ 11
Costs to obtain a contract	34	34
Non-current trade and other receivables and other assets	18	17
Equity accounted investees	2	3
Total other non-current assets	$ 65	$ 64

(b) Other non-current liabilities

	March 31, 2019	December 31, 2018
Contingent consideration	$ 21	$ 13
Deferred revenue	42	43
Other non-current liabilities	11	19
Total other non-current liabilities	$ 74	$ 74

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

6. Intangible Assets

	Technology Assets	Customer Assets	Backlog	Non-compete agreements	Trademarks	Goodwill	Total
Cost							
Balance at January 1, 2018	$ 1,450	$ 732	$ 16	$ 3	$ 8	$ 259	$ 2,467
Acquisitions through business combinations	383	261	-	-	-	54	698
Effect of movements in foreign exchange	(39)	(29)	-	-	(0)	(11)	(80)
Balance at December 31, 2018	$ 1,793	$ 964	$ 16	$ 3	$ 7	$ 302	$ 3,085
Balance at January 1, 2019	$ 1,793	$ 964	$ 16	$ 3	$ 7	$ 302	$ 3,085
Acquisitions through business combinations	42	42	0	-	-	2	86
Effect of movements in foreign exchange	(1)	(4)	0	0	(0)	(1)	(7)
Balance at March 31, 2019	$ 1,834	$ 1,002	$ 16	$ 3	$ 7	$ 302	$ 3,164
Accumulated amortization and impairment losses							
Balance at January 1, 2018	$ 945	$ 320	$ 16	$ 3	$ 2	$ -	$ 1,286
Amortization for the period	200	79	-	-	0	-	279
Effect of movements in foreign exchange	(21)	(8)	-	-	-	-	(29)
Balance at December 31, 2018	$ 1,124	$ 391	$ 16	$ 3	$ 2	$ -	$ 1,536
Balance at January 1, 2019	$ 1,124	$ 391	$ 16	$ 3	$ 2	$ -	$ 1,536
Amortization for the period	52	23	0	(0)	0	-	75
Impairment charge	-	-	-	-	-	-	-
Effect of movements in foreign exchange	(2)	(1)	(0)	0	-	-	(3)
Balance at March 31, 2019	$ 1,174	$ 413	$ 16	$ 3	$ 2	$ -	$ 1,608
Carrying amounts							
At January 1, 2018	$ 505	$ 412	$ -	$ -	$ 6	$ 259	$ 1,181
At December 31, 2018	$ 669	$ 573	$ -	$ -	$ 6	$ 302	$ 1,549
At January 1, 2019	$ 669	$ 573	$ -	$ -	$ 6	$ 302	$ 1,549
At March 31, 2019	$ 659	$ 589	$ 0	$ -	$ 5	$ 302	$ 1,556

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

7. CSI Facility

On December 19, 2018, Constellation completed an amendment and restatement of its revolving credit facility agreement (the “CSI Facility”), with a syndicate of Canadian chartered banks, U.S. banks, and a Japanese bank in the amount of $700, extending its maturity date to December 2023. The CSI Facility bears a variable interest rate with no fixed repayments required over the term to maturity. Interest rates are calculated at standard U.S. and Canadian reference rates plus interest rate spreads based on a leverage table. The CSI Facility is currently collateralized by the majority of the Company’s assets including the assets of certain material subsidiaries. The CSI Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. As at March 31, 2019, $nil (December 31, 2018 – $nil) had been drawn from this credit facility, and letters of credit totaling $21 (December 31, 2018 - $21) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are included in other non-current assets in the condensed consolidated interim statement of financial position and are being amortized through profit or loss using the effective interest rate method. As at March 31, 2019 the carrying amount of such costs is $2 (December 31, 2018 - $2).

8. Debt without recourse to CSI

	New CNH Facility	Acceo Facility	Total
Principal outstanding at March 31, 2019 (and equal to fair value)	$ -	$ 108	$ 108
Deduct: Carrying value of transaction costs included in debt	-	(2)	(2)
Carrying value at March 31, 2019	-	106	106
Current portion	-	1	1
Non-current portion	-	104	104

New CNH Facility:

On July 14, 2017, CNH entered into a new credit facility (the “New CNH Facility”) with a number of European financial institutions. Under this credit facility, CNH will be able to borrow up to €300 under a multicurrency revolving loan facility and up to €50 under an additional uncommitted term loan facility. The New CNH Facility has an initial term of five years with an extension option for two additional one-year periods. The New CNH Facility bears interest at a rate calculated at EURIBOR plus interest rate spreads based on a leverage table. The New 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 New CNH Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance.

The New CNH Facility is independent of each of the CSI Facility and the Acceo Facility. The New CNH Facility is not guaranteed by Constellation or its subsidiaries nor is Constellation or its subsidiaries subject to the terms of the New 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. The New CNH Facility imposes limitations on the amount of distributions that CNH and its subsidiaries may make to Constellation.

Acceo Facility:

On July 6, 2018 Acceo Solutions, L.P. and its wholly-owned subsidiary Acceo Solutions Inc. (together “Acceo”) entered into a C$145 term and C$10 revolving credit facility (the “Acceo Facility”) with two North American lenders. Acceo is indirectly 100% owned by Constellation. The Acceo term facility presently bears interest at a rate calculated at CDOR plus interest rate spreads based on a leverage table. The Acceo Facility is collateralized by substantially all of the assets owned by Acceo and its material subsidiaries. The Acceo Facility contains standard events of default which if not remedied within a cure period would trigger the repayment of any outstanding balance. The term facility requires quarterly principal repayments of C$0.4 with the balance of the term facility to be repaid in full on July 6, 2023. No amounts have been drawn on the revolving component of the Acceo Facility. The revolving component of the Acceo Facility is available for acquisitions, working capital needs, and other general corporate purposes.

The Acceo Facility is independent of each of the CSI Facility and the New CNH Facility. The obligations of Acceo are not guaranteed by Constellation or its subsidiaries, however a C$25 Promissory Note issued by N. Harris Computer Corporation, a wholly-owned subsidiary of CSI, to Acceo Solutions Inc. (representing an amount equal to the balance of the purchase price payable by Acceo Solutions to its previous shareholders in relation to the Acceo acquisition) has been pledged under the Acceo Facility. In addition, Constellation and its subsidiaries other than Acceo and its subsidiaries are not subject to the terms of the Acceo Facility. Similarly, Acceo and its subsidiaries did not guarantee the CSI Facility or the New CNH Facility and are not subject to the provisions thereof. The Acceo Facility imposes limitations on the amount of distributions that Acceo may make to Constellation.

9. 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. Total proceeds from this transaction was €39 ($49).

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 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 Members 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, 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, the Company assumes 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 CNH 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 is recorded as an expense or income in the consolidated statements of income for the period.

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 remaining interest of approximately 32% 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 CNH 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 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 CNH 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 reporting period. During the periods ended March 31, 2019 and December 31, 2018, no options were exercised.

10. Debentures

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

The Debentures have a maturity date of March 31, 2040 (the "Maturity Date"). From and including the date of issue to but excluding March 31, 2015, the Debentures bore interest at a rate of 7.4% per annum, paid quarterly in arrears. The rate from March 31, 2015 to March 30, 2016 was 8.5% per annum. The rate from March 31, 2016 to March 30, 2017 was 7.6%. The rate from and including March 31, 2017 to but excluding March 31, 2018 is 7.9%. The rate from and including March 31, 2018 to but excluding March 31, 2019 is 8.1%. The rate from and including March 31, 2019 to but excluding March 31, 2020 is 8.8%. From and including March 31, 2020 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

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

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 periods ended March 31, 2019 and December 31, 2018, no notices for redemption of the Debentures were received or given by the Company.

The fair value of the debentures as at March 31, 2019 was $270 (December 31, 2018 - $251).

11. Provisions

At January 1, 2019	$	9
Reversal		(0)
Provisions recorded during the period		14
Provisions used during the period		(2)
Effect of movements in foreign exchange and other		(0)
At March 31, 2019	$	20
Provisions classified as current liabilities		19
Provisions classified as other non-current liabilities		1

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

12. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company's consolidated effective tax rate in respect of continuing operations for the three months ended March 31, 2019 was 25% (18% for the three months ended March 31, 2018).

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

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

13. Capital and other components of equity

	Common Shares		
	Number	Amount	
March 31, 2019	21,191,530	$	99
December 31, 2018	21,191,530	$	99

Dividends and other distributions to shareholders

During the three months ended March 31, 2019, the Company declared a $1.00 per share dividend and a $20.00 per share special dividend to all common shareholders of record at close of business on March 16, 2019. The dividends declared in the quarter ended March 31, 2019 representing $445 was paid and settled on April 5, 2019.

A dividend of $1.00 per share representing $21 was accrued as at December 31, 2018 and subsequently paid and settled on January 4, 2019.

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

14. Finance and other income and finance costs

	Three months ended March 31,			
		2019		2018
Interest income on cash	$	(3)	$	(1)
Share in net (income) loss of equity investee		(0)		(0)
Finance and other income		0		(8)
Finance and other income	$	(3)	$	(9)
Interest expense on debt and debentures	$	7	$	5
Interest expense on lease obligations		2		-
Amortization of debt related transaction costs		0		0
Amortization of debenture discount (premium) and associated rights offering, net		(1)		(1)
Other finance costs		1		1
Finance costs	$	9	$	5

15. Earnings per share

Basic and diluted earnings per share

	Three months ended March 31,			
		2019		2018
Numerator:				
Net income	$	87	$	83
Denominator:				
Basic and diluted shares outstanding		21,191,530		21,191,530
Earnings per share				
Basic and diluted	$	4.09	$	3.90

16. Financial instruments

Fair values versus carrying amounts

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

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

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, 2019 and December 31, 2018 in the condensed consolidated interim financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations.

	March 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities:								
Contingent consideration	$ -	$ -	$ 35	$ 35	$ -	$ -	$ 19	$ 19
	-	**-**	**35**	**35**	**-**	**-**	**19**	**19**

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, 2019 and December 31, 2018.

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, 2019	$ 19
Increase from business acquisitions	10
Cash recoveries (payments)	1
Charges through profit or loss	6
Foreign exchange and other movements	0
Balance at March 31, 2019	35
Contingent consideration classified as current liabilities	14
Contingent consideration classified as other non-current liabilities	21

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

17. 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, TSS, 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 Operating Groups exhibit similar economic characteristics (such as gross and earnings before income tax and amortization ("EBITA") margins) and are substantially similar in relation to the nature of products and services, the nature of production processes, and the methods used to distribute product; however, 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. Volaris, Harris and TSS have been aggregated into the Public Sector segment. Jonas, Perseus and Vela have been aggregated into the Private Sector segment.

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

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

Three months ended March 31, 2019	Public Sector	Private Sector	Other	Consolidated Total
Revenue				
License	$ 34	$ 19	$ -	$ 53
Professional services	122	36	-	158
Hardware and other	30	6	-	36
Maintenance and other recurring	364	208	-	572
	549	269	-	819
Expenses				
Staff	301	143	1	445
Hardware	17	4	-	21
Third party licenses, maintenance and professional services	43	26	-	69
Occupancy	5	3	0	9
Travel, telecommunications, supplies, software and equipment	32	12	0	44
Professional fees	8	3	0	11
Other, net	11	10	0	21
Depreciation	14	6	0	21
Amortization of intangible assets	51	24	-	75
	481	232	2	715
Foreign exchange (gain) loss	0	2	(1)	1
TSS membership liability revaluation charge	10	-	-	10
Finance and other expense (income)	(0)	0	(3)	(3)
Bargain purchase (gain)	(28)	-	-	(28)
Finance costs	5	1	4	9
Intercompany expenses (income)	4	3	(7)	-
	(9)	6	(7)	(11)
Profit before income tax	78	32	5	115
Current income tax expense (recovery)	28	10	(2)	36
Deferred income tax expense (recovery)	(9)	(2)	3	(8)
Income tax expense (recovery)	19	8	1	28
Net income	$ 59	$ 24	$ 4	$ 87

CONSTELLATION SOFTWARE INC.

Notes to Condensed Consolidated Interim Financial Statements
(In millions of U.S. dollars, except per share amounts and as otherwise indicated.)
(Due to rounding, numbers presented may not foot.)
Three months ended March 31, 2019 and 2018
(Unaudited)

Three months ended March 31, 2018	Public Sector	Private Sector	Other	Consolidated Total
Revenue				
License	$ 29	$ 15	$ -	$ 44
Professional services	111	31	-	142
Hardware and other	26	6	-	33
Maintenance and other recurring	320	180	-	500
	486	233	-	718
Expenses				
Staff	262	126	1	389
Hardware	14	4	-	18
Third party licenses, maintenance and professional services	38	23	-	61
Occupancy	12	7	0	19
Travel, telecommunications, supplies, software and equipment	30	12	0	42
Professional fees	7	3	0	10
Other, net	5	8	0	13
Depreciation	5	2	0	7
Amortization of intangible assets	47	22	-	69
	421	206	2	628
Foreign exchange (gain) loss	1	(2)	(13)	(14)
TSS membership liability revaluation charge	7	-	-	7
Finance and other expense (income)	(8)	(0)	(1)	(9)
Bargain purchase (gain)	(0)	-	-	(0)
Finance costs	1	0	4	5
Intercompany expenses (income)	5	3	(8)	-
	6	2	(18)	(11)
Profit before income tax	59	26	16	101
Current income tax expense (recovery)	19	9	(2)	26
Deferred income tax expense (recovery)	(4)	(2)	(1)	(8)
Income tax expense (recovery)	15	7	(3)	19
Net income	$ 45	$ 18	$ 19	$ 83

18. Contingencies

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

19. Changes in non-cash operating assets and liabilities

	Three months ended March 31, 2019	Three months ended March 31, 2018
Decrease (increase) in current accounts receivable	$ 8	$ 46
Decrease (increase) in current unbilled revenue	(17)	(8)
Decrease (increase) in other current assets	(14)	(10)
Decrease (increase) in inventories	(5)	(2)
Decrease (increase) in other non-current assets	1	3
Increase (decrease) in other non-current liabilities	(1)	(8)
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	(71)	(71)
Increase (decrease) in current deferred revenue	212	200
Increase (decrease) in current provisions	10	(2)
Change in non-cash operating working capital	$ 123	$ 147

20. Subsequent events

On May 1, 2019 the Company declared a $1.00 per share dividend that is payable on July 8, 2019 to all common shareholders of record at close of business on June 14, 2019.

21. Comparative Figures

Constellation has presented these condensed consolidated interim financial statements in millions of dollars. Prior year figures and information have been adjusted to conform to the current year presentation in millions of dollars and certain amounts presented in previous years may not agree to the current year presentation as a result of rounding. Furthermore, due to rounding, numbers presented may not foot.

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

22. Explanation of adoption of IFRS 16

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets and lease obligations of $216 were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is approximately 3%. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019.

Aggregate lease commitments as disclosed at December 31, 2018	$	274
Less: Recognition exemption short-term leases (leases that expire on or prior to December 31, 2019)		(11)
Less: Recognition exemption for low-value leases		(1)
Add: Extension options reasonably certain to be exercised		13
Less: Non-lease component of contractual arrangement that has been split out and excluded from the IFRS 16 opening adjustment		(31)
Less: Foreign exchange and other adjustments		(7)
Adjusted lease commitments		237
Less: Impact of present value		(21)
Opening IFRS 16 lease liability as at January 1, 2019		216

The following tables summarizes the impacts of adopting IFRS 16 on the Company's condensed consolidated interim statement of income for the three months ended March 31, 2019:

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

	March 31, 2019 As reported	Adjustments	March 31, 2019 Without adoption of IFRS 16
Revenue			
License	$ 53	$ -	$ 53
Professional services	158	-	158
Hardware and other	36	-	36
Maintenance and other recurring	572	-	572
	819	-	819
Expenses			
Staff	445	1	445
Hardware	21	0	21
Third party license, maintenance and professional services	69	0	69
Occupancy	9	11	20
Travel, telecomunications, supplies, software and equipment	44	1	46
Professional fees	11	-	11
Other, net	21	-	21
Depreciation	21	(13)	7
Amortization of intangible assets	75	-	75
	715	1	716
Foreign exchange loss (gain)	1	(0)	1
TSS membership liability revaluation charge	10	-	10
Finance and other expense (income)	(3)	-	(3)
Bargain purchase gain	(28)	-	(28)
Finance costs	9	(2)	7
	(11)	(2)	(13)
Income before income taxes	115	1	116
Current income tax expense (recovery)	36	0	36
Deferred income tax expense (recovery)	(8)	0	(8)
Income tax expense (recovery)	28	0	29
Net income	$ 87	$ 1	$ 88
Earnings per share			
Basic and diluted	$ 4.09	$ 0.05	$ 4.14

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

As a result of adopting IFRS 16, lease payments (comprised of principal and interest payments on lease obligations) are now classified as financing cash flows instead of operating cash flows. The following table summarizes the impacts of adopting IFRS 16 on the Company's condensed consolidated interim statement of cash flow for the three months ended March 31, 2019.

	March 31, 2019 As reported	Adjustments	March 31, 2019 Without adoption of IFRS 16
Net cash flows from operating activities	$ 284	(12)	$ 273
Net cash flows from (used in) in financing activities	(103)	12	(92)