

Open Text Corporation Reports First-Quarter 1997 Results *Revenues and Momentum Building as Company Focuses on Core Intranet Software Business*

Waterloo, ON—November 6, 1996— Open Text Corporation (NASDAQ: OTEX), a leading provider of intranet application software, tools and services, today announced its financial results for the first quarter ended September 30, 1996.

Record Revenues The company's results, reported under U.S. Generally Accepted Accounting Principles (GAAP), included total revenues of US\$4.0 million, a record for any quarter in the company's history. First-quarter revenues were up 548 percent from \$600,000 for the prior-year period, and up 8 percent sequentially from \$3.7 million for the fourth quarter of fiscal 1996. Revenue growth was driven by the company's core intranet software business, which contributed \$3.7 million in sales, up 28 percent sequentially from \$2.9 million for the fourth quarter.

Restructuring Completed On September 12, 1996, Open Text announced a restructuring of operations, in order to focus its core business on the intranet software market, with products such as Livelink Intranet. The company finalized the consolidation of its operations, recording a charge of \$650,000 for termination costs during the quarter, as previously announced. The net loss for the first quarter, including this charge, was \$3.6 million, or \$0.22 per share, compared with a net loss of \$2.6 million, or \$0.40 per share, for the year-earlier quarter, and with a net loss of \$15.5 million, or \$0.96 per share after non-recurring charges of \$9.9 million, or \$0.61 per share, for the fourth quarter of fiscal 1996. At September 30, 1996, Open Text's cash, cash equivalents and short-term investments totaled \$43.5 million.

Momentum Building "We have laid the foundation to achieve success in the emerging intranet software market," said Tom Jenkins, Open Text's president and chief executive officer. "With a clearly defined core business focus, stronger operating and financial controls in place, and a streamlined organization, we turned our attention during the quarter to generating positive momentum in the marketplace. For example, we simplified the installation process for our products, increased the functionality of Livelink Intranet and improved product reliability, thus enabling our customers to move from pilot to full deployment more quickly.

"At the same time, we increased the total number of Livelink Intranet customers by 160 percent, and enhanced our relationships with key existing customers, several of which significantly added to their installed base," Jenkins added. "With this level of revenue, we have clearly demonstrated our leadership position in intranet-based application software for advanced business processes. Equally important, we added major new reference accounts, including Bell Canada, BellSouth, Medical Economics and the U.S. Government Printing Office. We believe this momentum will continue to build as we ramp up our sales and marketing activities and broaden our distribution channels."

Business Mix For the first quarter of fiscal 1997, license revenue was \$2.1 million, up 826 percent from \$200,000 for the same period last year. While license revenue was down 15 percent from \$2.5 million for the fourth quarter due to the phase-out of an unprofitable retail Internet software product, revenue from the company's core intranet business increased to \$2.1 million, up 24 percent sequentially from \$1.7 million for the quarter ended June 30, 1996. Service revenue for the first quarter increased to \$1.9 million, up 383 percent from \$400,000 for the prior-year period, and up 55 percent from \$1.2 million for the fourth quarter. The sequential increase reflected expanded service business associated with growth in the company's installed product base.

Gross margin for the first quarter was 59 percent of total revenues, compared with 74 percent for the prior-year period, and 42 percent for the fourth quarter of fiscal 1996. The year-over-year decline occurred primarily in the service business, reflecting an increased investment in professional services, training and other post-sales customer-support needed to facilitate Open Text's growth. The 17-point sequential improvement from the fourth quarter to the first quarter reflected a shift in the product mix from the company's retail Internet offering to its Livelink Intranet suite. Gross margin for the company's core intranet software license business, including Livelink Intranet, was over 90 percent of total license revenues.

Release Disclaimer:

This news release may contain forward-looking statements relating to the future performance of Open Text Corporation. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties are detailed from time to time in the company's filings with the Securities and Exchange Commission (SEC), including the final prospectus for the company's initial public offering of common stock in January 1996, Form 10-K for the year ended June 30, 1997, and Form 10-Q for the quarters ended September 30, 1997, and December 31, 1997. To review the Statements of Operations please see Financials. Note to Editors: Livelink Pinstripe, Livelink 8, Livelink Search, Livelink Library, Livelink Workflow and Livelink Project Collaboration are trademarks of Open Text Corporation. All other trademarks are the property of their respective companies.

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