

CONSTELLATION SOFTWARE INC.

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

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS") and with our Annual Consolidated Financial Statements for the year ended December 31, 2010, which we prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

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

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

Forward Looking Statements

Certain statements in this report, including those under 'outlook', 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 and speak only as of the date of this MD&A, November 2, 2011. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

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

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

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

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

Overview

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

Our revenue consists primarily of software license fees, maintenance 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 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 combined software/support contracts, transaction-related revenues, and hosted products. Maintenance 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 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 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, occupancy expenses, the cost of hardware to be resold, third party licenses, maintenance and professional services, and other general operating expenses.

Results of Operations

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

	Three months ended September 30,		Period-Over- Period Change		Nine months ended September 30,		Period-Over-Period Change	
	2011	2010	\$	%	2011	2010	\$	%
Revenue	202,253	163,588	38,665	24%	574,984	461,979	113,005	24%
Expenses	157,818	131,749	26,069	20%	453,753	378,315	75,438	20%
Adjusted EBITDA	44,435	31,839	12,596	40%	121,231	83,664	37,567	45%
Depreciation	1,957	1,964	(7)	0%	6,039	4,728	1,311	28%
Amortization of intangible assets	19,135	16,782	2,353	14%	55,733	48,666	7,067	15%
Impairment of non-financial assets	518	-	518	NM	518	-	518	NM
Foreign exchange (gain) loss	(905)	1,622	(2,527)	-156%	3,028	2,043	985	48%
Finance income	(2,795)	(306)	(2,489)	813%	(6,167)	(900)	(5,267)	585%
Finance costs	1,462	1,315	147	11%	4,589	3,672	917	25%
Profit before income taxes	25,063	10,462	14,601	140%	57,491	25,455	32,036	126%
Income taxes expense (recovery)								
Current income tax expense	4,999	4,728	271	6%	13,476	13,034	442	3%
Deferred income tax recovery	(1,854)	(3,052)	1,198	-39%	(100,731)	(6,718)	(94,013)	NM
Income tax expense (recovery)	3,145	1,676	1,469	88%	(87,255)	6,316	(93,571)	NM
Net income	21,918	8,786	13,132	149%	144,746	19,139	125,607	656%
Adjusted net income	39,717	22,516	17,201	76%	100,266	61,087	39,179	64%
Weighted average number of shares outstanding (000's)								
Basic and diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic and diluted	\$ 1.03	\$ 0.41	\$ 0.62	149%	\$ 6.83	\$ 0.90	\$ 5.93	656%
Adjusted EBITDA per share								
Basic and diluted	\$ 2.10	\$ 1.50	\$ 0.59	40%	\$ 5.72	\$ 3.95	\$ 1.77	45%
Adjusted net income per share								
Basic and diluted	\$ 1.87	\$ 1.06	\$ 0.81	76%	\$ 4.73	\$ 2.88	\$ 1.85	64%

NM - Not meaningful

Comparison of the three and nine months ended September 30, 2011 and 2010

Revenue:

Total revenue for the quarter ended September 30, 2011 was \$202 million, an increase of 24%, or \$38 million, compared to \$164 million for the comparable period in 2010. For the first nine months of 2011 total revenues were \$575 million, an increase of 24%, or \$113 million, compared to \$462 million for the comparable period in 2010. The increase for both the three and nine month periods compared to the same periods in the prior year is attributable to both growth from acquisitions and organic growth. Organic growth was 11% for the third quarter and 10% for the nine months ended September 30, 2011. For business acquisitions, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition compared to the revenues it achieved in the corresponding financial period preceding the date of acquisition by Constellation.

Constellation acquired the Public Transit Solutions business ('PTS') from Continental Automotive AG ('Continental') on November 2, 2009. Given the substantial amount of non-recurring revenue historically earned by PTS, gross revenue from PTS has fluctuated significantly in the past and will continue to do so in the future. As well, a number of acquired contracts were recorded at their estimated fair value as of the date of acquisition. Under this treatment, excess profits or costs relative to normalized profitability are recorded as contract assets or liabilities and amortized against revenues over the remaining life of the contract. As a result, the revenue and costs of these contracts reflected through profit or loss will differ from the revenue and costs that would have been recognized under normal course percentage of completion contract accounting. As such, management has chosen to provide supplemental organic growth disclosure to provide greater clarity regarding the impact of PTS on Constellation's consolidated financial results. Excluding PTS, organic growth for Constellation was 6% in Q3 2011 and 6% for the nine months ended September 30, 2011.

The following table provides a summary of the impact of PTS on Constellation's organic revenue growth:

Organic Revenue Growth		
	Three months ended September 30, 2011	Nine months ended September 30, 2011
Constellation	11%	10%
Constellation excluding PTS	6%	6%

Further details of the PTS acquisition are provided under "Acquisition of PTS from Continental".

Software license revenue for the quarter ended September 30, 2011 was \$15 million, an increase of 14%, or \$2 million, compared to \$13 million in the same period in 2010. During the nine months ended September 30, 2011, license revenue increased by 28% or \$10 million to \$45 million, from \$35 million for the same period in 2010. Professional services revenue for the quarter ended September 30, 2011 increased by 6%, or \$3 million to \$46 million, from \$43 million for the same period in 2010. During the nine months ended September 30, 2011, professional services revenue increased by 7% or \$8 million to \$135 million, from \$127 million for the same period in 2010. Hardware and other revenue for the quarter ended September 30, 2011 increased by 58%, or \$12 million to \$32 million from \$20 million for the same period in 2010. During the nine months ended September 30, 2011, hardware and other revenue increased by 60%, or \$31 million to \$83 million from \$52 million for the same period in 2010. Maintenance revenue for the quarter ended September 30, 2011 increased by 26%, or \$23 million to \$110 million, from \$87 million for the same period in 2010. During the nine months ended September

30, 2011, maintenance revenue increased by 26% or \$64 million to \$312 million, from \$248 million for the same period in 2010. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended September 30,		Period-Over- Period Change		Nine months ended September 30,		Period-Over-Period Change	
	<u>2011</u>	<u>2010</u>	\$	%	<u>2011</u>	<u>2010</u>	\$	%
	(\$000, except percentages)				(\$000, except percentages)			
Licenses	14,545	12,805	1,740	14%	44,519	34,737	9,782	28%
Professional services	45,724	43,094	2,630	6%	135,129	126,791	8,338	7%
Hardware and other	32,054	20,313	11,741	58%	83,158	52,087	31,071	60%
Maintenance	109,930	87,376	22,554	26%	312,178	248,364	63,814	26%
	202,253	163,588	38,665	24%	574,984	461,979	113,005	24%

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

The following table displays our revenue by reportable segment and the percentage change for the three and nine months ended September 30, 2011 compared to the same periods in 2010:

	Three months ended September 30,		Period-Over- Period Change		Nine months ended September 30,		Period-Over-Period Change	
	<u>2011</u>	<u>2010</u>	\$	%	<u>2011</u>	<u>2010</u>	\$	%
	(\$000, except percentages)				(\$000, except percentages)			
Public Sector								
Licenses	9,832	9,044	788	9%	30,592	25,375	5,217	21%
Professional services	36,706	35,470	1,236	3%	109,200	105,850	3,350	3%
Hardware and other	29,035	17,772	11,263	63%	74,311	46,013	28,298	62%
Maintenance	74,269	58,878	15,391	26%	212,929	169,291	43,638	26%
	149,842	121,164	28,678	24%	427,032	346,529	80,503	23%
Private Sector								
Licenses	4,713	3,761	952	25%	13,927	9,362	4,565	49%
Professional services	9,018	7,624	1,394	18%	25,929	20,941	4,988	24%
Hardware and other	3,019	2,541	478	19%	8,847	6,074	2,773	46%
Maintenance	35,661	28,498	7,163	25%	99,249	79,073	20,176	26%
	52,411	42,424	9,987	24%	147,952	115,450	32,502	28%

Public Sector

For the quarter ended September 30, 2011, total revenue in the public sector reportable segment increased 24%, or \$29 million, to \$150 million, compared to \$121 million for the quarter ended September 30, 2010. For the nine months ended September 30, 2011, total revenue increased by 23% or \$80 million, to \$427 million, compared to \$347 million for the comparable period in 2010. The increases for both the three and nine month periods were significant across our license, hardware and other, and maintenance revenue streams. Revenue growth from acquired businesses was significant for both the three and nine month periods as we completed seventeen acquisitions since the beginning of 2010 in our public sector segment. Revenues increased organically by 12% in Q3 2011 and 10% in the nine months ended September 30, 2011 compared to the same periods in

2010. Excluding PTS, revenues increased organically by 5% in Q3 2011 and 4% in the nine months ended September 30, 2011.

Organic Revenue Growth

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Public Sector	12%	10%
Public Sector excluding PTS	5%	4%

The organic revenue change was primarily driven by the following:

- **Volaris operating group (formerly the Trapeze operating group)** (increase of approximately \$15 million in Q3 2011 and an increase of approximately \$33 million for the nine months ended September 30, 2011). For both the three and the nine months ended September 30, 2011, organic growth was primarily driven from strong revenue from existing clients and new customers in its transit and agricultural business units.

Private Sector

For the quarter ended September 30, 2011, total revenue in the private sector reportable segment increased by 24%, or \$10 million, to \$52 million, compared to \$42 million for the quarter ended September 30, 2010. For the nine months ended September 30, 2011 total revenue increased by 28% or \$33 million, to \$148 million, compared to \$115 million for the comparable period in 2010. Revenue growth from acquired businesses was significant for both the three and nine month periods ended September 30, 2011 as we completed twenty acquisitions since the beginning of 2010 in our private sector segment. Revenues increased organically by 9% in Q3 2011 and 10% in the nine months ended September 30, 2011 compared to the same periods in 2010.

The organic revenue change was primarily driven by the following:

- **Jonas operating group** (increase of approximately \$3 million in Q3 2011 and an increase of approximately \$7 million for the nine months ended September 30, 2011). Jonas' organic growth was driven by strong sales to both existing and new customers primarily in its health club and food services verticals.
- **Homebuilder operating group** (increase of approximately \$2 million in Q3 2011 and approximately \$6 million for the nine months ended September 30, 2011). The organic growth was primarily driven by strong sales to both existing and new customers in Homebuilders' pulp and paper manufacturer and lease management verticals.

Expenses:

The following table displays the breakdown of our expenses:

Expenses	Three months ended				Nine months ended			
	September 30,		Period-Over-Period Change		September 30,		Period-Over-Period Change	
	2011	2010	\$	%	2011	2010	\$	%
	(\$000, except percentages)				(\$000, except percentages)			
Staff	103,085	88,501	14,584	16%	299,691	263,354	36,337	14%
Hardware	18,723	14,138	4,585	32%	47,607	31,812	15,795	50%
Third party license, maintenance and professional services	13,320	10,139	3,181	31%	37,932	26,673	11,259	42%
Occupancy	4,948	4,257	691	16%	14,251	12,240	2,011	16%
Travel	7,221	5,530	1,691	31%	20,679	16,687	3,992	24%
Telecommunications	2,554	2,241	313	14%	7,435	6,818	617	9%
Supplies	3,451	2,824	627	22%	11,747	8,408	3,339	40%
Professional fees	2,068	1,927	141	7%	6,788	5,766	1,022	18%
Other	2,448	2,192	256	12%	7,623	6,557	1,066	16%
	157,818	131,749	26,069	20%	453,753	378,315	75,438	20%

Overall expenses for the quarter ended September 30, 2011 increased 20%, or \$26 million, to \$158 million, compared to \$132 million during the same period in 2010. As a percentage of total revenue, expenses decreased to 78% in the quarter ended September 30, 2011 from 81% in the quarter ended September 30, 2010. During the nine months ended September 30, 2011, expenses increased 20%, or \$76 million, to \$454 million, compared to \$378 million during the same period in 2010. As a percentage of total revenue, operating expenses decreased from 82% in the nine months ended September 30, 2010 to 79% in the nine months ended September 30, 2011. The growth in expenses for the three and nine month periods is primarily due to the growth in the number of employees and an increase in hardware and third party license, maintenance and professional services expenses to support the both the organic and acquisition related growth in revenue. Our average employee headcount associated with operating expenses grew 13% from 3,378 in the quarter ended September 30, 2010 to 3,802 in the quarter ended September 30, 2011 primarily due to acquisitions. As well, operating expenses for both the quarter and nine months ended September 30, 2011, as compared to the same periods in 2010, were adversely impacted by the depreciation of the U.S. dollar compared to the Canadian dollar, British Pound, and Swiss Franc. See 'Foreign Currency Exposure'.

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

	Three months ended		Period-Over-Period Change		Nine months ended		Period-Over-Period Change	
	September 30,				September 30,			
	2011	2010	\$	%	2011	2010	\$	%
	(\$000, except percentages)							
Professional Services	25,019	22,911	2,108	9%	76,055	69,572	6,483	9%
Maintenance	19,747	17,403	2,344	13%	57,148	49,875	7,273	15%
Research and Development	26,337	20,669	5,668	27%	76,574	64,588	11,986	19%
Sales and Marketing	13,401	10,989	2,412	22%	40,433	33,313	7,120	21%
General and Administration	18,581	16,529	2,052	12%	49,481	46,006	3,475	8%
	103,085	88,501	14,584	16%	299,691	263,354	36,337	14%

Professional Services – Staff expenses related to our Professional Services operating department increased 9%, or \$2 million, to \$25 million for the quarter ended September 30, 2011 compared to \$23 million for the same period in 2010. During the nine months ended September 30, 2011 staff expenses related to our professional services operating department increased 9%, or \$6 million, to \$76 million, compared to \$70 million over the same period in 2010. The growth in staff expenses related to our Professional Services operating department was primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Professional Services operating department grew 4% from 970 for the nine month ended September 30, 2010 to 1,007 for the nine months ended September 30, 2011 primarily due to acquisitions.

Maintenance – Staff expenses related to our Maintenance operating department increased 13%, or \$3 million, to \$20 million for the quarter ended September 30, 2011 compared to \$17 million for the same period in 2010. During the nine months ended September 30, 2011 staff expenses related to our Maintenance operating department increased 15%, or \$7 million, to \$57 million, compared to \$50 million over the same period in 2010. The growth in staff expenses related to our Maintenance operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Maintenance operating department grew 17% from 750 for the nine months ended September 30, 2010 to 881 for the nine months ended September 30, 2011 primarily due to acquisitions.

Research and Development – Staff expenses related to our Research and Development operating department increased 27%, or \$5 million, to \$26 million for the quarter ended September 30, 2011 from \$21 million for the same period in 2010. During the nine months ended September 30, 2011 staff expenses related to our Research and Development operating department increased 19%, or \$12 million, to \$77 million from \$65 million over the same period in 2010. The growth in staff expenses related to our Research and Development operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Research and Development operating department grew 20% from 840 in the nine months ended September 30, 2010 to 1,006 in the nine months ended September 30, 2011 primarily due to acquisitions.

Sales and Marketing – Staff expenses related to our Sales and Marketing operating department increased 22%, or \$2 million, to \$13 million for the quarter ended September 30, 2011 compared to \$11 million for the same period in 2010. During the nine months ended September 30, 2011 staff expenses related to our Sales and Marketing operating department increased 21%, or \$7 million, to \$40 million from \$33 million over the same period in 2010. The growth in staff expenses related to our Sales and Marketing operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our Sales and Marketing operating department grew 17% from 357 in the nine months ended September 30, 2010 to 416 in the nine months ended September 30, 2011 primarily due to acquisitions.

General and Administrative – Staff expenses related to our General and Administrative operating department increased 12%, or \$2 million, to \$19 million for the quarter ended September 30, 2011 from \$17 million for the same period in 2010. During the nine months ended September 30, 2011 staff expenses related to our General and Administrative operating department increased 8%, or \$3 million, to \$49 million from \$46 million over the same period in 2010. The growth in staff expenses related to our General and Administrative operating department is primarily due to the growth in the number of employees compared to the same period in 2010. Our average employee headcount associated with our General and Administrative operating department grew 7% from 356 in the nine months ended September 30, 2010 to 382 in the nine months ended September 30, 2011 primarily due to acquisitions.

Hardware expenses – Hardware expenses for the quarter ended September 30, 2011 increased 32% or \$5 million to \$19 million, compared to \$14 million during the same period in 2010. During the nine months ended September 30, 2011 hardware expenses increased 50%, or \$16 million, to \$48 million from \$32 million over the same period in 2010. The increase in hardware expenses is attributable to the increase in hardware and other revenue primarily relating to PTS business in our Trapeze operating group.

Third party license, maintenance and professional services expenses – Third party license, maintenance and professional services expenses for the quarter ended September 30, 2011 increased 31% or \$3 million to \$13 million, compared to \$10 million for the quarter ended September 30, 2010. During the nine months ended September 30, 2011 third party license, maintenance and professional services expense increased 42%, or \$11 million, to \$38 million from \$27 million over the same period in 2010. The increase is primarily due to an increase in license and maintenance revenue in 2011 and due to an acquisition late in 2010 that had a relatively high component of third party costs.

Other Expenses:

The following table displays the breakdown of our other expenses:

	Three months ended		Period-Over-Period Change		Nine months ended		Period-Over-Period Change	
	September 30, 2011	September 30, 2010	\$	%	September 30, 2011	September 30, 2010	\$	%
	(\$000, except percentages)				(\$000, except percentages)			
Depreciation	1,957	1,964	(7)	0%	6,039	4,728	1,311	28%
Amortization of intangible assets	19,135	16,782	2,353	14%	55,733	48,666	7,067	15%
Impairment of non-financial assets	518	-	518	NM	518	-	518	NM
Foreign exchange (gain) loss	(905)	1,622	(2,527)	-156%	3,028	2,043	985	48%
Finance income	(2,795)	(306)	(2,489)	813%	(6,167)	(900)	(5,267)	585%
Finance costs	1,462	1,315	147	11%	4,589	3,672	917	25%
Income tax expense (recovery)	3,145	1,676	1,469	88%	(87,255)	6,316	(93,571)	NM
	22,517	23,053	(536)	-2%	(23,515)	64,525	(88,040)	-136%

NM - Not meaningful

Depreciation – Depreciation of property and equipment was \$2 million in the both the quarter ended September 30, 2011 and for the same period in 2010. For the nine months ended September 30, 2011, depreciation of property and equipment increased 28% or \$1 million, to \$6 million from \$5 million for the same period in 2010. The increase is primarily due to an increase in purchased property and equipment and property and equipment obtained in acquisitions.

Amortization of intangible assets – Amortization of intangible assets increased to \$19 million for the quarter ended September 30, 2011 from \$17 million for the quarter ended September 30, 2010, representing a

14% increase. For the nine months ended September 30, 2011, amortization of intangible assets increased 15% or \$7 million, to \$56 million from \$49 million for the same period in 2010. The increase is attributable to the increases in our intangible asset balance (on a cost basis) over the twelve month period ended September 30, 2011 as a result of the acquisitions that we completed during this period.

Impairment of non-financial assets – Impairment of non-financial assets was \$0.5 million in the both the quarter and nine months ended September 30, 2011 compared to nil for the same periods in 2010. In the quarter ended September 30, 2011, intangible assets relating to a business unit in the Public Sector segment were deemed to be impaired due to a significant decline in forecasted cash flows resulting from deteriorating revenue attributable to the loss of a significant customer.

Foreign exchange – For the quarter ended September 30, 2011, our foreign exchange gain was \$1 million compared to a loss of \$2 million in the quarter ended September 30, 2010. For the nine months ended September 30, 2011 the foreign exchange loss was \$3 million compared to a loss of \$2 million, for the same period in 2010. The foreign exchange gains and losses for the three and nine months ended September 30, 2011 are due to realized gains and losses on settling certain non-USD liabilities and due to holding gains and losses on certain non-USD net liabilities.

Finance income – Finance income increased to \$3 million for the quarter ended September 30, 2011 from \$0.3 million for the quarter ended September 30, 2010. For the nine months ended September 30, 2011, finance income was \$6 million compared to \$1 million for the same period in 2010. The finance income for the three and nine months ended September 30, 2011 is primarily due to gains on available-for-sale equity securities sold in the quarter ended September 30, 2011.

Finance costs – Finance costs increased to \$1.5 million for the quarter ended September 30, 2011 from \$1.3 million for the quarter ended September 30, 2010. For the nine months ended September 30, 2011, finance costs were \$5 million compared to \$4 million for the same period in 2010. The increase in finance costs for the three and nine month periods ended September 30, 2011 is primarily due to additional interest expense on our line of credit resulting from average increased borrowings.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our tax rate is, therefore, affected by the realization and anticipated profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses. For the quarter ended September 30, 2011, income tax expense was \$3 million, compared to \$2 million for the same period in 2010. The increase in income tax expense for the quarter ended September 30, 2011 was due to an increase in income before tax. For the nine months ended September 30, 2011, income tax recovery was \$87 million compared to income tax expense of \$6 million for the same period in 2010. The increase in the income tax recovery for the nine months ended September 30, 2011 was due to inter-jurisdictional transfers of certain intangible assets within the Company in 2011. Deferred tax assets were recorded on the increase in fair market value arising on the transfers. The deferred income tax recovery recorded through profit or loss represents the amount of the temporary differences that the Company has determined is probable of being utilized for income tax deduction purposes in the future. These deductions will be available to the Company in 2011 and in future periods and, as such, the Company expects a reduction in current income tax in 2011 as a percentage of Adjusted net income. The Company does not expect a similar deferred income tax recovery relating to transfer of intangible assets during the remainder of 2011.

Net Income:

Net income for the quarter ended September 30, 2011 was \$22 million compared to net income of \$9 million for the same period in 2010. On a per share basis this translated into a net income per diluted share of \$1.03 in the quarter ended September 30, 2011 vs. a net income per diluted share of \$0.41 in the quarter ended

September 30, 2010. For the first nine months of 2011, net income was \$145 million or \$6.83 per diluted share compared to \$19 million or \$0.90 per diluted share in the first nine months of 2010. Net income in the three months ended September 30, 2011 was positively impacted by the growth in our Adjusted EBITDA and gains on sale of available-for-sale equity securities, offset by an increase in amortization of intangible assets. Net income in the nine months ended September 30, 2011 was positively impacted by the growth in our Adjusted EBITDA, gains on sale of available-for-sale equity securities, and increase in future tax recovery, offset by an increase in amortization of intangible assets.

Adjusted EBITDA:

For the quarter ended September 30, 2011, Adjusted EBITDA increased by \$12 million to \$44 million compared to \$32 million in the quarter ended September 30, 2010 representing an increase of 40%. Adjusted EBITDA margin was 22% in the third quarter of 2011 compared to 19% in the comparable period in 2010. For the first nine months of 2011, Adjusted EBITDA increased by \$37 million to \$121 million compared to \$84 million during the same period in 2010, representing an increase of 45%. Adjusted EBITDA margin was 21% in the first nine months of 2011, compared to 18% of total revenue for the same period in 2010. The increase in Adjusted EBITDA margin for the three and nine months ended September 30, 2011 is largely due to a decrease in bonus expense as a percentage of total revenue and due to operational improvements implemented at a number of business units. See “Non-IFRS Measures” for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>\$ 202,253</u>	<u>\$ 163,588</u>	<u>\$ 574,984</u>	<u>\$ 461,979</u>
Net income	21,918	8,786	144,746	19,139
Add back:				
Income tax expense (recovery)	3,145	1,676	(87,255)	6,316
Foreign exchange (gain) loss	(905)	1,622	3,028	2,043
Finance income	(2,795)	(306)	(6,167)	(900)
Finance costs	1,462	1,315	4,589	3,672
Impairment of non-financial assets	518	-	518	-
Amortization of intangible assets	19,135	16,782	55,733	48,666
Depreciation	1,957	1,964	6,039	4,728
Adjusted EBITDA	44,435	31,839	121,231	83,664
Adjusted EBITDA margin	22%	19%	21%	18%

Adjusted Net Income:

For the quarter ended September 30, 2011, Adjusted net income increased by \$17 million to \$40 million compared to \$23 million in the quarter ended September 30, 2010, representing an increase of 76%. Adjusted net income margin was 20% in the third quarter of 2011 compared to 14% in the comparable period in 2010. For the first nine months of 2011, Adjusted net income increased by \$39 million to \$100 million compared to \$61 million during the same period in 2010, representing an increase of 64%. Adjusted net income margin was 17% in the first nine months of 2011, compared to 13% of total revenue for the same period in 2010. The increase in

Adjusted net income margin for the three and nine months ended September 30, 2011 is largely due to an improvement in our Adjusted EBITDA margin, and an increase in finance income. See “Non-IFRS Measures” for a description of Adjusted net income and Adjusted net income margin.

The following table reconciles Adjusted net income to net income:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(\$000, except percentages)		(\$000, except percentages)	
Total revenue	<u>\$ 202,253</u>	<u>\$ 163,588</u>	<u>\$ 574,984</u>	<u>\$ 461,979</u>
Net income	21,918	8,786	144,746	19,139
Add back:				
Amortization of intangible assets	19,135	16,782	55,733	48,666
Impairment of non-financial assets	518	-	518	-
Deferred income tax recovery	(1,854)	(3,052)	(100,731)	(6,718)
Adjusted net income	39,717	22,516	100,266	61,087
Adjusted net income margin	20%	14%	17%	13%

Quarterly Results

	Quarter Ended							
	Dec. 31 2009	Mar. 31 2010	Jun. 30 2010	Sep. 30 2010	Dec. 31 2010	Mar. 31 2011	Jun. 30 2011	Sep. 30 2011
	Note 1	Note 2	Note 2	Note 2	Note 1	Note 2	Note 2	Note 2
Revenue	131,894	144,846	153,545	163,588	171,468	177,632	195,099	202,253
Net Income (loss)	(10)	8,031	2,322	8,786	17,893	64,229	58,599	21,918
Net Income per share								
Basic	(0.00)	0.38	0.11	0.41	0.85	3.03	2.77	1.03
Diluted	(0.00)	0.38	0.11	0.41	0.84	3.03	2.77	1.03

Note 1 - The quarterly information is presented in accordance with GAAP.

Note 2 - The quarterly information is presented in accordance with IFRS.

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

Acquisition of PTS from Continental

On November 2, 2009, Constellation acquired the Public Transit Solutions business ('PTS') from Continental AG ('Continental') for gross cash consideration of \$3 million. The purchase price was a small percentage of PTS' annualized revenues, reflecting its recent history of negative cash flows.

Management believes cash flow from operations is useful supplemental information about the performance of the underlying business as certain acquisition related accounting price adjustments and the impact of contract accounting in a business combination under IFRS may result in reported earnings that differ materially from cash flow from operations. A significant amount of working capital was acquired with the PTS business which may have a material positive impact on cash flow from operations should we be able to reduce the level of working capital required in the business.

A number of acquired contracts were recorded at their estimated fair value as of the date of acquisition. Under this treatment, excess profits or costs relative to normalized profitability are recorded as contract assets or liabilities and amortized against revenues over the remaining life of the contract. As a result, the revenue and costs of these contracts reflected through profit or loss will differ from the revenue and costs that would have been recognized under normal course percentage of completion contract accounting.

Cash flow from operations from PTS will fluctuate significantly from quarter to quarter due to the timing of receipt of milestone payments associated with large customer contracts. PTS has contributed \$10 million in cash flow from operations since the date of acquisition. In Q3 2011, PTS contributed \$6 million in cash flow from operations, but in the first nine months of 2011, overall cash flow from operations was negative \$9.5 million. For the full year 2011, we expect cash flow from operations for PTS to be close to breakeven, however, this is contingent upon the receipt of significant milestone payments associated with customer contracts in the last quarter of the year.

As part of the PTS acquisition, Constellation also assumed certain long-term contracts that contain contingent liabilities which may, but in management's opinion are unlikely to, exceed \$1.5 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by PTS. The contingent liabilities represent the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

Supplemental Financial Information for PTS

The table below provides certain supplemental statement of comprehensive income and cash flow information regarding PTS for the three and nine months ended September 30, 2011. PTS is not considered a reportable operating segment of Constellation; however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of PTS until such time as it becomes consistently cash flow positive. Management believes cash flow from operations is useful supplemental information about the performance of the underlying business as certain acquisition related accounting adjustments and contract accounting under IFRS may result in reported earnings that differ materially from cash flow from operations.

CONSTELLATION SOFTWARE INC.

MD&A Disclosure

For the three and nine months ended September 30, 2011

(In thousands of U.S. dollars)

Statement of Operations

For the three and nine months ended September 30, 2011

(Unaudited)	For the three months ended September 30, 2011			For the nine months ended September 30, 2011		
	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Revenue	\$ 160,416	\$ 41,837	\$ 202,253	\$ 465,145	\$ 109,839	\$ 574,984
Expenses	123,967	33,851	157,818	363,791	89,962	453,753
Adjusted EBITDA	36,449	7,986	44,435	101,354	19,877	121,231
<i>EBITDA as % Total Revenue</i>	23%	19%	22%	22%	18%	21%
Depreciation	1,732	225	1,957	4,975	1,064	6,039
Amortization of intangible assets	19,135	-	19,135	55,733	-	55,733
Other expenses (income), net	(1,524)	(196)	(1,720)	(123)	2,091	1,968
Income before income taxes	17,106	7,957	25,063	40,769	16,722	57,491
Income taxes (recovery)						
Current	3,334	1,665	4,999	10,124	3,352	13,476
Future	(1,472)	(382)	(1,854)	(100,242)	(489)	(100,731)
Income tax expense (recovery)	1,862	1,283	3,145	(90,118)	2,863	(87,255)
Net Income	\$ 15,244	\$ 6,674	\$ 21,918	\$ 130,887	\$ 13,859	\$ 144,746

Cash flow from operating activities

For the three and nine months ended September 30, 2011

(Unaudited)	For the three months ended September 30, 2011			For the nine months ended September 30, 2011		
	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Cash flows from operating activities:						
Net income	\$ 15,244	\$ 6,674	\$ 21,918	\$ 130,887	\$ 13,859	\$ 144,746
Adjustments to reconcile net income to net cash flows from operations:						
Depreciation	1,732	225	1,957	4,975	1,064	6,039
Amortization of intangible assets	19,135	-	19,135	55,733	-	55,733
Income tax expense (recovery)	1,862	1,283	3,145	(90,118)	2,863	(87,255)
Other non-cash items	(1,559)	(161)	(1,720)	(113)	2,081	1,968
Change in non-cash operating working capital	14,968	(2,457)	12,511	(1,265)	(29,172)	(30,437)
Income taxes paid	(3,278)	(17)	(3,295)	(9,714)	(309)	(10,023)
Cash flows from operating activities	\$ 48,104	\$ 5,547	\$ 53,651	\$ 90,385	\$ (9,614)	\$ 80,771

Adjusted EBITDA to net income reconciliation
For the three and nine months ended September 30, 2011

(Unaudited)	For the three months ended September 30, 2011			For the nine months ended September 30, 2011		
	Constellation Software Inc. (excluding PTS)	PTS	Consolidated	Constellation Software Inc. (excluding PTS)	PTS	Consolidated
Total revenue	\$ 160,416	\$41,837	\$ 202,253	\$ 465,145	\$109,839	\$ 574,984
Net income	15,244	6,674	21,918	130,887	13,859	144,746
Add back:						
Income tax expense	1,862	1,283	3,145	(90,118)	2,863	(87,255)
Other expenses (income)	(1,524)	(196)	(1,720)	(123)	2,091	1,968
Amortization of intangible assets	19,135	-	19,135	55,733	-	55,733
Depreciation	1,732	225	1,957	4,975	1,064	6,039
Adjusted EBITDA	36,449	7,986	44,435	101,354	19,877	121,231
Adjusted EBITDA margin	23%	19%	22%	22%	18%	21%

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of MAXIMUS Inc.'s Asset, Justice, and Education businesses ('MAJES') for net cash consideration of \$34 million.

As part of the MAJES acquisition, Constellation also assumed certain long-term customer contracts that contain contingent liabilities that may, but in management's opinion are unlikely to, exceed \$13 million in the aggregate. The contingent liabilities relate to liquidated damages contractually available to customers for breaches of contracts by MAJES and for estimated damages available to customers for breaches of such contracts by MAJES where such contracts did not contain specified penalties. The contingent liabilities represent the maximum financial liabilities potentially due to customers less the amounts accrued in connection with the contracts assumed on acquisition.

In February 2011, a subsidiary of the Company and MAXIMUS received a letter from a customer initiating a dispute resolution process under the customer's contract. The customer alleges that the subsidiary of Constellation and MAXIMUS failed to observe the most favoured customer pricing terms of the contract and also raised a number of issues pertaining to services and products delivered under the contract. The customer alleges total damages of approximately \$30 million. The subsidiary of the Company and the seller of the MAJES assets plan to contest all of the customer's claims. The contract with the customer has a \$9 million limitation of liability clause that the Company believes will apply to all of the claims in the letter. The subsidiary of the Company also believes that it is entitled to indemnification from MAXIMUS in respect of certain of the claims made by the customer. The Company is currently following the dispute resolution process and continues to provide services to the customer.

Liquidity

Our net cash position (cash less bank indebtedness) at September 30, 2011 decreased to negative \$18 million, from negative \$15 million at December 31, 2010. Borrowings on our line of credit decreased by \$10 million and cash decreased by \$13 million.

Total assets increased \$109 million, from \$536 million at December 31, 2010 to \$645 million at September 30, 2011. The majority of the increase can be explained by an increase in deferred tax assets of \$93 million resulting from the intercompany transfer of intellectual property and the inter-jurisdictional migration of entities within the Company (See “Income Taxes” discussion above), an increase in intangible assets and goodwill of \$5 million due to acquisitions completed since the beginning of the year, and by an increase in accounts receivable/inventory/work in progress of \$26 million due to the growth in the business. These increases are offset by a decrease in cash of \$13 million.

Current liabilities increased \$22 million, from \$330 million at December 31, 2010 to \$352 million at September 30, 2011. The majority of the increase can be explained by an increase in deferred revenue of \$29 million, primarily due to acquisitions and the timing of billings versus revenue recognized.

Net Changes in Cash Flows

**Nine months ended
September 30, 2011**

(in millions of \$)

Net cash provided by operating activities	\$81
Net cash used in financing activities	(61)
Net cash used in investing activities	(33)
Effect of currency translation on cash	Nil
Net decrease in cash and cash equivalents	\$(13)

The net cash flow from operating activities was \$81 million for the nine months ended September 30, 2011. The \$81 million provided by operating activities resulted from \$145 million in net income, less \$24 million of non-cash add backs to net income, \$30 million of cash used by changes in our non-cash operating working capital and \$10 million in taxes paid.

The net cash flow used in financing activities in the nine months ended September 30, 2011 was \$61 million. \$43 million was used in March 2011 to pay a dividend of \$2.00 per share, \$12 million was repaid on our bank facility and \$4 million was used to pay interest on the bank loan.

The net cash used in investing activities in the nine months ended September 30, 2011 was \$33 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of \$36 million (including payments for holdbacks relating to prior acquisitions), the purchase of available-for-sale equity securities in the amount of \$6 million and \$6 million in additions to property and equipment. Offsetting this were the proceeds from the sale of available-for-sale equity securities in the amount of \$13 million.

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

Capital Resources and Commitments

We have a \$160 million credit facility that is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As of September 30, 2011, we had drawn \$36 million on this facility.

Commitments include operating leases for office equipment and facilities, bank guarantees, and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with “earn out” payments based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in unconsolidated companies (aside from our shareholdings in publicly traded companies included in our available for sale securities and other equity investments included in other assets) that would have a significant effect on our assets and liabilities as at September 30, 2011.

Foreign Currency Exposure

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

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue/expenses, as applicable, for the three and nine month periods ended September 30, 2011:

Currencies	Three Months Ended Sept 30,2011		Nine Months Ended Sept 30, 2011	
	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	68%	51%	66%	52%
CAD	9%	27%	10%	28%
GBP	11%	9%	11%	9%
CHF	2%	6%	2%	8%
EURO	7%	2%	7%	0%
Others	3%	5%	4%	3%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases, bank guarantees, and letters of credit, all of our liabilities and commitments are reflected on our balance sheet.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year. In addition, as disclosed in the Company’s press release dated April 4, 2011, the Board of Directors is currently undertaking a review of strategic alternatives for the Company with the objective of enhancing shareholder value. As part of this strategic review process, the Board of Directors has been evaluating a broad range of strategic options, including but not limited to the sale of the Company and various financial restructuring options. Given current market conditions, the Board of Directors has determined not to pursue a sale transaction at this time. However, the Board of Directors is continuing to develop and assess a variety of strategic options with the objective of enhancing shareholder value. No decision on any particular strategic alternative has

been reached at this time. There is no defined timeline for completion of this strategic review and there can be no assurance that this review will result in any specific action.

Changes in Accounting Policies

In February 2008, the Canadian Accounting Standards Board announced the mandatory adoption of IFRS for publicly accountable entities in Canada for fiscal periods beginning on or after January 1, 2011. Accordingly, this is the third quarter in which we have provided unaudited consolidated quarterly financial information in accordance with IFRS, including comparative figures for 2010.

The Company has adopted IFRS effective January 1, 2010 (the “transition date”) and has prepared its opening IFRS balance sheet as of that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company’s consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements of the Company that comply with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 18 of the Unaudited Condensed Consolidated Interim Financial Statements for the three and nine month periods ended September 30, 2011. This note includes reconciliations from Canadian GAAP to IFRS of equity and comprehensive income of the comparative periods and of equity at the date of transition.

Recent Accounting Pronouncements

IFRS 7, Financial Instrument: Disclosures

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures (“IFRS 7”). This amendment enhances the disclosure requirements for transfers of financial assets that result in derecognition. This amendment is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 9, Financial Instruments:

In October 2010, the IASB issued IFRS 9, Financial Instruments (“IFRS 9”). IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements:

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements (“IFRS 10”). IFRS 10, which replaces the consolidation requirements of SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 11, Joint Arrangements:

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"). IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities:

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement:

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 establishes new guidance on fair value measurement and disclosure requirements. The standard completes the IASB's project to converge fair value measurement in IFRS and United States Generally Accepted Accounting Principles. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, Presentation of Financial Statements:

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"). This amendment retains the 'one or two statement' approach at the option of the entity and only revises the way other comprehensive income is presented. This new standard is effective for the Company's interim and annual consolidated financial statements commencing as of July 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

Share Capital

As at November 2, 2011, there were 21,191,530 total shares outstanding comprised of 17,503,530 common shares and 3,688,000 class A non-voting shares.

Outlook

For fiscal 2011, we expect gross revenue to be in the range of \$765 million to \$775 million and we expect Adjusted EBITDA to be in the range of \$160 million to \$170 million. The gross revenue and Adjusted EBITDA outlook ranges for 2011 narrowed from the previous quarter's outlook due to the relative proximity to year end.

The above statements are "forward looking statements" and are based on the following various assumptions which management believes are reasonable under the current circumstances:

1. revenue growth will be in the range of 21%-23% for fiscal 2011, which includes the impact of all companies acquired to date and organic growth consistent with the recent performance of the Company;

2. Adjusted EBITDA margins will be in the range of 21-22% for fiscal 2011, which is consistent with the recent performance of the Company;
3. no material acquisitions will be completed during the remainder of fiscal 2011; and
4. general economic and market conditions will remain consistent with those in effect on November 2, 2011.

Although management believes the above statements are based on assumptions that are reasonable in the current circumstances, they are subject to various risks and uncertainties and there are several factors that could cause actual results to differ materially from those specified above. These factors include, but are not limited to, the following:

1. revenue can fluctuate significantly based on the demand for our software products, level of product and price competition, the geographical mix of our sales together with fluctuations in foreign currency, changes in mix and pricing of software solutions that our customers demand, our ability to successfully implement projects, order cancellations, renewal of maintenance agreements with customers, and patterns of spending and changes in budgeting cycles of our customers;
2. Adjusted EBITDA can fluctuate significantly based on the pricing and mix of software solutions that we sell, our customer demand, the geographical mix of our sales and cost base together with fluctuations in foreign currency exchange rates, and employee bonuses which are based on the performance of the Company;

The above statements have been included for the purpose of providing information about management's current expectations and plans relating to fiscal 2011. Readers are cautioned that such information may not be appropriate for other purposes.

See "Forward Looking Statements" and "Risks and Uncertainties".

Risks and Uncertainties

The statements included under "Outlook" above are subject to several risks and uncertainties, including the following: our quarterly revenues and operating results may fluctuate; any failure to manage our growth through acquisitions effectively or integrate other businesses we acquire may lead to a disruption in our operations and adversely affect our operating results; and we may acquire contingent liabilities through acquisitions, or our assessments of existing contingent liabilities could change which could adversely affect our operating results. A complete description of the risks and uncertainties affecting the Company is included in the most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2011, the President and Chief Financial Officer concluded

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

Internal controls over financial reporting:

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

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

The President and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the nine-month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.