

SECURITIES AND EXCHANGE COMMISSION

FORM F-7 POS

Post-effective amendment to a F-7 registration

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**AMENDMENT NO. 1
TO
FORM F-7
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Constellation Software Inc.

(Exact name of Registrant as specified in its charter)

Ontario, Canada
(Province or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification Number)

20 Adelaide Street East - #1200, Toronto, Ontario, Canada M5C 2T6
(416) 861-9677
(Address and telephone number of Registrant's principal executive offices)

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(Name, address and telephone number of agent for service in the United States)

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

This registration statement and any amendment thereto shall become effective upon filing with the Commission in accordance with Rule 467(a).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box:

If, as a result of stock splits, stock dividends or similar transactions, the number of securities purported to be registered on this registration statement changes, the provisions of Rule 416 shall apply to this registration statement.

PART I
INFORMATION REQUIRED TO BE SENT TO SHAREHOLDERS

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This short form prospectus constitutes a public offering only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Constellation Software Inc. at 20 Adelaide Street East, Suite 1200, Toronto, Ontario, M5C 2T6, info@csisoftware.com and are also available electronically at www.sedarplus.ca.

Short Form Prospectus

Rights Offering

August 23, 2023



CONSTELLATION SOFTWARE INC.

CS700,000,000

Offering of Rights to Subscribe for Unsecured Subordinated Floating Rate Debentures, Series 1 Due March 31, 2040

Price: C\$133 per Series 1 Debenture

This short form prospectus covers the issuance (the "**Offering**") by Constellation Software Inc. (the "**Company**" or "**CSI**") to the holders of its outstanding common shares (the "**Common Shares**") of record (the "**Shareholders**") on September 1, 2023 (the "**Record Date**") of one right (each, a "**Right**") for each Common Share held. The Rights will be issued in satisfaction of the dividend (the "**Rights Dividend**") declared by the Company on the Common Shares in the amount of one Right per Common Share. For every 3.03 Rights held, a holder of Rights is entitled to subscribe for C\$100 principal amount of unsecured subordinated floating rate debentures, Series 1 of the Company (the "**Series 1 Debentures**") at a price of C\$133 per C\$100 principal amount of Series 1 Debentures purchased, plus accrued interest in the amount of C\$0.217 per C\$100 principal amount of Series 1 Debentures purchased (the "**Accrued Interest**") prior to 4:30 p.m. (Toronto time) (the "**Expiry Time**") on September 29, 2023 (the "**Expiry Date**").

The Series 1 Debentures will be issued as an additional tranche of, and under the Indenture (as defined below) will form a single series with, the C\$68 million principal amount of Series 1 Debentures issued on October 1, 2014, the C\$28 million principal amount of Series 1 Debentures issued on November 19, 2014 and the C\$186.2 million principal amount of Series 1 Debentures issued on September 30, 2015. The closing price of the Series 1 Debentures on the Toronto Stock Exchange (the "**TSX**") on August 22, 2023 was C\$138.00 per C\$100.00 principal amount. From, and including, the date of issue of October 6, 2023 to, but excluding, March 31, 2024, the Series 1 Debentures will bear interest at a rate of 13.3% per annum. From, and including, March 31, 2024 to, but excluding, the Maturity Date (as defined below), the interest rate applicable to the Series 1 Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the Cost of Living Adjustment (as defined below) (which amount may be positive or negative) plus 6.5%.

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The Rights are fully divisible and fully transferable into and within Canada, and will be represented by statements issued under the Computershare Direct Registration System (the “**Rights DRS Advices**”), accompanied by rights subscription forms (the “**Rights Subscription Forms**”) with which holders may exercise their Rights. Rights not exercised prior to the Expiry Time on the Expiry Date will be void and of no further value.

	<u>Subscription Price</u>	<u>Net Proceeds to the Company⁽¹⁾</u>
Per Series 1 Debenture	C\$133	C\$133
Total Offering ⁽²⁾	C\$931,000,000	C\$931,000,000

(1) Before deducting the expenses of the Offering, which are estimated to be approximately C\$750,000 and will be paid by the Company.

(2) Assuming the exercise of all Rights.

Investing in the Series 1 Debentures involves significant risks. Prospective investors should carefully review the risks outlined in this short form prospectus and in the documents incorporated by reference herein before purchasing the Series 1 Debentures. See “Risk Factors”.

This prospectus qualifies for distribution under applicable Canadian securities laws the Rights and the Series 1 Debentures issuable on the exercise of the Rights (collectively, the “**Offered Securities**”) in each of the provinces and territories of Canada and also covers the offer and sale of the Series 1 Debentures issuable upon exercise of the Rights within the United States (together with each of the provinces and territories of Canada, the “**Eligible Jurisdictions**”) under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”). However, notwithstanding registration under the U.S. Securities Act, the securities or blue sky laws of certain states may not permit or may limit the Company’s ability to offer Rights and/or Series 1 Debentures in such states, or to certain persons in those states. The Company will only offer such securities in states where, and to such persons to whom, it is legally permitted to do so.

None of the Offered Securities have been qualified under the securities laws of any jurisdiction outside the Eligible Jurisdictions (an “**Ineligible Jurisdiction**”) and, except under the circumstances described herein, the Rights may not be exercised by or on behalf of a holder of Rights resident in an Ineligible Jurisdiction (an “**Ineligible Holder**”). This prospectus is not, and under no circumstances is to be construed as, an offering of any of the Offered Securities for sale in any Ineligible Jurisdiction or a solicitation therein or thereto of an offer to buy any securities. Rights DRS Advices will not be sent to any Shareholder with an address of record in an Ineligible Jurisdiction. Instead, the Rights DRS Advices of such Ineligible Holders will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See “Description of the Rights – Ineligible Holders”.

This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this prospectus in accordance with the disclosure requirements of Canada. Prospective purchasers of securities should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein have been prepared in accordance with International Financial Reporting Standards, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition or disposition of the securities described in this prospectus may have tax consequences in Canada, the United States and the investor’s jurisdiction of residence. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should review the sections herein entitled “Certain Canadian Federal Income Tax Considerations” and “Certain United States Federal Income Tax Considerations”, and should consult their own tax advisors.

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The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of Ontario, that some or all of its officers and directors may be residents of a country other than the United States, that some or all of the experts named in the registration statement may be residents of Canada, and that all or a substantial portion of the assets of the Company and said persons may be located outside the United States.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The Rights may be transferred only in transactions outside of the United States in accordance with Regulation S under the U.S. Securities Act (“Regulation S”).

There is currently no market through which the Rights may be sold. There can be no assurance that an active trading market will develop for the Rights or, if developed, that such a market will be sustained. To the extent that an active trading market for the Rights does not develop, the pricing of the Rights in the secondary market, the transparency and availability of trading prices and the liquidity of the Rights may be adversely affected. See “**Risk Factors**”.

The currently outstanding Common Shares are listed and posted for trading on the TSX under the symbol “CSU”. The currently outstanding Series 1 Debentures are listed and posted for trading on the TSX under the symbol “CSU.DB”. The TSX has approved the listing of the Rights and the additional Series 1 Debentures subject to the Company fulfilling all of the requirements of the TSX. The Rights will be listed on the TSX under the symbol “CSU.RT” and will be posted for trading on the TSX until 12:00 pm (Toronto time) on the Expiry Date at which time they will be halted from trading.

No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.

Computershare Investor Services Inc. (the “**Subscription Agent**”), at its principal offices in the City of Toronto (the “**Subscription Offices**”), is the subscription agent for this Offering. See “*Description of the Rights – Subscription Agent*”.

For Common Shares held in registered form, the Company will mail or cause to be mailed to each Shareholder a Rights DRS Advice evidencing the number of Rights issued to the holder thereof, together with a copy of this prospectus. In order to exercise the Rights represented by the Rights DRS Advice, a holder of Rights must complete and deliver Form 1 of the accompanying Rights Subscription Form to the Subscription Agent in the manner and upon the terms set out in this prospectus. See “*Description of the Rights – Common Shares Held in Registered Form*”.

For Common Shares held through a securities broker or dealer, bank or trust company or other participant (a “**CDS Participant**”) in the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”), a holder of Rights may exercise the Rights issued in respect of such Common Shares by (a) instructing the CDS Participant holding such Rights to exercise all or a specified number of such Rights and (b) forwarding to such CDS Participant the subscription price for each Series 1 Debenture that such Shareholder wishes to subscribe for in accordance with the terms of this Offering. Subscriptions for Series 1 Debentures made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Series 1 Debentures once submitted. See “*Description of the Rights – Common Shares Held Through CDS*”.

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GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, all references in this prospectus to “CSI”, the “Company”, “we”, “us”, “our” and “our company” refer to Constellation Software Inc. and its subsidiaries.

The Company prepares its consolidated financial statements in U.S. dollars and in conformity with International Financial Reporting Standards.

All references to US\$ are to U.S. dollars and all references to C\$ are to Canadian dollars.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, Canadian counsel to the Company, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”) in force on the date hereof, provided the Rights and the Series 1 Debentures are each listed on a “designated stock exchange” (as such term is defined in the Tax Act and which currently includes the TSX), the Rights and Series 1 Debentures, if issued on the date hereof, would each be a “qualified investment” under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a tax-free savings account (“**TFSA**”), a registered disability savings plan (“**RDSP**”), a registered education savings plan (“**RESP**”), a first home savings account (“**FHSA**”, and collectively with an RRSP, RRIF, TFSA, RDSP and RESP, a “**Registered Plan**”) and a deferred profit sharing plan, except, in the case of Series 1 Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm’s length with the Company, has made a contribution (“**DPSP**”), each as defined in the Tax Act.

Notwithstanding the foregoing, if the Rights or Series 1 Debentures are “prohibited investments” (as defined in the Tax Act) for a Registered Plan, the holder or subscriber of, or annuitant under, as applicable, a Registered Plan (the “**Controlling Individual**”) will be subject to a penalty tax as set out in the Tax Act. The Rights and Series 1 Debentures will generally be a “prohibited investment” for a Registered Plan if the Controlling Individual does not deal at arm’s length with the Company for purposes of the Tax Act or has a “significant interest” (as defined in the Tax Act) in the Company.

Holders who intend to hold the Rights or Series 1 Debentures in a Registered Plan or DPSP are urged to consult their own tax advisors regarding their particular circumstances.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus may contain “forward-looking” statements which involve risks, uncertainties and other factors which 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. When used in this prospectus, 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 prospectus. 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 “*Risk Factors*”. Although the forward-looking statements contained in this prospectus 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 prospectus, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable securities laws.

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EXCHANGE RATE INFORMATION

The following table sets out (i) the rate of exchange for one U.S. dollar in Canadian dollars in effect at the end of the period indicated, (ii) the high and low rate of exchange during that period and (iii) the average rate of exchange for that period, as published by the Bank of Canada.

	Six months ended	Year ended December 31	
	June 30, 2023	2022	2021
High	1.3807	1.3856	1.2942
Low	1.3151	1.2451	1.2040
End of period	1.3240	1.3544	1.2678
Average	1.3477	1.3013	1.2535

On August 22, 2023 the daily rate of exchange as published by the Bank of Canada was US\$1.00 = C\$1.3549.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been filed with the securities regulatory authorities in each of the provinces and territories of Canada and are specifically incorporated by reference into, and form an integral part of, this prospectus:

- (a) the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and June 30, 2022;
- (b) the Company's management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2023 (the "Q2 MD&A");
- (c) the Company's Annual Information Form dated March 29, 2023 (the "AIF") (other than the section entitled "Credit Rating" therein);
- (d) the Company's Management Information Circulars dated March 24, 2022 and March 27, 2023;
- (e) the Company's consolidated financial statements for the years ended December 31, 2022 and December 31, 2021, together with the auditor's report thereon;
- (f) the Company's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2022; and
- (g) the Company's material change report dated August 21, 2023 filed in connection with the Warrant Dividend (as defined below).

Any documents of the type referred to in the preceding paragraph, or otherwise described in Section 11.1 of Form 44-101F1 - *Short Form Prospectus* (excluding confidential material change reports), filed by the Company with any securities regulatory authority in Canada after the date of this prospectus and prior to the completion or withdrawal of this Offering, are deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

CONSTELLATION SOFTWARE INC.

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 vertical markets. Our focus on acquiring businesses with growth potential, managing them well and then building them has allowed us to generate significant cash flow and revenue growth. Using a combination of proprietary software and market expertise, we provide software solutions designed to meet certain mission critical requirements of our customers. We believe that our software solutions enable our customers to boost productivity, operate more cost effectively, increase sales and improve customer service and satisfaction. Our principal strategy is to acquire, manage and build VMS businesses. Most of the VMS businesses that we acquire have the potential to be leaders within their particular markets. We target the VMS sector because of the attractive economics that it provides and our belief that our management teams understand those economics better than many of our competitors.

We are a global provider of enterprise software solutions serving a variety of distinct vertical markets.

Our head and registered office is located at 20 Adelaide Street East, Suite 1200, Toronto, Ontario, M5C 2T6. The primary geographic markets in which we operate are North America, Continental Europe, UK and Australia.

RECENT DEVELOPMENTS

Warrant Dividend

On August 15, 2023, the Company announced the declaration of a special dividend (the “**Warrant Dividend**”), pursuant to which all holders of the Common Shares of record on August 24, 2023 are entitled to receive, by way of a dividend-in-kind, one warrant of the Company (collectively, the “**Warrants**”) for each Common Share held.

As described under “*Description of the Series 1 Debentures - Redemption and Purchase at the Option of the Company*”, the Company will, on an annual basis, have a 15 day notice period within which to provide notice to holders of Series 1 Debentures of its intention to redeem some or all of the Series 1 Debentures on a date that is five years following the end of such notice period (the “**Company Redemption Right**”). The Warrants will not be exercisable by the holders thereof unless and until the Company exercises the Company Redemption Right in respect of the Series 1 Debentures. If the Company exercises the Company Redemption Right, each Warrant will become exercisable by the holder thereof for a period of 30 calendar days (the “**Warrant Exercise Period**”) starting from the date that the Company provides notice to the holders of its Series 1 Debentures that the Company is exercising the Company Redemption Right to redeem Series 1 Debentures.

Following notice by the Company of the exercise of the Company Redemption Right, each Warrant will, upon exercise, entitle the holder thereof to receive, on the 10th business day following the last date of the Warrant Exercise Period (the “**Series 2 Issuance Date**”) C\$100 principal amount of unsecured subordinated floating rate debentures, Series 2 of the Company (the “**Series 2 Debentures**”) for each C\$100 principal amount of Series 1 Debentures tendered for repurchase by the Company.

The Company will pay any accrued and unpaid interest on the Series 1 Debentures tendered for repurchase up to, but excluding, the Series 2 Issuance Date. Other than tendering the Series 1 Debentures for repurchase, no additional exercise price will be owing by a holder of a Warrant upon the exercise of a Warrant.

The Series 2 Debentures will be identical in all material respects to the Series 1 Debentures, except that the Series 2 Debentures will not include a Company Redemption Right. Since the Series 2 Debentures will not contain a Company Redemption Right, the Company anticipates that the exercise by holders of the Warrants would neutralize the impact of an exercise of the Company Redemption Right in respect of the corresponding principal amount of Series 1 Debentures.

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The Company has no current intention to exercise the Company Redemption Right under the Series 1 Debentures.

The Warrants will not be listed on the TSX or any other exchange at the time of issuance. If and when the Company Redemption Right is exercised, the Company plans to apply to list the Warrants on the TSX, so that the Warrants would trade on the TSX during the Warrant Exercise Period. The Company's ability to list the Warrants will be subject to the approval of the TSX at such time.

All unexercised Warrants will expire on the earlier of (i) the first date on which all the outstanding Series 1 Debentures have matured or have otherwise been repurchased, redeemed or cancelled, and (ii) March 31, 2040.

Following the distribution of the Warrant Dividend, there will be 21,191,530 Warrants outstanding. As of the date hereof, there are approximately 2.82 million Series 1 Debentures outstanding. Assuming the successful completion of the Offering, the Company expects there to be up to 9.82 million Series 1 Debentures outstanding following closing of the Offering. The Company intends to ensure that the number of Warrants outstanding at any given time will significantly exceed the number of Series 1 Debentures outstanding at any given time.

In addition, if and when the Company Redemption Right is exercised, the Company plans to attempt to ensure Warrants are available to be acquired by any holder of Series 1 Debentures that wants to acquire them.

The Company has determined that the Warrants will have a nominal fair market value of C\$0.0001 per Warrant at the time of the Warrant Dividend.

DESCRIPTION OF THE RIGHTS

Rights and Rights DRS Advices

The Company is issuing to each Shareholder of record at the close of business (Toronto time) on the Record Date one Right for each Common Share held by such Shareholder. The Rights will be issued in satisfaction of the Rights Dividend declared by the Company on the Common Shares in the amount of one Right per Common Share. Every 3.03 Rights entitle the holder thereof to subscribe for C\$100 principal amount of Series 1 Debentures at a price of C\$133 per C\$100 principal amount of Series 1 Debentures purchased (plus the Accrued Interest).

The Rights are fully divisible and fully transferable into and within Canada by the holders thereof. **The Rights may not be transferred to any person within the United States. Shareholders in the United States who receive Rights may resell them only outside the United States in accordance with Regulation S under the U.S. Securities Act. See “- Sale or Transfer of Rights”.**

The Rights are evidenced by Rights DRS Advices registered in the name of the Shareholder entitled thereto. Each Shareholder, other than an Ineligible Holder, will receive a Rights DRS Advice evidencing the total number of Rights to which such Shareholder is entitled. Subject to certain exceptions, Rights DRS Advices may not be held directly by, and subscriptions for Series 1 Debentures will not be accepted from, Ineligible Holders. See “- Ineligible Holders”.

Shareholders that hold their Common Shares through a CDS Participant will not receive Rights DRS Advices evidencing their ownership of Rights. On the Record Date, a global position representing Rights held through CDS Participants will be issued in registered form to, and in the name of, CDS or its nominee. See “- Common Shares Held Through CDS”.

Subscription Privilege

Every 3.03 Rights entitle the holder thereof to subscribe for C\$100 principal amount of Series 1 Debentures at a price of C\$133 per C\$100 principal amount of Series 1 Debentures purchased, plus the Accrued Interest on

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the Series 1 Debentures purchased, prior to the Expiry Time on the Expiry Date. The Series 1 Debentures will be issued on or about October 6, 2023 (the “Issue Date”). **Holders exercising Rights will be required to pay an amount equal to C\$0.217 per C\$100 principal amount of Series 1 Debentures in addition to the subscription price of C\$133 per C\$100 principal amount of Series 1 Debentures on account of interest accrued on the Debentures from, and including, September 30, 2023 to, but excluding, the Issue Date.**

Rights not exercised by the Expiry Time on the Expiry Date will be void and of no further value. A holder of Rights that subscribes for some, but not all, of the Series 1 Debentures which such holder is entitled to subscribe for will be deemed to have elected to waive the unexercised balance of such Rights. For information on how to exercise the Subscription Privilege, see “- Common Shares Held in Registered Form - How to Complete the Rights Subscription Form”.

Fractional Series 1 Debentures will not be issued upon the exercise of Rights. Each holder of a Rights DRS Advice which evidences a number of Rights not evenly divisible by 3.03 will have the principal amount of Series 1 Debentures it is entitled to subscribe for rounded down to the next nearest multiple of C\$100.

Subscription Agent

Computershare Investor Services Inc. (the “**Subscription Agent**”) has been appointed the agent of the Company to receive subscriptions and payments from holders of Rights and to perform certain services relating to the exercise and transfer of Rights. Subscriptions and payments under the Offering should be sent to the Subscription Agent at:

Computershare Investor Services Inc.
PO Box 7021
31 Adelaide St E
Toronto ON M5C 3H2
Attn: Corporate Actions

The Subscription Agent can be reached by telephone at 1-800-564-6253 or 1-514-982-7555 or by e-mail at corporateactions@computershare.com.

Common Shares Held Through CDS

For Common Shares held through a CDS Participant in the book-based system administered by CDS, a global position representing the aggregate number of Rights held through CDS Participants will be issued in registered form to CDS and will be deposited with CDS. Each Shareholder who holds Common Shares through a CDS Participant (a “**Beneficial Shareholder**”) will receive a confirmation of the number of Rights issued to such holder from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants holding Rights.

In order to exercise Rights held through a CDS Participant, a Beneficial Shareholder must (a) instruct the CDS Participant holding such Rights to exercise all or a specified number of such Rights and (b) forward to such CDS Participant the Subscription Price for each Series 1 Debenture that such Beneficial Shareholder wishes to subscribe for. Subscriptions for Series 1 Debentures made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Series 1 Debentures once submitted.

The Subscription Price for Rights held through a CDS Participant is payable in Canadian dollars by certified cheque, bank draft or money order payable to the CDS Participant by direct debit from the subscriber’s brokerage account. The entire Subscription Price for any Rights exercised must be paid at the time of subscription and must be received by the Subscription Agent at one of the Subscription Offices prior to 4:30 p.m. (Toronto time) on the Expiry Date. Accordingly, a holder of Rights held through a CDS Participant must deliver its payment and subscriptions sufficiently in advance of the Expiry Date to allow the CDS Participant through which such Rights are held to properly exercise such Rights.

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Neither the Company nor the Subscription Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Rights; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or CDS Participants.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate. Beneficial Shareholders must arrange purchases or transfers of Rights through their CDS Participant.

Common Shares Held in Registered Form

Shareholders who hold Common Shares in registered form (“**Registered Shareholders**”) will be mailed a copy of this prospectus and a Rights DRS Advice representing the total number of Rights to which each such Shareholder is entitled to receive. In order to exercise Rights represented by the Rights DRS Advice, Registered Shareholders must complete and deliver the Rights Subscription Form in accordance with the instructions set out under “- *Common Shares Held in Registered Form – How to Complete the Rights Subscription Form*”.

Rights not exercised by 4:30 p.m. (Toronto time) on the Expiry Date will be void and of no value. The Subscription Price for Rights exercised by Registered Shareholders is payable in Canadian dollars by certified cheque, bank draft or money order payable to the Subscription Agent.

How to Complete the Rights Subscription Form

1. Form 1 – Subscription Privilege. Every 3.03 Rights entitle the holder thereof to subscribe for C\$100 principal amount of Series 1 Debentures at a price of C\$133 per C\$100 principal amount of Series 1 Debentures purchased (plus the Accrued Interest). The maximum number of Rights that may be exercised pursuant to the Subscription Privilege is shown on the face of the Rights DRS Advice. If Form 1 on the Rights Subscription Form is completed so as to exercise some but not all of the Rights represented by a Rights DRS Advice, the holder of such Rights DRS Advice will be deemed to have waived the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Subscription Form is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder.

Only subscriptions for whole Series 1 Debentures will be accepted. Each holder of a Rights DRS Advice which evidences a number of Rights not evenly divisible by 3.03 will have the principal amount of Series 1 Debentures it is entitled to subscribe for rounded down to the next nearest multiple of C\$100.

Completion of Form 1 on the Rights Subscription Form constitutes a representation by the holder thereof that the holder is not a resident or national of an Ineligible Jurisdiction and is not an Ineligible Holder or an agent of a person who is a national or resident of an Ineligible Jurisdiction or an Ineligible Holder.

2. Form 2 – Transfer of Rights. A holder of Rights who wishes to transfer the Rights represented by a Rights DRS Advice should complete and sign a valid form of Stock Power of Attorney or Securities Transfer Form. Securities Transfer Forms are available from the Subscription Agent upon request. To complete a transfer, a holder of Rights must complete a Stock Power of Attorney or Securities Transfer Form and have its signature guaranteed by a Schedule I bank, a major trust company in Canada, or a member of an acceptable Medallion Signature Guarantee Program (including STAMP, SEMP, and MSP). Members of STAMP are usually members of a recognized stock exchange in Canada or

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members of the Investment Industry Regulatory Organization of Canada. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed". It is not necessary for a transferee to obtain a new Rights DRS Advice to exercise the Rights, but the signature of the transferee on Form 1 of the Rights Subscription Form accompanying the Stock Power of Attorney or Securities Transfer Form must correspond in every particular with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights for all purposes. If a form of Stock Power of Attorney or Securities Transfer Form is completed in good order, the Company and the Subscription Agent will treat the transferee as the absolute owner of the Rights for all purposes and will not be affected by notice to the contrary.

3. The Rights may be transferred only in transactions outside of the United States in accordance with Regulation S under the U.S. Securities Act, which will permit the resale of the Rights to a person outside the United States where neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no "directed selling efforts", as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Company's "affiliates", as that term is defined under the U.S. Securities Act.
4. Payment. The Subscription Price of C\$133 per C\$100 principal amount of Series 1 Debenture (plus the Accrued Interest) is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc."
5. Delivery. Holders of Rights who exercise their right to subscribe for Series 1 Debentures must complete and mail the enclosed Rights Subscription Form to the Subscription Agent, together with payment of the Subscription Price (including the Accrued Interest), in the enclosed return envelope. The completed Rights Subscription Form and payment of the Subscription Price must be received by the Subscription Agent by no later than 4:30 p.m. (Toronto time) on the Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery.

The signature of the holder of a Rights DRS Advice must correspond in every particular with the name that appears on the face of the Rights DRS Advice. Signatures by a trustee, executor, administrator, guardian, attorney, officer of a company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Company in its sole discretion, and any determination by the Company will be final and binding on the Company and its securityholders. Upon delivery or mailing of the completed Rights Subscription Form to the Subscription Agent, the exercise of the Rights and the subscription for Series 1 Debentures is irrevocable. The Company reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Series 1 Debentures pursuant thereto could be unlawful. The Company also reserves the right to waive any defect in respect of any particular subscription. Neither the Company nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice.

If a holder of a Right has any questions with respect to the proper exercise of Rights, such holder should contact the Subscription Agent at 1-800-564-6253 or 1-514-982-7555 or by e-mail at corporateactions@computershare.com.

Undeliverable Rights

Rights DRS Advices and accompanying Rights Subscription Forms returned to the Subscription Agent as undeliverable will not be sold by the Subscription Agent and no proceeds of sale will be credited to such holders.

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Sale or Transfer of Rights

A holder of Rights in registered form may sell or transfer some or all of such Rights to any person who is not an Ineligible Holder. A holder who wishes to transfer some or all of its Rights must complete a valid form of Stock Power of Attorney or Securities Transfer Form and have its signature guaranteed by a Schedule I bank, a major trust company in Canada, or a member of an acceptable Medallion Signature Guarantee Program (including STAMP, SEMP, and MSP). See “- Common Shares Held in Registered Form - How to Complete the Rights Subscription Form”. Holders who hold their Rights through a CDS Participant must arrange exercises or transfers of Rights through their CDS Participant.

Ineligible Holders

This prospectus covers the distribution of the Offered Securities in the Eligible Jurisdictions only. However, notwithstanding registration under the U.S. Securities Act, the securities or blue sky laws of certain states may not permit or may limit the Company’s ability to offer Rights and/or Series 1 Debentures in such states, or to certain persons in those states. The Company will only offer Rights in states where, and to such persons to whom, it is legally permitted to do so. Rights DRS Advices will not be sent to any Shareholders with addresses of record in an Ineligible Jurisdiction and, except as described herein, Rights may not be exercised by or on behalf of any Shareholders with addresses of record in an Ineligible Jurisdiction. Instead, Ineligible Holders will be sent a copy of this prospectus together with a letter advising them that their Rights DRS Advices will be held by the Subscription Agent as agent for the benefit of all such Ineligible Holders. The letter will also set out the conditions required to be met, and procedures that must be followed, in order for Ineligible Holders to participate in the Offering.

Notwithstanding any of the foregoing, the Company may accept subscriptions from Ineligible Holders if the Company determines that the offering to and subscription by such person is lawful and in compliance with all securities and other laws applicable in the Ineligible Jurisdiction where such person is resident (each an “**Approved Eligible Holder**”). Shareholders who have not received Rights DRS Advices but are resident in an Eligible Jurisdiction or wish to be recognized as Approved Eligible Holders should contact the Subscription Agent at the earliest possible time. Rights of Shareholders with addresses of record in an Ineligible Jurisdiction will be held by the Subscription Agent until 4:30 p.m. (Toronto time) on September 22, 2023 in order to provide such holders with the opportunity to satisfy the Company that (i) the holder is resident in an Eligible Jurisdiction or (ii) the exercise of their Rights will not be in violation of securities and other laws applicable in the Ineligible Jurisdiction where such person is resident. After such time, the Subscription Agent will attempt to sell the Rights of such registered Ineligible Holders on the open market on such date or dates and at such price or prices as the Subscription Agent will determine in its sole discretion.

No charge will be made for the sale of Rights on behalf of Ineligible Holders by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. The proceeds from the sale of Rights by the Subscription Agent (net of brokerage fees and selling expenses and, if applicable, costs incurred and Canadian withholding taxes) will be divided on a *pro rata* basis among registered Ineligible Holders and delivered to such Ineligible Holders as soon as reasonably practicable, provided that amounts of less than C\$100 will not be remitted. The Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a best efforts basis only and the Company and the Subscription Agent do not accept responsibility for the price obtained on the sale of Rights or the inability of the Subscription Agent to sell the Rights. Neither the Company nor the Subscription Agent will be subject to any liability for or in connection with the sale of, or failure to sell, any Rights on behalf of Ineligible Holders. There is a risk that the proceeds received from the sale of Rights issued in respect of Common Shares held by Ineligible Holders will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights, in which case no proceeds will be remitted to Ineligible Holders.

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Holders of Rights who are not resident in Canada should be aware that the acquisition and disposition of any of the Offered Securities may have tax consequences in Canada and in the jurisdiction in which they reside which are not described in this prospectus. U.S. Holders should refer to the section “*Certain United States Federal Income Tax Considerations*”. All such holders should consult their own tax advisors about the specific tax consequences of acquiring, holding and disposing of the Offered Securities and should refer to the section “*Certain Canadian Federal Income Tax Considerations*”.

Series 1 Debentures

Series 1 Debentures issued in connection with the Offering will be registered in the name of the person to whom the Rights DRS Advice was issued or to whom the Rights have been properly and duly transferred. The certificates, representing such Series 1 Debentures will be delivered by mail to the address of the subscriber as it appears on the Rights DRS Advice, unless otherwise directed, or to the address of the transferee, if any, indicated on the appropriate form on the Rights DRS Advice as soon as practicable after the Expiry Date. Except as otherwise described under “*Ineligible Holders*”, the Series 1 Debentures will not be issued to or on behalf of any holders of Rights with addresses of record in an Ineligible Jurisdiction.

Holders of Rights that hold their Rights through a CDS Participant will not receive physical certificates evidencing their ownership of Series 1 Debentures issued upon the exercise of Rights. Upon the closing of the Offering, a global position representing such Series 1 Debentures will be issued in registered form to, and in the name of, CDS or its nominee.

DESCRIPTION OF THE SERIES 1 DEBENTURES

The following description of the Series 1 Debentures is a brief summary of their material attributes and characteristics. The following summary uses words and terms which are defined in the trust indenture dated November 19, 2014 between the Company and Computershare Trust Company of Canada (the “**Debenture Trustee**”) in respect of the Series 1 Debentures, as supplemented by the first supplemental indenture dated September 30, 2015 between the Company and the Debenture Trustee, and as may be amended or further supplemented from time to time (the “**Indenture**”). This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Indenture.

The Series 1 Debentures will be issued as an additional tranche of, and will be treated as a single series with, the C\$68 million principal amount of Series 1 Debentures issued on October 1, 2014, the C\$28 million principal amount of Series 1 Debentures issued on November 19, 2014 and the C\$186.2 million principal amount of Series 1 Debentures issued on September 30, 2015. The Series 1 Debentures will be issued under and pursuant to the provisions of the Indenture and will have a maturity date of March 31, 2040 (the “**Maturity Date**”). The Company may, from time to time, without the consent of Series 1 Debentureholders, issue additional Series 1 Debentures or other debentures in addition to the Series 1 Debentures offered hereby.

The Series 1 Debentures will be issuable only in denominations of C\$100 and integral multiples thereof.

The Series 1 Debentures will be direct obligations of CSI and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all Senior Indebtedness of the Company as described under “*Description of the Series 1 Debentures - Subordination*”. The Indenture does not restrict CSI from incurring additional Senior Indebtedness at any time or from time to time or other indebtedness or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing. The Series 1 Debentures will rank *pari passu* with every other series of debentures that have been issued, or may hereafter be issued, under the Indenture.

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Interest Rate

From, and including, the Issue Date to, but excluding, March 31, 2024, the Series 1 Debentures will bear interest at a rate of 13.3% per annum (the “**Current Rate**”). From, and including, March 31, 2024 to, but excluding, the Maturity Date, the interest rate applicable to the Series 1 Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the Cost of Living Adjustment (as defined below) (which amount may be positive or negative) plus 6.5% (“**Floating Interest**”). **Notwithstanding the foregoing, the interest rate applicable to the Series 1 Debentures will at no time be less than 0%.** Interest, if any, will be payable quarterly in arrears in equal instalments on March 31, June 30, September 30 and December 31 in each year, commencing on December 31, 2023. Holders of Series 1 Debentures at the close of business on the business day prior to an interest payment date will be entitled to receive the interest payment in respect of such quarter. The Current Rate will only apply to the Series 1 Debentures in respect of interest payments made on or prior to March 31, 2024. Effective March 31, 2024, the interest payable on the Series 1 Debentures will be based on the applicable Floating Interest rate.

For the purposes hereof:

“**Cost of Living Adjustment**” means, in any given year, the annual average percentage change in the CPI Index during the 12 month period ending on December 31 in the prior year. For the 12 month period ending on December 31, 2022, the Cost of Living Adjustment was 6.8%.

“**CPI Index**” means the index called the “All-items Consumer Price Index” published by Statistics Canada in its monthly publication, adjusted for base year 2002 (2002=100) and rebased from time to time, provided that if the Government of Canada determines not to publish such index, then the term “CPI Index” means whatever substitute index is used to determine the Government of Canada’s obligations under its real return bonds if any Government of Canada real return bonds are then outstanding, or if there is no such index or compilation, the term “CPI Index” means a similar measure determined by the Company, acting reasonably.

The principal and interest on the Series 1 Debentures will be payable in lawful money of Canada as specified in the Indenture.

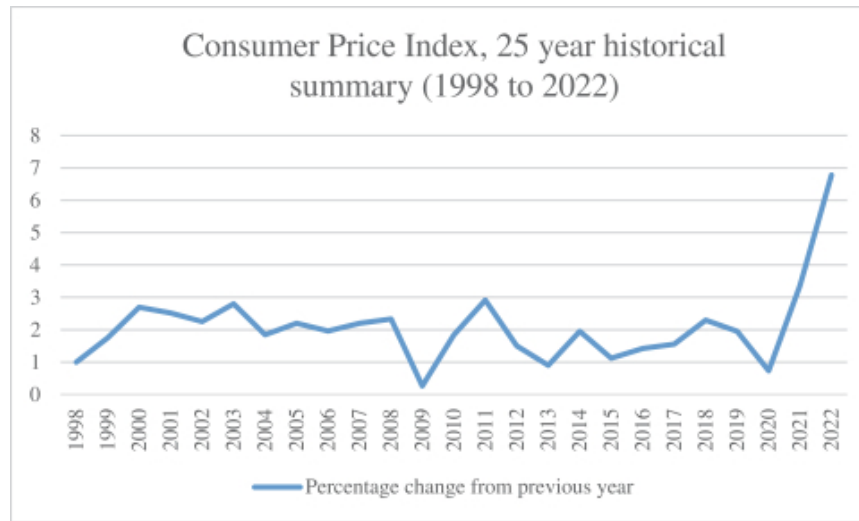
About the CPI Index

The CPI Index is a measure of the average change in consumer prices over time for a fixed market basket of goods and services, including food, clothing and footwear, shelter, household operations, furnishings and equipment, recreation, education and reading, alcoholic beverages and tobacco products, fuels, transportation, health and personal care, and energy. In calculating the CPI Index, the prices of the various items included in the fixed market basket are averaged together with the weights that represent their importance in the spending of households in Canada. Statistics Canada periodically updates the contents of the market basket of goods and services and the weights assigned to the various items to take into account changes in the consumer expenditure patterns. Since the basket contains commodities of unchanging or equivalent quantity and quality, the index reflects only pure price movements. The CPI Index is expressed in relative terms in relation to a time base reference period for which the level was set to 100.0.

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[Historical Performance of the CPI Index](#)

The following chart shows the annual percentage changes to the CPI Index over the last 25 years. **Historical performance of the CPI Index is not an indication of future performance and the future performance of the CPI Index may differ significantly from historical performance, either positively or negatively.**



Redemption and Purchase at the Option of the Company

As described below, the Company will, on an annual basis, have a 15 day notice period within which to provide notice to holders of Series 1 Debentures of its intention to redeem some or all of such Series 1 Debentures on a date that is five years following the end of such notice period.

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 Series 1 Debentures of its intention to redeem the Series 1 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. For example, if the Company chooses to exercise its right to redeem the Series 1 Debentures in March 2024, the Company would be required to deliver notice of such redemption to holders of Series 1 Debentures during the period beginning on March 16, 2024 and ending on March 31, 2024, and the effective date of redemption would be March 31, 2029. Given the foregoing, the first possible redemption date is March 31, 2029. In the event the Company exercises its right to redeem some or all of the outstanding Series 1 Debentures in a given year, the Company will send a reminder redemption notice to holders of Series 1 Debentures not less than 30 nor more than 60 days prior to each applicable redemption date.

The Company's ability to redeem the Series 1 Debentures will be subject to compliance with the terms of the Senior Indebtedness at the time of redemption and may be restricted in certain circumstances. See "[Description of the Series 1 Debentures - Subordination](#)" and "[Risk Factors - Prior Ranking Indebtedness](#)".

CSI will have the right to purchase Series 1 Debentures in the market, by tender or by private contract subject to regulatory requirements; provided, however, that if an Event of Default (as defined below) has occurred and is continuing, the Company will not have the right to purchase the Series 1 Debentures by private contract.

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In the case of redemption of less than all of the Series 1 Debentures, the Series 1 Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX.

Investor Put Rights

As described below, holders of Series 1 Debentures will, on an annual basis, have a 15 day notice period within which to provide notice to the Company of their intention to require the Company to repurchase some or all of such Series 1 Debentures on a date that is approximately five years following the end of such notice period.

During the period beginning on March 1 and ending on March 15 of each year, holders of Series 1 Debentures will 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 Series 1 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. For example, if a holder of Series 1 Debentures chooses to exercise its right to have the Company repurchase such holder’s Series 1 Debentures in March 2024, the holder would be required to deliver notice of such repurchase to the Company during the period beginning on March 1, 2024 and ending on March 15, 2024, and the effective date of repurchase would be March 31, 2029. Given the foregoing, the first possible repurchase date is March 31, 2029.

The Company’s ability to repurchase the Series 1 Debentures will be subject to compliance with the terms of the Senior Indebtedness at the time of repurchase and may be restricted in certain circumstances. See “*Description of the Series 1 Debentures – Subordination*” and “*Risk Factors – Prior Ranking Indebtedness*”. In addition, once a holder of Series 1 Debentures has exercised its put right in respect of some or all of the Series 1 Debentures held by such holder (the “**Puttable Series 1 Debentures**”), the Puttable Series 1 Debentures will be held in escrow by the Debenture Trustee and will no longer be transferable over the facilities of the TSX or otherwise. See “*Risk Factors – Exercise of Put Rights*”.

Holders of Series 1 Debentures who hold their Series 1 Debentures through a CDS Participant will, prior to exercising their right to have the Company repurchase such holder’s Series 1 Debentures, be required to withdraw their Series 1 Debentures from CDS and obtain a certificate for such Series 1 Debentures in registered form.

Failure to Pay Interest on an Interest Payment Date

Interest May Form Part of Principal Amount Outstanding. The Company may, subject to regulatory approval, applicable law and the terms of the Senior Indebtedness, elect (the “**PIK Election**”), in lieu of paying interest in cash, to satisfy all or any portion of its obligation to pay interest on the Series 1 Debentures, as and when the same becomes due (the “**Series 1 Debentures Interest Obligation**”) by issuing to Series 1 Debentureholders such principal amount of Series 1 Debentures (the “**PIK Series 1 Debentures**”) equal to the amount of the Series 1 Debentures Interest Obligation to be satisfied by the issuance of PIK Series 1 Debentures (less any tax required by law to be deducted, if any), which amount will be rounded down to the nearest multiple of C\$100. No fractional PIK Series 1 Debentures shall be delivered to Series 1 Debentureholders in satisfaction of the Series 1 Debentures Interest Obligation; however holders will receive a cash payment in respect of any fractional interest in PIK Series 1 Debentures. The Company will make a PIK Election by delivering written notice (the “**PIK Election Notice**”) to the Debenture Trustee and the TSX at least ten business days prior to the applicable interest payment date. The PIK Election Notice will include the principal amount of PIK Series 1 Debentures to be issued and delivered to the Series 1 Debentureholders.

Common Share Dividend and Buyback Stopper. If, on any interest payment date, the Company fails to pay the interest on the Series 1 Debentures in full in cash, the Company will not (i) declare or pay dividends of any kind on the Common Shares, nor (ii) participate in any share buyback or redemption involving the Common Shares,

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until the Company first pays such interest (or the unpaid portion thereof) to holders of Series 1 Debentures; provided however that if the Company has issued PIK Series 1 Debentures in respect of all or a portion of the amount of interest owing on the Series 1 Debentures on one or more interest payment dates, the Company may resume declaring and paying dividends of any kind on the Common Shares and participating in share buybacks or redemptions involving the Common Shares beginning on the earlier of (i) the next interest payment date in respect of which the Company pays the amount of interest owing on the Series 1 Debentures in full in cash, and (ii) the date on which the Company repays all amounts owing under such PIK Series 1 Debentures.

Payment upon Redemption or Maturity

On redemption or at the Maturity Date, CSI will repay the indebtedness represented by the Series 1 Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Series 1 Debentures, together with accrued and unpaid interest thereon.

Cancellation

All Series 1 Debentures redeemed or purchased as described herein will be cancelled and may not be reissued or resold.

Subordination

The payment of the principal of, and interest on, the Series 1 Debentures will be subordinated in right of payment, in the circumstances referred to below and also more particularly as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Company. “**Senior Indebtedness**” of the Company is defined in the Indenture as all indebtedness of the Company (whether outstanding as at the date of the Indenture or thereafter incurred) which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Series 1 Debentures, which includes the Company’s existing credit facility with a syndicate of Canadian chartered banks and U.S. banks (the “**Credit Facility**”). The Credit Facility is a US\$840 million revolving credit facility with a stated maturity date of November 5, 2026, which facility has been established by a syndicate of lenders for the Company’s general corporate purposes and to enable it to finance its acquisitions. The Credit Facility may be drawn in four currencies: Canadian dollars, U.S. dollars, Pound sterling and Euros. The advances made under the Credit Facility bear variable interest rates calculated at standard reference rates in the applicable currencies plus interest rate margins determined based on a leverage ratio table. The Credit Facility is currently guaranteed by certain of the Company’s material subsidiaries and secured by the majority of its assets and the assets of such material subsidiaries. The credit agreement establishing the Credit Facility contains terms and conditions that are customary for a credit facility of this nature, including representations and warranties, covenants and events of default with customary cure periods, where appropriate. In particular, the Company may make distributions to other persons (including its shareholders) so long as (i) there is no default or event of default and (ii) the amount of availability under the Credit Facility and unrestricted cash of the Company and its guarantor subsidiaries is greater than US\$25 million, in each case, prior to or after the making of such distribution.

The Indenture does not limit the ability of the Company to incur additional indebtedness, including additional Senior Indebtedness at any time or from time to time or other indebtedness or otherwise mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Company, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Company, all creditors under any Senior Indebtedness will receive payment in full before the Series 1 Debentureholders will be entitled to receive any payment or distribution of any kind or character, including, without limitation, in cash,

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property or securities, which may be payable or deliverable in any such event in respect of any of the Series 1 Debentures or any unpaid interest accrued thereon.

The Indenture also provides that, subject to the requirements of the U.S. Trust Indenture Act of 1939, as amended, neither the Debenture Trustee nor the Series 1 Debentureholders shall be entitled to demand or otherwise attempt to enforce in any manner, institute proceedings for the collection of, or institute any proceedings against the Company including, without limitation, by way of any bankruptcy, insolvency or similar proceedings or any proceeding for the appointment of a receiver, liquidator, trustee or other similar official (it being understood and agreed that the Debenture Trustee and/or the Series 1 Debentureholders shall be permitted to take any steps necessary to preserve the claims of the Series 1 Debentureholders in any such proceeding and any steps necessary to prevent the extinguishment or other termination of a claim or potential claim as a result of the expiry of a limitation period provided that any such steps do not interfere with the enforcement by any holder of any Senior Indebtedness of its rights and remedies), or receive any payment or benefit in any manner whatsoever on account of indebtedness represented by the Series 1 Debentures (the “**Series 1 Debentures Senior Indebtedness Postponement Provisions**”) without the prior written consent of the lenders under the Senior Indebtedness.

In addition to the foregoing, pursuant to the terms of the Credit Facility: (a) the Company will only be permitted to make payment of interest in respect of the Series 1 Debentures, if either (i) both before and immediately after each such payment, no event of default (as defined under the Credit Facility) has occurred and is continuing, or (ii) the Company obtains the prior written consent of the applicable lenders under the Credit Facility; and (b) the Company will not, without the prior written consent of the applicable lenders under the Credit Facility, be permitted to make any payment of principal in respect of the Series 1 Debentures prior to the maturity date of the Credit Facility, being November 5, 2026.

Put Right upon a Change of Control

Upon the occurrence of a change of control of the Company involving the acquisition of voting control or direction of more than 50% of the votes represented by the issued and outstanding Common Shares by any person or group of persons acting jointly or in concert (a “**Change of Control**”), each holder of Series 1 Debentures may require the Company to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the “**Change of Control Put Date**”), the whole or any part of such holder’s Series 1 Debentures at a price equal to 100% of the principal amount thereof (the “**Change of Control Put Price**”) plus accrued and unpaid interest up to, but excluding, the Change of Control Put Date.

If 90% or more of the aggregate principal amount of the Series 1 Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Change of Control Put Date, the Company will have the right to redeem all the remaining Series 1 Debentures on such date at the Change of Control Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given to the Debenture Trustee prior to the Change of Control Put Date and, as soon as possible thereafter, by the Debenture Trustee to the holders of the Series 1 Debentures not tendered for purchase.

Modification

The rights of the holders of the Series 1 Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all Series 1 Debentureholders resolutions passed at meetings of the holders of the debentures issued under the Indenture by votes cast thereat by holders of not less than 66²/₃% of the principal amount of the then outstanding debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66²/₃% of the principal amount of the then outstanding debentures. In certain cases, the modification will, instead of or in addition to the foregoing, require assent by the holders of the required percentage of debentures of each

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particularly affected series. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of Series 1 Debentures.

Events of Default

The Indenture provides that an event of default (“**Event of Default**”) in respect of the Series 1 Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following described events has occurred and is continuing with respect to the Series 1 Debentures: (i) failure to pay principal or premium, if any, on the Series 1 Debentures, whether at the Maturity Date, upon redemption, by acceleration or otherwise; or (ii) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws. Subject to the Series 1 Debentures Senior Indebtedness Postponement Provisions, if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% in principal amount of the then outstanding Series 1 Debentures, declare the principal of (and premium, if any) and accrued interest on all outstanding Series 1 Debentures to be immediately due and payable.

Governing Law

Each of the Indenture and the Series 1 Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario applicable to contracts executed and to be performed entirely in such Province.

The foregoing is a summary only of the terms of the Series 1 Debentures and is qualified by the more detailed provisions of the Indenture. A copy of the Indenture is available on SEDAR+ at www.sedarplus.ca.

CONSOLIDATED CAPITALIZATION

There have been no material changes in the Company’s share or loan capital on a consolidated basis since June 30, 2023 to the date of this prospectus. After giving effect to the Offering, a maximum of C\$982.2 million principal amount of the Series 1 Debentures will be outstanding. The net proceeds from the Offering are expected to be used by the Company to pay down indebtedness under the Credit Facility, with any remaining proceeds to be used for future acquisitions. See “*Use of Proceeds*”.

USE OF PROCEEDS

The estimated net proceeds to the Company from the Offering, after deducting the expenses of the Offering estimated to be approximately C\$750,000, will be approximately C\$930,250,000, assuming the exercise of all Rights. The net proceeds from the Offering are expected to be used by the Company to pay down indebtedness under the Credit Facility, with any remaining proceeds to be used for future acquisitions. The Credit Facility may be used by the Company for general corporate purposes, including acquisitions. The existing indebtedness under the Credit Facility, for which a portion of the proceeds are intended to be used, was incurred by the Company in the ordinary course of its operations, primarily as a short-term source of working capital and to fund acquisitions. As of August 22, 2023, US\$488 million was owing under our Credit Facility. For further information regarding the outstanding amounts owing under our Credit Facility, please refer to the Q2 MD&A, which is incorporated by reference in this prospectus.

The Company intends to spend the funds available to the Company as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.

PLAN OF DISTRIBUTION

Each Shareholder of record on the Record Date will receive one Right for each Common Share held. This prospectus qualifies for distribution under applicable Canadian securities laws the Rights and the Series 1 Debentures issuable on the exercise of the Rights in each of the provinces and territories of Canada, and also covers the offer and sale of the Series 1 Debentures issuable upon exercise of the Rights within the United States under the U.S. Securities Act. However, notwithstanding registration under the U.S. Securities Act, the securities or blue sky laws of certain states may not permit or may limit the Company's ability to offer Rights and/or Series 1 Debentures in such states, or to certain persons in those states. The Company will only offer Rights in states where, and to such persons to whom, it is legally permitted to do so.

The Offered Securities have not been qualified under the securities laws of any jurisdiction other than the Eligible Jurisdictions. Except as described herein, Rights may not be exercised by or on behalf of an Ineligible Holder. This prospectus is not, and under no circumstances is to be construed as, an offering of any of the Offered Securities for sale in any Ineligible Jurisdiction or to Ineligible Holders or a solicitation therein or thereto of an offer to buy any securities. Rights DRS Advices will not be sent to any Shareholder with an address of record in an Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a letter advising them that their Rights DRS Advices will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering - Ineligible Holders*".

There is currently no market through which the Rights may be sold. There can be no assurance that an active trading market will develop for the Rights or, if developed, that such a market will be sustained. To the extent that an active trading market for the Rights does not develop, the pricing of the Rights in the secondary market, the transparency and availability of trading prices and the liquidity of the Rights may be adversely affected.

The currently outstanding Common Shares are listed and posted for trading on the TSX under the symbol "CSU". The currently outstanding Series 1 Debentures are listed and posted for trading on the TSX under the symbol "CSU.DB". The TSX has approved the listing of the Rights and the additional Series 1 Debentures subject to the Company fulfilling all of the requirements of the TSX. The Rights will be listed on the TSX under the symbol "CSU.RT" and will be posted for trading on the TSX until 12:00 pm (Toronto time) on the Expiry Date at which time they will be halted from trading.

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TRADING PRICE AND VOLUME OF SERIES 1 DEBENTURES

The outstanding Series 1 Debentures are listed and posted for trading on the TSX under the trading symbol "CSU.DB". The following table sets forth, for the period indicated, the high and low trading prices and the trading volumes of the Series 1 Debentures as reported by the TSX:

<u>Period</u>	<u>High (C\$)⁽¹⁾</u>	<u>Low (C\$)⁽¹⁾</u>	<u>Volume</u>
2023			
August (August 1 to August 22)	143.50	137.00	665,820
July	143.49	139.5	347,000
June	141.55	139.1	503,300
May	141	139	64,100
April	141.5	137.01	870,000
March	141	137	3,170,000
February	139	135	6,312,330
January	141	136	4,715,474
2022			
December	139.5	137	3,599,005
November	141	137	3,526,000
October	140	137.875	1,308,451
September	140	135	1,809,000
August	143	140.01	769,000
July	145.75	142	2,291,474
June	149.5	143.5	1,497,530
May	148	142	515,000
April	144.5	142	634,505
March	145	140.1	595,710
February	143	140.1	314,000
January	141	139	4,696,699
2021	141.74	128.5	10,574,511
2020	135	115.01	32,049,210
2019	139.99	117	16,163,319
2018	129	117.99	18,608,637
2017	125	113	45,920,766
2016	119.99	107	28,400,999
2015	125	108.5	17,797,228
2014	119.5	112	2,580,200

(1) Trading prices include accrued interest.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act applicable to a holder in respect of the receipt, exercise and disposition of Rights under the Offering and of acquiring, holding, exercising and disposing, of Series 1 Debentures received upon the exercise of Rights. This summary is only applicable to a holder of Rights who acquires such rights under this Offering and a holder who acquires, as beneficial owner, Series 1 Debentures pursuant to the exercise of Rights and who, for purposes of the Tax Act and at all relevant times, holds the Rights and Series 1 Debentures as capital property (a "Holder"). Generally, the Rights and Series 1 Debentures will be considered to be capital property to a Holder provided the Holder does not hold the Rights or Series 1 Debentures in the course

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of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. In this section, a reference to a “**Right**” includes a fraction thereof.

This summary is not applicable to a Holder: (i) that is a “financial institution” (as defined in the Tax Act for purposes of the “mark-to-market rules”); (ii) an interest in which is a “tax shelter” or a “tax shelter investment” (each as defined in the Tax Act); (iii) that is a “specified financial institution” (as defined in the Tax Act); (iv) who makes or has made a “functional currency” reporting election under the Tax Act; or (v) that has entered or will enter into a “derivative forward agreement” (as defined in the Tax Act) with respect to the Rights and Series 1 Debentures. Any such Holder should consult its own tax advisor with respect to the income tax consequences associated with Rights and Series 1 Debentures.

This summary is based upon the facts set forth in this prospectus, the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly and officially announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”) published in writing by it prior to the date hereof. This summary assumes the Tax Proposals will be enacted in the form proposed. However, no assurance can be given that the Tax Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action or decision, or any changes in the CRA’s administrative policies or assessing practices, nor does it take into account any other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not and should not be construed as legal or tax advice to any holder of Rights or any prospective purchaser or holder of Series 1 Debentures, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective purchasers or holders of Rights and Series 1 Debentures should consult their own tax advisors regarding the Canadian federal income tax consequences with respect to their particular circumstances, and any other consequences to them of such transactions under Canadian federal, provincial, local or foreign tax laws.

Holders Resident in Canada

The following portion of the summary is applicable to a Holder of Rights and Series 1 Debentures who, at all relevant times, is resident or deemed to be resident in Canada for purposes of the Tax Act and deals at arm’s length with, and is not affiliated with, the Company (a “**Resident Holder**”). Certain Resident Holders who might not otherwise be considered to hold their Series 1 Debentures as capital property may, in certain circumstances, be entitled to have their Series 1 Debentures and all other “Canadian securities” (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election does not apply to Rights. Resident Holders should consult their own tax advisors regarding their particular circumstances.

Rights Dividend and the Receipt of Rights

A Resident Holder that receives the Rights Dividend declared by the Company on its Common Shares will be required to include the amount of the Rights Dividend in computing such Resident Holder’s income for that taxation year. The amount of the Rights Dividend will be equal to the fair market value, at the time of receipt, of the Rights received by the Holder on account of such dividend.

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In the case of an individual (other than certain trusts), such Rights Dividend will be subject to the gross-up and dividend tax credit rules normally applicable in respect of “taxable dividends” received from “taxable Canadian corporations” (each as defined in the Tax Act). An enhanced dividend tax credit will be available to individuals in respect of “eligible dividends” (as defined in the Tax Act) designated by the Company in accordance with the provisions of the Tax Act. The Company intends to designate the Rights Dividend as an eligible dividend in accordance with the Tax Act.

The Rights Dividend received by a corporation that is a Resident Holder of Common Shares must be included in computing its income for a taxation year but generally will be deductible in computing its taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors in this regard.

A Resident Holder that is a “private corporation” or a “subject corporation” (as defined in the Tax Act) may be liable to pay a tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year.

The cost of the Rights received for purposes of the Tax Act will equal the fair market value, at the time of receipt, of such Rights. In determining the adjusted cost base to the Resident Holder of a Right, the cost of each Right held by a Resident Holder will be averaged with the adjusted cost base of each other identical Right (determined in accordance with the Tax Act) held by the Resident Holder for the purposes of determining the adjusted cost base to that Resident Holder of each Right so held.

Exercise of Rights

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a Resident Holder upon the exercise of Rights.

Series 1 Debentures acquired by a Resident Holder upon the exercise of Rights will have a cost to the Resident Holder equal to the aggregate of the subscription price paid by a Resident Holder plus the adjusted cost base to the Resident Holder of the exercised Rights.

In determining the adjusted cost base to the Resident Holder of a Series 1 Debenture, the cost of each Series 1 Debenture held by a Resident Holder will be averaged with the adjusted cost base of each other identical Series 1 Debenture (determined in accordance with the Tax Act) held by the Resident Holder.

Disposition of Rights

A Resident Holder who disposes of, or is deemed to dispose of, a Right (otherwise than by exercise of the Right) will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Right to the Resident Holder. Such capital gain (or capital loss) will be subject to the tax treatment described below under “*Capital Gains and Capital Losses*”.

Expiry of Rights

Generally, the expiry of an unexercised Right will result in a capital loss to a Resident Holder equal to the adjusted cost base, if any, of the Right immediately before its expiry. Any such capital loss will be subject to the tax treatment described below under “*Capital Gains and Capital Losses*”.

Interest on Series 1 Debentures

Series 1 Debentures are “indexed debt obligations” (as defined in the Tax Act). Accordingly, the normal rules which require certain taxpayers to include interest in income on an accrual basis will not apply. Rather, a

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Resident Holder of Series 1 Debentures will be required to include in its income for each taxation year in which the Resident Holder owned a Series 1 Debenture any Current Rate interest and Floating Interest, as applicable, which has been received or become receivable by the Resident Holder in that taxation year, depending upon the method regularly followed by the Resident Holder in computing income, except to the extent that the Resident Holder included such amounts in income for a preceding year.

The particular rules in the Tax Act relating to indexed debt obligations are complex. Resident Holders are urged to consult their own tax advisors concerning the application of such rules.

Disposition of Series 1 Debentures

A disposition or deemed disposition of a Series 1 Debenture by a Resident Holder (including upon redemption, or repayment on maturity) should generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the Resident Holder's adjusted cost base thereof. For this purpose, proceeds of disposition generally will not include amounts required to be included in income as interest. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Capital Gains and Capital Losses*".

Upon a disposition or deemed disposition of a Series 1 Debenture, interest (including amounts deemed to be interest) accrued thereon to the date of disposition will be included in computing the income of the Resident Holder as described above under "*Interest on Series 1 Debentures*", and will be excluded in computing the Resident Holder's proceeds of disposition of the Series 1 Debentures.

Series 1 Debentures Purchased at a Premium

The cost to a Resident Holder of Series 1 Debentures acquired on the exercise of Rights will exceed the principal amount of the Series 1 Debentures and that cost will be averaged in determining the adjusted cost base to a Resident Holder of a Series 1 Debenture (as described above under "*Exercise of Rights*"). Accordingly, a Resident Holder who disposes of Series 1 Debentures upon a redemption by the Company or upon maturity is generally expected to realize a capital loss. Capital losses may not be applied against interest income received by the Resident Holder on the Series 1 Debentures (refer to "*Capital Gains and Capital Losses*" below).

Capital Gains and Capital Losses

Generally, a Resident Holder will be required to include in computing income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in that year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will be required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in the taxation year from taxable capital gains realized by the Resident Holder in such taxation year. Allowable capital losses in excess of taxable capital gains for the taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

Alternative Minimum Tax

Capital gains realized by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to liability for alternative minimum tax under the Tax Act. The Minister of Finance (Canada) announced proposed changes to the existing rules in the Tax Act relating to alternative minimum tax in the federal budget on March 28, 2023. Draft legislation implementing those changes was released on August 4, 2023.

Additional Refundable Tax

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) on its

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“aggregate investment income” for the year, which is defined in the Tax Act to include taxable capital gains and interest. Pursuant to certain Tax Proposals, such additional tax may also apply to a Resident Holder that is a “substantive CCPC” (as defined in the Tax Proposals).

Holders Not Resident in Canada

The following portion of the summary is applicable to a Holder of Rights and Series 1 Debentures who, at all relevant times: (i) is not and is not deemed to be, a resident of Canada for purposes of the Tax Act; (ii) deals at arm’s length with the Company for purposes of the Tax Act; (iii) does not use or hold and is not deemed to use or hold the Rights and Series 1 Debentures in the course of carrying on business in Canada; (iv) is not an insurer for purposes of the Tax Act; (v) deals at arm’s length with any person resident (or deemed to be resident) in Canada to whom the Holder disposes of a Series 1 Debenture; (vi) is entitled to receive all payments made on the Series 1 Debentures; (vii) is not an entity in respect of which the Company is a “specified entity” (within the meaning of proposed subsection 18.4(1) of the Tax Act as contained in Tax Proposals released on April 29, 2022 (the “**Hybrid Mismatch Proposals**”)); and (viii) is not a “specified shareholder” (as defined in subsection 18(5) of the Tax Act) of the Company or a person who does not deal at arm’s length with such a specified shareholder (a “**Non-Resident Holder**”). This summary assumes that no amount paid or payable to a Non-Resident Holder will be the deduction component of a “hybrid mismatch arrangement” under which the payment arises within the meaning of proposed paragraph 18.4(3)(b) of the Tax Act as contained in the Hybrid Mismatch Proposals.

Rights Dividend and the Receipt of Rights

A Non-Resident Holder who receives the Rights Dividend declared by the Company on its Common Shares will be subject to Canadian withholding tax on such dividend. The amount of the Rights Dividend will be equal to the fair market value, at the time of receipt, of the Rights received by the Holder on account of such dividend.

A Non-Resident Holder will generally be subject to Canadian withholding tax at a rate of 25% on the gross amount of the dividend, unless such rate is reduced under the terms of an applicable income tax treaty or convention. For example, under the *Canada-United States Tax Convention (1980)*, as amended (the “**Canada-U.S. Treaty**”), where a dividend is paid (or deemed to be paid) on the Common Shares to a resident of the United States for the purposes of the Canada-U.S. Treaty, who is the beneficial owner of the dividends, and who is entitled to all the benefits under the Canada-U.S. Treaty, the applicable rate of Canadian withholding tax generally is reduced to 15%.

A portion of the Rights otherwise to be delivered to a Non-Resident Holder may be sold by the Company on behalf of the Non-Resident Holder in order to fund the applicable withholding taxes.

Exercise of Rights

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a Non-Resident Holder upon the exercise of Rights.

Disposition of Rights

A Non-Resident Holder who disposes of or is deemed to dispose of a Right (otherwise than by exercise of the Right) will not be subject to tax under the Tax Act in respect of any capital gain realized on such a disposition, unless the Right constitutes “taxable Canadian property” of the Non-Resident Holder and such holder is not entitled to relief under an applicable income tax treaty or convention. The Company believes the Rights will not be “taxable Canadian property”.

Expiry of Rights

The expiry of an unexercised Right will not result in any Canadian federal income tax consequences to a Non-Resident Holder provided the Right does not constitute “taxable Canadian property”.

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Interest on Series 1 Debentures

Amounts paid or credited, or deemed to be paid or credited, as, on account or in lieu of payment of, or in satisfaction of the principal amount of the Series 1 Debentures or interest on the Series 1 Debentures by the Company to a Non-Resident Holder will be exempt from Canadian withholding tax.

Disposition of Series 1 Debentures

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition of a Series 1 Debenture provided the Series 1 Debenture does not constitute “taxable Canadian property” of such holder. No other taxes on income will be payable under the Tax Act by a Non-Resident Holder in respect of the acquisition, ownership or disposition of the Series 1 Debentures.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of material U.S. federal income tax consequences to U.S. Holders (as defined below) of Common Shares of (i) the receipt, ownership, exercise, expiration and disposition of the Rights issued pursuant to this Offering and (ii) the ownership and disposition of Series 1 Debentures received upon exercise of such Rights. This discussion is based on existing provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), final and temporary Treasury Regulations promulgated thereunder, administrative pronouncements or practice, judicial decisions, and interpretations of the foregoing, all as of the date hereof. Future legislative, judicial or administrative modifications, revocations or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed herein. This discussion is not binding on the U.S. Internal Revenue Service (the “IRS”). No ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal income tax consequences discussed herein. There can be no assurance that the IRS will not challenge any of the conclusions described herein or that a U.S. court will not sustain such challenge.

As used herein, a “U.S. Holder” is a beneficial owner of Common Shares, Rights or Series 1 Debentures that is (i) a citizen or individual resident of the United States as determined for U.S. federal income tax purposes; (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate the income of which is subject to any U.S. federal income taxation regardless of its source; and (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. If a pass-through entity, including a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, holds Common Shares, Rights or Series 1 Debentures, the U.S. federal income tax treatment of an owner or partner generally will depend upon the status of such owner or partner and upon the activities of the pass-through entity. A U.S. person that is an owner or partner of a pass-through entity holding Common Shares, Rights or Series 1 Debentures is urged to consult its own tax advisor.

This discussion does not address any U.S. federal alternative minimum tax, U.S. federal estate, gift, or other non-income tax; or state, local or non-U.S. tax consequences. In addition, this discussion does not address the U.S. federal income tax consequences to certain categories of U.S. Holders subject to special rules, including, without limitation, U.S. Holders that are (i) banks, financial institutions, thrifts or insurance companies; (ii) regulated investment companies or real estate investment trusts; (iii) brokers or dealers in securities or currencies or traders in securities that elect to use a mark-to-market method of accounting; (iv) tax-exempt organizations, qualified retirement plans, individual retirement accounts or other tax-deferred accounts; (v) holders that hold a Common Share, Right or Series 1 Debenture as part of a hedge, straddle, conversion transaction or a synthetic security or other integrated transaction; (vi) holders that have a “functional currency”

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other than the U.S. dollar; (vii) holders that own directly, indirectly or constructively 10 percent or more of the voting power of the Company; (viii) U.S. expatriates, (ix) persons required to accelerate the recognition of any item of gross income as a result of any item of gross income with respect to the Series 1 Debentures being taken into account in an applicable financial statement, (x) U.S. Holders that hold debentures through non-U.S. brokers or other non-U.S. intermediaries, and (xi) partnerships and other pass-through entities and investors in pass-through entities that hold the Series 1 Debentures.

This discussion assumes that the Rights and Series 1 Debentures are held as capital assets (generally, property held for investment), within the meaning of Section 1221 of the Code, in the hands of a U.S. Holder at all relevant times.

The treatment of the receipt, exercise, expiration and cancellation of the Rights for U.S. federal income tax purposes is not entirely clear. The uncertainty is attributable to a variety of factors, including the limited authorities that address such treatment and the ability of the Company to withdraw or cancel the rights offering if certain conditions are not met. The discussion below assumes that, for U.S. federal income tax purposes, the distribution of the Rights is treated as a distribution of Rights to acquire Series 1 Debentures occurring on the distribution date and such Rights are property. The discussion below also assumes that the Rights will have a fair market value for U.S. federal income tax purposes on the date of distribution.

A U.S. HOLDER OF COMMON SHARES, RIGHTS OR SERIES 1 DEBENTURES IS URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE APPLICATION OF U.S. FEDERAL TAX LAWS TO ITS PARTICULAR SITUATION AND ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION.

Taxation of Rights

Receipt of Rights

A U.S. Holder that receives a Right in respect of a Common Share should generally be treated as receiving a distribution equal to the fair market value of such Right on the date of its distribution from the Company. Such distribution will be treated as a dividend to the extent it is made from the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If such fair market value exceeds the Company's current and accumulated earnings and profits, such excess generally should be treated first as a tax-free return of capital to the extent of the U.S. Holder's tax basis in such Common Share, and then as capital gain. The Company anticipates that its current and accumulated earnings and profits will exceed the aggregate fair market value of the Rights on the date of their distribution.

Subject to applicable exceptions with respect to short-term and hedged positions, certain dividends received by a non-corporate U.S. Holder from a "qualified foreign corporation" may be eligible for reduced rates of taxation. A qualified corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Treasury Department determines to be satisfactory for these purposes and that includes an exchange of information provision. The U.S. Treasury has determined that the Canada-U.S. Income Tax Convention (1980) meets these requirements, and the Company believes that it is eligible for the benefits of the Canada-U.S. Income Tax Convention. Dividends received by U.S. investors from a foreign corporation that was a passive foreign investment company (a "PFIC") in either the taxable year of the distribution or the preceding taxable year will not constitute qualified dividends. The Company believes that it was not a PFIC in the preceding taxable year, and the Company does not expect it to become a PFIC in the current taxable year. However, the determination of PFIC status for any year is very fact specific, and there can be no assurance in this regard.

A U.S. Holder will be required to fund any tax required to be paid as a result of the distribution of a Right from other sources.

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A U.S. Holder's adjusted tax basis in a Right should generally equal its fair market value on the date of its distribution. A U.S. Holder's holding period for a Right should begin on the day that such Right is received by such U.S. Holder.

Exercise of Rights

A U.S. Holder generally should not recognize any gain or loss upon the exercise of a Right and related receipt of Series 1 Debentures. A U.S. Holder's initial tax basis in a Series 1 Debenture received upon the exercise of Rights should be equal to the sum of (a) such U.S. Holder's adjusted tax basis in such Rights, plus (b) the Subscription Price paid by such U.S. Holder on the exercise of such Rights. A U.S. Holder's holding period for a Series 1 Debenture received on the exercise of Rights will begin with and include the day that such Rights are exercised by such U.S. Holder. The U.S. dollar cost of a Series 1 Debenture purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Series 1 Debentures traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

Disposition of Rights

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Right in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's adjusted tax basis in the Right sold or otherwise disposed of. Any such gain or loss will generally be short-term capital gain or loss if the U.S. Holder held the Right for less than a year. The deductibility of capital losses is subject to various limitations.

If the consideration received on the sale of a Right is not in U.S. dollars, the amount realized generally will equal the U.S. dollar value of the payment received calculated at the spot rate on the date of the disposition. If the Rights are traded on an established securities market (as determined under the applicable Treasury Regulations), a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of any foreign currency received by translating such amount at the spot rate on the settlement date, rather than on the date of execution. Any such election by any accrual basis U.S. Holder will apply to all debt instruments held by such U.S. Holder and cannot be changed without the consent of the IRS.

Additionally, if a U.S. Holder receives any foreign currency on the sale of a Right, such U.S. Holder may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale of the Right and the date the sale proceeds are converted into U.S. dollars.

Expiration of Rights

If a Right expires without being exercised by a U.S. Holder, the U.S. Holder should generally recognize a short-term capital loss in an amount equal to such U.S. Holder's adjusted tax basis in such right. Capital losses are generally available to offset only capital gain (except, to the extent of up to \$3,000 of capital loss per year, in the case of a non-corporate U.S. Holder) and therefore generally cannot be used to offset any dividend income arising from the receipt of a Right or other income.

Cancellation of the Offering

There is no authority that specifically addresses the tax treatment of a U.S. Holder that receives, sells or exercises a Right if the Company subsequently cancels the Offering. Certain authorities suggest that a U.S. Holder that receives a Right and does not sell or otherwise dispose of such Right may not be taxed on the receipt or cancellation of such right if the receipt and cancellation occur in the same taxable year. However, the scope of those authorities is unclear and the Company and applicable withholding agents are likely to take the position, for

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information reporting and backup withholding purposes, that the treatment described above under “Receipt of Rights” and below under “Information Reporting and Backup Withholding” continue to apply to such a U.S. Holder.

If a U.S. Holder has dividend income upon the receipt of a Right, even though the Company subsequently cancels the Offering, the U.S. Holder should generally have a short-term capital loss upon the cancellation of the Right in an amount equal to such U.S. Holder’s adjusted tax basis in such Right.

Taxation of Series 1 Debentures received upon Exercise of Rights

Qualified Reopening

The issuance of additional Series 1 Debentures pursuant to the exercise of the Rights issued pursuant to this Offering (the “**Additional Series 1 Debentures**”) is a reopening of the issuance of the C\$68 million principal amount of Series 1 Debentures issued on October 1, 2014, the C\$28 million principal amount of Series 1 Debentures issued on November 19, 2014 and the C\$186.2 million principal amount of Series 1 Debentures issued on September 30, 2015 (the “**Existing Series 1 Debentures**”). Additional debt instruments issued in a “qualified reopening” are treated as part of the same issue as the original debt instruments for U.S. federal income tax purposes. A qualified reopening includes, among other things, a reopening in which the additional debt instruments are issued for cash to persons unrelated to the issuer (as determined under section 267(b) or 707(b) of the Code) for an arm’s length price and, on the date on which the price of the additional debt instruments is established, the yield of the additional debt instruments (based on their fair market value or cash purchase price, whichever is applicable) is not more than 100% of the yield of the original debt instruments on their issue date.

As discussed below, the yield of the Existing Series 1 Debentures and the Additional Series 1 Debentures is determined under complex rules, the application of which is not free from doubt. It is not clear whether the Additional Series 1 Debentures will be eligible to be treated as issued in a qualified reopening because they may be treated as issued for cash and the Rights, rather than solely for cash, or because they may be treated as having been sold at less than an arm’s length price. Further, there is no authority directly on point regarding the application of the qualified reopening rules to a reopening of a debt instrument that pays a variable interest rate. Nonetheless, because the Company expects the yield of the Additional Series 1 Debentures on the date on which the price of the Additional Series 1 Debentures is established to satisfy the yield test described above, the Company intends to treat the issuance of the Additional Series 1 Debentures as a qualified reopening of the issuance of the Existing Series 1 Debentures. Accordingly, for U.S. federal income tax purposes, the Company currently intends to treat the Additional Series 1 Debentures as issued with original issue discount (“OID”) and as having the same adjusted issue price as the Existing Series 1 Debentures. If the issuance of the Additional Series 1 Debentures is not treated as a qualified reopening, whether because of changes in the yield of the Series 1 Debentures between the date of this prospectus and the date on which the price of the Additional Series 1 Debentures is established, or because the IRS successfully challenges the treatment of the issuance as a qualified reopening, the Additional Series 1 Debentures would be treated as a separate issuance from the Existing Series 1 Debentures. As a result, the Additional Series 1 Debentures would have a different issue price and a different amount of OID from the Existing Series 1 Debentures, and would not be fungible with the Existing Series 1 Debentures.

Issue Price - Qualified Reopening of Existing Series 1 Debentures

As described above, the Company intends to treat the Additional Series 1 Debentures as having the same adjusted issue price as the Existing Series 1 Debentures. An Existing Series 1 Debenture’s “issue price” generally is:

- a) in the case of an Existing Series 1 Debenture issued for money, the first price at which a substantial amount of Series 1 Debentures included in the issue of which the Existing Series 1 Debenture is a part

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- was sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers;
- b) in the case of an Existing Series 1 Debenture that was not described in (a) and was part of an issue that was traded on an established market, the fair market value of the Existing Series 1 Debenture on the issue date;
 - c) in the case of an Existing Series 1 Debenture that was not described in (a) or (b) and was issued for property that was traded on an established market, the fair market value of the property on the issue date;
 - d) in the case of an Existing Series 1 Debenture that was not described in (a), (b) or (c), if section 1274 applied, the issue price determined under section 1274; and
 - e) in the case of an Existing Series 1 Debenture that was not described in (a), (b), (c), or (d), the stated redemption price at maturity.

It is not clear whether the Existing Series 1 Debentures were issued for money, in which case the first rule applied, or for a combination of money and property (that is, the surrender of the Rights), in which case various rules may have applied. Under any of the definitions described above, the Company believes that the issue price of an Existing Series 1 Debenture equaled at least the original subscription price for an Existing Series 1 Debenture (being C\$95.00 per C\$100 principal amount of Existing Series 1 Debentures), because a U.S. Holder that acquired an Existing Series 1 Debenture by the exercise of Rights paid the subscription price in cash, but no more than the total of the original subscription price for an Existing Series 1 Debenture plus the fair market value of the Rights on the date of issue of the Existing Series 1 Debentures.

Issue Price - Separate Issuance of Additional Series 1 Debentures

If the issuance of the Additional Series 1 Debentures is not treated as a qualified reopening, the issue price of an Additional Series 1 Debenture will be determined without regard to the issue price of the Existing Series 1 Debentures, but in the manner described above under “Issue Price - Qualified Reopening of Existing Series 1 Debentures”. In such event, the Additional Series 1 Debentures would not be issued with the same issue price or amount of OID as the Existing Series 1 Debentures.

Variable Rate Debt Instrument

Complex rules apply to debt instruments treated as “contingent payment debt instruments.” However, a debt instrument that is treated as a “variable rate debt instrument” (a “VRDI”) will not be characterized as a contingent payment debt instrument. The definition of a VRDI includes a debt instrument that, among other things, does not provide for any stated interest other than stated interest (compounded or paid at least annually) at a current value of a single objective rate. A current value is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day. An objective rate is in general a rate that is determined using a single fixed formula and that is based on objective financial or economic information. If interest on a debt instrument is stated at a fixed rate for an initial period of 1 year or less followed by a variable rate that is an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single objective rate. Although the conclusion is not free from doubt, the interest rate on a Series 1 Debenture should be an objective rate and a Series 1 Debenture should be treated as a VRDI under the rules described above. If the Series 1 Debentures were characterized as contingent payment debt instruments, a U.S. Holder might, among other things, be required to accrue interest income at a higher rate than the stated interest rate on the Series 1 Debentures and to treat any gain recognized on the sale or other disposition of a Series 1 Debenture as ordinary income rather than as capital gain.

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Original Issue Discount

A debenture with a term that exceeds one year will constitute a discount debenture issued with OID if the stated redemption price at maturity of the debenture exceeds its issue price by more than the *de minimis* amount of $\frac{1}{4}$ of 1 percent of the “stated redemption price at maturity” multiplied by the number of complete years from the issue date of the debenture to its maturity. The “stated redemption price at maturity” of a Series 1 Debenture is the total of all payments provided by the Series 1 Debenture that are not payments of qualified stated interest. Generally, an interest payment on a debenture is “qualified stated interest” if it is one of a series of stated interest payments on a debenture that are unconditionally payable at least annually at a single fixed rate, one or more qualified floating rates, or a single objective rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debenture. Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the debenture otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency.

Because failure to pay interest is not an Event of Default and the Company may make the PIK Election, stated interest on the Series 1 Debentures is not considered unconditionally payable for purposes of the definition of qualified stated interest. As a result, the Existing Series 1 Debentures were issued with OID, and the Additional Series 1 Debentures will be issued with OID (regardless of whether the issuance of Additional Series 1 Debentures is treated as a qualified reopening). Because the Series 1 Debentures have OID, a U.S. Holder will be required to include OID in gross income for U.S. federal income tax purposes as it accrues (regardless of such U.S. Holder’s method of accounting), which may be in advance of receipt of the cash attributable to that income. OID accrues under the constant-yield method, based on a compounded yield to maturity, as described below. The Company will provide certain information to the IRS and/or U.S. Holders that is relevant to determining the amount of OID in each accrual period. If the issuance of Additional Series 1 Debentures is not treated as a qualified reopening, the amount of OID with respect to the Additional Series 1 Debentures will vary from the amount of OID with respect to the Existing Series 1 Debentures.

The annual amounts of OID includible in income by a U.S. Holder will equal the sum of the “daily portions” of the OID with respect to a Series 1 Debenture for each day on which such U.S. Holder owns the Series 1 Debenture during the taxable year. Generally, a U.S. Holder determines the daily portions of OID by allocating to each day in an “accrual period” a pro rata portion of the OID that is allocable to that accrual period. The term “accrual period” means an interval of time with respect to which the accrual of OID is measured and which may vary in length over the term of a Series 1 Debenture provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first or last day of an accrual period.

The amount of OID allocable to an accrual period will be the excess of:

- a) the product of the “adjusted issue price” of the Series 1 Debenture at the beginning of the accrual period and its “yield to maturity” over
- b) the aggregate amount of any qualified stated interest payments allocable to the accrual period.

The adjusted issue price of a Series 1 Debenture at the beginning of the first accrual period is its issue price, and, on any day thereafter, it is the sum of the issue price and the amount of OID previously included in gross income, reduced by the amount of any payment (other than a payment of qualified stated interest) previously made on the Series 1 Debenture. If all accrual periods are of equal length except for a shorter initial and/or final accrual period, a U.S. Holder may compute the amount of OID allocable to the initial period using any reasonable method; however, the OID allocable to the final accrual period will always be the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period.

OID accrued on a Series 1 Debenture (and any amount withheld in respect of non-U.S. taxes) will be taxable to a U.S. Holder as foreign-source ordinary income.

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Treatment of PIK Series 1 Debentures

If PIK Series 1 Debentures are issued to satisfy interest on the Series 1 Debentures, a newly distributed PIK Series 1 Debenture issued in respect of a Series 1 Debenture will be aggregated with the Series 1 Debenture and will be treated as part of the Series 1 Debenture with respect to which it was issued. Thus, the initial issue price of a newly distributed PIK Series 1 Debenture issued in respect of a Series 1 Debenture likely will be determined by allocating the adjusted issue price, at the time of distribution, of the underlying Series 1 Debenture between the newly distributed PIK Series 1 Debenture and the underlying Series 1 Debenture in proportion to their respective principal amounts. A portion of the basis of such Series 1 Debenture will be allocated to such PIK Series 1 Debenture and OID on such PIK Series 1 Debenture will accrue in the same manner as described above in the case of such Series 1 Debenture. A U.S. Holder's holding period for any PIK Series 1 Debenture with respect to an original Series 1 Debenture will likely be identical to such U.S. Holder's holding period for the original Series 1 Debenture. The same rules would apply to a PIK Series 1 Debenture received in lieu of cash interest on a PIK Series 1 Debenture.

Foreign Currency

If a U.S. Holder receives foreign currency as payments on a Series 1 Debenture, such U.S. Holder will accrue OID on the Series 1 Debenture in the foreign currency and translate the amount accrued into U.S. dollars based on:

- a) the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year; or
- b) at the U.S. Holder's election, at the spot rate of exchange on (1) the last day of the accrual period (and in the case of a partial accrual period, the spot rate on the last day of the taxable year) or (2) the date of receipt, if such date is within five business days of the last day of the accrual period.

Such election must be applied consistently by a U.S. Holder to all debt instruments from year to year and can be changed only with the consent of the IRS.

A U.S. Holder will recognize foreign currency gain or loss with respect to the OID income accrued on a Series 1 Debenture on the date cash is received in respect of such income (including, on the sale or other disposition of a Series 1 Debenture, the receipt of proceeds that include amounts attributable to OID previously included in income) if the spot rate of exchange on the date the cash is received differs from the rate applicable to a previous accrual of that income as determined above. For these purposes, all payments on a Series 1 Debenture will be treated first, as payments of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual period in which the OID has accrued and to which prior receipts or payments have not been attributable, and second, as the payment of principal. Such foreign currency gain or loss generally will be treated as ordinary income or loss, but generally will not be treated as an adjustment to OID accrued on the Series 1 Debentures. U.S. Holders should be aware that because cash payments in respect of accrued OID on a Series 1 Debenture may not be made until maturity or other disposition of the Series 1 Debenture, a greater possibility exists for the fluctuations in foreign currency exchange rates (and the required recognition of gain or loss) than is the case for foreign currency instruments issued without OID. U.S. Holders are urged to consult with their tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

Series 1 Debentures Purchased at a Premium

If the initial tax basis of a U.S. Holder in a Series 1 Debenture is less than or equal to the sum of all amounts payable on the Series 1 Debenture after the purchase date but is greater than the amount of the Series 1 Debenture's adjusted issue price, as determined above under "*Issue Price*," the excess will be acquisition premium. In this case, unless a U.S. Holder elects to compute OID accruals by treating the purchase as a

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purchase at original issuance and applying the mechanics of the constant-yield method, a U.S. Holder must reduce the daily portions of OID by a fraction equal to:

- a) the excess of its adjusted basis in the Series 1 Debenture immediately after the purchase (generally, the cost of the Series 1 Debenture) over the adjusted issue price of the Series 1 Debenture, divided by
- b) the excess of the sum of all amounts payable on the Series 1 Debenture after the purchase date over the Series 1 Debenture's adjusted issue price.

In the case of a debt instrument that is denominated in, or determined by reference to, a foreign currency, acquisition premium will be computed in units of foreign currency, and acquisition premium will reduce interest income in units of the foreign currency. At the time acquisition premium offsets interest income, exchange gain or loss (taxable as U.S. source ordinary income or loss) will be recognized as measured by the difference between exchange rates at that time and at the time of the acquisition of the Series 1 Debentures.

Purchase, Sale and Retirement of Series 1 Debentures

A U.S. Holder's adjusted tax basis in a Series 1 Debenture will generally be its initial tax basis, as discussed above under "*Taxation of Rights - Exercise of Rights*", increased by the amount of any OID included in the U.S. Holder's income with respect to the Series 1 Debenture, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Series 1 Debenture.

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Series 1 Debenture equal to the difference between the amount realized on the sale or retirement and the holder's tax basis of the Series 1 Debenture. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Series 1 Debentures traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Except to the extent attributable to accrued but unpaid interest or changes in exchange rates, gain or loss recognized on the sale or retirement of a Series 1 Debenture will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Series 1 Debentures exceeds one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale or retirement of a Series 1 Debenture that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction. Gain or loss realized by a U.S. Holder on the sale or retirement of a Series 1 Debenture generally will be U.S. source.

Additionally, if a U.S. Holder receives any foreign currency on the sale of a Series 1 Debenture, such U.S. Holder may recognize ordinary income or loss as a result of currency fluctuations between the date of the sale of the Series 1 Debenture and the date the sale proceeds are converted into U.S. dollars.

Foreign Tax Credit Considerations

For purposes of the U.S. foreign tax credit limitations, interest received by a U.S. Holder with respect to Series 1 Debentures will be foreign source income and generally will be "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income." In general, gain or loss realized upon sale or exchange of the Rights or Series 1 Debentures by a U.S. Holder will be U.S. source income or loss, as the case may be.

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Subject to certain limitations, any Canadian tax withheld may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. Alternatively, a U.S. Holder may, subject to applicable limitations, elect to deduct the otherwise creditable Canadian withholding taxes for U.S. federal income tax purposes. The rules governing the foreign tax credit are complex and their application depends on each taxpayer's particular circumstances. Accordingly, U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Additional Tax on Passive Income

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% additional tax on unearned income, including, among other things, interest on the Series 1 Debentures, and capital gains from the sale or other taxable disposition of, the Rights or Series 1 Debentures, subject to certain limitations and exceptions. U.S. Holders are urged to consult their own tax advisors regarding the possible implications of the additional tax on investment income described above.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Series 1 Debentures as a reportable transaction if the loss exceeds US\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for non-individual U.S. Holders. In the event the acquisition, holding or disposition of Series 1 Debentures constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS, and the Company and its advisers may also be required to disclose the transaction to the IRS. In addition, the Company and its advisers may be required to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. U.S. Holders are urged to consult their tax advisors regarding the application of these rules to the acquisition, holding or disposition of Series 1 Debentures.

U.S. Information Reporting and Backup Withholding

Under U.S. federal income tax law and regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. Penalties for failure to file certain of these information returns are substantial. U.S. return disclosure obligations (and related penalties for failure to disclose) have also been imposed on U.S. individuals that hold certain specified foreign financial assets in excess of US\$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also may include the Rights and Series 1 Debentures. U.S. Holders of Rights or Series 1 Debentures should consult with their own tax advisors regarding the application of the information reporting rules to the Series 1 Debentures.

Interest on Series 1 Debentures and proceeds from the sale or other disposition of Rights or Series 1 Debentures that are paid in the United States or by a U.S.-related financial intermediary will be subject to U.S. information reporting rules, unless a U.S. Holder is a corporation or other exempt recipient. In addition, payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder fails to provide its taxpayer identification number, fails to certify that such number is correct, fails to certify that such U.S. Holder is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is provided to the IRS in a timely manner.

RISK FACTORS

Before purchasing the Series 1 Debentures, subscribers should carefully consider the following risk factors as well as those set out in the AIF incorporated by reference into this prospectus in addition to the other information contained in this prospectus and incorporated by reference in this prospectus. See “*Documents Incorporated by Reference*”. Additional risks and uncertainties not presently known or that the Company currently considers immaterial also may impair the Company’s business and operations and cause the price of the Series 1 Debentures to decline. If any of the events contemplated in the risk factors described below or in the documents incorporated by reference actually occur, the Company’s business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the Series 1 Debentures could decline, and purchasers of the Series 1 Debentures may lose all or part of their investment.

In addition to the other information set forth elsewhere in this prospectus and in the documents incorporated by reference, prospective investors should carefully review the following risk factors:

Market for Securities. There is currently no market through which the Rights may be sold and there is no guarantee that an active trading market will develop. Accordingly, purchasers may not be able to sell the Rights distributed under this prospectus. This may affect the pricing of the Rights in the secondary market, the transparency and the availability of trading prices and the liquidity of the Rights. Although the TSX has approved the listing of the Rights, there can be no assurance that an active trading market will develop for the Rights after the Offering, or if developed, that such market will be sustained.

Market Conditions. The market price of the Series 1 Debentures will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to CSI, (ii) the overall condition of the financial and credit markets, (iii) interest rate volatility, (iv) fluctuations in the CPI Index, (v) the markets for similar securities, (vi) the financial condition, results of operation and prospects of CSI, (vii) changes in the industry in which CSI operates and competition affecting CSI, and (viii) general market and economic conditions. The price at which the Rights or Series 1 Debentures will trade cannot be accurately predicted.

Additional Indebtedness. The Indenture does not limit the ability of the Company to incur additional debt or liabilities (including Senior Indebtedness). In order to finance acquisitions from time-to-time, the Company expects to draw down additional indebtedness under its Credit Facility. The additional indebtedness will increase the interest payable by the Company from time-to-time until such amounts are repaid, which will represent an increase in the Company’s cost and a potential reduction in the Company’s income. In addition, the Company may need to find additional sources of financing to repay this amount when it becomes due. There can be no guarantee that the Company will be able to obtain financing on terms acceptable to it or at all at such time.

Prior Ranking Indebtedness. The Series 1 Debentures are unsecured and the payment of principal and interest thereon will be subordinate to all existing and future Senior Indebtedness of the Company. The Indenture does not limit the ability of the Company to incur additional debt or liabilities (including Senior Indebtedness). Interest will be payable on the Series 1 Debentures only if no event of default exists under the Senior Indebtedness immediately before or after such payment is due and any other terms of the Senior Indebtedness have been complied with. In addition, the Company will not, without the prior written consent of the applicable lenders under the Credit Facility, be permitted to make any payment of principal in respect of the Series 1 Debentures prior to the maturity date of the Credit Facility, being November 5, 2026. Following the maturity date of the Credit Facility, the Company may enter into a new credit facility with one or more lenders. The terms of any new credit facility may contain additional restrictions on the Company’s ability to redeem or repurchase the Series 1 Debentures, but the nature and extent of such restrictions is not currently known and cannot be predicted. Enforcement of the Series 1 Debentures, including the issuance of a bankruptcy petition, will require the consent of the lenders under the Senior Indebtedness.

Interest Rate will be Reset. The interest rate in respect of the Series 1 Debentures will reset on an annual basis beginning on March 31, 2024 and will be based on changes in the CPI Index over the prior calendar year. In each

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case, the new interest rate is unlikely to be the same as, and may be lower than, the interest rate for the applicable preceding period. As a result, the amount of interest payable on the Series 1 Debentures may rise or fall from one year to the next and such variations may be material during periods of significant changes in the CPI Index. In circumstances where the change in the Cost of Living Adjustment is negative from one year to another, the interest rate applicable to the Series 1 Debentures for the following period could be as low as 0%. The Current Rate will only apply to the Series 1 Debentures in respect of interest payments made on or prior to March 31, 2024. Effective March 31, 2024, the interest payable on the Series 1 Debentures will be based on the applicable Floating Interest rate.

Consumer Prices May Change Unpredictably, Affecting the Level of the CPI Index and the Market Value of the Series 1 Debentures. Market prices of the consumer items underlying the CPI Index may fluctuate based on numerous factors, including: changes in supply and demand relationships; weather; agriculture; trade; fiscal, monetary, and exchange control programs; domestic and foreign political and economic events and policies; disease; technological developments; and changes in interest rates. These factors may affect the level of the CPI Index and the market value of the Series 1 Debentures in varying ways, and different factors may cause the level of the CPI Index to move in inconsistent directions at inconsistent rates.

Ability to Defer Interest Payments or Issue PIK Series 1 Debentures. Any failure by the Company to pay the interest on the Series 1 Debentures in full on any interest payment date will *not* constitute an event of default under the Trust Indenture and holders of Series 1 Debentures will have no right to accelerate payment of the principal amount outstanding under such Series 1 Debentures. In addition, the Company may elect to satisfy all or any portion of the Series 1 Debentures Interest Obligation by issuing PIK Series 1 Debentures. Although the Company will not be permitted to declare dividends of any kind on the Common Shares and will not be permitted to participate in any share buyback or redemption involving the Common Shares until the Company first pays any outstanding interest (or the unpaid portion thereof) to holders of Series 1 Debentures or resumes making subsequent interest payments on the Series 1 Debentures in full in cash, holders of Series 1 Debentures will not have an immediate right to receive such outstanding interest in cash. Instead, any unpaid interest may form part of the principal amount of such Series 1 Debentures and may only become due and payable on the occurrence of an event giving rise to the obligation of the Company to pay or cause the payment of the redemption price, as the case may be, as part of such price and not prior thereto. In addition, if the Company issues PIK Series 1 Debentures in lieu of cash interest on an interest payment date, holders will be required to include in their income the principal amount of such PIK Series 1 Debentures issued despite not having received any cash payment from the Company in satisfaction of the applicable Series 1 Debentures Interest Obligation.

Redemption of Series 1 Debentures. The Series 1 Debentures are redeemable annually, upon no more than five years' and 15 days' and no less than five years' notice, and upon a Change of Control. Although the Company does not currently intend to exercise such redemption right, such redemption right could still be exercised. In such circumstances, redemption could occur when prevailing interest rates are lower than the rate born by the Series 1 Debentures. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Series 1 Debentures being redeemed. The Company's redemption right also may adversely impact a purchaser's ability to sell Series 1 Debentures as the optional redemption date or period approaches.

Exercise of Put Rights. A holder of Series 1 Debentures will have the right to require the Company to repurchase some or all of its Series 1 Debentures annually. However, in order to exercise its put rights, a holder of Series 1 Debentures must provide the Company with no more than five years' and 30 days' and no less than five years' and 15 days' notice and must deposit its Puttable Series 1 Debentures with the Debenture Trustee during this 5 year period. During this time, the Puttable Series 1 Debentures will no longer be transferable over the facilities of the TSX or otherwise. In addition, holders of Series 1 Debentures who hold their Series 1 Debentures through a CDS Participant will, prior to exercising their right to have the Company repurchase such holder's Series 1 Debentures, be required to withdraw their Series 1 Debentures from CDS and obtain a certificate for such Series 1 Debentures in registered form from the Subscription Agent.

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Use of Proceeds of the Offering. As set out under “*Use of Proceeds*” in this prospectus, the Company intends to use the proceeds of the Offering to pay down indebtedness under the Credit Facility, with any remaining proceeds to be used for future acquisitions. There is no minimum Offering size, and there can be no assurance of the amount of proceeds raised in the Offering. There may be circumstances that are not known at this time where a reallocation of the net proceeds of the Offering may be advisable for business reasons that the board of directors and management believe are in the Company’ s best interests.

Prevailing Yields on Similar Securities. Prevailing yields on similar securities will affect the market value of the Series 1 Debentures. Assuming all other factors remain unchanged, the market value of the Series 1 Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Series 1 Debentures are Subject to the Credit Risk of the Company. The obligation to make payments under the Series 1 Debentures is an obligation of the Company. The likelihood that holders of Series 1 Debentures will receive payments owing to them under the Series 1 Debentures will depend on the financial health and creditworthiness of the Company.

Senior Indebtedness Refinancing Risk. The Company’ s Credit Facility expires on November 5, 2026. Although the Company may enter into a new credit facility with one or more lenders on or prior to the expiry of the Credit Facility, the terms of such credit facility cannot be predicted and may contain terms or conditions that are more onerous or restrictive than the Credit Facility. The Company’ s ability to replace the Credit Facility on favourable terms will be dependent on, among other factors, the operating performance of the Company, future debt market conditions, the level of future interest rate spreads, and prospective lenders’ assessment of the Company’ s credit risk at such time. If the Company is unable to obtain a new credit facility on favourable terms, the Company’ s ability to complete acquisitions may be negatively impacted, which may have an adverse effect on the Company’ s financial performance.

There may be Changes in Legislation or Administrative Practices that adversely affect Holders of Series 1 Debentures. There can be no assurance that income tax, securities and other laws or the administrative practices of any government agency will not be amended or changed in a manner which adversely affects Series 1 Debentureholders.

Subscription Rights May Not be Revoked. Subject to the Company’ s right to terminate the Offering at any time, upon delivery or mailing of the completed Rights Subscription Form to the Subscription Agent, the exercise of the Rights and the subscription for the Series 1 Debentures is irrevocable.

The Company May Terminate the Offering. The Company may, in its sole discretion, decide not to continue with the Offering or to terminate the Offering at any time. This decision could be based on many factors, including market conditions. The Company currently has no intention to terminate the Offering, but reserves the right to do so. If the Company elects to cancel or terminate the Offering, neither the Company nor the Subscription Agent will have any obligation with respect to the subscription rights except to return, without interest, any subscription payments the Subscription Agent received.

Inability of Company to Purchase Series 1 Debentures. Upon the occurrence of a Change of Control of the Company, each Series 1 Debentureholder may require the Company to purchase, on the date which is 30 days following the giving of notice of the Change of Control, the whole or any part of such holder’ s Series 1 Debentures at a price equal to 100% of the principal amount plus accrued and unpaid interest up to, but excluding, the Change of Control Put Date. In addition, the Company may be required to redeem and/or repurchase Series 1 Debentures from Series 1 Debentureholders on a date which is approximately five years after the Company has exercised its right to redeem Series 1 Debentures and/or Series 1 Debentureholders have exercised their put rights. It is possible that upon a Change of Control, or upon a redemption or repurchase by the Company of some or all of the Series 1 Debentures, the Company will not have sufficient funds to make the

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required redemption or repurchase of Series 1 Debentures or that restrictions contained in other indebtedness will restrict those purchases. See “*Description of the Series 1 Debentures - Put Right upon a Change of Control*”.

EARNINGS COVERAGE RATIOS

The following earnings coverage ratios and pro forma earnings coverage ratios are calculated on a consolidated basis for the 12 month period ended December 31, 2022 and June 30, 2023, and are derived from the audited consolidated financial statements of the Company as at and for the year ended December 31, 2022 and the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2023, after adjustment for new financial liabilities. The pro forma earnings coverage ratios have been prepared to give effect to the issuance of the Series 1 Debentures as if such issuance had occurred at the beginning of the pro forma calculation period but do not take into account the use of proceeds from such Series 1 Debentures.

The borrowing costs of the Company, after adjustment for new financial liabilities, for the twelve month period ended December 31, 2022 were approximately US\$79 million and for the twelve month period ended June 30, 2023 were approximately US\$113 million. The borrowing costs of the Company for the twelve month period ended December 31, 2022 and the twelve month period ended June 30, 2023, in each case after adjustment for new financial liabilities and after giving effect to the issuance of the Series 1 Debentures, were approximately US\$143 million and US\$166 million respectively. The profit attributable to owners of the Company before borrowing costs and taxes for the twelve month period ended December 31, 2022 was approximately US\$804 million and for the twelve month period ended June 30, 2023 was approximately US\$546 million, in each case after giving effect to the expenses of the Offering. This represents earnings coverage ratios of 10.23 for the twelve month period ended December 31, 2022 and 4.84 for the twelve month period ended June 30, 2023, in each case on a historical basis (after adjustment for new financial liabilities), and 5.63 for the twelve month period ended December 31, 2022 and 3.29 for the twelve month period ended June 30, 2023, in each case after giving effect to the issuance of the Series 1 Debentures.

The earnings coverage ratios noted above include a deduction for amortization of approximately US\$676 million in the 12 month period ended December 31, 2022 and approximately US\$767 million in the 12 month period ended June 30, 2023. If the earnings coverage ratios were adjusted to add back this non-cash deduction, the historical earnings coverage ratio (after adjustment for new financial liabilities) would be 18.83 for the 12 month period ended December 31, 2022 and 11.63 for the 12 month period ended June 30, 2023, and the earnings coverage ratio after giving effect to the issuance of the Series 1 Debentures would be 10.36 for the 12 month period ended December 31, 2022 and 7.92 for the 12 month period ended June 30, 2023.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of Series 1 Debentures offered hereby will be passed upon on behalf of the Company by McCarthy Tétrault LLP, as Canadian counsel to the Company, and Paul, Weiss, Rifkind, Wharton & Garrison LLP, as United States counsel to the Company. As of the date of this prospectus, the partners and associates of McCarthy Tétrault LLP collectively own less than one percent of the Company's issued and outstanding common shares.

LEGAL PROCEEDINGS

We and our subsidiaries are engaged in legal actions from time to time, arising in the ordinary course of business. None of these actions, individually or in the aggregate, are expected to have a material adverse effect on our consolidated financial position or results of operations.

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AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's external auditors are KPMG LLP, located in 100 New Park Place, Suite 1400, Vaughan, ON Canada L4K 0J3. KPMG LLP has confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Common Shares and the Series 1 Debentures is Computershare Trust Company of Canada at its principal transfer office in Toronto, Ontario.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been or will be filed with the SEC as part of the registration statement of which this prospectus forms a part: (i) the documents incorporated by reference herein; (ii) the consent of KPMG LLP; (iii) the consent of McCarthy Tétrault LLP; (iv) powers of attorney of our directors and officers; and (v) the Indenture.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The following individuals, as the Company's directors, reside outside of Canada. The individuals named below have appointed the following agent for service of process:

<u>Name of Person or Company</u>	<u>Name and Address of Agent</u>
Robin van Poelje	Constellation Software Inc., 20 Adelaide Street East, Suite 1200, Toronto, Ontario, M5C 2T6
Susan Gayner	Constellation Software Inc., 20 Adelaide Street East, Suite 1200, Toronto, Ontario, M5C 2T6

Purchasers are advised that it may not be possible for investors to enforce judgements obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

ADDITIONAL INFORMATION

Additional information relating to our Company may be found on the SEDAR+ website (www.sedarplus.ca).

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PART II INFORMATION NOT REQUIRED TO BE SENT TO SHAREHOLDERS

EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1*	<u>The Registrant's annual information form for the year ended December 31, 2022, dated March 29, 2023.</u>
2.2*	<u>The Registrant's management information circular dated March 24, 2022.</u>
2.3*	<u>The Registrant's management information circular dated March 27, 2023.</u>
2.4*	<u>The Registrant's consolidated financial statements for the years ended December 31, 2022 and December 31, 2021, together with the auditor's report thereon.</u>
2.5*	<u>The Registrant's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2022.</u>
2.6	<u>The Registrant's condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and June 30, 2022.</u>
2.7	<u>The Registrant's management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2023.</u>
2.8	<u>The Registrant's material change report dated August 21, 2023.</u>
3.1	<u>Consent of KPMG LLP.</u>
3.2*	<u>Consent of McCarthy Tétrault LLP.</u>
4.1*	<u>Powers of Attorney (included on the signature page of this Registration Statement).</u>
5.1	<u>Indenture between the Registrant and Computershare Trust Company of Canada (incorporated by reference to Exhibit 5.1 to the Registrant's Registration Statement on Form F-7, File No. 333-202951, filed with the Securities and Exchange Commission on March 24, 2015).</u>
5.2	<u>Supplemental indenture between the Registrant and Computershare Trust Company of Canada.</u>

* Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-7 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Toronto, Ontario, Canada on August 24, 2023.

CONSTELLATION SOFTWARE INC.

By: /s/ Jamal Baksh
Name: Jamal Baksh
Title: Chief Financial Officer

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POWERS OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed below by or on behalf of the following persons in the capacities indicated, on August 24, 2023.

Signature	Title
* _____ Mark Leonard	President and Director (Principal Executive Officer)
/s/ Jamal Baksh _____ Jamal Baksh	Chief Financial Officer (Principal Financial and Principal Accounting Officer)
* _____ John Billowits	Chairman of the Board
* _____ Laurie Schultz	Director
* _____ Lori O' Neill	Director
* _____ Claire Kennedy	Director
* _____ Donna Parr	Director
* _____ Andrew Pastor	Director
* _____ Robert Kittel	Director
* _____ Barry Symons	Director
* _____ Mark Miller	Director and Chief Operating Officer
* _____ Jeff Bender	Director
* _____ Susan Gayner	Director
* _____ Robin Van Poelje	Director
*By: /s/ Jamal Baksh _____ Jamal Baksh Attorney-in-fact	

AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of Section 6(a) of the Securities Act of 1933, as amended, the undersigned certifies that it is the duly authorized United States representative of the Registrant and has duly signed this Amendment No. 1 to the Registration Statement on August 24, 2023.

CSI USA INC.

By: /s/ Jamal Baksh

Name: Jamal Baksh

Title: Director

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

CONSTELLATION SOFTWARE INC.

For the three and six months ended June 30, 2023 and 2022
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

	June 30, 2023	December 31, 2022	June 30, 2022
Assets			
Current assets:			
Cash	\$ 970	\$ 811	\$ 676
Accounts receivable	976	892	758
Unbilled revenue	305	218	212
Inventories	56	48	45
Other assets (note 5)	459	497	512
	<u>2,767</u>	<u>2,465</u>	<u>2,203</u>
Non-current assets:			
Property and equipment	128	128	128
Right of use assets	285	283	284
Deferred income taxes	89	159	114
Other assets (note 5)	189	172	145
Intangible assets (note 6)	5,730	4,667	4,447
	<u>6,422</u>	<u>5,410</u>	<u>5,117</u>
Total assets	<u><u>\$ 9,188</u></u>	<u><u>\$ 7,875</u></u>	<u><u>\$ 7,320</u></u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	\$ 734	\$ 505	\$ 389
Debt without recourse to Constellation Software Inc. (note 8)	283	316	206
Redeemable preferred securities (note 9)	500	-	-
Accounts payable and accrued liabilities	1,084	1,082	883
Dividends payable (note 12)	21	21	21
Deferred revenue	1,867	1,484	1,555
Provisions (note 10)	11	11	10
Acquisition holdback payables	148	159	140
Lease obligations	98	96	96
Income taxes payable (note 11)	77	99	81
	<u>4,824</u>	<u>3,772</u>	<u>3,380</u>
Non-current liabilities:			
Debt with recourse to Constellation Software Inc. (note 7)	614	567	541
Debt without recourse to Constellation Software Inc. (note 8)	795	586	746
Deferred income taxes	530	466	455
Acquisition holdback payables	104	75	62
Lease obligations	216	218	222
Other liabilities (note 5)	237	257	244
	<u>2,496</u>	<u>2,169</u>	<u>2,269</u>
Total liabilities	<u><u>7,320</u></u>	<u><u>5,941</u></u>	<u><u>5,650</u></u>
Shareholders' equity (note 12):			
Capital stock	99	99	99
Accumulated other comprehensive income (loss)	(112)	(150)	(147)
Retained earnings	1,547	1,763	1,514
Non-controlling interests (notes 1, 9 and 18)	335	221	204
	<u>1,868</u>	<u>1,933</u>	<u>1,670</u>
Subsequent events (notes 12 and 19)			
Total liabilities and shareholders' equity	<u><u>\$ 9,188</u></u>	<u><u>\$ 7,875</u></u>	<u><u>\$ 7,320</u></u>

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Income (loss)

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

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue				
License	\$ 89	\$ 72	\$ 170	\$ 141
Professional services	428	340	840	610
Hardware and other	63	50	121	97
Maintenance and other recurring	1,459	1,156	2,828	2,201
	<u>2,039</u>	<u>1,618</u>	<u>3,958</u>	<u>3,050</u>
Expenses				
Staff	1,112	873	2,179	1,656
Hardware	36	29	71	56
Third party license, maintenance and professional services	199	153	384	276
Occupancy	13	12	26	23
Travel, telecommunications, supplies, software and equipment	97	80	185	135
Professional fees	36	28	71	52
Other, net	29	32	67	68
Depreciation	40	35	79	67
Amortization of intangible assets (note 6)	213	168	406	314
	<u>1,774</u>	<u>1,411</u>	<u>3,469</u>	<u>2,647</u>
Foreign exchange loss (gain)	16	(42)	26	(42)
IRGA/TSS Membership liability revaluation charge (note 7)	31	29	69	56
Finance and other expense (income) (note 13)	(2)	18	(9)	15
Bargain purchase gain (note 4)	0	(0)	(1)	(1)
Impairment of intangible and other non-financial assets (note 6)	1	0	3	1
Redeemable preferred securities expense (income) (note 9)	94	–	282	–
Finance costs (note 13)	46	25	82	44
	<u>186</u>	<u>30</u>	<u>453</u>	<u>74</u>
Income (loss) before income taxes	79	177	36	328
Current income tax expense (recovery) (note 11)	114	110	217	209
Deferred income tax expense (recovery) (note 11)	(61)	(67)	(123)	(126)
Income tax expense (recovery)	<u>53</u>	<u>43</u>	<u>93</u>	<u>83</u>
Net income (loss)	<u>26</u>	<u>134</u>	<u>(57)</u>	<u>245</u>
Net income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	103	126	198	224
Non-controlling interests (notes 1 and 18)	(78)	8	(255)	21
Net income (loss)	<u>26</u>	<u>134</u>	<u>(57)</u>	<u>245</u>
Earnings per common share of Constellation Software Inc.				
Basic and diluted (note 14)	<u>\$ 4.88</u>	<u>\$ 5.94</u>	<u>\$ 9.32</u>	<u>\$ 10.58</u>

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 26	\$ 134	\$ (57)	\$ 245
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other, net of tax	15	(96)	31	(91)
Other comprehensive income (loss), net of income tax	15	(96)	31	(91)
Total comprehensive income (loss)	<u>\$ 41</u>	<u>\$ 38</u>	<u>\$ (26)</u>	<u>\$ 154</u>
Total other comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	15	(85)	26	(76)
Non-controlling interests (notes 1 and 18)	0	(11)	6	(15)
Total other comprehensive income (loss)	<u>\$ 15</u>	<u>\$ (96)</u>	<u>\$ 31</u>	<u>\$ (91)</u>
Total comprehensive income (loss) attributable to:				
Common shareholders of Constellation Software Inc. (notes 1 and 18)	118	41	223	148
Non-controlling interests (notes 1 and 18)	(77)	(3)	(249)	6
Total comprehensive income (loss)	<u>\$ 41</u>	<u>\$ 38</u>	<u>\$ (26)</u>	<u>\$ 154</u>

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

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

Unaudited

Six months ended June 30, 2023

	Equity Attributable to Common Shareholders of CSI						Total equity
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	
Balance at January 1, 2023	\$ 99	\$ -	\$ (150)	\$1,763	\$1,713	221	\$ 1,933
<i>Total comprehensive income (loss):</i>							
Net income (loss)		-	-	198	198	(255)	(57)
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax		-	26	-	26	6	31
Total other comprehensive income (loss)	-	-	26	-	26	6	31
Total comprehensive income (loss)	-	-	26	198	223	(249)	(26)
Transactions with owners, recorded directly in equity							
Special dividend of Lumine Subordinate Voting Shares (note 1 and 12)	-	-	12	(378)	(366)	366	-
Acquisition of non-controlling interests			-	-	-	(1)	(1)
Conversion of Lumine Special Shares to subordinate voting shares of Lumine			-	-	-	4	4
Other movements in non-controlling interests	-	-	0	6	6	(6)	0
Dividends to shareholders of the Company (note 12)	-	-	-	(42)	(42)	-	(42)
Balance at June 30, 2023	\$ 99	\$ -	\$ (112)	\$1,547	\$1,533	\$ 335	\$ 1,868

See accompanying notes to the condensed consolidated interim financial statements.

CONSTELLATION SOFTWARE INC.

Condensed Consolidated Interim Statement of Changes in Equity

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

Unaudited

Six months ended June 30, 2022

	Equity Attributable to Common Shareholders of CSI						
	Capital stock	Other equity	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2022	\$ 99	\$ (179)	\$ (66)	\$1,206	\$1,061	\$ 460	\$ 1,521
<i>Total comprehensive income (loss):</i>							
Net income (loss)	-	-	-	224	224	21	245
<i>Other comprehensive income (loss)</i>							
Foreign currency translation differences from foreign operations and other, net of tax	-	-	(76)	-	(76)	(15)	(91)
Total other comprehensive income (loss)	-	-	(76)	-	(76)	(15)	(91)
Total comprehensive income (loss)	-	-	(76)	224	148	6	154
Transactions with owners, recorded directly in equity							
Conversion of redeemable preferred securities to subordinate voting shares of Topicus.com Inc. and ordinary units of Topicus Coop and other movements	-	305	(5)	-	301	(301)	-
Non-controlling interests arising from business combinations	-	-	-	-	-	40	40
Other movements in non-controlling interests	-	-	-	(1)	(1)	(1)	(2)
Dividends to shareholders of the Company (note 12)	-	-	-	(42)	(42)	-	(42)
Reclassification of other equity to retained earnings	-	(127)	-	127	-	-	-
Balance at June 30, 2022	\$ 99	\$ -	\$ (147)	\$1,514	\$1,466	\$ 204	\$ 1,670

See accompanying notes to the condensed consolidated interim financial statements.

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.)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cash flows from (used in) operating activities:				
Net income (loss)	\$ 26	\$ 134	\$ (57)	\$ 245
Adjustments for:				
Depreciation	40	35	79	67
Amortization of intangible assets	213	168	406	314
IRGA/TSS Membership liability revaluation charge	31	29	69	56
Finance and other expense (income)	(2)	18	(9)	15
Bargain purchase (gain)	0	(0)	(1)	(1)
Impairment of intangible and other non-financial assets	1	0	3	1
Redeemable preferred securities expense (income) (note 9)	94	–	282	–
Finance costs	46	25	82	44
Income tax expense (recovery)	53	43	93	83
Foreign exchange loss (gain)	16	(42)	26	(42)
Change in non-cash operating assets and liabilities exclusive of effects of business combinations (note 17)	(238)	(188)	30	(18)
Income taxes paid	(158)	(146)	(249)	(190)
Net cash flows from (used in) operating activities	123	78	755	576
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(3)	(3)	(5)	(5)
Interest paid on debt	(36)	(16)	(62)	(26)
Proceeds from sale of interest rate cap	6	–	6	–
Increase (decrease) in CSI facility (note 7)	240	237	189	237
Increase (decrease) in Topicus revolving credit debt facility without recourse to CSI	49	48	38	105
Proceeds from issuance of debt facilities without recourse to CSI	75	342	254	425
Repayments of debt facilities without recourse to CSI	(42)	(6)	(128)	(13)
Other financing activities	(2)	2	1	2
Credit facility transaction costs	(1)	(2)	(3)	(3)
Payments of lease obligations	(28)	(23)	(53)	(45)
Distribution to the Joday Group (note 7)	–	–	–	(23)
Dividends paid to redeemable preferred security holders	–	–	–	(7)
Dividends paid to common shareholders of the Company	(21)	(21)	(42)	(42)
Net cash flows from (used in) in financing activities	238	559	195	605
Cash flows from (used in) investing activities:				
Acquisition of businesses (note 4)	(393)	(1,000)	(845)	(1,214)
Cash obtained with acquired businesses (note 4)	48	110	93	148
Post-acquisition settlement payments, net of receipts	(61)	(26)	(133)	(59)
Purchases of investments and other assets	(16)	–	(18)	(96)
Proceeds from sales of other investments and other assets	–	–	119	3
Decrease (increase) in restricted cash	29	–	(0)	–
Interest, dividends and other proceeds received	0	3	3	4
Property and equipment purchased	(9)	(12)	(19)	(19)
Net cash flows from (used in) investing activities	(402)	(924)	(800)	(1,233)
Effect of foreign currency on cash	1	(33)	8	(35)
Increase (decrease) in cash	(40)	(321)	159	(87)
Cash, beginning of period	\$ 1,010	\$ 996	\$ 811	\$ 763
Cash, end of period	<u>\$ 970</u>	<u>\$ 676</u>	<u>\$ 970</u>	<u>\$ 676</u>

See accompanying notes to the condensed consolidated interim financial statements.

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 and six months ended June 30, 2023 and 2022

(Unaudited)

Notes to the condensed consolidated interim financial statements

- | | |
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| 1. Reporting entity | 11. Income taxes |
| 2. Basis of presentation | 12. Capital and other components of equity |
| 3. Material accounting policies | 13. Finance and other expense (income) and finance costs |
| 4. Business acquisitions | 14. Earnings per share |
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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 and six months ended June 30, 2023 and 2022

(Unaudited)

1. Reporting entity

Constellation Software Inc. is a company domiciled in Canada. The address of Constellation Software Inc.'s registered office is 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada. The condensed consolidated interim financial statements of Constellation Software Inc. as at and for the three and six month period ended June 30, 2023 comprise Constellation Software Inc. and its subsidiaries (together referred to as "Constellation", "CSI", or the "Company") and the Company's interest in associates. The Company is engaged principally in the development, installation and customization of software as well as in the provisioning of related professional services and support for customers globally across over 100 diverse markets.

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. ("WideOrbit") described further in note 4), the Company's subsidiary, Lumine Group Inc. ("Lumine"), completed a corporate reorganization. After the reorganization was completed, the Company now owns 1 super voting share, 6 subordinate voting shares and 63,582,712 preferred shares of Lumine. Furthermore, the Company distributed 63,582,706 of the subordinate voting shares of Lumine to its common shareholders pursuant to a dividend-in-kind on February 23, 2023. The steps performed in conjunction with the reorganization consisted of the following:

The Company exchanged its existing common shares and preferred shares in Lumine Group (Holdings) Inc. ("Lumine Group Holdings") for 63,582,712 subordinate voting shares ("Lumine Subordinate Voting Shares") and 55,233,745 preferred shares ("Lumine Preferred Shares") on February 22, 2023.

Lumine and Lumine Group Holdings amalgamated on February 22, 2023.

The Company subscribed for 8,348,967 Lumine Preferred Shares on February 22, 2023. The Lumine Preferred Shares are convertible into Lumine Subordinate Voting Shares at a rate of 1:2.4302106.

Lumine had 63,582,712 Lumine Subordinate Voting shares outstanding on February 22, 2023. The Company distributed 63,582,706 of the Lumine Subordinate Voting Shares to its common shareholders pursuant to a dividend-in-kind on February 23, 2023 and continues to hold 6 Lumine Subordinate Voting Shares.

The Company holds 1 super voting share of Lumine (the "Lumine Super Voting Share"). The Lumine Super Voting Share entitles CSI to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Lumine Super Voting Shares, Lumine Subordinate Voting Shares and special shares of Lumine (the "Lumine Special Shares"). As a result, the Company controls Lumine and has consolidated Lumine's financial position and results of operations. The Company reflects a non-controlling interest held by other parties in Lumine of 100% as of June 30, 2023 (December 31, 2022 - 0%).

Preferred Share Investment in Lumine

As noted above, the Company owns 63,582,712 Lumine Preferred Shares. The Lumine Preferred Shares are non-voting and under certain conditions are redeemable at the option of CSI for a redemption price of \$21.74 (the "Initial Face Value") per share. The redemption price may either be settled in cash or through the issuance of a variable number of Lumine Subordinate Voting Shares based on the terms of the Lumine Preferred Shares, or any combination thereof. The Lumine Preferred Shares are also convertible into Lumine Subordinate Voting Shares at a conversion ratio of 1:2.4302106 at any time. The Lumine Preferred Shares entitle CSI to a fixed annual cumulative dividend of 5% per annum on the Initial Face Value.

Further descriptions of the significant terms and conditions of the Lumine Preferred Shares are described below. The terms and conditions of the Lumine Preferred Shares should be read in conjunction with the terms and conditions of the Lumine Special Shares as outlined in note 9.

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Conversion

CSI is entitled to convert some or all of its Lumine Preferred Shares into Lumine Subordinate Voting Shares on the basis of 2.4302106 Lumine Subordinate Voting Shares per Lumine Preferred Share, at any time (the "Lumine Preferred Share Conversion Right").

Upon the exercise of the Lumine Preferred Share Conversion Right, CSI will be entitled to receive all accrued but unpaid dividends accruing on the Lumine Preferred Shares to the day before the conversion date. Pursuant to the terms of the shareholders agreement entered into by Lumine, CSI, Trapeze Software ULC and the holders of the Lumine Special Shares (the "Lumine Shareholders Agreement"), the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Preferred Shares in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSX Venture Exchange ("TSXV") approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

Redemption at the Option of CSI

At any time prior to the Mandatory Conversion Date (as defined below), upon thirty (30) days notice to Lumine, the holders of the Lumine Preferred Shares will have the right (but not the obligation) to sell some or all of their Lumine Preferred Shares (the "Lumine Preferred Share Retraction Right") back to Lumine. Upon exercise of the Lumine Preferred Share Retraction Right, the holders of the Lumine Preferred Shares will be entitled to receive an amount of cash equal to the Initial Face Value for each Lumine Preferred Share in respect of which the Lumine Preferred Share Retraction Right has been exercised, or Lumine Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Lumine Preferred Shares. Notwithstanding the foregoing, if the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the payment in cash, the holders of Lumine Preferred Shares will, subject to TSXV approval, receive Lumine Subordinate Voting Shares on the terms described above.

Redemption at the Option of Lumine

Subject to the terms of the Lumine Shareholders Agreement, upon the later of (the "Mandatory Conversion Date") the date which occurs 12-months after the date the trading of the Lumine Subordinate Voting Shares commences on the TSXV, and 10 business days after the first date on which the closing trading price of the Lumine Subordinate Voting Shares is equal to or greater than C\$13.243656, Lumine will redeem the Lumine Preferred Shares in exchange for the issuance of 2.4302106 Lumine Subordinate Voting Shares for each Lumine Preferred Share redeemed (the "Lumine Preferred Share Mandatory Conversion"). Notwithstanding the foregoing, if holders representing at least 95% of the Lumine Preferred Shares and Lumine Special Shares approve, each holder of Lumine Preferred Shares and Lumine Special Shares will have the option to take the amount equal to the value of the Lumine Subordinate Voting Shares such holder would have otherwise received in connection with the Lumine Preferred Share Mandatory Conversion, determined on the basis of the 60 day volume weighted average trading price of the Lumine Subordinate Voting Shares, in cash. Upon the Lumine Mandatory Conversion (as defined below), the holders of the Lumine Preferred Shares and the Lumine Special Shares will also be entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the Lumine Shareholders Agreement, the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Preferred Shares in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

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As of March 24, 2023, the closing trading price of the Lumine Subordinate Voting Shares was greater than C\$13.243656. As such, the Mandatory Conversion Date for the Lumine Preferred Shares will be March 25, 2024.

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 2022 annual consolidated financial statements except as disclosed herein.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 11, 2023.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s 2022 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 2022 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. Material accounting policies

Unless otherwise noted in the condensed consolidated interim financial statements, the material accounting policies used in preparing these condensed consolidated interim financial statements are unchanged from those disclosed in the Company’s 2022 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

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

4. Business acquisitions

(a) On February 22, 2023, the Company completed the acquisition of 100% of the shares of WideOrbit Inc. ("WideOrbit") The Company paid cash of \$273 plus an estimated cash holdback payable of \$10. The Company (through Lumine) also issued 10,204,294 Lumine Special Shares to the seller for an initial subscription price of \$222. The total consideration resulting from acquisition of WideOrbit is \$505. During the three months ended June 30, 2023, the purchase consideration was finalized for customary adjustments related to net indebtedness and transaction costs, resulting in a final holdback paid of \$9 and resulting total consideration of \$504.

WideOrbit is a software business that primarily operates in the advertising market for cable networks, local television stations and radio stations. The acquisition has been accounted for using the acquisition method with the results of operations included in the condensed consolidated interim financial statements for the six months ended June 30, 2023 from the date of the acquisition.

The goodwill recognized in connection with this acquisition is primarily attributable to the application of the Company' s best practices to improve the operations of the companies acquired, synergies with existing businesses of the Company, and other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill is in the amount of \$3 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was \$21; however, the Company has recorded an allowance of \$0 as part of the acquisition accounting to reflect contractual cash flows that are not expected to be collected.

Due to the complexity of the acquisition, the Company is in the process of determining and finalizing the estimated fair value of the net assets acquired as part of the WideOrbit acquisition. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available.

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The impact of acquisition accounting applied on a provisional basis in connection with the acquisition of WideOrbit is as follows:

Assets acquired:	
Cash	\$25
Accounts receivable	21
Other current assets	21
Property and equipment	2
Right of use assets	8
Other non-current assets	8
Technology assets	157
Customer assets	344
	<u>586</u>
Liabilities assumed:	
Current liabilities	24
Deferred revenue	10
Deferred income taxes	109
Long-term lease obligations	5
Other non-current liabilities	1
	<u>150</u>
Goodwill	68
Total consideration	<u>\$504</u>

The acquisition of WideOrbit contributed revenue of \$60 and a net loss of \$5 for the six months ended June 30, 2023. If this acquisition had occurred on January 1, 2023, the Company estimates that pro-forma consolidated revenue and pro-forma consolidated net income (loss) would have been \$3,985 and (\$57) compared to the actual amounts reported in the condensed consolidated interim statement of income (loss) for the actual period for the six months ended June 30, 2023.

(b) During the six-month period ended June 30, 2023, the Company completed a number of additional acquisitions for aggregate cash consideration of \$572 plus expected cash holdbacks payables of \$105 and contingent consideration with an estimated acquisition date fair value of \$40. The total consideration resulting from the additional acquisitions in the six-month period ended June 30, 2023 was \$717. 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 six-month period ended June 30, 2023 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 estimated financial outcome and resulting 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 \$91. Aggregate contingent consideration of \$175 (December 31, 2022 - \$157) 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

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consideration are included in other, net in the condensed consolidated interim statements of income (loss). Income of \$11 and \$11 has been recorded for the three and six months ended June 30, 2023, as a result of such changes (expense of \$3 and \$13 for the three and six months ended June 30, 2022).

Other than WideOrbit, no other acquisitions were deemed to be individually significant. The majority of the businesses acquired during the 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 additional acquisitions during the six-month period ended June 30, 2023 include software companies catering to the following markets: financial services, mining, education, insurance, construction, forestry, metals, transit, product development, field service, legal, daycare, telecommunications, hospitality, accounting, publishing, local government, public safety, oil and gas, human capital, utilities, and healthcare all of which are software businesses similar to existing businesses operated by the Company. The acquisitions have been accounted for using the acquisition method with the results of operations included in these condensed consolidated interim financial statements from the date of each acquisition.

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 intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill in the amount of \$9 is expected to be deductible for income tax purposes.

The gross contractual amounts of acquired receivables was \$68; however, the Company has recorded an allowance of \$5 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 2023 and the last two quarters of 2022. The amounts determined on a provisional basis generally relate to net asset assessments and measurement of the assumed liabilities, including acquired contract liabilities. The provisional purchase price allocations may differ from the final purchase price allocations, and these differences may be material. Revisions to the allocations will occur as additional information about the fair value of assets and liabilities becomes available. The cash consideration associated with these provisional estimates (including individually significant acquisitions) totals \$1,264.

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The aggregate impact of acquisition accounting applied in connection with the aggregate of business acquisitions that are not individually significant in the six month period ended June 30, 2023 is as follows:

Assets acquired:	
Cash	\$68
Accounts receivable	63
Other current assets	35
Property and equipment	8
Right of use assets	17
Other non-current assets	5
Deferred income taxes	3
Technology assets	384
Customer assets	369
	<u>952</u>
Liabilities assumed:	
Current liabilities	80
Deferred revenue	83
Deferred income taxes	141
Long-term lease obligations	13
Other non-current liabilities	5
	<u>324</u>
Goodwill	90
Bargain purchase gain	<u>(0)</u>
Aggregate purchase price	<u>718</u>
Non-cash consideration:	
Fair value of investment in affiliate in which control was acquired	<u>(1)</u>
Total cash consideration	<u>\$717</u>

The 2023 additional business acquisitions did not have a material impact to either the consolidated revenue or the consolidated net income (loss) for the six months ended June 30, 2023. The materiality threshold is reviewed on a regular basis taking into account the quantitative (contribution to revenue and net income (loss)) and qualitative (size and comparability with other Constellation businesses) factors of current period acquisitions on both an individual and aggregate basis.

(c) On May 2, 2022, the Company completed an agreement with Allscripts Healthcare Solutions (“Allscripts”) to acquire 100% of the net assets (including the shares of certain subsidiaries) of Allscripts’ Hospitals and Large

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Physician Practices business segment (“Altera”). During the three months ended June 30, 2023, the purchase price allocations for Altera was finalized. The final impact of acquisition accounting applied in connection with the acquisition of Altera is as follows:

Assets acquired:	
Cash	\$61
Accounts receivable	122
Other current assets	90
Property and equipment	24
Right of use assets	27
Other non-current assets	30
Deferred income taxes	25
Technology assets	224
Customer assets	395
	<u>998</u>
Liabilities assumed:	
Current liabilities	101
Deferred revenue	167
Deferred income taxes	11
Long-term lease obligations	26
Other non-current liabilities	47
	<u>353</u>
Goodwill	81
Total consideration	<u>\$727</u>

(d) The chart below outlines the significant measurement period adjustments and adjustments to estimated holdback payables on prior year acquisitions which have been reflected on the condensed consolidated interim statement of financial position as of December 31, 2022 and June 30, 2022.

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	December 31, 2022	June 30, 2022
Current Assets:		
Accounts receivable	16	(18)
Unbilled revenue	(13)	(24)
Inventories	–	(0)
Other assets	1	2
	<u>4</u>	<u>(40)</u>
Non-current Assets: Property and equipment	(0)	(1)
Right of use assets	0	(8)
Deferred income taxes	(0)	17
Other assets	(0)	(0)
Intangible assets	(11)	(69)
	<u>(12)</u>	<u>(61)</u>
Total assets	<u>(8)</u>	<u>(101)</u>
Current liabilities:		
Accounts payable and accrued liabilities	2	(9)
Deferred revenue	0	(114)
Acquisition holdback payables	0	(2)
Lease obligations	–	5
Income taxes payable	2	4
	<u>4</u>	<u>(117)</u>
Non-current liabilities:		
Deferred income taxes	(5)	(22)
Acquisition holdback payables	(2)	–
Lease obligations	0	(4)
Other liabilities	(5)	41
	<u>(12)</u>	<u>16</u>
Total liabilities	<u>(8)</u>	<u>(101)</u>

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5. Other assets and other non-current liabilities**(a) Other assets**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Prepaid expenses and other current assets	\$ 260	\$ 222
Holdback receivable	5	1
Investment tax credits recoverable	49	39
Sales tax receivable	33	26
Equity securities held for trading	15	115
Other receivables	97	93
Total other current assets	<u>\$ 459</u>	<u>\$ 497</u>
Investment tax credits recoverable	\$ 19	\$ 18
Costs to obtain a contract	62	55
Non-current trade and other receivables and other assets	105	96
Equity accounted investees	3	3
Total other non-current assets	<u>\$ 189</u>	<u>\$ 172</u>

(b) Other non-current liabilities

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Contingent consideration	\$ 92	\$ 109
Deferred revenue	95	100
Other non-current liabilities	50	48
Total other non-current liabilities	<u>\$ 237</u>	<u>\$ 257</u>

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6. Intangible Assets

	<u>Technology Assets</u>	<u>Customer Assets</u>	<u>Backlog</u>	<u>Non-compete agreements</u>	<u>Trademarks</u>	<u>Goodwill</u>	<u>Total</u>
Cost							
Balance at January 1, 2022	\$ 3,226	\$ 2,356	\$ 17	\$ 3	\$ 30	\$ 614	\$ 6,245
Acquisitions through business combinations	815	1,022	0	–	0	218	2,055
Effect of movements in foreign exchange	(105)	(81)	1	(0)	(2)	(28)	(216)
Balance at December 31, 2022	<u>\$ 3,936</u>	<u>\$ 3,297</u>	<u>\$ 17</u>	<u>\$ 2</u>	<u>\$ 29</u>	<u>\$ 803</u>	<u>\$ 8,084</u>
Balance at January 1, 2023	\$ 3,936	\$ 3,297	\$ 17	\$ 2	\$ 29	\$ 803	\$ 8,084
Acquisitions through business combinations	541	712	–	–	–	161	1,413
Effect of movements in foreign exchange and other	39	36	0	0	0	14	89
Balance at June 30, 2023	<u>\$ 4,516</u>	<u>\$ 4,044</u>	<u>\$ 17</u>	<u>\$ 2</u>	<u>\$ 29</u>	<u>\$ 978</u>	<u>\$ 9,587</u>
Accumulated amortization and impairment losses							
Balance at January 1, 2022	\$ 1,941	\$ 849	\$ 17	\$ 2	\$ 4	\$ 4	\$ 2,817
Amortization for the period	394	280	0	0	2	–	676
Impairment charge	1	0	–	–	–	5	7
Effect of movements in foreign exchange	(56)	(27)	0	(0)	–	–	(83)
Balance at December 31, 2022	<u>\$ 2,280</u>	<u>\$ 1,103</u>	<u>\$ 17</u>	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 3,416</u>
Balance at January 1, 2023	\$ 2,280	\$ 1,103	\$ 17	\$ 2	\$ 6	\$ 9	\$ 3,416
Amortization for the period	231	174	0	0	1	–	406
Impairment charge	1	2	–	–	–	0	3
Effect of movements in foreign exchange	20	11	0	0	–	–	31
Balance at June 30, 2023	<u>\$ 2,532</u>	<u>\$ 1,290</u>	<u>\$ 17</u>	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 3,856</u>
Carrying amounts							
At January 1, 2022	\$ 1,285	\$ 1,507	\$ 0	\$ 0	\$ 26	\$ 610	\$ 3,428
At December 31, 2022	\$ 1,656	\$ 2,193	\$ 0	\$ –	\$ 23	\$ 795	\$ 4,667
At January 1, 2023	\$ 1,656	\$ 2,193	\$ 0	\$ –	\$ 23	\$ 795	\$ 4,667
At June 30, 2023	\$ 1,984	\$ 2,754	\$ 0	\$ (0)	\$ 23	\$ 969	\$ 5,730

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7. Debt with recourse to CSI

	<u>CSI Facility</u>	<u>Liability of CSI under the IRGA</u>	<u>Debentures</u>	<u>Term Loan</u>	<u>Total</u>
Principal outstanding at June 30, 2023 (and, except for debentures, equal to fair value)	\$ 511	\$ 543	\$ 213	\$ 82	\$1,350
Deduct: Carrying value of transaction costs included in debt balance	(1)	-	-	(0)	(2)
Carrying value at June 30, 2023	<u>510</u>	<u>543</u>	<u>213</u>	<u>82</u>	<u>1,348</u>
Current portion	510	224	-	-	734
Non-current portion	-	320	213	82	614

CSI Facility

On November 5, 2021, Constellation completed an amendment and restatement of its revolving credit facility agreement (the “CSI Facility”), with a syndicate of Canadian chartered banks and U.S. banks in the amount of \$700, extending its maturity date to November 2026. In March 2023, the total amount on the revolver was increased from \$700 to \$840. 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 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 June 30, 2023, \$511 (December 31, 2022 - \$322) had been drawn from this credit facility, and letters of credit totaling \$12 (December 31, 2022 - \$12) were issued, which limits the borrowing capacity on a dollar-for-dollar basis. Transaction costs associated with the CSI Facility are being amortized through profit or loss using the effective interest rate method. As at June 30, 2023, the carrying amount of such costs is \$1 (December 31, 2022 - \$1).

Liability of CSI under the terms of the IRGA/TSS Members Agreement

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of Total Specific Solutions (“TSS”) by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “TSS Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A., (“Topicus Coop)), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was EUR 39.

On January 5, 2021, the TSS Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the Investors Rights and Governance Agreement (“IRGA”). The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group’s interest in Topicus Coop comprises 39,331,284 Topicus Coop Ordinary Units resulting in an interest of 30.29% in Topicus Coop. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

Any time after January 5, 2021, any member of the Joday Group has the right, at their option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon

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the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

In the event of a change of control of CSI, any member of the Joday Group has the right, at their option, to sell all of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase all such Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

If CSI reduces its economic interest in Topicus by a sale or transfer of its economic interest (and not due to any additional issuance of any shares or equity by Topicus) by more than one-third (calculated on a fully converted basis in accordance with the IRGA), any member of the Joday Group has the right, at their option, to sell to CSI one-third of its Topicus Coop Units at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such put option by a member of the Joday Group, CSI will be obligated to purchase all such put Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI. Any member of the Joday Group has a similar right to sell one-half or all of its remaining Topicus Coop Units, respectively, at its option, if CSI further reduces its remaining fully-diluted economic interest in Topicus by a sale or transfer of its economic interest by one-half and again if CSI sells its entire remaining economic interest in Topicus.

All of the Topicus Coop Ordinary Units held by the Joday Group and Ijssel B.V. (collectively, the "Topicus Coop Exchangeable Units") are exchangeable, directly or indirectly, for Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

At any time after December 31, 2023, CSI has the right, at its option, to buy all of the Topicus Coop Units and shares of Topicus held by certain members of the Joday Group (excluding Joday) at a cash price per Topicus Coop Unit (or share of Topicus, as applicable) determined in accordance with the IRGA. After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

In addition, if certain individuals affiliated with Joday are terminated from their employment with Topicus Coop or an affiliate thereof for urgent cause (as defined in the Dutch Civil Code), CSI has the right, at its option, to buy all of Topicus Coop Units held by such individuals at a cash price per Topicus Coop Unit determined in accordance with the IRGA.

The Company has continued to classify the above obligations of CSI under the terms of the IRGA as a liability. The main valuation driver in such calculation is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis 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 such liability is recorded as an expense or income in the condensed consolidated interim statements of income (loss) for the period.

During the periods ended June 30, 2023 and December 31, 2022, no options were exercised. During the year December 31, 2022, a distribution in the amount of \$23 was paid to the Joday Group.

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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”). The interest rate from and including:

March 31, 2020 but excluding March 31, 2021 was 8.4%

March 31, 2021 but excluding March 31, 2022 was 7.2%

March 31, 2022 but excluding March 31, 2023 was 9.9%

March 31, 2023 but excluding March 31, 2024 is 13.3%

Subsequent from and including March 31, 2024 to but excluding the Maturity Date, the interest rate applicable to the Debentures will be reset on an annual basis on March 31 of each year, at a rate equal to the annual average percentage change in the All-items Consumer Price Index during the 12-month period ending on December 31 in the prior year (which amount may be positive or negative) plus 6.5%. Notwithstanding the foregoing, the interest rate applicable to the debentures will not be less than 0%. The Company may, subject to certain approvals, elect the Payment in Kind election (“PIK Election”), in lieu of paying interest in cash, to satisfy all or any portion of its interest obligation payable on an interest payment date by issuing to each Debenture holder PIK Debentures equal to the amount of the interest obligation to be satisfied. The PIK Debentures will have the same terms and conditions as the Debentures and will form part of the principal amount of the Debentures. If, on any interest payment date, the Company fails to pay the amount of interest owing on the Debentures in full in cash, the Company will not (A) declare or pay dividends of any kind on the Common Shares, nor (B) participate in any share buyback or redemption involving the Common Shares, until the date on which the Company pays such interest (or the unpaid portion thereof) in cash to holders of the Debentures; however, where the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Debentures on an interest payment date, the Company may resume declaring or paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the next earlier of (i) the interest payment date of which the Company pays the amount of interest owing on the Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under the PIK Debenture. All payments in respect of the Debentures will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Company.

The Debentures will be redeemable in certain circumstances at the option of the Company or the holder. During the period beginning on March 16 and ending on March 31 of each year, the Company will have the right, at its option, to give notice to holders of Debentures of its intention to redeem the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for redemption. During the period beginning on March 1 and ending on March 15 of each year, holders of Debentures will also have the right, at their option, to give notice to the Company of their intention to require the Company to repurchase (or to “put”) the Debentures, in whole or in part, on March 31 in the year that is five years following the year in which notice is given, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date fixed for repurchase.

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During the periods ended June 30, 2023 and December 31, 2022, no notices for redemption of the Debentures were received or given by the Company.

The fair value of the debentures as at June 30, 2023 was \$300 (December 31, 2022 - \$287).

Term Loan

One of CSI' s subsidiaries has entered into a GBP 65 term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

8. Debt without recourse to CSI

Certain of CSI' s subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. CSI does not guarantee the debt of these subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

During 2022, the Company breached its debt covenants associated with 1 Term loan in its subsidiaries which was unresolved as of March 31, 2023. The aggregate value of the loan at March 31, 2023 was \$7 and this loan was repaid during the three months ended June 30, 2023.

Debt without recourse to CSI comprises the following:

	Topicus Revolving Credit Facility	Debt Facilities	Total
Principal outstanding at June 30, 2023 (and equal to fair value)	180	\$ 910	1,090
Deduct: Carrying value of transaction costs included in debt balance	(3)	(9)	(12)
Carrying value at June 30, 2023	<u>177</u>	<u>901</u>	<u>1,078</u>
Current portion	177	106	283
Non-current portion	–	795	795

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The annual minimum repayment requirements for the debt facilities without recourse to CSI (excluding the Topicus Revolving Credit Facility) are as follows:

<u>Year</u>	<u>Debt Facilities</u>
2023	37
2024	42
2025	190
2026	124
2027	278
2028	229
2029	10
2030	—
	<u>910</u>

9. Redeemable Preferred Securities

In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares to the sellers of WideOrbit for an initial subscription price of approximately \$222 which was included in the purchase consideration. Under certain conditions, the Lumine Special Shares are retractable at the option of the holder for a retraction price of the Initial Face Value per Lumine Special Share plus one Lumine Subordinate Voting share for each Lumine Special Share held and has been classified as a liability on the balance sheet of the Company. The Lumine Special Shares are also convertible into Lumine Subordinate Voting shares at a conversion ratio of 1:3.4302106 at any time. The holders of the Lumine Special Shares are also entitled to a fixed annual cumulative dividend of 5% per annum.

The fair value of the Lumine Special Shares owned by the sellers of WideOrbit at issuance was \$222 and has been classified as a liability. The Company has determined that the conversion option associated with the Lumine Special Shares does not result in a fixed amount of cash being exchanged for a fixed amount of units (i.e. the conversion option does not meet the “fixed for fixed” requirement). As a result, the Lumine Special Shares have been recorded at fair value at the end of each reporting period. The change in fair value of the Lumine Special Shares is recorded as a redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss).

Further descriptions of the significant terms and conditions of the Lumine Special Shares are described below. The terms and conditions of the Lumine Special Shares should be read in conjunction with the terms and conditions of the Lumine Preferred Shares held by CSI (note 1).

Dividends

Holders of the Lumine Special Shares are entitled to receive fixed preferential cumulative dividends at the rate of 5% per annum on the Initial Face Value. No dividend will at any time be declared or paid on the Lumine Subordinate Voting Shares or the Lumine Super Voting Share, or on any other shares ranking junior to the Special Shares, unless and until the accrued preferential cumulative dividends on all of the Lumine Preferred Shares and Lumine Special Shares outstanding have been declared and paid. In addition, no dividends will be paid on the Lumine Subordinate Voting Shares or the Lumine Super Voting Share for an amount that would cause Lumine to not have sufficient net assets to effect the redemption of the Lumine Preferred Shares and Lumine Special Shares on a Mandatory Conversion (as defined below). In addition to the foregoing, the holders of the Lumine Special Shares

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are entitled to receive dividends on a pari passu, share for share, basis at such times and in such amounts as Lumine's board of directors may from time to time determine to declare dividends on the Lumine Subordinate Voting Shares, without preference or distinction between the Lumine Subordinate Voting Shares and the Lumine Special Shares, subject to the foregoing preferential rights of the holders of the Lumine Preferred Shares and the Lumine Special Shares.

Conversion

Holders of the Lumine Special Shares are entitled to convert some or all of their Lumine Special Shares into Lumine Subordinate Voting Shares on the basis of 3.4302106 Lumine Subordinate Voting Shares per Lumine Special Share, at any time (the "Lumine Special Share Conversion Right").

Upon the exercise of the Lumine Special Share Conversion Right, the holders of the Lumine Special Shares, will be entitled to receive all accrued but unpaid dividends accruing to the day before the conversion date. Pursuant to the terms of the Lumine Shareholders Agreement, the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Special Shares, as applicable, in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

Redemption at the Option of the Holder

At any time prior to the Mandatory Conversion Date, upon thirty (30) days notice to Lumine, the holders of the Lumine Special Shares will have the right (but not the obligation) to sell some or all of their Lumine Special Shares (the "Lumine Special Share Retraction Right"), provided that the exercise of the Lumine Special Share Retraction Right (including the manner of exercise) must first be approved by the holders of a majority of the Lumine Special Shares, in their sole discretion. Upon exercise of the Lumine Special Share Retraction Right, the holders of the Lumine Special Shares will be entitled to receive (i) one Lumine Subordinate Voting Share for each Lumine Special Share in respect of which the Lumine Special Share Retraction Right has been exercised, and (ii) an amount of cash equal to the Initial Face Value for each Lumine Special Share in respect of which the Lumine Special Share Retraction Right has been exercised, or Lumine Subordinate Voting Shares of equal value, or any combination thereof, in each case at the option of the holder of the Lumine Special Shares. Notwithstanding the foregoing, if the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the payment in cash, the holders of Lumine Special Shares will, subject to TSXV approval, receive Lumine Subordinate Voting Shares on the terms described above.

Upon the exercise of the Lumine Special Share Retraction Right, the holders of the Lumine Special Shares will also be entitled to receive all accrued but unpaid dividends accruing on the Lumine Special Shares in respect of which the Lumine Special Share Retraction Right has been exercised, to the day before the redemption date. The board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Special Shares in cash. If the board of directors of Lumine determines that Lumine does not have sufficient cash on hand to make the applicable payments, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

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Redemption at the Option of Lumine

Subject to the terms of the Lumine Shareholders Agreement, upon the Mandatory Conversion Date, Lumine will redeem the Lumine Special Shares in exchange for the issuance of 3.4302106 Lumine Subordinate Voting Shares for each Lumine Special Share redeemed (the “Lumine Special Share Mandatory Conversion” and, together with the Lumine Preferred Share Mandatory Conversion, the “Lumine Mandatory Conversion”). Notwithstanding the foregoing, if holders representing at least 95% of the Lumine Preferred Shares and Lumine Special Shares approve, each holder of Lumine Preferred Shares and Lumine Special Shares will have the option to take the amount equal to the value of the Lumine Subordinate Voting Shares such holder would have otherwise received in connection with the Lumine Mandatory Conversion, determined on the basis of the 60 day volume weighted average trading price of the Lumine Subordinate Voting Shares, in cash.

Upon the Lumine Mandatory Conversion, the holders of the Lumine Special Shares will also be entitled to receive all accrued but unpaid dividends accruing to the day before the redemption date. Pursuant to the terms of the Lumine Shareholders Agreement, the board of directors of Lumine will make a determination as to whether Lumine has sufficient cash on hand to satisfy the payment of any accrued but unpaid dividends on the Lumine Special Shares in cash. If the board of directors of the Lumine determines that Lumine does not have sufficient cash on hand, the accrued but unpaid dividends will, subject to TSXV approval, be satisfied by the issuance of Lumine Subordinate Voting Shares of equal value.

As of March 24, 2023, the closing trading price of the Lumine Subordinate Voting Shares was greater than C\$13.243656. As such, the Mandatory Conversion Date for the Lumine Special Shares will be March 25, 2024.

10. Provisions

At January 1, 2023	\$21
Reversal	(1)
Provisions recorded during the period	4
Provisions used during the period	(4)
Effect of movements in foreign exchange and other	0
At June 30, 2023	<u>\$20</u>
Provisions classified as current liabilities	11
Provisions classified as other non-current liabilities	9

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

11. 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

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effective tax rate in respect of continuing operations for the three and six months ended June 30, 2023 was 67% and 258% (24% and 25% for the three and six months ended June 30, 2022). The 2023 effective tax rate was impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

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 intercompany 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.

12. Capital and other components of equity

	Common Shares	
	Number	Amount
June 30, 2023	21,191,530	\$ 99
December 31, 2022	21,191,530	\$ 99

Dividends and other distributions to shareholders

During the three months ended March 31, 2023, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on April 6, 2023. The dividend declared in the quarter ended March 31, 2023 representing \$21 was paid and settled on April 14, 2023. During the three months ended June 30, 2023, the Company declared a \$1.00 per share dividend to all common shareholders of record at close of business on June 20, 2023. The dividend declared in the quarter ended June 30, 2023 representing \$21 was paid and settled on July 11, 2023.

The dividend declared in the quarter ended December 31, 2022 representing \$21 was paid and settled on January 11, 2023.

On February 6, 2023, the Company declared a special dividend pursuant to which all common shareholders of record on February 16, 2023 of the Company were entitled to receive, by way of a dividend-in-kind, 3.0003833 Lumine Subordinate Voting Shares for each Constellation Software Inc. share held. The dividend was distributed on February 23, 2023.

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13. Finance and other expense (income) and finance costs

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Interest income on cash	\$ (0)	\$ (0)	\$ (1)	\$ (0)
(Increase) decrease in the fair value of equity securities held for trading	(1)	23	(5)	25
Share in net (income) loss of equity investee	0	0	0	0
Finance and other income	(1)	(6)	(4)	(9)
Finance and other expense (income)	\$ (2)	\$ 18	\$ (9)	\$ 15
Interest expense on debt and debentures	\$ 37	\$ 17	\$ 64	\$ 29
Interest expense on lease obligations	3	2	5	5
Amortization of debt related transaction costs	1	1	2	1
Other finance costs	5	4	11	8
Finance costs	\$ 46	\$ 25	\$ 82	\$ 44

14. Earnings per share*Basic and diluted earnings per share*

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss) attributable to common shareholders of CSI	\$103	\$126	\$198	\$224
Denominator:				
Basic and diluted shares outstanding	21,191,530	21,191,530	21,191,530	21,191,530
Earnings per share				
Basic and diluted	\$4.88	\$5.94	\$9.32	\$10.58

15. Financial instruments*Fair values versus carrying amounts*

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, the majority of acquisition holdbacks, and the CSI Facility, approximate their fair values due to the short-term nature of these instruments. The carrying value of the debt without recourse to CSI approximate their fair values as the debt is subject to market interest rates. The carrying value of the IRGA liability and the Term Loan with recourse to CSI approximates fair value.

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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 June 30, 2023 and December 31, 2022 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 and the redeemable preferred securities.

	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	\$ 15	\$ –	\$ –	\$15	\$ 115	\$ –	\$ –	\$115
	<u>15</u>	<u>–</u>	<u>–</u>	<u>15</u>	<u>115</u>	<u>–</u>	<u>–</u>	<u>115</u>
Liabilities:								
Redeemable preferred securities	\$ –	\$ –	\$ 500	\$500	\$ –	\$ –	\$ –	\$–
Contingent consideration	–	–	175	175	–	–	157	157
	<u>–</u>	<u>–</u>	<u>675</u>	<u>675</u>	<u>–</u>	<u>–</u>	<u>157</u>	<u>157</u>

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended June 30, 2023 and December 31, 2022.

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

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Contingent Consideration

Balance at January 1, 2023	\$157
Increase from business acquisitions	40
Cash payments	(23)
Charges (recoveries) through profit or loss	(7)
Foreign exchange and other movements	8
Balance at June 30, 2023	<u>175</u>
Contingent consideration classified as current liabilities	83
Contingent consideration classified as other non-current liabilities	92

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.

Redeemable Preferred Securities

Balance at January 1, 2023	\$-
Issuance of Lumine Special Shares in conjunction with business acquisitions	222
Redeemable preferred securities expense (income)	282
Conversions to subordinate voting shares of Lumine	(4)
Payments and other movements	<u>(0)</u>
Balance at June 30, 2023	<u>500</u>

Estimates of the fair value of the Redeemable Preferred Securities are performed by the Company on a quarterly basis. Key unobservable inputs include expected volatility and credit spread of the Lumine Special Shares. The estimated fair value increases as the expected volatility increases. The estimated fair value decreases as the credit spread increases. The key observable input is the subordinated voting share price of Lumine. As the Lumine subordinate voting share price increases, the fair value of the Redeemable Preferred Securities increases.

16. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, 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.

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17. Changes in non-cash operating assets and liabilities

	Three months ended		Six months ended	
	June,		June,	
	2023	2022	2023	2022
Decrease (increase) in current accounts receivable	\$79	\$25	\$(7)	\$(13)
Decrease (increase) in current unbilled revenue	(32)	(12)	(64)	(32)
Decrease (increase) in other current assets	(8)	(47)	(21)	(71)
Decrease (increase) in inventories	(2)	(5)	(3)	(8)
Decrease (increase) in other non-current assets	(10)	(5)	(8)	(9)
Increase (decrease) in other non-current liabilities	(29)	(5)	(63)	5
Increase (decrease) in current accounts payable and accrued liabilities, excluding holdbacks from acquisitions	(71)	18	(79)	(84)
Increase (decrease) in current deferred revenue	(167)	(155)	276	196
Increase (decrease) in current provisions	2	(3)	(0)	(2)
Change in non-cash operating working capital	<u>\$(238)</u>	<u>\$(188)</u>	<u>\$30</u>	<u>\$(18)</u>

18. Non-controlling interests*Topicus:*

CSI has non-controlling interests associated with Topicus, a company whose operations are based in the Netherlands. Constellation's equity interest in Topicus is 60.65% (39.35% being non-controlling interest). On May 16, 2022, Topicus also acquired a controlling interest of 72.68% in Sygnity S.A. ("Sygnity"), a company based in Poland. The remaining 27.32% represents non-controlling interest.

Adapt IT:

On January 3, 2022, the Company acquired a controlling interest in Adapt IT Holdings Limited ("Adapt IT"), a company based in South Africa. The Company has an interest of 67.21% in Adapt IT (the remaining 32.79% represents non-controlling interest).

Lumine:

Prior to February 23, 2023, the Company reflected a 100% ownership interest in Lumine. However, as outlined in Note 1 to the condensed consolidated interim financial statements, Constellation's common equity interest in Lumine was reduced from 100% to 0% (100% being non-controlling interest) in 2023.

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The following tables summarize the information relating to the Company's non-controlling interests in Topicus, Adapt IT and Lumine before and after intercompany eliminations:

	As at June 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Non-controlling interest	39.35 %	32.79 %	100.00%
Current assets	447	36	305
Non-current assets	1,132	79	816
Total assets	1,578	115	1,120
Current liabilities	714	30	2,985
Non-current liabilities	305	29	298
Total liabilities	1,019	59	3,282
Less: Non-controlling interest of subsidiaries, including interests held by CSI	49	–	–
Net assets after allocation of non-controlling interests (including interests held by CSI)	510	56	(2,162)
Inter-group eliminations	11	–	2,254
Total	521	56	92
Net assets allocated to the non-controlling interests of subsidiary	205	18	92
Add: Non-controlling interest of subsidiaries not owned by CSI	19	–	–
Total non-controlling interest	224	18	92

	Three months ended June 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Revenue	296	23	130
Expenses	263	23	120
Redeemable preferred securities expense (income)	–	–	497
Income (loss) before income taxes	33	0	(486)
Income tax expense	9	0	3
Net income (loss) prior to non-controlling interest allocation	24	(0)	(490)
Less: Non-controlling interest of subsidiaries, including interests held by CSI	(0)	–	–
Net income (loss) after allocation of non-controlling interest	24	(0)	(490)
Inter-group eliminations	(1)	–	403
Total	23	(0)	(87)
Net income (loss) attributable to non-controlling interests	9	(0)	(87)
Add: Non-controlling interest of subsidiaries not owned by CSI	(0)	–	–
Total non-controlling interest	9	(0)	(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 and six months ended June 30, 2023 and 2022

(Unaudited)

	Six months ended June 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Revenue	580	50	225
Expenses	514	48	210
Redeemable preferred securities expense (income)	–	–	1,151
Income (loss) before income taxes	66	2	(1,136)
Income tax expense	18	0	5
Net income (loss) prior to non-controlling interest allocation	48	1	(1,141)
Less: Non-controlling interest of subsidiaries, including interests held by CSI	(1)	–	–
Net income (loss) after allocation of non-controlling interest	49	1	(1,141)
Inter-group eliminations	(3)	–	870
Total	46	1	(271)
Net income (loss) attributable to non-controlling interests	18	0	(273)
Add: Non-controlling interest of subsidiaries not owned by CSI	(0)	–	–
Total non-controlling interest	18	0	(273)

The following tables summarize the statement of cash flows information relating to the Company's non-controlling interests in Topicus, Adapt IT and Lumine:

	Three months ended June 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	(17)	5	22
Cash flows from (used in) financing activities	62	(1)	(13)
Cash flows from (used in) investing activities	(73)	(0)	(3)

	Six months ended June 30, 2023		
	Topicus Coop	Adapt-IT	Lumine
Cash flows from (used in) operating activities	170	13	37
Cash flows from (used in) financing activities	(27)	(5)	336
Cash flows from (used in) investing activities	(106)	(0)	(285)

19. Subsequent events

On August 11, 2023 the Company declared a \$1.00 per share dividend that is payable on October 11, 2023 to all common shareholders of record at close of business on September 20, 2023.

On August 3, 2023, the Company announced a rights offering (the "Rights Offering") pursuant to which the Company intends to distribute rights (the "Rights") that will entitle holders of common shares ("Common Shares") of the Company (the "Shareholders") on the applicable record date to purchase up to C\$700 aggregate principal amount of unsecured subordinated floating rate debentures, Series 1 of the Company (the "Series 1 Debentures"). The Series 1 Debentures are expected to be issued as an additional tranche of, and treated as a single series with, the outstanding C\$282 aggregate principal amount of Series 1 Debentures. The Rights are expected to be issued in satisfaction of a dividend to be declared by the Company on the Common Shares in the amount of one Right per Common Share.

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 and six months ended June 30, 2023 and 2022

(Unaudited)

On July 17, 2023, CSI announced that its Perseus operating group has entered into a binding commitment with Intercontinental Exchange, Inc. (“ICE”) and Black Knight, Inc. to acquire Black Knight’s Optimal Blue business. Under terms of the agreement, CSI will acquire Black Knight’s Optimal Blue business for \$700. The structure of the proposed transaction includes a payment by CSI of \$200 in cash, with the remainder financed by a \$500 promissory note issued by Constellation to Black Knight, as a subsidiary of ICE, at the closing of the transaction. Completion of this transaction is subject to the closing of ICE’s acquisition of Black Knight, the closing of CSI’s acquisition of Black Knight’s Empower loan origination system business entered into earlier this year in March, and other customary closing conditions.

CONSTELLATION SOFTWARE INC.

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

The following discussion and analysis should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "\$" are to U.S. dollars and all references to "C\$" are to Canadian dollars. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

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.sedarplus.ca.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this MD&A August 11, 2023. 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.sedarplus.ca.

Non-IFRS Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Free cash flow available to shareholders.

Free cash flow available to shareholders ' FCFA2S ' refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on other facilities, credit facility transaction costs, repayments of lease obligations, the IRGA / TSS membership liability revaluation charge, and property and equipment purchased, and includes interest and dividends received, and the proceeds from sale of interest rate caps. The portion of this amount applicable to non-controlling interests is then deducted. We believe that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if we do not make any acquisitions, or investments, and do not repay any debts. While we could use the FCFA2S to pay dividends or repurchase shares, our objective is to invest all of our FCFA2S in acquisitions which meet our hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities. See ‘Results of Operations –Free cash flow available to shareholders’ for a reconciliation of FCFA2S to net cash flows from operating activities.

Corporate Reorganization

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. (“WideOrbit”)), the Company’s subsidiary, Lumine Group Inc. (“Lumine”), completed a corporate reorganization. After the reorganization was completed, the Company now owns 1 super voting share, 6 subordinate voting shares and 63,582,712 preferred shares of Lumine. Furthermore, the Company distributed 63,582,706 of the subordinate voting shares of Lumine to its common shareholders pursuant to a dividend-in-kind on February 23, 2023. The steps performed in conjunction with the reorganization consisted of the following:

The Company exchanged its existing common shares and preferred shares in Lumine Group (Holdings) Inc. (“Lumine Group Holdings”) for 63,582,712 subordinate voting shares (“Lumine Subordinate Voting Shares”) and 55,233,745 preferred shares (“Lumine Preferred Shares”) on February 22, 2023.

Lumine and Lumine Group Holdings amalgamated on February 22, 2023.

The Company subscribed for 8,348,967 Lumine Preferred Shares on February 22, 2023. The Lumine Preferred Shares are convertible into Lumine Subordinate Voting Shares at a rate of 1:2.43.

Lumine had 63,582,712 Lumine Subordinate Voting shares outstanding on February 22, 2023. The Company distributed 63,582,706 of the Lumine Subordinate Voting Shares to its common shareholders pursuant to a dividend-in-kind on February 23, 2023 and continues to hold 6 Lumine Subordinate Voting Shares.

The Company holds 1 super voting share of Lumine (the “Lumine Super Voting Share”). The Lumine Super Voting Share entitles CSI to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Lumine Super Voting Shares, Lumine Subordinate Voting Shares and special shares of Lumine (the “Lumine Special Shares”). As a result, the Company controls Lumine and has consolidated Lumine’s financial position and results of operations. The Company reflects a non-controlling interest held by other parties in Lumine of 100% as of June 30, 2023 (December 31, 2022 - 0%).

Overview

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

Our revenue consists primarily of software license fees, maintenance and other recurring fees, professional service fees and hardware sales. Software license revenue is comprised of non-recurring license fees charged for the use of software products licensed under multiple-year or perpetual arrangements. Maintenance and other recurring revenue primarily consists of fees charged for customer support on software products post-delivery and also includes recurring fees derived from combined software/support contracts, transaction revenues, managed services associated with CSI software that has been sold to the customer, and hosted software-as-a-service products. Professional service revenue consists of fees charged for implementation services, custom programming, product training, certain managed services, and consulting. Hardware and other revenue includes the resale of third party hardware as part of customized solutions, as well as sales of hardware assembled internally and the reimbursement of travel costs. Our customers typically purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity of each vary by customer and by product.

Expenses consist primarily of staff costs, the cost of hardware, third party licenses, maintenance and professional services to fulfill our customer arrangements, travel and occupancy costs, depreciation, and other general operating expenses.

Results of Operations

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

Unaudited

	Three months ended June 30,		Period-Over- Period Change		Six months ended June 30,		Period-Over-Period Change	
	2023	2022	\$	%	2023	2022	\$	%
Revenue	2,039	1,618	421	26 %	3,958	3,050	908	30 %
Expenses	1,561	1,242	318	26 %	3,063	2,333	730	31 %
Amortization of intangible assets	213	168	45	27 %	406	314	92	29 %
Foreign exchange (gain) loss	16	(42)	58	NM	26	(42)	68	NM
IRGA / TSS membership liability revaluation charge	31	29	1	5 %	69	56	13	23 %
Finance and other expense (income)	(2)	18	(20)	NM	(9)	15	(25)	NM
Bargain purchase gain	0	(0)	1	NM	(1)	(1)	0	-37 %
Impairment of intangible and other non-financial assets	1	0	1	274 %	3	1	1	109 %
Redeemable preferred securities expense (income)	94	-	94	NM	282	-	282	NM
Finance costs	46	25	21	84 %	82	44	38	87 %
Income before income taxes	79	177	(99)	-56 %	36	328	(292)	-89 %
Income tax expense (recovery)								
Current income tax expense (recovery)	114	110	3	3 %	217	209	7	4 %
Deferred income tax expense (recovery)	(61)	(67)	7	-10 %	(123)	(126)	2	-2 %
Income tax expense (recovery)	53	43	10	23 %	93	83	10	12 %
Net income (loss) attributable to:								
Common shareholders of CSI	103	126	(23)	-18 %	198	224	(27)	-12 %
Non-controlling interests	(78)	8	(86)	NM	(255)	21	(276)	NM
Net income (loss)	26	134	(109)	-81 %	(57)	245	(302)	NM
Net cash flows from operating activities	123	78	45	58 %	755	576	179	31 %
Free cash flow available to shareholders	14	12	3	22 %	467	335	133	40 %
Weighted average number of shares outstanding								
Basic and diluted	21.2	21.2			21.2	21.2		
Net income (loss) per share								
Basic and diluted	\$4.88	\$5.94	\$(1.07)	-18 %	\$9.32	\$10.58	\$(1.25)	-12 %
Net cash flows from operating activities per share								
Basic and diluted	\$5.78	\$3.66	\$2.12	58 %	\$35.63	\$27.17	\$8.46	31 %
Free cash flow available to shareholders per share								
Basic and diluted	\$0.68	\$0.56	\$0.12	22 %	\$22.05	\$15.80	\$6.25	40 %
Cash dividends declared per share								
Basic and diluted	\$1.00	\$1.00	\$-	0 %	\$2.00	\$2.00	\$-	0 %

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Comparison of the three and six month periods ended June 30, 2023 and 2022

Revenue:

Total revenue for the quarter ended June 30, 2023 was \$2,039 million, an increase of 26%, or \$421 million, compared to \$1,618 million for the comparable period in 2022. For the first six months of 2023 total revenues were \$3,958 million, an increase of 30%, or \$908 million, compared to \$3,050 million for the comparable period in 2022. The increase for both the three and six month periods compared to the same periods in the prior year is primarily attributable to growth from acquisitions as the Company experienced organic growth of 4% and 3% respectively, 5% for both periods after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each company in the financial period following acquisition compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by Constellation. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

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

	Three months ended		Period-Over-Period Change		Q22 Proforma Adj. (Note 1)		Organic Growth	Six months ended		Period-Over-Period Change		Q22 Proforma Adj. (Note 2)		Organic Growth
	June 30, 2023	2022	\$	%	\$	%		2023	2022	\$	%	\$	%	
	(\$ in millions, except percentages)						(\$ in millions, except percentages)							
Licenses	89	72	17	24 %	18	-1 %	170	141	29	21 %	38	-5 %		
Professional services	428	340	88	26 %	86	1 %	840	610	229	38 %	227	0 %		
Hardware and other	63	50	13	25 %	11	3 %	121	97	23	24 %	22	1 %		
Maintenance and other recurring	1,459	1,156	303	26 %	219	6 %	2,828	2,201	627	28 %	494	5 %		
	<u>2,039</u>	<u>1,618</u>	<u>421</u>	<u>26 %</u>	<u>333</u>	<u>4 %</u>	<u>3,958</u>	<u>3,050</u>	<u>908</u>	<u>30 %</u>	<u>781</u>	<u>3 %</u>		

\$M - Millions of dollars

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Note 1: Estimated pre-acquisition revenues for the three months ended June 30, 2022 from companies acquired after March 31, 2022. (Obtained from unaudited vendor financial information.)

Note 2: Estimated pre-acquisition revenues for the six months ended June 30, 2022 from companies acquired after December 31, 2021. (Obtained from unaudited vendor financial information.)

For comparative purposes the table below shows the quarterly organic growth as compared to the same period in the prior year by revenue type since Q2 2021. Note that the estimated revenues achieved by acquired companies in the corresponding financial period preceding the date of acquisition by Constellation may be updated in the quarter following the quarter they were acquired resulting in slight variances to previously reported figures.

	Quarter Ended									
	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	
Licenses	18 %	3 %	4 %	-13 %	-21 %	-16 %	-7 %	-9 %	-1 %	
Professional services	17 %	8 %	6 %	-5 %	-8 %	-7 %	-9 %	0 %	1 %	
Hardware and other	15 %	-12 %	-12 %	-5 %	-8 %	-7 %	36 %	-1 %	3 %	
Maintenance and other recurring	12 %	8 %	5 %	4 %	1 %	-1 %	1 %	4 %	6 %	
Revenue	14 %	7 %	4 %	1 %	-2 %	-3 %	-1 %	2 %	4 %	

The following table shows the same information adjusting for the impact of foreign exchange movements.

	Quarter Ended									
	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	
Licenses	12 %	2 %	5 %	-11 %	-17 %	-11 %	-3 %	-7 %	0 %	
Professional services	10 %	6 %	7 %	-2 %	-3 %	-2 %	-5 %	3 %	1 %	
Hardware and other	9 %	-13 %	-11 %	-3 %	-4 %	1 %	44 %	2 %	3 %	
Maintenance and other recurring	7 %	6 %	6 %	7 %	6 %	5 %	6 %	6 %	7 %	
Revenue	8 %	5 %	5 %	4 %	2 %	2 %	4 %	5 %	5 %	

Expenses:

The following table displays the breakdown of our expenses:

Expenses	Three months ended June 30,		Period-Over- Period Change		Six months ended June 30,		Period-Over- Period Change	
	2023	2022	\$	%	2023	2022	\$	%
	(\$ in millions, except percentages)		(\$ in millions, except percentages)		(\$ in millions, except percentages)		(\$ in millions, except percentages)	
Staff	1,112	873	238	27 %	2,179	1,656	523	32 %
Hardware	36	29	6	22 %	71	56	15	26 %
Third party license, maintenance and professional services	199	153	46	30 %	384	276	109	39 %
Occupancy	13	12	1	10 %	26	23	4	16 %
Travel, Telecommunications,								
Supplies & Software and equipment	97	80	17	21 %	185	135	50	37 %
Professional fees	36	28	8	29 %	71	52	19	37 %
Other, net	29	32	(3)	-10 %	67	68	(1)	-1 %
Depreciation	40	35	5	14 %	79	67	12	18 %
	<u>1,561</u>	<u>1,242</u>	<u>318</u>	<u>26 %</u>	<u>3,063</u>	<u>2,333</u>	<u>730</u>	<u>31 %</u>

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Overall expenses for the quarter ended June 30, 2023 increased 26%, or \$318 million to \$1,561 million, compared to \$1,242 million during the same period in 2022. As a percentage of total revenue, expenses equalled 77% for the quarter ended June 30, 2023 and 77% for the same period in 2022. During the six months ended June 30, 2023, expenses increased 31%, or \$730 million to \$3,063 million, compared to \$2,333 million during the same period in 2022. As a percentage of total revenue, expenses equalled 77% for the six months ended June 30, 2023 and 76% for the same period in 2022. For the three and six months ended June 30, 2023 the change in valuation of the US dollar against most major currencies in which the Company transacts business resulted in an approximate 1% and 2% decrease in expenses respectively compared to the comparable periods of 2022.

Staff expense - Staff expenses increased 27% or \$238 million for the quarter ended June 30, 2023 and 32% or \$523 million for the six months ended June 30, 2023 over the same periods in 2022. Staff expense can be broken down into five key operating departments: Professional Services, Maintenance, Research and Development, Sales and Marketing, and General and Administrative. Included within staff expenses for each of the above five departments are personnel and related costs associated with providing the necessary services. The table below compares the period over period variances.

	Three months ended June 30,		Period-Over- Period Change		Six months ended June 30,		Period-Over- Period Change	
	2023	2022	\$	%	2023	2022	\$	%
	(\$ in millions, except percentages)				(\$ in millions, except percentages)			
Professional services	260	206	54	26 %	514	370	144	39 %
Maintenance	212	168	45	27 %	415	322	92	29 %
Research and development	298	232	67	29 %	583	446	137	31 %
Sales and marketing	140	112	29	26 %	274	218	56	26 %
General and administrative	201	156	44	28 %	393	300	93	31 %
	1,112	873	238	27 %	2,179	1,656	523	32 %

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The increase in staff expenses for the three and six months ended June 30, 2023 was primarily due to the growth in the number of employees compared to the same periods in 2022 primarily due to acquisitions.

Hardware expenses - Hardware expenses increased 22% or \$6 million for the quarter ended June 30, 2023 and 26% or \$15 million for the six months ended June 30, 2023 over the same periods in 2022 as compared with the 25% and 24% increases in hardware and other revenue for the three and six month periods ending June 30, 2023 respectively over the comparable periods in 2022. Hardware margins for the three and six months ended June 30, 2023 were 43% and 41% respectively as compared to 42% for both the comparable periods in 2022.

Third party license, maintenance and professional services expenses - Third party license, maintenance and professional services expenses increased 30% or \$46 million for the quarter ended June 30, 2023 and 39% or \$109 million for the six months ended June 30, 2023 over the same periods in 2022. The increase is primarily due to third party license, maintenance and professional services expenses of acquired businesses.

Occupancy expenses - Occupancy expenses increased 10% or \$1 million for the quarter ended June 30, 2023 and 16% or \$4 million for the six months ended June 30, 2023 over the same periods in 2022. The increase is primarily due to the occupancy expenses of acquired businesses.

Travel, Telecommunications, Supplies & Software and equipment expenses - Travel, Telecommunications, Supplies & Software and equipment expenses increased 21% or \$17 million for the quarter ended June 30, 2023 and 37% or \$50 million for the six months ended June 30, 2023 over the same periods in 2022. The increase in these expenses is primarily due to expenses incurred by acquired businesses.

Professional fees - Professional fees increased 29% or \$8 million for the quarter ended June 30, 2023 and 37% or \$19 million for the six months ended June 30, 2023 over the same periods in 2022. There are no individually material reasons contributing to this variance.

Other, net - Other expenses decreased 10% or \$3 million for the quarter ended June 30, 2023 and decreased 1% or \$1 million for the six months ended June 30, 2023 over the same periods in 2022. The following table provides a further breakdown of expenses within this category.

	Three months ended		Period-Over-Period		Six months ended		Period-Over-Period	
	June 30,		Change		June 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(\$ in millions, except percentages)				(\$ in millions, except percentages)			
Advertising and promotion	29	22	7	32 %	54	41	13	31 %
Recruitment and training	10	9	2	18 %	20	16	4	27 %
Bad debt expense	3	1	2	211 %	7	3	4	121 %
R&D tax credits	(9)	(7)	(2)	23 %	(17)	(14)	(2)	16 %
Contingent consideration	(11)	3	(14)	NM	(11)	13	(23)	NM
Government assistance	(0)	(0)	0	-57 %	(0)	(1)	1	-76 %
Other expense, net	7	5	2	29 %	13	10	3	29 %
	<u>29</u>	<u>32</u>	<u>(3)</u>	<u>-10 %</u>	<u>67</u>	<u>68</u>	<u>(1)</u>	<u>-1 %</u>

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

The contingent consideration expense amounts recorded for the three and six months ended June 30, 2023 related to an increase (decrease) in anticipated acquisition earnout payment accruals primarily as a result of increases (decreases) to revenue forecasts for the associated acquisitions. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly.

There are no individually material reasons contributing to the remaining variances.

Depreciation - Depreciation of property and equipment increased 14% or \$5 million for the quarter ended June 30, 2023 and 18% or \$12 million for the six months ended June 30, 2023 over the same periods in 2022. The increases are primarily due to the depreciation expense associated with acquired businesses.

Other Income and Expenses:

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

	Three months ended		Period-Over-Period		Six months ended		Period-Over-Period	
	June 30,		Change		June 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(\$ in millions, except percentages)				(\$ in millions, except percentages)			
Amortization of intangible assets	213	168	45	27 %	406	314	92	29 %
Foreign exchange (gain) loss	16	(42)	58	NM	26	(42)	68	NM
IRGA / TSS membership liability revaluation charge	31	29	1	5 %	69	56	13	23 %
Finance and other expense (income)	(2)	18	(20)	NM	(9)	15	(25)	NM
Bargain purchase gain	0	(0)	1	NM	(1)	(1)	0	-37 %
Impairment of intangible and other non-financial assets	1	0	1	274 %	3	1	1	109 %
Redeemable preferred securities expense (income)	94	-	94	NM	282	-	282	NM
Finance costs	46	25	21	84 %	82	44	38	87 %
Income tax expense (recovery)	53	43	10	23 %	93	83	10	12 %
	<u>452</u>	<u>241</u>	<u>211</u>	<u>87 %</u>	<u>952</u>	<u>472</u>	<u>480</u>	<u>102 %</u>

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

Amortization of intangible assets - Amortization of intangible assets increased 27% or \$45 million for the quarter ended June 30, 2023 and 29% or \$92 million for the six months ended June 30, 2023 over the same periods in 2022. The increase in amortization expense for the three and six months ended June 30, 2023 is primarily attributable to an increase in the carrying amount of our intangible asset balance over the twelve-month period ended June 30, 2023 as a result of acquisitions completed during this twelve-month period.

Foreign exchange - Most of our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the three and six months ended June 30, 2023, we realized foreign exchange losses of \$16 million and \$26 million respectively compared to gains of \$42 million for the same periods in 2022. The following table provides a breakdown of these amounts.

	Three months ended		Period-Over-Period		Six months ended		Period-Over-Period	
	June 30,		Change		June 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
	(\$ in millions, except percentages)				(\$ in millions, except percentages)			
Unrealized foreign exchange (gain) loss related to:								
- revaluation of intercompany loans between entities with differing functional currencies ⁽¹⁾	7	(10)	17	NM	9	(12)	21	NM
- revaluation of the Company's unsecured subordinated floating rate debentures as a result of the appreciation (depreciation) of the Canadian dollar against the US dollar.	4	(7)	11	NM	5	(3)	8	NM
- revaluation of the liability associated with the IRGA (Euro denominated liability)	0	(24)	24	NM	9	(31)	40	NM
Remaining foreign exchange (gain) loss	4	(1)	5	NM	4	5	(1)	-27 %
	<u>16</u>	<u>(42)</u>	<u>58</u>	<u>NM</u>	<u>26</u>	<u>(42)</u>	<u>68</u>	<u>NM</u>

NM - Not meaningful

Due to rounding, certain totals may not foot and certain percentages may not reconcile.

(1) Offsetting amounts recorded in other comprehensive income. Net impact to Total comprehensive income for each period is nil.

The remaining foreign exchange gains and losses per the table above are primarily related to the unrealized foreign exchange translation gains and losses of certain non-US dollar denominated working capital balances to US dollars as a result of the depreciation or appreciation of the US dollar.

IRGA / TSS membership liability revaluation charge - On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS (as defined below) by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the "Members Agreement") pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was 39 million (\$49 million).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group's interest in Topicus Coop now comprises 39,331,284 Topicus Coop Ordinary Units ("Topicus Coop Units") resulting in an interest of 30.29% in Topicus Coop as of June 30, 2023. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units. See "Liability of CSI under the terms of the IRGA" below for further details.

The valuation of the IRGA liability (previously the TSS membership liability) increased by approximately 6% or \$31 million from Q1 2023, and approximately 15% or \$69 million from Q4 2022. The increases are primarily the result of the growth in TSS' trailing twelve month maintenance revenue on a pro-forma basis (primarily due to acquisitions). Maintenance revenue and net tangible assets are the two main drivers in the calculation of the liability. The liability recorded on the balance sheet increased by 17% or \$78 million over the six month period ended

June 30, 2023 from \$465 million to \$543 million as a result of the revaluation charge of \$78 million and a \$9 million foreign exchange loss. The IRGA / TSS membership liability is denominated in Euros and the Euro appreciated 2% versus the US dollar during the six months ended June 30, 2023.

Finance and other expense (income) - Finance and other income for the three and six months ended June 30, 2023 was \$2 million and \$9 million respectively, compared to expense of \$18 million and \$15 million respectively for the same periods in 2022. The increase in fair value of equity securities held for trading for the three and six months ended June 30, 2023 was \$1 million and \$5 million respectively, compared to decreases of \$23 million and \$25 million respectively for the same periods in 2022.

Bargain purchase gain - Bargain purchase gains totalling nil and \$1 million were recorded in the three and six months ended June 30, 2023 respectively, compared to nil and \$1 million for the same periods in 2022, relating to acquisitions made in the respective periods. The gains resulted from the fact that the fair value of the separately identifiable assets and liabilities acquired exceeded the total consideration paid, principally due to the acquisition of certain assets that will benefit the Company that had limited value to the sellers.

Impairment of intangible and other non-financial assets - Impairment expenses of \$1 million and \$3 million were recorded in the three and six month periods ended June 30, 2023 compared to nil and \$1 million for the same periods in 2022. The expenses relate to businesses that have been unable to achieve the goals established in their respective investment theses.

Redeemable preferred securities expense - The redeemable preferred securities expense for the three and six month periods ended June 30, 2023 was \$94 million and \$282 million respectively, with no similar expense recorded for the same periods in 2022. In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares (the "Preferred Securities") to the sellers of WideOrbit for an initial subscription price of approximately \$222 million. Holders of the Preferred Securities are entitled to convert some or all of their Preferred Securities into Lumine Subordinate Voting Shares on the basis of 3.4302106 Lumine Subordinate Voting Shares per Preferred Security, at any time.

The Preferred Securities will be recorded at fair value at the end of each reporting period. The change in fair value of the Preferred Securities is recorded as redeemable preferred securities expense (income) in the condensed consolidated interim statements of income (loss). Based on the Preferred Securities conversion right, the value of the Preferred Securities is primarily dependent on the price movement of Lumine's Subordinate Voting Shares. At June 30, 2023 the market price of Lumine's Subordinate Voting Shares closed at C\$18.17 or approximately \$13.71. The market value of the Preferred Securities was therefore approximately \$480 million. The increase in value from the initial subscription price of \$222 million was \$256 million. The difference between \$256 million and the fair value adjustment of \$282 million for the six month period ended June 30, 2023 primarily relates to the impact of share price volatility and optionality and the accrued dividend of \$11 million.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in Note 9 to the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023.

Finance costs - Finance costs for the quarter ended June 30, 2023 increased \$21 million to \$46 million, compared to \$25 million for the same period in 2022. During the six months ended June 30, 2023, finance costs increased \$38 million to \$82 million, from \$44 million for the same period in 2022. The increases are primarily a result of an increase in the average debt outstanding in 2023 as compared to 2022, and an increase in interest rates.

Income taxes - We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the quarter ended June 30, 2023, income tax expense increased \$10 million to \$53 million compared to \$43 million for the same period in 2022. During the six months

ended June 30, 2023, income tax expense increased \$10 million to \$93 million compared to \$83 million for the same period in 2022. Current tax expense has historically approximated our cash tax rate however the quarterly expense can sometimes fall outside of the annual range due to out of period adjustments. Current tax expense reflects gross taxes before the application of R&D tax credits which are classified as part of “other, net” expenses in the statement of income (loss). The Company’s consolidated effective tax rate in respect of continuing operations for the three and six months ended June 30, 2023 was 67% and 258% respectively (24% and 25% for the three and six months ended June 30, 2022 respectively). The 2023 effective tax rate is impacted by the redeemable preferred securities expense, which is not deductible for tax purposes.

Effective for 2022, research and experimentation (R&E) expenditures are no longer allowed to be deducted as incurred for tax purposes by US entities. The Tax Cuts and Jobs Act (TCJA) mandates that, for tax years beginning after December 31, 2021, R&E expenditures be deferred and amortized. US-based expenditures will be amortized over a 5 year period, and non-US-based expenditures over a 15 year period. The total estimated impact to current income tax expense is \$106 million for the 2023 fiscal year. \$25 million and \$51 million was accrued and expensed in the three and six month periods ended June 30, 2023 respectively (\$40 million and \$73 million for the three and six month periods ended June 30, 2022). An offsetting amount has been booked to deferred income tax expense so there is no impact on net tax expense or the effective tax rate.

Constellation is subject to tax audits in the countries in which the Company carries on 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.

Net Income and Earnings per Share:

Net income attributable to common shareholders of CSI for the quarter ended June 30, 2023 was \$103 million compared to \$126 million for the same period in 2022. On a per share basis this translated into net income per diluted share of \$4.88 in the quarter ended June 30, 2023 compared to net income per diluted share of \$5.94 for the same period in 2022. For the six months ended June 30, 2023, net income attributable to common shareholders of CSI was \$198 million or \$9.32 per diluted share compared to \$224 million or \$10.58 per diluted share for the same period in 2022. There was no change in the number of shares outstanding.

Net cash flows from operating activities (“CFO”):

For the quarter ended June 30, 2023, CFO increased \$45 million to \$123 million compared to \$78 million for the same period in 2022 representing an increase of 58%. For the six months ended June 30, 2023, CFO increased \$179 million to \$755 million compared to \$576 million for the same period in 2022 representing an increase of 31%.

Free cash flow available to shareholders (“FCFA2S”):

For the quarter ended June 30, 2023, FCFA2S increased \$3 million to \$14 million compared to \$12 million for the same period in 2022 representing an increase of 22%. For the six months ended June 30, 2023, FCFA2S increased \$133 million to \$467 million compared to \$335 million for the same period in 2022 representing an increase of 40%.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(\$ in millions)		(\$ in millions)	
Net cash flows from operating activities	123	78	755	576
Adjusted for:				
Interest paid on lease obligations	(3)	(3)	(5)	(5)
Interest paid on other facilities	(36)	(16)	(62)	(26)
Proceeds from sale of interest rate cap	6	–	6	–
Credit facility transaction costs	(1)	(2)	(3)	(3)
Payments of lease obligations	(28)	(23)	(53)	(45)
IRGA / TSS membership liability revaluation charge	(31)	(29)	(69)	(56)
Property and equipment purchased	(9)	(12)	(19)	(19)
Interest and dividends received	0	0	1	0
	21	(7)	550	422
Less amount attributable to Non-controlling interests	(7)	18	(83)	(87)
Free cash flow available to shareholders	14	12	467	335

Due to rounding, certain totals may not foot.

Quarterly Results

	Quarter Ended									
	Jun. 30 2021	Sep. 30 2021	Dec. 31 2021	Mar. 31 2022	Jun. 30 2022	Sep. 30 2022	Dec. 31 2022	Mar. 31 2023	Jun. 30 2023	
Revenue	1,249	1,299	1,383	1,431	1,618	1,725	1,847	1,919	2,039	
Net income (loss) *	88	107	124	98	126	136	152	94	103	
CFO	171	292	341	498	78	321	400	632	123	
FCFA2S	145	226	244	324	12	229	290	453	14	
Net income per share *										
Basic & diluted	4.16	5.04	5.86	4.63	5.94	6.42	7.19	4.44	4.88	
CFO per share										
Basic & diluted	8.07	13.78	16.09	23.51	3.66	15.17	18.89	29.85	5.78	
FCFA2S per share										
Basic & diluted	6.84	10.68	11.50	15.27	0.56	10.82	13.68	21.37	0.68	

* Attributable to common shareholders of CSI

We experience seasonality in our operating results in that CFO and FCFA2S in the first quarter of every year is typically the highest and CFO and FCFA2S in the second quarter of every year is the lowest. The key driver impacting this seasonality is the timing of annual maintenance contract renewals. Our quarterly results may also fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions, acquired contract liabilities, foreign exchange gains and losses, bargain purchase gains, and gains or losses on the sale of financial and other assets.

Spin-Outs

Topicus.com Inc.

Constellation (TSX:CSU) and Topicus (TSXV:TOI) announced on January 5, 2021 that Constellation, acting through its Total Specific Solutions (“TSS”) operating group and its subsidiary TPCS Holding B.V., completed the purchase of 100% of the shares of Topicus.com B.V., a Netherlands-based diversified vertical market software provider, from IJssel B.V. and that in connection with the closing of the acquisition, TSS has been spun out of Constellation and now operates, together with Topicus.com B.V., as a separate public company, Topicus.com Inc. (collectively, the “Spin-Out Transactions”).

In connection with the completion of the Spin-Out Transactions, on January 4, 2021, all of Constellation’s common shareholders of record on December 28, 2020 received, by way of a dividend-in-kind, 1.859817814 subordinate voting shares of Topicus.com (the “Spin-Out Shares”) for each common share of Constellation held.

Constellation’s equity interest in TSS prior to the Spin-Out Transactions was 66.7%. Constellation’s equity interest in Topicus after completion of the Spin-Out Transactions on a fully diluted basis was approximately 30.4%. In addition, Constellation as the holder of the Topicus Super Voting Share is entitled to that number of votes that equals 50.1% of the aggregate number of votes attached to all of the outstanding voting shares at such time. As a result of the Topicus Super Voting Share Constellation consolidated the financial results of Topicus with its financial results.

Lumine Group Inc.

On February 22 and 23, 2023 (as part of a series of transactions relating to the acquisition of WideOrbit Inc. (“WideOrbit”)), the Company’s subsidiary, Lumine Group Inc. (“Lumine”), completed a corporate reorganization. See “Corporate Reorganization” on page 2.

The Company holds 1 super voting share of Lumine (the “Lumine Super Voting Share”). The Lumine Super Voting Share entitles CSI to that number of votes that equals 50.1% of the aggregate number of votes attached to all the outstanding Lumine Super Voting Shares, Lumine Subordinate Voting Shares and special shares of Lumine (the “Lumine Special Shares”). As a result, the Company controls Lumine and has consolidated Lumine’s financial position and results of operations. The Company reflects a non-controlling interest held by other parties in Lumine of 100% as of June 30, 2023 (December 31, 2022 - 0%).

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Topicus and Lumine for the three and six months ended June 30, 2023. Neither Topicus or Lumine are 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 Topicus and Lumine considering Constellation’s equity ownership.

Selected Balance Sheet Information

As at June 30, 2023

(Unaudited)	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Cash	626	188	156	970
Bank debt and debentures	1,437	255	192	1,883

Statement of Income
(Excluding intercompany activity)

(Unaudited)	For the three months ended June 30, 2023				For the six months ended June 30, 2023			
	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Revenue	1,615	294	130	2,039	3,157	576	225	3,958
Expenses	1,245	223	93	1,561	2,459	438	166	3,063
Amortization of intangible assets	159	33	22	213	306	63	37	406
Foreign exchange (gain) loss	15	0	0	16	25	1	1	26
IRGA / Membership liability revaluation charge	31	–	–	31	69	–	–	69
Finance and other income	(1)	(1)	(0)	(2)	(8)	(1)	(0)	(9)
Bargain purchase gain	0	–	–	0	(1)	–	–	(1)
Impairment of intangible and other non-financial assets	1	–	–	1	3	(0)	–	3
Redeemable preferred securities expense (income)	–	–	94	94	–	–	282	282
Finance costs	37	5	4	46	67	10	6	82
Income (loss) before income taxes	128	34	(84)	79	237	66	(266)	36
Income tax expense (recovery)								
Current income tax expense (recovery)	87	16	11	114	169	29	18	217
Deferred income tax expense (recovery)	(46)	(8)	(7)	(61)	(98)	(12)	(13)	(123)
Income tax expense (recovery)	41	9	3	53	71	18	5	93
Net income (loss)	87	25	(87)	26	166	48	(271)	(57)
Net cash flows from operating activities	117	(17)	22	123	548	170	37	755

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended June 30, 2023				For the six months ended June 30, 2023			
	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated	Constellation Software Inc. (excluding Topicus & Lumine)	Topicus	Lumine	Consolidated
Licenses	6 %	-6 %	-26 %	0 %	-1 %	-9 %	-15 %	-4 %
Professional services	-1 %	4 %	10 %	1 %	1 %	5 %	3 %	2 %
Hardware and other	2 %	-15 %	31 %	3 %	2 %	-21 %	32 %	2 %
Maintenance and other recurring	7 %	9 %	1 %	7 %	6 %	9 %	1 %	7 %
Revenue	5 %	6 %	1 %	5 %	5 %	7 %	1 %	5 %

Acquisition of business segment from Allscripts Healthcare Solutions

On May 2, 2022, Constellation, through its wholly-owned subsidiary, N. Harris Computer Corporation, completed the purchase from Allscripts Healthcare Solutions (“Allscripts”) of Allscripts’ Hospitals and Large Physician Practices business segment. This business segment now operates under the name Altera.

The tables below provide certain supplemental balance sheet, statement of income, and net operating cash flow information of Altera for the three and six months ended June 30, 2023. Altera 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 Altera considering the size of the business and its impact on the results of Constellation.

Selected Balance Sheet Information
As at June 30, 2023

(Unaudited)	Constellation Software Inc. (excluding Altera)	Altera	Consolidated
Cash	832	137	970
Bank debt and debentures	1,585	298	1,883

Statement of Income
(Excluding intercompany activity)

(Unaudited)	<u>For the three months ended June 30, 2023</u>			<u>For the six months ended June 30, 2023</u>		
	Constellation Software Inc. (excluding Altera)	Altera	Consolidated	Constellation Software Inc. (excluding Altera)	Altera	Consolidated
Revenue	1,842	197	2,039	3,558	400	3,958
Expenses	1,383	177	1,561	2,708	355	3,063
Amortization of intangible assets	196	18	213	371	35	406
Foreign exchange (gain) loss	17	(1)	16	28	(2)	26
IRGA / Membership liability revaluation charge	31	-	31	69	-	69
Finance and other income	(1)	(1)	(2)	(8)	(1)	(9)
Bargain purchase gain	0	-	0	(1)	-	(1)
Impairment of intangible and other non-financial assets	1	-	1	3	-	3
Redeemable preferred securities expense (income)	94	-	94	282	-	282
Finance costs	41	5	46	72	10	82
Income (loss) before income taxes	80	(1)	79	34	2	36
Income tax expense (recovery)						
Current income tax expense (recovery)	110	4	114	207	10	217
Deferred income tax expense (recovery)	(56)	(5)	(61)	(113)	(10)	(123)
Income tax expense (recovery)	54	(1)	53	93	0	93
Net income (loss)	26	(0)	26	(60)	2	(57)
Net cash flows from operating activities	115	7	123	707	48	755
Free cash flow available to shareholders	16	(1)	14	435	32	467

Foreign Exchange Adjusted Organic Revenue Growth
(Excluding intercompany activity)

	For the three months ended June 30, 2023						For the six months ended June 30, 2023					
	Constellation Software Inc. (excluding Altera)		Altera		Consolidated		Constellation Software Inc. (excluding Altera)		Altera		Consolidated	
Licenses	0	%	-1	%	0	%	0	%	-39	%	-4	%
Professional services	6	%	-18	%	1	%	6	%	-14	%	2	%
Hardware and other	4	%	-64	%	3	%	4	%	-74	%	2	%
Maintenance and other recurring	8	%	-4	%	7	%	8	%	-3	%	7	%
Revenue	7	%	-10	%	5	%	7	%	-9	%	5	%

Liquidity

	June 30, 2023	December 31, 2022	Variance
Cash	970	811	159
Debt with recourse to Constellation Software Inc.	1,348	1,072	276
Debt without recourse to Constellation Software Inc.	1,078	902	176
Debt	2,426	1,974	452
Cash less Debt	(1,457)	(1,163)	(294)

The net capital deployed on acquisitions plus dividends exceeded the cash flows from operations during the six months ended June 30, 2023. Cash increased by \$159 million to \$970 million at June 30, 2023 compared to \$811 million at December 31, 2022 and debt increased by \$452 million to \$2,426 million at June 30, 2023 compared to \$1,974 million at December 31, 2022.

Total assets increased \$1,314 million, from \$7,875 million at December 31, 2022 to \$9,188 million at June 30, 2023. The increase is primarily due to the \$159 million increase in cash, and the \$1,063 million increase in intangible assets. At June 30, 2023 Topicus, Lumine and other subsidiaries with non-recourse debt facilities hold approximately \$573 million of cash. As explained in the "Capital Resources and Commitments" section below, there are limitations on the ability of these subsidiaries to distribute funds to Constellation.

Current liabilities increased \$1,052 million, from \$3,772 million at December 31, 2022 to \$4,824 million at June 30, 2023. The increase is primarily due to an increase in deferred revenue of \$384 million mainly due to acquisitions made since December 31, 2022 and the timing of maintenance and other billings versus performance and delivery under those customer arrangements, an increase in redeemable preferred securities of \$500 million, and an increase in debt with recourse to Constellation of \$229 million.

Net Changes in Cash Flows

(\$ in millions)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Net cash provided by operating activities	755	576
Net cash from (used in) financing activities	195	605
Cash used in the acquisition of businesses	(977)	(1,273)
Cash obtained with acquired businesses	93	148
Net cash from (used in) other investing activities	84	(108)
Net cash from (used in) investing activities	(800)	(1,233)
Effect of foreign currency	8	(35)
Net increase (decrease) in cash and cash equivalents	159	(87)

The net cash flows from operating activities were \$755 million for the six months ended June 30, 2023. The \$755 million provided by operating activities resulted from a net loss of \$57 million plus \$1,031 million of non-cash adjustments to net income and \$30 million of cash from non-cash operating working capital, offset by \$249 million in taxes paid.

The net cash flows from financing activities for the six months ended June 30, 2023 were \$195 million, which is mainly a result of a net increase in debt facilities of \$354 million offset by dividends paid to common shareholders of \$42 million, lease obligation payments of \$53 million, and interest payments of \$67 million.

The net cash flows used in investing activities for the six months ended June 30, 2023 were \$800 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of \$977 million (including payments for holdbacks relating to prior acquisitions), offset by \$101 million from the net sale of other investments, and \$93 million of acquired cash.

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

Capital Resources and Commitments

CSI Facility

On November 5, 2021, Constellation completed an amendment and restatement of its revolving credit facility agreement (the "CSI Facility"), with a syndicate of Canadian chartered banks and U.S. banks in the amount of \$700 million, extending its maturity date to November 2026. On March 3, 2022, Constellation completed a further amendment to the CSI Facility that increased the revolving credit facility limit to \$840 million. 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 June 30, 2023, \$511 million had been drawn from this credit facility, and letters of credit totaling \$12 million were issued, which limits the borrowing capacity on a dollar-for-dollar basis.

Guarantees

One of CSI' s subsidiaries has entered into a \$82 million (£65 million) term debt facility with a financial institution for which CSI has guaranteed the debt. The facility bears a fixed rate of interest. The term loan contains events of default that, if not remedied, allow the loan note holder to require repayment of the loan principal and interest. The loan is due in 2028.

Debt without recourse to CSI

Certain of CSI' s subsidiaries have entered into term debt facilities and revolving credit facilities with various financial institutions. Except as noted above, CSI does not guarantee the debt of its subsidiaries, nor are there any cross-guarantees between subsidiaries. The credit facilities are collateralized by substantially all of the assets of the borrowing entity and its subsidiaries. The credit facilities typically bear interest at a rate calculated using an interest rate index plus a margin. The financing arrangements for each subsidiary typically contain certain restrictive covenants, which may include limitations or prohibitions on additional indebtedness, payment of cash dividends, redemption of capital, capital spending, making of acquisitions and sales of assets. In addition, certain financial covenants must be met by those subsidiaries that have outstanding debt.

Debt without recourse to CSI comprises the following (\$ in millions):

	<u>Topicus Revolving Credit Facility</u>	<u>Debt Facilities</u>	<u>Total</u>
Principal outstanding at June 30, 2023 (and equal to fair value)	\$ 180	\$ 910	1,090
Deduct: Carrying value of transaction costs included in debt balance	(3)	(9)	(12)
Carrying value at June 30, 2023	<u>177</u>	<u>901</u>	<u>1,078</u>
Current portion	177	106	283
Non-current portion	–	795	795

Debentures

On October 1, 2014 and November 19, 2014, the Company issued unsecured subordinated debentures (the “Debentures”) with a total principal value of C\$96 million for total proceeds of C\$91 million. The proceeds were used by the Company to pay down \$81 million of outstanding bank indebtedness.

On September 30, 2015, the Company issued an additional tranche of Debentures with a total principal value of C\$186 million for total proceeds of C\$214 million. The proceeds were used by the Company to pay down \$130 million of outstanding bank indebtedness. The September 30, 2015 issuance formed a single series with the outstanding C\$96 million aggregate principal amount of Debentures, Series 1 of the Company. The Debentures have a maturity date of March 31, 2040.

The total principal value of debentures outstanding at June 30, 2023 was \$213 million (C\$282 million).

Liability of CSI under the terms of the IRGA / TSS Membership Agreement

On December 23, 2014, in accordance with the terms of the purchase and sale agreement for the initial acquisition of TSS by CSI, and on the basis of the term sheets attached thereto, Constellation and the Joday Group, among others, entered into a Members Agreement (the “Members Agreement”) pursuant to which the Joday Group acquired 33.29% of the voting interests in Constellation Software Netherlands Holding Coöperatief U.A. (which was renamed to Topicus.com Coöperatief U.A.), a subsidiary of Constellation and the indirect owner of 100% of TSS at the time of the acquisition. Total proceeds from this transaction was 39 million (\$49 million).

On January 5, 2021, the Members Agreement was terminated in conjunction with the acquisition of Topicus.com B.V., the reorganization of Topicus Coop and the execution of the IRGA. The IRGA was established to create certain contractual obligations of the parties in respect of the governance of Topicus and Topicus Coop. The Joday Group’s interest in Topicus Coop now comprises 39,331,284 Topicus Coop Ordinary Units resulting in an interest of 30.29% in Topicus Coop as of December 31, 2022. The IRGA provides for transfer restrictions in respect of the Topicus Coop Units.

Any time after January 5, 2021, any member of the Joday Group has the right, at his or its option, to sell any number of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase 33.33% of such Topicus Coop Units within 30 days, and an additional 33.33% on each of the first and the second anniversary of such initial purchase. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

In the event of a change of control of CSI, any member of the Joday Group has the right, at his or its option, to sell all of its Topicus Coop Units to CSI at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such option by a member of the Joday Group, CSI will be obligated to purchase all such Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI.

If CSI reduces its economic interest in Topicus by a sale or transfer of its economic interest (and not due to any additional issuance of any shares or equity by Topicus) by more than one-third (calculated on a fully converted basis in accordance with the IRGA), any member of the Joday Group has the right, at his or its option, to sell to CSI one-third of its Topicus Coop Units at a cash price per Topicus Coop Unit determined in accordance with the IRGA. Upon the exercise of such put option by a member of the Joday Group, CSI will be obligated to purchase all such put Topicus Coop Units. Notwithstanding the foregoing, CSI can offer Topicus the right to purchase such Topicus Coop Units in lieu of CSI. Any member of the Joday Group has a similar right to sell one-half or all of its remaining Topicus Coop Units, respectively, at its option, if CSI further reduces its remaining fully-diluted economic interest in Topicus by a sale or transfer of its economic interest by one-half and again if CSI sells its entire remaining economic interest in Topicus.

All of the Topicus Coop Ordinary Units and Topicus Coop Preference Units held by the Joday Group and Ijssel B.V. (collectively, the “Topicus Coop Exchangeable Units”) are exchangeable, directly or indirectly, for Topicus Subordinate Voting Shares. All of the above rights of members of the Joday Group apply to any Topicus Subordinate Voting Shares issued on an exchange of Topicus Coop Exchangeable Units.

At any time after December 31, 2023, CSI has the right, at its option, to buy all of the Topicus Coop Units and shares of Topicus held by certain members of the Joday Group (excluding Joday) at a cash price per Topicus Coop Unit (or share of Topicus, as applicable) determined in accordance with the IRGA. After December 31, 2043, CSI has the same right to buy all of the Topicus Coop Units and shares of Topicus held by the remaining members of the Joday Group, including Joday.

In addition, if certain individuals affiliated with Joday are terminated from their employment with Topicus Coop or an affiliate thereof for urgent cause (as defined in the Dutch Civil Code), CSI has the right, at its option, to buy all of Topicus Coop Units held by such individuals at a cash price per Topicus Coop Unit determined in accordance with the IRGA.

The Company classified the above obligations of CSI under the terms of the IRGA as a liability consistent with the classification of similar obligations under the Members Agreement. The main valuation driver in the calculation of the liability is the maintenance and other recurring revenue of Topicus. Maintenance and recurring revenue of Topicus for the trailing twelve months on a pro-forma basis determined at the end of the current reporting period was used as the basis for valuing the interests at each purchase date. Any increase or decrease in the value of such liability is recorded as an expense or income in the consolidated statement of income for the period. In conjunction with the termination of the Members Agreement and the execution of the IRGA, the Company recognized an expense of \$19 million as the formula associated with the calculation of the obligation has changed from the use of actual trailing twelve months maintenance and other recurring revenue of Topicus to a calculation which includes the revenue increase from acquired companies on a pro-forma basis.

During the six month periods ended June 30, 2023 and June 30, 2022, no options were exercised. During the six months ended June 30, 2022, a distribution in the amount of \$23 million was paid to the Joday Group relating to their Topicus Preferred Securities.

The liability recorded on the balance sheet at June 30, 2023 was \$543 million.

Redeemable Preferred Securities

In conjunction with the acquisition of WideOrbit, Lumine issued 10,204,294 Lumine Special Shares (the "Preferred Securities") to the sellers of WideOrbit for an initial subscription price of approximately \$222 which was included in the purchase consideration. Under certain conditions, the Preferred Securities are retractable at the option of the holder for a retraction price of \$21.74 per Preferred Security plus one Lumine Subordinate Voting share for each Preferred Security held and has been classified as a liability on the balance sheet of the Company. The Preferred Securities are also convertible into Lumine Subordinate Voting shares at a conversion ratio of 1:3.43 at any time. The holders of the Preferred Securities are also entitled to a fixed annual cumulative dividend of 5% per annum.

Further descriptions of the significant terms and conditions of the Preferred Securities are described in note 9 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023.

Other commitments

Commitments include operating leases for office equipment and facilities, letters of credit and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our statement of financial position was \$178 million at June 30, 2023. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in non-consolidated entities that would have a significant effect on our assets and liabilities as at June 30, 2023.

Contractual obligations at June 30, 2023 are summarized below.

(in millions of dollars)

	Total	< 1 yr	1-5 yrs	> 5 yrs
Lease obligations	339	101	196	42
Holdbacks	252	148	99	5
Liability of CSI under the terms of the IRGA/TSS Members Agreement	543	224	320	–
Debentures	213	–	–	213
Term Loan	82	–	82	–
CSI revolving credit facility	511	511	–	–
Topicus revolving credit facility without recourse to Constellation Software Inc.	180	180	–	–
Other debt facilities without recourse to Constellation Software Inc.	910	57	842	11
Total outstanding commitments	<u>3,031</u>	<u>1,221</u>	<u>1,539</u>	<u>271</u>

The IRGA liability commitment assumes that the Joday Group has exercised their put option to sell 100% of their interests back to Constellation. This option however has not been exercised as at August 11, 2023. See note 7 to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023 for a discussion on the valuation methodology utilized.

Financial Instruments

The carrying values of cash, accounts receivable, accounts payable, accrued liabilities, dividends payable, the majority of acquisition holdbacks, and the CSI Facility, approximate their fair values due to the short-term nature of these instruments. The carrying value of the debt without recourse to CSI approximate their fair values as the debt is subject to market interest rates. The carrying value of the IRGA liability and the term loan with recourse to CSI approximates fair value.

Financial assets and financial liabilities measured at fair value as at June 30, 2023 and December 31, 2022 in the Unaudited Condensed Consolidated Interim Financial Statements for the three and six month periods ended June 30, 2023 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 and the redeemable preferred securities.

	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Equity securities held for trading	\$ 15	\$ –	\$ –	\$15	\$115	\$ –	\$ –	\$115
	<u>15</u>	<u>–</u>	<u>–</u>	<u>15</u>	<u>115</u>	<u>–</u>	<u>–</u>	<u>115</u>
Liabilities:								
Redeemable preferred securities	\$ –	\$ –	\$500	\$500	\$ –	\$ –	\$ –	\$ –
Contingent consideration	–	–	175	175	–	–	157	157
	<u>–</u>	<u>–</u>	<u>675</u>	<u>675</u>	<u>–</u>	<u>–</u>	<u>157</u>	<u>157</u>

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).

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact will impact future revenue and net income. The impact to organic revenue growth for the three and six months ended June 30, 2023 was approximately negative 1% and negative 2% respectively. We cannot predict the effect of foreign exchange gains or losses in the future; however, if significant

foreign exchange losses are experienced, they could have a material adverse effect on our business, revenues, results of operations, and financial condition. The Company enters into forward foreign exchange contracts from time to time with the objective of mitigating volatility in profit or loss in respect of financial liabilities. In entering into these forward exchange contracts, the Company is exposed to the credit risk of the counterparties to such contracts and the possibility that the counterparties will default on their payment obligations under these contracts. However, given that the counterparties are Schedule 1 banks or affiliates thereof, the Company believes these risks are not material. During the six months ended June 30, 2023, the Company did not purchase any contracts of this nature.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue and expenses, as applicable, for the three and six months ended June 30, 2023:

Currencies	Three Months Ended June 30, 2023				Six Months Ended June 30, 2023			
	% of Revenue		% of Expenses		% of Revenue		% of Expenses	
USD	52	%	48	%	52	%	48	%
EUR	19	%	19	%	19	%	18	%
GBP	8	%	8	%	8	%	8	%
CAD	6	%	8	%	6	%	8	%
AUD	4	%	3	%	4	%	3	%
BRL	2	%	2	%	2	%	2	%
CHF	1	%	2	%	1	%	2	%
SEK	1	%	1	%	1	%	1	%
Others	7	%	9	%	7	%	9	%
Total	100	%	100	%	100	%	100	%

Due to rounding, certain totals may not foot.

Off-Balance Sheet Arrangements

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

Proposed Transactions

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

Share Capital

As at August 11, 2023, there were 21,191,530 common shares outstanding.

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations 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 June 30, 2023, the President and Chief Financial Officer, based on the investigation and advice of those under their supervision, have concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

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

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

The President and the Chief Financial Officer have evaluated, or caused to be evaluated by those under their supervision, whether or not there were changes to its ICFR during the period ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

Subsequent Events

On August 11, 2023 the Company declared a \$1.00 per share dividend that is payable on October 11, 2023 to all common shareholders of record at close of business on September 20, 2023.

On August 3, 2023 the Company announced a rights offering pursuant to which the Company intends to distribute rights that will entitle holders of common shares of the Company on the applicable record date to purchase up to C\$700 million aggregate principal amount of Debentures of the Company.

On July 17, 2023, CSI announced that its Perseus operating group has entered into a binding commitment with Intercontinental Exchange, Inc. ("ICE") and Black Knight, Inc. to acquire Black Knight's Optimal Blue business. Under terms of the agreement, CSI will acquire Black Knight's Optimal Blue business for \$700. The structure of the proposed transaction includes a payment by CSI of \$200 in cash, with the remainder financed by a \$500 promissory note issued by Constellation to Black Knight, as a subsidiary of ICE, at the closing of the transaction. Completion of this transaction is subject to the closing of ICE's acquisition of Black Knight, the closing of CSI's acquisition of Black Knight's Empower loan origination system business entered into earlier this year in March, and other customary closing conditions.

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of the Company

Constellation Software Inc. (the “**Company**”)
#1200 - 20 Adelaide Street East
Toronto, Ontario M5C 2T6

Item 2 Date of Material Change

August 15, 2023

Item 3 News Release

A news release was disseminated through Globe Newswire on August 15, 2023.

Item 4 Summary of Material Change

On August 15, 2023, the Company resolved to pay a special dividend (the “**Warrant Dividend**”), pursuant to which all common shareholders of record on August 24, 2023 (the “**Record Date**”) are entitled to receive, by way of a dividend-in-kind, one warrant of the Company (collectively, the “**Warrants**”) for each common share of the Company (collectively, the “**Common Shares**”) held.

Item 5 Full Description of Material Change

On August 15, 2023, the Company resolved to pay the Warrant Dividend, pursuant to which all common shareholders of record on the Record Date are entitled to receive, by way of a dividend-in-kind, one Warrant for each Common Share held.

The payment date for the Warrant Dividend is expected to be on or about August 29, 2023. The Common Shares will commence trading on an ex-dividend basis at the opening of markets on August 23, 2023.

Separately, the Company has recently announced its intention to issue up to an additional C\$700 million aggregate principal amount of unsecured subordinated floating rate debentures, Series 1 of the Company (the “**Series 1 Debentures**”) pursuant to a rights offering (the “**Rights Offering**”). The Series 1 Debentures issued pursuant to the Rights Offering are expected to be issued as an additional tranche of, and treated as a single series with, the currently outstanding C\$282.2 million aggregate principal amount of Series 1 Debentures.

The Series 1 Debentures contain a “**Company Redemption Right**”, which is an existing right of the Company contained in the trust indenture (as supplemented) governing the Series 1 Debentures, and is described in the prospectuses filed by the Company in 2014, 2015 and 2023 in connection with the distribution of Series 1 Debentures. Pursuant to the Company Redemption Right, the Series 1 Debentures are redeemable at the Company’s option annually, during a specified period, upon no more than five years’ and 15 days’ and no less than five years’ notice.

The Warrants will not be exercisable by the holders thereof unless and until the Company exercises the Company Redemption Right in respect of the Series 1 Debentures. If the Company exercises the Company Redemption Right, each Warrant will become exercisable by the holder thereof for a period of 30 calendar days (the “**Warrant Exercise Period**”) starting from the date that the Company provides notice to the holders of its Series 1 Debentures that the Company is exercising the Company Redemption Right to redeem Series 1 Debentures.

Following notice by the Company of the exercise of the Company Redemption Right, each Warrant will, upon exercise, entitle the holder thereof to receive, on the 10th business day following the last date of the Warrant Exercise Period (the “**Series 2 Issuance Date**”) C\$100 principal amount of unsecured subordinated floating rate debentures, Series 2 of the Company (the “**Series 2 Debentures**”) for each C\$100 principal amount of Series 1 Debentures tendered for repurchase by the Company.

The Company will pay any accrued and unpaid interest on the Series 1 Debentures tendered for repurchase up to, but excluding, the Series 2 Issuance Date. Other than tendering the Series 1 Debentures for repurchase, no additional exercise price will be owing by a holder of a Warrant upon the exercise of a Warrant.

The Series 2 Debentures will be identical in all material respects to the Series 1 Debentures, except that the Series 2 Debentures will not include a Company Redemption Right. Since the Series 2 Debentures will not contain a Company Redemption Right, the Company anticipates that the exercise by holders of the Warrants would neutralize the impact of an exercise of the Company Redemption Right in respect of the corresponding principal amount of Series 1 Debentures.

The Company has no current intention to exercise the Company Redemption Right under the Series 1 Debentures.

The Warrants will not be listed on the Toronto Stock Exchange (“TSX”) or any other exchange at the time of issuance. If and when the Company Redemption Right is exercised, the Company plans to apply to list the Warrants on the TSX, so that the Warrants would trade on the TSX during the Warrant Exercise Period. The Company’s ability to list the Warrants will be subject to the approval of the TSX at such time.

All unexercised Warrants will expire on the earlier of (i) the first date on which all the outstanding Series 1 Debentures have matured or have otherwise been repurchased, redeemed or cancelled, and (ii) March 31, 2040.

Following the distribution of the Warrant Dividend, there will be 21,191,530 Warrants outstanding. The Company currently has 2,822,869 Series 1 Debentures outstanding and it intends to issue additional Series 1 Debentures from time-to-time, including in the near-term pursuant to the Rights Offering. The Company intends to ensure that the number of Warrants outstanding at any given time will significantly exceed the number of Series 1 Debentures outstanding at any given time.

In addition, if and when the Company Redemption Right is exercised, the Company plans to attempt to ensure Warrants are available to be acquired by any holder of Series 1 Debentures that wants to acquire them.

The Company has determined that the Warrants will have a nominal fair market value of C\$0.0001 per Warrant at the time of the Warrant Dividend.

At the time the Warrants are issued, they should generally be qualified investments under the Income Tax Act (Canada) for a trust governed by a registered retirement savings plan, deferred profit sharing plan, registered retirement income fund, registered education savings plan, registered disability savings plan, and a tax free savings account. However, the Company makes no assurances that the Canada Revenue Agency would not take a different view. Accordingly, holders who intend to hold the Warrants in any such plan should consult their own tax advisors.

Full details of the Warrants will be included in a warrant indenture that will be available on SEDAR+ at www.sedarplus.ca following the distribution of the Warrants.

Forward Looking Statements

The statements contained in this material change report which are not historical facts are forward-looking statements, which involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company 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 speak only as of the date of this material change report. 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.

Item 6 **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

Item 7 **Omitted Information**

Not applicable.

Item 8 **Executive Officer**

The following senior officer of the Company is knowledgeable about the material change and this material change report, and may be contacted as follows:

Jamal Baksh
Chief Financial Officer
Telephone: 416-861-9677
Email: jbaksh@csisoftware.com

Item 9 **Date of Report**

August 21, 2023



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place
Suite 1400
Vaughan, ON Canada L4K 0J3
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Fax (905) 265-6390
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Constellation Software Inc.

We, KPMG LLP, consent to the use of our report dated March 29, 2023, on the consolidated financial statements of Constellation Software Inc. (the “Entity”), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, the related consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, which is included in Amendment No. 1 to the Registration Statement on Form F-7 dated August 24, 2023, of the Entity.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
August 24, 2023
Vaughan, Canada

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

THIS FIRST SUPPLEMENTAL INDENTURE dated as of September 30, 2015

BETWEEN:

CONSTELLATION SOFTWARE INC., a corporation amalgamated pursuant to the laws of Ontario
(hereinafter referred to as the “**Company**”)

- and -

COMPUTERSHARE TRUST COMPANY OF CANADA, a trust company existing under the laws of Canada
(hereinafter referred to as the “**Debenture Trustee**”)

WHEREAS by a trust indenture (the “**Original Indenture**”) dated as of October 1, 2014 between the Company and the Debenture Trustee, provision was made for the issue of an unlimited aggregate principal amount of Unsecured Subordinated Floating Rate Debentures, Series 1 of the Company (the “**Initial Debentures**”);

AND WHEREAS \$67,990,300 principal amount of Initial Debentures were issued on October 1, 2014 and \$28,047,900 principal amount of Initial Debentures were issued on November 19, 2014 pursuant to the terms of the Original Indenture;

AND WHEREAS the Company is desirous of (i) issuing an additional \$186,248,700 principal amount of Initial Debentures on or about September 30, 2015 (the “**2015 Debentures**”) pursuant to section 2.2 the Original Indenture and pursuant to the provisions of this First Supplemental Indenture, and (ii) amending certain provisions of the Original Indenture to clarify and supplement certain of the terms included therein;

AND WHEREAS all necessary acts and proceedings have been done and taken and all necessary resolutions have been passed to authorize the execution and delivery of this First Supplemental Indenture, to make the same effective and binding upon the Company;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Company and not by the Debenture Trustee;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSES, and it is hereby agreed and declared, as follows:

ARTICLE 1 INTERPRETATION

1.1 To be Read with Original Indenture; Governing Law.

This First Supplemental Indenture is supplemental to the Original Indenture. The Original Indenture and this First Supplemental Indenture shall hereafter be read together and shall have effect, so far as practicable, as if all the provisions of the Original Indenture and this First Supplemental Indenture were contained in one instrument, which instrument shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each of the parties hereto hereby acknowledges that it has consented to and requested that this document be drawn up in the English language only. Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent et qui en découleront soient rédigés en langue anglaise.

1.2 Benefits of First Supplemental Indenture.

For greater certainty, this First Supplemental Indenture is being entered into with the Debenture Trustee for the benefit of the holders of the Initial Debentures and the Debenture Trustee declares that it holds all rights, benefits and interests of this First Supplemental Indenture on behalf of and as agent for, the holders of the Initial Debentures and each such person who becomes a holder of the Initial Debentures from time to time.

1.3 Headings, etc.

The division of this First Supplemental Indenture into Articles and Sections, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this First Supplemental Indenture or of the Debentures.

1.4 Incorporation of Certain Definitions.

All terms contained in this First Supplemental Indenture which are defined in the Original Indenture, as supplemented and amended to the date hereof, shall, for all purposes hereof, have the meanings given to such terms in the Original Indenture, as so supplemented and amended, unless otherwise defined herein or unless the context otherwise specifies or requires.

1.5 Definition of "This First Supplemental Indenture".

The term "this First Supplemental Indenture", whenever used herein, means the Original Indenture as supplemented and amended by all indentures supplemental thereto, including this supplemental indenture.

ARTICLE 2 DEBENTURES

2.1 Limitation on Issue and Designation.

The aggregate principal amount of 2015 Debentures that may be issued and certified hereunder shall consist of and be limited to \$186,248,700 principal amount of Debentures designated as "Unsecured Subordinated Floating Rate Debentures, Series 1".

2.2 Terms of the 2015 Debentures.

The 2015 Debentures shall be in the same form, and shall have the same terms, as the Initial Debentures, as set forth in section 2.4 of the Original Indenture, with necessary modifications to reflect that the 2015 Debentures shall be issued on, and dated as of, September 30, 2015. For greater certainty, the 2015 Debentures shall form part of, and be fungible with, the Initial Debentures, as such term is used in the Original Indenture and the first Interest Payment on the 2015 Debentures shall be made for the period from and including September 30, 2015 to but excluding the period ending December 31, 2015.

ARTICLE 3 AMENDMENT

3.1 Notwithstanding Section 2.4(f) of the Original Indenture, Initial Debentures issued in accordance with one or more interest reinvestment plans established by the Company from time to time may be issued in denominations of less than \$100.

3.2 Section 2.4 of the Original Indenture is amended by deleting subsection 2.4(h) thereof and replacing it with the following:

- (h) Unless otherwise specified in an indenture supplemental hereto, any PIK Debentures issued to the holders of the Initial Debentures in accordance with Section 2.13 will have the same terms and conditions as the Initial Debentures and will form part of the principal amount of such Initial Debentures. If, on any Interest Payment Date, the Company fails to pay the amount of interest owing on the Initial 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 Initial Debentures; provided, however, that if the Company has issued PIK Debentures in respect of all or a portion of the amount of interest owing on the Initial Debentures on one or more Interest Payment Dates, the Company may resume declaring and paying dividends of any kind on the Common Shares and participating in any share buyback or redemption involving the Common Shares beginning on the earlier of (i) the next Interest Payment Date in respect of which the Company pays the amount of interest owing on the Initial Debentures in full in cash and (ii) the date on which the Company repays all amounts owing under such PIK Debentures.

ARTICLE 4 MISCELLANEOUS PROVISIONS

4.1 Confirmation of Original Indenture

The Original Indenture, as amended and supplemented by this First Supplemental Indenture, is in all respects confirmed.

4.2 Acceptance of Trusts

The Trustee hereby accepts the trusts in this First Supplemental Indenture declared and provided for and agrees to perform the same upon the terms and conditions and subject to the provisions set forth in the Original Indenture.

4.3 Counterparts and Formal Date

This First Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear a date as of the date first written above.

[remainder of page intentionally left blank]

IN WITNESS whereof the parties hereto have executed this First Supplemental Indenture by the hands of their proper officers.

CONSTELLATION SOFTWARE INC.

Per: /s/ Jamal Baksh

Name: Jamal Baksh

Title: Chief Financial Officer

**COMPUTERSHARE TRUST COMPANY OF
CANADA**

Per: /s/ Lisa M. Kudo

Name: Lisa M. Kudo

Title: Corporate Trust Officer

Per: /s/ Raji Sivalingam

Name: Raji Sivalingam

Title: Associate Trust Officer