

CONTACT:
William N. Stirlen
Chief Financial Officer
(519) 888-7111

FOR IMMEDIATE RELEASE

OPEN TEXT CORPORATION REPORTS FOURTH-QUARTER AND FULL-YEAR 1997 RESULTS

Company Meets Benchmark Goals Set One Year Ago

WATERLOO, Ontario, Canada -- August 26, 1997 -- Open Text Corporation (NASDAQ: OTEXF), a leading provider of intranet application software, tools and services, today announced its financial results for the fourth quarter and fiscal year ended June 30, 1997.¹

For the sixth consecutive quarter, Open Text reported the highest quarterly total revenues in the company's history. Total revenues for the fourth quarter of fiscal 1997 were US\$7.3 million, up 19 percent from the \$6.1 million reported for the third quarter, and up 95 percent from \$3.7 million for the year-earlier period.

Gross profit for the fourth quarter was also a record high at \$5.2 million, up 21 percent from \$4.3 million for the third quarter, and up 228 percent from \$1.6 million a year ago. Fourth-quarter gross margin was 71 percent, up from 42 percent for the fourth quarter of 1996.

Net loss for the fourth quarter was \$2.3 million, or a loss of \$0.14 per share. This compared with a net loss of \$3.5 million, or a loss of \$0.20 per share, for the third quarter, and a net loss of \$5.6 million, or a loss of \$0.35 per share, for the year-earlier quarter, exclusive of several one-time charges related primarily to acquisitions and a restructuring of operations. Including these charges, the net loss for the fourth quarter of fiscal 1996 was \$15.5 million, or a loss of \$0.96 per share.

For the full year ended June 30, 1997, total revenues were \$22.6 million, more than double the \$10.0 million reported for fiscal 1996. Gross profit was \$15.2 million, also more than double the \$6.2 million reported for the prior year. Net loss was \$13.2 million, or a loss of \$0.78 per share, compared with a net loss of \$11.6 million, or \$0.96 per share, for the year earlier, exclusive of the one-time charges mentioned above. Including these charges, the full-year fiscal 1996 net loss was \$43.2 million, or a loss of \$3.59 per share.

¹ Reported under U.S. Generally Accepted Accounting Principles (GAAP).

At June 30, 1997, Open Text's cash, cash equivalents and short-term investments totaled approximately \$32 million. Accounts receivable were \$8.6 million on quarterly revenues of \$7.3 million. Total shareholders' equity, or net book value, was \$42.5 million.

One-Year Retrospective: Progress Against Goals

"One year ago, after a series of strategic acquisitions, we focused Open Text as an intranet application software provider," said Tom Jenkins, chief executive officer. "At that time, we set a number of benchmarks by which to measure our progress over time. These benchmarks included revenue growth, gross profit growth, quantity and quality of customers, strategic partnerships, market share, and recognized industry leadership. We believe that we have achieved all of our goals."

Jenkins went on to cite the following specific achievements during fiscal 1997:

- Quarterly revenue growth averaging 18 percent sequentially
- Annual revenue growth of 127 percent
- Quarterly gross profit growth averaging 35 percent sequentially
- Annual gross profit growth of 145 percent
- A direct customer base of approximately 120 Global 2000 companies, including Bell Canada; BellSouth; Booz, Allen and Hamilton; Chiron; Conoco; Ford; Hewlett-Packard; Motorola; Qualcomm; TRW; and Tracor/Vitro, as well as the U.S. Government
- Strategic partnerships with Canon, Jetform, Microsoft, Netscape, Netsys (Scandinavia), and Siemens-Nixdorf
- A total of approximately 240,000 seats sold for Livelink Intranet, from start-up in the fourth quarter of fiscal 1996 -- a record for first-year market penetration in the history of document management software
- International Data Corporation's (IDC) naming of Livelink Intranet as the market leader for Web-enabled, integrated document management systems, with 64-percent market share at the end of calendar 1996
- Delphi Consulting Group's recognition of Open Text as the leader in market development for electronic document management, with 248-percent revenue growth during calendar 1996.

Jenkins added that in 1997, Open Text has significantly strengthened its management team with the addition of Oracle executive Brett Newbold as president. Also, the company

achieved year-over-year revenue growth of 95 percent for the fourth quarter, while keeping employee headcount essentially flat since the end of calendar 1996.

Fourth-Quarter Highlights

For the fifth consecutive quarter since Open Text introduced the Livelink Intranet suite, sequential revenue growth was driven by increasing intranet software sales. Fourth-quarter license and service revenues associated with Livelink Intranet rose 21 percent from the third quarter.

License revenues for the quarter ended June 30, 1997 were \$4.7 million, up 26 percent from \$3.8 million for the third quarter, and up 88 percent from \$2.5 million for the fourth quarter of 1996.

Excluding sales of the retail Internet software product line that was terminated at the end of fiscal 1996, intranet software license revenues for the fourth quarter grew 175 percent from the year-earlier quarter.

Service revenues for the quarter ended June 30, 1997 were \$2.5 million, up 8 percent from \$2.4 million for the third quarter, and up 107 percent from \$1.2 million for the fourth quarter of 1996.

Gross margin on license revenues for the fourth quarter was 95 percent of total license revenues, compared with 93 percent for the third quarter, and with 49 percent for the fourth quarter of 1996. Gross margin on service revenues for the fourth quarter was 27 percent of total service revenues, compared with 33 percent for the third quarter, and with 29 percent for the fourth quarter of 1996.

The major new accounts contributing to Open Text's fourth-quarter revenues included United Airlines, Glaxo Wellcome, NationsBank, William M. Mercer, Thompson Financial and Adobe Systems. Existing accounts included Bell Sygma, Ford and Qualcomm.

New accounts announced during the fourth quarter included Booz, Allen and Hamilton; Motorola; and TRW Systems Integration Group, a major contractor with the U.S. Department of Defense. Also during the quarter, Netscape and Open Text announced plans to bundle Livelink Intranet with Netscape SuiteSpot Server Software for Web-based document management accessible directly through Netscape Communicator Client Software. According to Open Text CEO Tom Jenkins, this is potentially one of the largest bundling arrangements in the history of document management software.

The Company

Open Text Corporation (www. opentext.com) -- recognized by International Data Corporation and Delphi Consulting Group as the market-leading supplier of Web-based document management systems -- creates and markets intranet application software, tools and services that enable organizations to leverage the global reach and openness of Internet technologies within a powerful, collaborative environment for communicating, managing and working together. Open Text's solutions are used by Global 2000 companies to find and manage information and documents, empower teams and drive critical business processes.

Open Text: "Putting the Web to Work."

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, such as the deployment of Livelink Intranet by customers and the bundling of Livelink with Netscape software are subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties include the risk of possible customer disappointment or dissatisfaction with Livelink Intranet and any resulting failure to expand its Livelink user base as anticipated by the company; the company's limited operating history and losses; increases in expenses; unproved market acceptance of the company's products and services; technical uncertainties related to releases of new or modified products and adapting products to specific customer requirements; risks involving management of growth and integration of acquired businesses and recently hired key personnel; competition and the introduction of new entrants and/or new products in the company's markets; product development risks and risks of technological change; the risk of unanticipated expenses or asset reevaluations; and other risks and uncertainties described in the company's filings with the Securities and Exchange Commission (SEC), including the company's Annual Report on Form 10-K for the year ended June 30, 1996 and subsequent Forms 10-Q.

#

-- Financials Attached --

Note to editors: Open Text, the Open Text logo, Livelink, Livelink Intranet and "Putting the Web to Work" are trademarks of Open Text Corporation. Microsoft is a registered trademark of Microsoft Corporation, and Netscape is a registered trademark of Netscape Communications Corporation. All others are registered trademarks or trademarks of their respective companies.

-- more --

Open Text Corporation

Consolidated Statement of Operations

(in thousands of U.S. dollars, except per-share and share data)

	Three months ended		Twelve months ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
Revenues:				
License	\$4,749	\$2,513	\$13,736	\$6,573
Service	2,530	1,221	8,912	3,422
Total revenues	7,279	3,734	22,648	9,995
Cost of revenues:				
License	248	1,289	848	1,719
Service	1,835	863	6,631	2,093
Total cost of revenues	2,083	2,152	7,479	3,812
Gross profit	5,196	1,582	15,169	6,183
Operating expenses:				
Research and development	1,770	2,045	6,612	4,531
Sales and marketing	4,522	3,696	16,638	8,466
General and administrative	1,197	1,592	4,648	3,658
Depreciation and amortization, including acquired research and development	484	7,186	1,689	30,793
Restructuring reserve	-	3,428	650	3,428
Total operating expenses	7,973	17,947	30,237	50,876
Loss from operations	(2,777)	(16,365)	(15,068)	(44,693)
Other income	428	819	1,853	1,494
Net loss for the period	(\$2,349)	(\$15,546)	(\$13,215)	(\$43,199)
Net loss per share	(\$0.14)	(\$0.96)	(\$0.78)	(\$3.59)
Weighted average number of Common Shares outstanding	17,213,000	16,219,175	16,865,044	12,042,000

Open Text Corporation

Consolidated Balance Sheets

(in thousands of U.S. dollars)

	June 30, 1997	June 30, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	\$31,762	\$51,139
Accounts receivable - trade	8,623	5,416
Prepaid expenses	1,852	846
Other current assets	555	1,357
Total current assets	<u>42,792</u>	<u>58,758</u>
Furniture and equipment	5,054	3,536
Other investments, at cost	1,591	2,227
Other assets	<u>2,908</u>	<u>1,637</u>
	<u>\$52,345</u>	<u>\$66,158</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable - trade	\$1,234	1,569
Accrued liabilities	5,858	3,926
Other liabilities	1,857	1,405
Provision for restructuring	-	2,339
Current portion of obligations under capital leases	430	627
Total current liabilities	<u>9,379</u>	<u>9,866</u>
Obligations under capital leases	511	742
Shareholders' equity	<u>42,455</u>	<u>55,550</u>
	<u>\$52,345</u>	<u>\$66,158</u>