UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[ ] TRANSITION QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-27544

OPEN TEXT CORPORATION

(Exact name of registrant as specified in its charter)

ONTARIO (State of other jurisdiction of incorporation or organization)	98-0154400 (IRS Employer Identification No.)

185 Columbia Street West, Waterloo, Ontario, Canada N2L 5Z5

(Address of principal executive offices)

Registrant's telephone number, including area code: (519) 888-7111

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

At May 1, 2001 there were 19,934,608 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION

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Part I: Financial Information
Item 1. Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In US Dollars)
(in thousands, except share data)

	March 31, 2001 (unaudited)	June 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 86,163	$ 113,918
Available for sale securities (note 2)	-	284
Accounts receivable - net of allowance for doubtful accounts of $1,458 as of March 31, 2001 and $1,033 as of June 30, 2000	34,209	27,090
Prepaid and other current assets	3,132	1,983
Total current assets	123,504	143,275
Fixed assets	11,878	9,470
Goodwill, net of accumulated amortization of $7,036 at March 31, 2001 and $4,410 at June 30, 2000	30,264	21,745
Deferred tax asset	-	2,200
Other assets (note 3)	9,318	6,560
	$ 174,964	$ 183,250
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 19,854	$ 18,422
Deferred revenues	23,677	16,481
Income tax payable (note 5)	1,347	10,310
Deferred tax liability	25	54
Total current liabilities	44,903	45,267
Shareholders' equity:		
Share capital		
19,930,583 and 20,229,822 Common Shares issued and outstanding at March 31, 2001 and June 30, 2000 respectively	203,587	206,667
Accumulated other comprehensive income:		
Unrealized gain on available for sale securities (net of tax)	4	130
Cumulative translation adjustment	(1,660)	(1,018)
Accumulated deficit	(71,870)	(67,796)
Total shareholders' equity	130,061	137,983
	$ 174,964	$ 183,250

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In US Dollars)
(in thousands, except per share data)

	Three months ended March 31,		Nine months ended March 31,	
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
Revenues:				
License and networking	$ 18,312	$ 14,170	$ 52,817	$ 39,643
Customer support	11,282	6,823	29,297	19,355
Service	9,706	7,493	25,062	21,612
Total revenues	39,300	28,486	107,176	80,610
Cost of revenues:				
License	1,171	778	4,550	1,801
Customer support	2,021	1,518	5,549	4,225
Service	6,536	6,014	18,277	18,281
Total cost of revenues	9,728	8,310	28,376	24,307
Gross profit	29,572	20,176	78,800	56,303
Operating expenses:				
Research and development	6,754	4,893	17,911	12,962
Sales and marketing	13,595	10,010	37,095	30,589
General and administrative	3,268	5,768	10,018	16,445
Depreciation	1,393	1,104	3,798	3,395
Amortization of acquired intangible assets	1,657	813	3,805	2,151
Restructuring	-	-	-	2,022
Total operating expenses	26,667	22,588	72,627	67,564
Income (loss) from operations	2,905	(2,412)	6,173	(11,261)
Other income (expense)	1,279	(23)	971	(37)
Gain (loss) on investments	(2,885)	12,476	(2,885)	49,016
Interest income	971	1,373	3,869	4,742
Income before income taxes	2,270	11,414	8,128	42,460
Provision for income taxes	(263)	(7,024)	(793)	(19,624)
Net income for the period	$ 2,007	$ 4,390	$ 7,335	$ 22,836
Basic earnings per share	$ 0.10	$ 0.21	$ 0.36	$ 1.03
Diluted earnings per share	$ 0.09	$ 0.19	$ 0.34	$ 0.91
Weighted average number of Common Shares outstanding - basic	19,808	20,722	20,261	22,220
Weighted average number of Common Shares outstanding - diluted	21,379	23,083	21,747	25,191

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US Dollars)

	Nine months ended March 31, 2001	Nine months ended March 31, 2000
	(unaudited)	
Cash flows from operating activities:		
Net income for the period	$ 7,335	$ 22,836
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of acquired intangible assets	7,704	5,838
Gain on sale of available for sale securities	-	(48,130)
Deferred taxes	2,171	9,103
Write off of other investments	2,791	-
Other	(645)	99
Changes in operating assets and liabilities net of assets acquired:		
Accounts receivable	(3,430)	4,303
Prepaid and other current assets	(257)	5,191
Income tax payable	(8,963)	10,324
Accounts payable and accrued liabilities	(3,040)	607
Deferred revenues	3,817	7,744
Net cash provided by (used in) operating activities	7,483	17,915
Cash flows used in investing activities:		
Acquisition of capital assets	(5,037)	(5,030)
Acquisition of companies	(14,108)	(6,611)
Increase in other investments	(121)	(1,500)
Proceeds from sale of other investments	-	1,762
Proceeds from sale of available for sale securities	154	48,322
Increases in other assets	(1,714)	(183)
Net cash provided by (used in) investing activities	(20,826)	36,760
Cash flow from financing activities:		
Payments of obligations under capital leases	78	(66)
Proceeds from issuance of Common Shares	7,030	7,665
Repurchase of Common Shares	(21,520)	(93,617)
Net cash used in financing activities	(14,412)	(86,018)
Decrease in cash and cash equivalents during the period	(27,755)	(31,343)
Cash and cash equivalents at beginning of year	113,918	140,256
Cash and cash equivalents at end of period	$ 86,163	$ 108,913

See accompanying notes to condensed consolidated financial statements

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended March 31, 2001
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Open Text Corporation and its wholly-owned subsidiaries, collectively referred to as the "Company". All intercompany balances and transactions have been eliminated.

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared pursuant to the Securities and Exchange Commission rules and regulations for Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes in the Company's Annual Report on Form 10-K/A for the year ended June 30, 2000.

The information furnished reflects, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

These consolidated financial statements are expressed in US dollars and are prepared in accordance with US generally accepted accounting principles.

Comprehensive income

Comprehensive income is comprised of net income and other comprehensive income, such as the foreign currency translation effects of consolidating subsidiaries where the functional currency is foreign currency, and unrealized capital gains and losses on available for sale marketable securities. The Company's total comprehensive earnings were as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2001	2000	2001	2000
Other comprehensive income (loss):				
Cumulative currency translation adjustment	$ (1,218)	$ 99	$ (642)	$ (56)
Unrealized loss on available for sale securites (net of tax)	(108)	(15,092)	(126)	(45,132)
Other comprehensive income (loss):	(1,326)	(14,993)	(768)	(45,188)
Net income for the period	2,007	4,390	7,335	22,836
Comprehensive income (loss) for the period	$ 681	$ (10,603)	$ 6,567	$ (22,352)

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended March 31, 2001
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 2—AVAILABLE FOR SALE SECURITIES

About.com. During the quarter ended March 31, 2001, the Company sold 20,834 shares of common stock of Primedia Inc. (formerly About.com, formerly MiningCo.com Inc. and formerly General Internet, Inc.) which represented its entire interest in Primedia Inc. and resulted in a gain of $52,000.

NOTE 3 – OTHER ASSETS

	March 31, 2001	June 30, 2000
Investments	$ 121	$ 2,516
Purchased software	5,147	691
Core technology	3,090	2,370
Other	960	983
	$ 9,318	$ 6,560

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows*:*

	March 31, 2001	June 30, 2000
Accounts payable - trade	$ 4,134	$ 3,757
Accrued trade liabilities	7,288	6,173
Amounts payable for acquisitions	1,571	968
Restructuring	-	221
Accrued salaries and commissions	6,721	7,241
Other liabilities	140	62
	$ 19,854	$ 18,422

NOTE 5 —INCOME TAXES

As at March 31, 2001, the Company had total gross deferred tax assets of approximately $14.7 million, the principal components of which were temporary differences associated with net operating loss carryforwards and employee stock option deductions. The Company has provided for a valuation allowance of $14.7 million because it believes that sufficient uncertainty exists regarding the realizability of these deferred tax assets.

The Company and its subsidiaries have approximately $31.4 million of losses and deductions available to reduce taxable income in future years, the benefit of which has been provided for with a valuation allowance at March 31, 2001. Deductions of $10.7 million have no expiration date, and the balance of losses expire between 2004 and 2011. The Company operates in several tax jurisdictions. Its income is subject to varying rates of tax, and losses incurred in one jurisdiction cannot be used to offset income taxes payable in another.

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended March 31, 2001
(unaudited)
(dollar amounts in thousands, except share data)

NOTE 6—SEGMENT INFORMATION

The Company has two reportable geographic segments: North America and Europe. The Company evaluates operating segment performance based on revenues and direct operating expenses of the segment. The accounting policies of the operating segments are the same as those described in the summary of accounting policies.

Information about reported segments are as follows:

	North America	Europe	Other	Total
Three months ended March 31, 2001				
Revenues from external customers	$ 23,685	$ 14,464	$ 1,151	$ 39,300
Operating costs	23,924	8,751	670	33,345
Contribution margin	$ (239)	$ 5,713	$ 481	$ 5,955
Segment assets	$ 70,689	$ 44,048	$ 1,070	$ 115,807
Three months ended March 31, 2000				
Revenues from external customers	$ 16,810	$ 9,863	$ 1,813	$ 28,486
Operating costs	21,110	6,866	508	28,484
Contribution margin	$ (4,300)	$ 2,997	$ 1,305	$ 2
Segment assets	$ 57,310	$ 24,123	$ 810	$ 82,243

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended March 31, 2001
(unaudited)

(dollar amounts in thousands, except share data)

	North America	Europe	Other	Total
Nine months ended March 31, 2001				
Revenues from external customers	$ 62,403	$ 39,813	$ 4,960	$ 107,176
Operating costs	67,175	24,329	1,795	93,299
Contribution margin	$ (4,772)	$ 15,484	$ 3,165	$ 13,877
Segment assets	$ 70,689	$ 44,048	$ 1,070	$ 115,807
Nine months ended March 31, 2000				
Revenues from external customers	$ 48,461	$ 28,636	$ 3,513	$ 80,610
Operating costs	56,675	24,433	2,079	83,187
Contribution margin	$ (8,214)	$ 4,203	$ 1,434	$ (2,577)
Segment assets	$ 57,310	$ 24,123	$ 810	$ 82,243

For the quarters ended March 31, 2001 and 2000 and for the nine months ended March 31, 2001 and 2000, the "Other" category consists of geographic regions other than North America and Europe.

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements for the quarters ended March 31, 2001 and 2000 is as follows:

	Three months ended March 31, 2001	Three months ended March 31, 2000
Total contribution margin from operating segments above	$ 5,955	$ 2
Amortization and depreciation	3,050	2,020
Total operating income (loss)	$ 2,905	$ (2,018)
Interest and other income, including provision for income taxes	(898)	6,408
Net income	$ 2,007	$ 4,390

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended March 31, 2001
(unaudited)

(dollar amounts in thousands, except share data)

	Nine months ended March 31,	
	2001	**2000**
Total contribution margin from operating segments above	$ 13,877	$ (2,577)
Amortization and depreciation	7,704	5,845
Total operating income (loss)	$ 6,173	$ (8,422)
Interest and other income, including provision for income taxes	1,162	31,258
Net income	$ 7,335	$ 22,836

	As of March 31,	
	2001	**2000**
Segment assets	$ 115,807	$ 82,243
Available for sale securities	-	788
Term deposits, included in cash equivalents	59,036	97,380
Investments	121	2,516
Total corporate assets	$ 174,964	$ 182,927

Contribution margin from operating segments does not include amortization of intangible assets, acquired in-process research and development, and restructuring costs. Goodwill and intangibles have been included in segment assets.

OPEN TEXT CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended March 31, 2001
(unaudited)

(dollar amounts in thousands, except share data)

The distribution of revenues determined by location of customer and by identifiable assets, that represent greater than 10% of total revenues, by geographic areas for the quarters ended March 31, 2001 and 2000 are as follows:

	Three months ended March 31,	
	2001	2000
Revenues:		
Canada	$ 4,239	$ 2,341
United States	19,445	14,469
United Kingdom	4,920	3,446
Rest of Europe	9,545	6,417
Other	1,151	1,813
Total revenues	$ 39,300	$ 28,486

	Nine months ended March 31,	
	2001	2000
Revenues:		
Canada	$ 8,500	$ 8,257
United States	53,902	40,205
United Kingdom	15,342	11,335
Rest of Europe	24,472	17,302
Other	4,960	3,511
Total revenues	$ 107,176	$ 80,610

	As of March 31,	
	2001	2000
Segment assets:		
Canada	$ 17,027	$ 21,706
United States	53,662	35,604
United Kingdom	16,380	10,455
Rest of Europe	27,668	13,668
Other	1,070	810
Total segment assets	$ 115,807	$ 82,243

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

"Forward-Looking Statements". Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance or the outcome of litigation (often, but not always, using words or phrases such as "believes", "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate" or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken or achieved) are not statements of historical fact and may be "forward looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: the Company's limited operating history and losses, increases or decreases in expenses, unproven acceptance of the Company's products and services, risks regarding ASP contract and other revenues, risks involving the management of growth, risks regarding implementation of the Company's global marketing strategy and implementing any changes thereto, risks of acquisitions, including risks involved in integrating recent and future acquisitions and acquired products into the Company's business, competition and new entrants in the market for the Company's products and services, product development risks, risks regarding recruiting and retention of employees, risks regarding efforts to increase utilization of consulting staff, risks of technological change, litigation risk and liquidity and capital resources. Litigation and arbitration proceedings are inherently uncertain and can be affected by newly discovered evidence or documents, the assertion of new claims or legal theories and other factors that make it difficult to predict the outcome of litigation with certainty. Additional risks and uncertainties are described in connection with certain of the forward-looking statements under "Overview". Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements are based on management's current plans, estimates, opinions and projections, and the Company assumes no obligation to update forward-looking statements if assumptions of these plans, estimates, opinions or projections should change. Certain of the forward-looking statements contained in this report are identified with cross-references to this section.

Overview

Open Text develops, markets, licenses and supports collaborative knowledge management application software for use on intranets, extranets and the Internet, enabling users to find electronically stored information, work together in creative and collaborative processes, do group calendaring and scheduling and distribute or make available to users across networks or the Internet the resulting work product and other information. The Company's principal product line, *Livelink*, is a scaleable collaborative network application that integrates several modular engines including, but not limited to, search, collaboration, workflow, group calendaring and scheduling, and document management. The Company's search engine enables users to transparently search vast amounts of data stored in a wide variety of formats and in disparate locations, including World Wide Web sites. The Company's collaboration, workflow and document management engines enable users to establish and manage knowledge and document-oriented collaborative work processes that involve a diversity of workers, computing platforms and data. The Company's group calendaring and scheduling enables users to quickly schedule personal and group meetings, reserve conference rooms and add tasks to other users' lists of things to do. In addition, the Company's products enable organizations to flexibly manage the distribution and availability of information. The Company has focused its efforts on its intranet-related software and services to provide collaborative knowledge management solutions for use on intranets.

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies seeking to introduce new products into new and rapidly evolving markets characterized by intense competition. To address these risks and uncertainties, the Company must, among other things, successfully market its existing products and technologies and complete and introduce products and product enhancements under development in a timely manner, continue to upgrade and commercialize its technologies, compete effectively with a large number of technologically sophisticated and well-financed companies, and attract, retain and motivate highly qualified personnel, manage rapid growth and integrate the personnel, technologies and operations of acquired businesses. There can be no assurance that the Company will successfully address these challenges.

The Company has incurred losses from operations in four of its last six fiscal years and as at March 31, 2001, had an accumulated deficit in shareholders' equity of $71.9 million. The Company attained profitability from operations in fiscal 1999, and overall the Company was profitable in fiscal 2000. The Company continues to be profitable in the quarter ended March 31, 2001. Total revenues were $39.3 million for the quarter ended March 31, 2001, which represented an increase of 38% over the quarter ended March 31, 2000. License and networking revenue was $18.3 million for the quarter ended March 31, 2001, an increase of 29% over the quarter ended March 31, 2000. Product maintenance revenues were $11.3 million in the quarter ended March 31, 2001, which represented an increase of 65% over the quarter ended March 31, 2000. This growth resulted from the fact that, in the past, the Company's major products were sold with annual maintenance contracts that were typically priced at 18.5% of the sales price of the product, while now, these contracts are generally priced at 18.5% of the higher list price of the product. Professional service revenues, which include training and consulting services, were $9.7 million in the quarter ended March 31, 2001. Cash and cash equivalents were $86.2 million as of March 31, 2001. During the quarter ended March 31, 2001, the Company had operating cash flow of $8.5 million. The Company's days sales outstanding (DSO) decreased from 82 days at December 31, 2001 to 78 days at March 31, 2001. The Company recorded a one time write-off of $2.9 million related to its investments in Communities.com and Deja.com at March 31, 2001. Segment information is provided in Note 6 of the financial statements.

The Company continues to seek out opportunities to acquire or invest in businesses, products and technologies that expand, compliment or are otherwise related to the Company's current business or products. The Company also considers from time to time opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. Such acquisitions, investments, joint ventures or other business initiatives may involve significant commitments of financial and other resources of the Company. There can be no assurance that any such activity will be successful in generating revenue, income or other returns to the Company, or that financial or other resources committed to such activities will not be lost.

The Company's financial statements are prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") and are presented in United States dollars unless otherwise indicated.

Results of Operations
Quarter Ended March 31, 2001 Compared with Quarter Ended March 31, 2000

Revenues. The Company's total revenues increased by 38% from $28.5 million in the quarter ended March 31, 2000 to $39.3 million for the quarter ended March 31, 2001. License and networking revenue increased 29% from $14.2 million in the quarter ended March 31, 2000 to $18.3 million for the quarter ended March 31, 2001. Networking revenue in the quarter ended March 31, 2001 was $2.1 million, compared to $nil in the quarter ended March 31, 2000.

Customer support revenues increased 65% from $6.8 million in the quarter ended March 31, 2000 to $11.3 million in the quarter ended March 31, 2001. The increase in customer support revenue was attributable to the growth in licenses and good retention rates.

Service revenue increased 30% from $7.5 million in the quarter ended March 31, 2000 to $9.7 million in the quarter ended March 31, 2001. Service revenue increases can be attributed to the Company's increased growth in license revenue which resulted in additional demand for professional services work and training.

No customer accounted for greater than 10% of total revenues in the quarter ended March 31, 2001 or in the quarter ended March 31, 2000. For the quarter ended March 31, 2001, 60% of revenues were derived from customers resident in North America, 37% of revenues from customers in Europe and 3% of revenues from customers in Asia and other areas outside North America and Europe ("Asia and Other"), compared with 59%, 35% and 6%, respectively, for North America, Europe and Asia and Other for the quarter ended March 31, 2000.

Cost of revenues. Cost of license revenues increased from $778,000 in the quarter ended March 31, 2000 to $1.2 million in the quarter ended March 31, 2001. As a percentage of license revenues, cost of revenues remained constant at 6% in the quarters ended March 31, 2000 and March 31, 2001.

Cost of customer support revenues increased from $1.5 million in the quarter ended March 31, 2000 to $2.0 million in the quarter ended March 31, 2001. As a percentage of customer support revenues, cost of revenues decreased from 22% in the quarters ended March 31, 2000 to 18% in the quarter ended March 31, 2001. Customer support costs in absolute dollars increased due to an increase in staff in both the support and contract renewal areas in order to support the larger customer install base.

Cost of service revenues increased from $6.0 million in the quarter ended March 31, 2000 to $6.5 million in the quarter ended March 31, 2001. As a percentage of service revenues, the cost of service revenues decreased from 80% in the quarter ended March 31, 2000 to 67% in the quarter ended March 31, 2001. The Company achieved this reduction by reducing its use of subcontractors and improving its utilization rates in the professional services area.

Research and development. Research and development costs increased by 38% from $4.9 million in the quarter ending March 31, 2000 to $6.8 million in the quarter ending March 31, 2001. Research and development costs consisted primarily of personnel expenses and the related facilities and equipment. As a percentage of revenues, research and development costs remained constant at 17% in the quarters ended March 31, 2000 and March 31, 2001. The increase in research and development costs in absolute dollars was due to an increase in personnel costs.

Sales and marketing. Sales and marketing expense increased 36% from $10.0 million in the quarter ended March 31, 2000 to $13.6 million in the quarter ended March 31, 2001. As a percentage of revenues, sales and marketing expense remained constant at 35% in the quarters ended March 31, 2000 and March 31, 2001. The increase in sales and marketing expense in absolute dollars was the result of an increase in sales personnel and relating costs and market program spending.

General and administrative. General and administrative expense decreased 43% from $5.8 million in the quarter ended March 31, 2000 to $3.3 million in the quarter ended March 31, 2001. As a percentage of revenues, general and administration expense decreased from 20% in the quarter ended March 31, 2000 to 8% in the quarter ended March 31, 2001. This decrease was largely due to a reduction in bad debt expense in the quarter ended March 31, 2000, compared to the quarter ended March 31, 2001.

Depreciation. Depreciation increased by 26% from $1.1 million in the quarter ended March 31, 2000 to $1.4 million in the quarter ended March 31, 2001. As a percentage of revenues, depreciation remained constant at 4% for the quarters ended March 31, 2000 and March 31, 2001. The increase in absolute dollars was the result of an increase in fixed asset additions during the nine months ended March 31, 2001.

Amortization of acquired intangible assets. Amortization of acquired intangible assets increased 104% from $813,000 in the quarter ended March 31, 2000 to $1.7 million in the quarter ended March 31, 2001. As a percentage of revenue, amortization increased from 3% for the quarter ended March 31, 2000 to 4% for the quarter ended March 31, 2001. The increase in amortization related to acquisitions completed in fiscal 2001.

Other income (expense). Other income (expense) was comprised of expenses of $23,000 in the quarter ended March 31, 2000, compared to income of $1.3 million in the quarter ended March 31, 2001. The Company recorded a $544,000 foreign exchange gain in the quarter ended March 31, 2001, compared to $nil for the quarter ended March 31, 2000. In addition, the Company recorded a recovery from acquisition accrual, related to the favourable settlement of certain claims, of $734,000 in the quarter ended March 31, 2001.

Gain (loss) on investments. Gain (loss) on investments decreased from a gain of $12.5 million in the quarter ended March 31, 2000 to a loss of $2.9 million in the quarter ended March 31, 2001. The $12.5 million represented the gain realized on the sale of the About.com shares in the quarter ended March 31, 2000. During the quarter ended March 31, 2001, the Company completed a one-time write-down of $2.9 million on its investments in Deja.com and Communities.com. In addition, the remaining 8,900 About.com shares (which had been converted to 20,834 Primedia shares) were also sold, resulting in a gain of $52,000.

Interest income. Interest income was $1.4 million in the quarter ended March 31, 2000 and decreased to $1.0 million for the quarter ended March 31, 2001. The decline in interest income was attributable to the decline in the cash balance from $109 million at March 31, 2000 to $86 million at March 31,2001. In addition, the decline in interest rates has contributed to lower interest income.

Income taxes. The Company recorded a provision for taxes of $7.0 million for the three months ended March 31, 2000, compared to $263,000 for the three months ended March 31, 2001. Of the $7.0 million, $3.9 million was attributable to taxes arising from the gain realized on the sale of the About.com shares, and the remainder to an increase in the valuation allowance against the deferred tax asset in the quarter ended March 31, 2000. A full valuation allowance was recorded against the deferred tax asset because of the lack of profitability from operations in the past, the significant risk that taxable income will not be generated in the future, and the non-transferable nature of the deferred tax asset under certain conditions.

Results of Operations
Nine Months Ended March 31, 2001 Compared with the Nine Months Ended March 31, 2000

Revenues. The Company's total revenues increased by 33% from $80.6 million in the nine months ended March 31, 2000 to $107.2 million in the nine months ended March 31, 2001. License and networking revenue increased 33% from $39.6 million in the nine months ended March 31, 2000 to $52.8 million for the nine months ended March 31, 2001.

Customer support revenues increased 51% from $19.4 million in the nine months ended March 31, 2000 to $29.3 million in the nine months ended March 31, 2001. Customer support revenue increases were attributable to the Company's increased license growth and retention rates.

Service revenue increased 16% from $21.6 million in the nine months ended March 31, 2000 to $25.1 million in the nine months ended March 31, 2001. The increase in service revenue contributed to the Company's increased growth in license revenue, resulting in an additional demand for professional service work and training.

No customer accounted for greater than 10% of revenue in the nine months ended March 31, 2001 or in the nine months ended March 31, 2000. For the nine months ended March 31, 2001, 58% of revenues were derived from customers resident in North America, 37% of revenues from customers in Europe and 5% of revenues from customers in Asia and Other compared with 59%, 35% and 6% respectively for North America, Europe and Asia and Other for the nine months ended March 31, 2000.

Cost of revenues. Cost of license revenues increased 5% from $1.8 million in the nine months ended March 31, 2000 to $4.6 million in the nine months ended March 31, 2001. As a percentage of license revenues, cost of revenues increased from 4% in the nine months ended March 31, 2000 to 9% in the nine months ended March 31, 2001. The increase was due primarily to increased demand for third party product, reseller fees and translation costs.

Cost of customer support revenues increased 21% from $4.2 million in the nine months ended March 31, 2000 to $5.5 million in the nine months ended March 31, 2001. As a percentage of customer support revenues, cost of revenues decreased from 22% in the nine months ended March 31, 2000 to 19% for the nine months ended March 31, 2001. Customer support costs in absolute dollars increased due to an increase in staff in both the support and contract renewal areas in order to support the larger customer install base.

Cost of service revenues remained constant at $18.3 million for the nine months ended March 31, 2000 and for the nine months ended March 31, 2001. As a percentage of service revenues, the cost of service revenues decreased from 85% in the nine months ended March 31, 2000 to 73% in the nine months ended March 31, 2001. The Company achieved this reduction by reducing the use of subcontractors and improving utilization rates in the professional service area.

Research and development. Research and development costs increased by 38% from $13.0 million in the quarter ending March 31, 2000 to $17.9 million in the quarter ending March 31, 2001. Research and development costs consisted primarily of personnel expenses, and the related facilities and equipment. As a percentage of revenues, research and development cost increased from 16% in the nine months ended March 31, 1999 to 17% in the nine months ended March 31, 2001. The increase related primarily to an increase in personnel resulting from acquisitions completed in fiscal 2001.

Sales and marketing. Sales and marketing expense increased 21% from $30.1 million in the nine months ended March 31, 2000 to $37.1 million in the nine months ended March 31, 2001. As a percentage of revenues, sales

and marketing expense decreased from 38% in the nine months ended March 31, 2000 to 35% in the nine months ended March 31, 2001. This decline related primarily to a decrease in marketing program spending. Sales and marketing costs in absolute dollars increased due to an increase in sales personnel and related costs.

General and administrative. General and administrative expense decreased 39% from $16.4 million in the nine months ended March 31, 2000 to $10.0 million in the nine months ended March 31, 2001. As a percentage of revenues, general and administration expense decreased from 20% in the nine months ended March 31, 2000 to 9% in the nine months ended March 31, 2001. This decrease is largely due to a reduction in bad debt expense in the nine months ended March 31, 2000, compared to the nine months ended March 31, 2001.

Depreciation. Depreciation increased by 4% from $3.4 million in the nine months ended March 31, 2000 to $3.8 million in the nine months ended March 31, 2001. As a percentage of revenues, depreciation decreased from 4% for the nine months ended March 31, 2000 to 3% for the nine months ended March 31, 2001. The increase in absolute dollars was related to an increase in fixed asset additions over the nine months ended March 31, 2001.

Amortization of acquired intangible assets. Amortization of acquired intangible assets increased by 3% from $2.2 million in the nine months ended March 31, 2000 to $3.8 million in the nine months ended March 31, 2001. As a percentage of revenue, amortization was 3% for the nine months ended March 31, 2000 and 4% for the nine months ended March 31, 2001. The increase in amortization was related to the acquisitions that were completed in fiscal 2001.

Other income (expense). Other income (expenses) was comprised of expenses of $37,000 in the nine months ended March 31, 2000, compared to income of $971,000 in the nine months ended March 31, 2001. The Company recorded a $236,000 foreign exchange gain in the nine months ended March 31, 2001, compared to $nil for the nine months ended March 31, 2000. In addition, the Company recorded a recovery from acquisition accrual of $734,000 in the quarter ended March 31, 2001.

Gain (loss) on investments. Gain (loss) on investments decreased from a gain of $49.0 million in the nine months ended March 31, 2000 to a loss of $2.9 million in the nine months ended March 31, 2001. The $49.0 million represented the gain realized on the sale of the About.com shares in the quarter ended March 31, 2000. During the quarter ended March 31, 2001, the Company completed a one-time write-down of $2.9 million on its investments in Deja.com and Communities.com. In addition, the remaining 8,900 About.com shares (which were converted to 20,834 Primedia shares) were sold resulting in a gain of $52,000.

Interest income. Interest income was $4.7 million for the nine months ended March 31, 2000 and decreased to $3.9 million for the nine months ended March 31, 2001. The decline in interest income was attributable to the decline in the cash balance from $109 million at March 31, 2000 to $86 million at March 31,2001. In addition, declining interest rates have resulted in lower interest income.

Income taxes. The Company recorded a provision for taxes of $19.6 million for the nine months ended March 31, 2000, compared to $793,000 for the nine months ended March 31, 2001. Of the $19.6 million, $16.5 million was attributable to taxes arising from the gain realized on the sale of the About.com shares, and the remainder to an increase in the valuation allowance against the deferred tax asset in the quarter ended March 31, 2000. A full valuation allowance was recorded against the deferred tax asset because of the lack of profitability from operations in the past, the significant risk that taxable income will not be generated in the future, and the non-transferable nature of the deferred tax asset under certain conditions.

Liquidity and Capital Resources

At March 31, 2001, the Company had current assets of $124 million, current liabilities of $45 million and net working capital of $79 million. At March 31, 2001, the Company had cash and cash equivalents totaling $86 million. The Company also has a Cdn $10 million (USD$6.6 million) line of credit with a Canadian chartered bank, under which no borrowings were outstanding at March 31, 2001. The line of credit bears interest at the lender's prime rate plus 0.5% and is secured by all of the Company's assets, including an assignment of accounts receivable, up to the amount borrowed against the credit line.

Cash provided by operations during the three months ended March 31, 2001 was $8.5 million. Cash used for acquisitions of furniture and equipment was $1.9 million for the three months ended March 31, 2001. Cash used in operations during the nine months ended March 31, 2001, was $15.0 million, including a $7.5 million non-recurring payment for income tax on the gain realized on the sale by the Company of its About.com shares in fiscal 2000. Cash used for acquisitions of furniture and equipment was $5.0 million for the nine months ended March 31, 2001.

During the quarter ended March 31, 2001 the Company paid the remaining $1.9 million of the purchase price owed to the former shareholders of Bluebird Systems. During the quarter ended December 31, 2000, the Company acquired the shares of Bluebird Systems for approximately $6.2 million, the shares of Open Image Systems Inc. for approximately $2.0 million, and the assets of the product businesses of LeadingSide Inc. for approximately $3.0 million.

During the quarter ended December 31, 2000, the Company repurchased 724,900 of its common shares at a cost of $17.2 million. During the six months ended December 31, 2000, the Company repurchased 830,100 of its common shares at a cost of $21.5 million.

On May 3, 1999, the Company completed the issuance of 3.0 million Special Warrants, convertible into Common Shares for no additional consideration, for net proceeds of $97 million. During September 1999, Special Warrants were converted into Common Shares without payment of additional consideration.

On March 25, 1998, the Company issued 1,750,000 Special Warrants at a price of $20.85 per Special Warrant for net proceeds to the Company of $34.8 million. All of the Special Warrants were converted into 1,750,000 Common Shares on July 10, 1998 without payment of additional consideration.

During fiscal 1997, the Company advanced approximately $4.0 million to About.com, a US based Internet service development company and converted these advances to a promissory note. During fiscal 1998, the Company converted the note to 433,333 shares of Series A Convertible Preferred Stock, 1,114,327 shares of Series B Convertible Preferred Stock and a Warrant to purchase 67,708 shares of About.com common stock. The Company has no remaining interest in About.com at March 31, 2001.

In January 1996, the Company completed an initial public offering with net proceeds of $61.4 million. The Company received net proceeds of approximately $20.6 million from sale of securities in private placements during fiscal 1996 before completion of the public offering.

Since June 30, 1995, the Company has completed acquisitions, hired additional employees, increased its sales, marketing and promotional activities, increased occupancy costs and otherwise increased the level of its business activity. This has resulted, and will continue to result, in cash requirements that significantly exceed those of previous years. The Company believes that existing cashflow from operations will be sufficient to satisfy the Company's operational cash requirements. See "Forward-Looking Statements". However, the Company regularly evaluates acquisitions, investments, joint ventures and other business initiatives, and cash expenditures for acquisitions, investments, joint ventures and other business initiatives or unanticipated expenses could create a need for additional financing. In addition, if the Company's operations do not generate cash sufficient to satisfy its needs, the Company ultimately would require additional financing. There can be no assurance that such financing would be available if required.

Risk Factors

This Form 10-Q contains forward-looking statements, which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, without limitation, those set forth in the following risk factors and elsewhere in these Form 10-Q. In addition to the other information included, the following risk factors should be considered carefully in evaluating the Company and its business.

Limited Operating History; Losses; Accumulated Deficit; Increased Expenses

Open Text was founded in June 1991 and commenced shipment of its initial products in September 1991. *Livelink*, Open Text's principal product was first released during fiscal 1996. Accordingly, Open Text has only a

limited operating history upon which an evaluation of its business and prospects can be based. The Company has incurred net losses in four of the last six fiscal years. As of March 31, 2001, the Company had an accumulated deficit of $71.9 million. Some of the acquired businesses also sustained substantial losses prior to their acquisition by the Company. There can be no assurance that Open Text can continue to generate further revenue growth, or that any revenue growth that is achieved can be sustained. In addition, Open Text has increased, and plans to increase further, its operating expenses in order to fund higher levels of research and development, increase its sales and marketing efforts, develop new distribution channels, broaden its customer support capabilities and increase its administrative resources with the objective of supporting future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected. There can be no assurance that Open Text will continue to sustain profitability. In addition, in view of recent revenue growth, the rapidly evolving nature of its business and markets, its short operating history and its completion of the recent acquisitions of Bluebird Systems, Open Image Systems Inc., and the assets of the product business of LeadingSide Inc., Open Text believes that period-to-period comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Unproven Acceptance of the Company's Products and Services; Developing Market

Open Text is working on the development of improvements to and new versions of *Livelink*. In the past, the Company has at times experienced longer than anticipated installation times for new products as they were being integrated into customer networks, and problems were discovered with the software, as frequently occurs with new software releases. There can be no assurance that, despite testing by the Company, errors will not be found in new software products or improvements to existing products after release, or, if discovered, that the Company will be able to successfully correct such errors in a timely manner, or at all. If the Company is unable to successfully market its current products and services, develop new software products and services and enhancements to current products and services, correct errors and complete customer installations on a timely basis or complete products and services currently under development, or if the Company's products and services or enhancements do not achieve and sustain market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

The primary market for Open Text's software and services has only recently begun to develop and is rapidly evolving. As is typical in the case of a new and rapidly evolving industry, demand for and market acceptance of products and services that have been released recently or that are planned for future release are subject to a high level of uncertainty. If the markets for the Company's products and services fail to develop, develop more slowly than expected or become saturated with competitors, or if the Company's products and services do not achieve and sustain market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

Management of Growth; Integration of Acquisitions

In the past year, Open Text has experienced rapid growth in revenues, research and development activities and product distribution channels. In addition, Open Text's markets have evolved, and continue to evolve, at a rapid pace. The Company believes that continued growth in the breadth of its product lines and services and in the number of personnel will be required in order to establish and maintain the Company's competitive position. The Company has grown through acquisitions in the past and continues to review acquisition opportunities as a means of increasing the size and scope of its business. In November 2000, Open Text completed the acquisition of the assets of the product businesses of LeadingSide Inc. and the shares of Open Image Systems Inc. In October 2000, Open Text completed the acquisition of Bluebird Systems. In September 1999, Open Text completed the acquisition of Microstar. In August 1999, Open Text completed the acquisition of PS Software. In December 1998, Open Text acquired certain assets of Lava. In June 1998, Open Text completed the acquisition of Information Dimensions. In December 1997, Open Text completed the acquisition of OnTime. There can be no assurances that the Company will complete any future acquisitions, and if completed that any further such acquisitions will be successfully integrated into the Company.

Open Text's growth, coupled with the rapid evolution of the Company's markets, has placed, and is likely to continue to place, significant strains on its administrative and operational resources and increased demands on its internal systems, procedures and controls. The Company has focussed its efforts on the *Livelink* product suite and

consolidating the operations of Information Dimensions, OnTime, Lava, PS Software, Microstar, Bluebird Systems, Open Image Systems Inc., and the product businesses of LeadingSide. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview". If the Company completes significant future acquisitions, the need to integrate and manage the business acquired with the business of the Company would add to the demands on the Company's management, resources, systems, procedures and controls. There can be no assurance that the Company's administrative infrastructure, systems, procedures and controls will adequately support the Company's operations or that Company management will be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully penetrate the markets for the Company's products and services and to successfully integrate any business acquisitions in the future. If the Company is unable to manage growth effectively, the Company's business, operating results and financial condition will be materially adversely affected.

New Product Development and Technological Change

Open Text's success will depend on its ability to design, develop, test, market, sell and support new software products and enhancements of current products on a timely basis in response to both competitive products and evolving demands of the marketplace. In addition, new software products and enhancements must remain compatible with standard platforms and file formats. Presently, Open Text is continuing to enhance the capability for Livelink to enable users to form workgroups and collaborate on intranets and the Internet. The Company increasingly must integrate software licensed from third parties with its own software to create or improve intranet and Internet products. These projects are key to the success of the Company's strategy, and there can be no assurance that the Company will be successful in developing and marketing these and other new software products and enhancements. If the Company is unable to successfully integrate the technologies licensed from third parties, to develop new software products and enhancements to existing products or to complete products currently under development, or if such integrated or new products or enhancements do not achieve market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

Product Defects and Product Liability

The Company's products are highly complex and sophisticated and, from time to time, may contain design defects or software errors that are difficult to detect and correct. There can be no assurance that errors will not be found in new products after commencement of commercial shipments or, if discovered, that the Company will be able to successfully correct such errors in a timely manner or at all. In addition, despite tests carried out by the Company on all its products, there is can be no assurance that the Company will be able to fully simulate the environment in which its products will operate and, as a result, the Company may be unable to adequately detect design defects or software errors inherent in its products and which only become apparent when the products are installed in an end-user's network. The occurrence of errors and failures in the Company's products could result in loss of or delay in market acceptance of the Company's products, and alleviating such errors and failures in the Company's products could require significant expenditure of capital and other resources by the Company. Because the Company's end-user base consists of a limited number of end-users, the reputational harm resulting from product errors and failures would be damaging to the Company. The consequences of such errors and failures could have a material adverse effect on the Company's businesses, results of operations and financial condition. The Company regularly provides a warranty with its products. There can be no assurance that the financial impact of these warranty obligations will not be significant in the future. The Company's agreements with its strategic partners and end-users typically contain provisions designed to limit the Company's exposure to claims, such as exclusions of all implied warranties and limitations on damage remedies and the availability of consequential or incidental damages. However, such provisions may not effectively protect the Company against claims and related liabilities and costs. Although the Company maintains errors and omissions insurance coverage and comprehensive liability insurance coverage, there can be no assurance that such coverage will be adequate or that all claims will be covered. Accordingly, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

Potential Acquisitions, Investments, Joint Ventures and Other Business Initiatives

Open Text continues to seek out opportunities to acquire or invest in businesses, products and technologies that expand, complement or are otherwise related to the Company's current business or products. The

Company also considers from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. The Company believes that these efforts may result in the formation, together with third parties, of new business units or joint ventures involving substantial investment of funds and/or technology transfers, the acquisition or disposition of product lines or businesses or other initiatives. Such acquisitions, investments, joint ventures or other business initiatives may involve significant commitments of financial and other resources of the Company. There can be no assurance that any such activity will be successful in generating revenue, income or other returns to the Company, or that financial or other resources committed to such activities will not be lost. Such activities also could place significant strains on the Company's administrative and operational resources and its ability to manage growth.

Third Party Software

Developments of Internet and intranet applications by companies, including Open Text, must rely on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as that of Netscape, Microsoft and others. There can be no assurance that if weaknesses in third party software are detected, the Company will be able to correct or compensate for such weaknesses. If the Company is unable to address weaknesses resulting from problems in the infrastructure software such that the Company's products do not meet customer needs or expectations, the Company's business, operating results and financial condition will be materially adversely affected.

Competition; New Entrants

The markets for the Company's products are new, intensely competitive, subject to rapid technological change and evolving rapidly. The Company expects competition to persist, increase and intensify in the future as the markets for the Company's products continue to develop and as additional companies enter each of its markets. Numerous releases of products and services that compete with those of the Company can be expected in the near future. There can be no assurance that the Company will be able to compete effectively with current and future competitors. If these or other competitors were to engage in aggressive pricing policies with respect to other competing products, or significant price competition were to otherwise develop, the Company would likely be forced to lower its prices, which could have a material adverse effect on the Company's business, operating results and financial condition.

Dependence on the Adoption of Intranets; Uncertain Adoption of Intranets

Open Text will rely heavily on the development of markets for products that support or increase the functionality of intranets with respect to *Livelink*. This product is marketed to organizations with intranets or those that are considering the creation of intranets. There are a number of concerns, including concerns relating to the effectiveness of technologies providing security for information resident on the organization's network, which may inhibit organizations from creating intranets. There can be no assurance that organizations will seek to enable users to collaborate over intranets or that the Company's products will appeal to organizations that do so. If organizations adopting intranets do not select the Company's products, the Company's business, operating results and financial condition will be materially adversely affected.

Potential Fluctuations in Quarterly Operating Results

The Company has experienced, and is likely to continue to experience, significant fluctuations in quarterly operating results caused by many factors, including changes in the demand for the Company's products, the introduction or enhancement of products by the Company and its competitors and market acceptance of those enhancements or products, delays in the introduction of products or enhancements by the Company or its competitors, customer order deferrals in anticipation of upgrades and new products, changes in the Company's pricing policies or those of its competitors, the mix of distribution channels through which products are sold, the mix of products and services sold, the mix of international and North American revenues, foreign currency exchange rates and general economic conditions.

Because the decision by a customer to purchase the Company's products often involves relatively large-scale implementation across the customer's network or networks, sales of these products may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently

associated with significant expenditures and lengthy sales cycle and implementation procedures. If installation of the Company's products in one or more customers takes longer than originally anticipated, the date on which revenue from these sales could be recognized could be delayed. Like many other software companies, the Company has generally recognized a substantial portion of its revenues in the last quarter of each year and in the last weeks of each quarter. Accordingly, the cancellation or deferrals of even a small number of purchases or delay in installations of the Company's products could have a material adverse effect on the Company's business, results of operations and financial condition in any particular quarter. The Company also has noted historically lower sales in July and August than in other months, which has resulted in proportionately lower sales in the quarter ended September 30 than in other quarters. Because of the Company's limited operating history, the impact of the timing of product introductions and the rapid evolution of the Company's business and the markets it serves, the Company cannot predict whether seasonal patterns experienced in the past will continue. Due to all of the foregoing, the Company believes that its quarterly operating results could vary significantly in the future.

Intellectual Property Rights

The Company is highly dependent on its ability to protect its proprietary technology. There can be no assurance that the Company's efforts to protect its intellectual property rights will be successful. The Company relies on a combination of copyright, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain its proprietary rights. The Company has not sought patent protection for its products. Enforcement of the Company's intellectual property rights may be difficult, particularly in some nations outside of the United States and Canada in which the Company seeks to market its products. Despite the precautions taken by the Company, it may be possible for unauthorized third parties, including competitors, to copy certain portions of the Company's products or to reverse engineer or obtain and use information that the Company regards as proprietary. Although the Company does not believe that its products infringe on the rights of third parties, there can be no assurance that third parties will not assert infringement claims against the Company in the future, or that any such assertions will not result in costly litigation or require the Company to obtain a license for the intellectual property rights of third parties. There can be no assurance that such licenses will be available on reasonable terms, or at all. Another company has registered the trademark "Opentext" in the United States.

Dependence on Key Personnel; Recent Changes

The Company's performance is substantially dependent on the performance of its executive officers and key employees, most of whom have worked together for a relatively short period of time. In April 2000, Alan Hoverd was promoted from the position of Vice-President, Finance to the position of Chief Financial Officer. In November 1998, the Company added John Shackleton as President. The loss of the services of any of its executive officers or other key employees could have a material adverse effect on the business, operating results and financial condition of the Company. The Company does not maintain "key person" life insurance policies on any of its employees. The Company's success is highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified management, technical and sales and marketing personnel, including recently hired officers and other employees. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract, assimilate or retain highly qualified technical and managerial personnel in the future.

Possible Volatility of Stock Price

The market price of the Common Shares has been highly volatile and subject to wide fluctuations. Such fluctuations in market price may continue in response to quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many high technology companies and that often have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Common Shares. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such a company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, operating results and financial condition.

Dependence on a Limited Number of Products

Substantially all of Open Text's revenues are currently derived from *Livelink* and related services offered by the Company in the Internet, intranet and extranet markets. Accordingly, the Company's future results of operations will depend, in part, on maintaining and increasing market acceptance of this product and related services, as well as on the Company's ability to continue to enhance these products and services to meet the evolving needs of its customers. A reduction in demand or increase in competition in the market for Internet or intranet applications, or a decline in sales of *Livelink* and related services, could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Distribution Channels

While Open Text receives most of its revenue from direct sales, a portion of the Company's revenue is derived from the sale of its products through third parties. There can be no assurance that the Company will be able to retain a sufficient number of its existing or future distributors, that such distributors will not give higher priority to the sale of other products (which could include products of competitors) or that these distributors will devote sufficient resources to marketing of the Company's products. The performance of third party distributors is outside the control of the Company and the Company is unable to predict the extent to which these distributors will be successful in marketing and selling the Company's products. A reduction in sales efforts or discontinuance of sales of the Company's products by its distributors could lead to reduced sales and could, as a result, have a material adverse effect on the Company's business, financial condition and results of operations. In addition, other methods of product distribution may become important in the future, such as on-line services and other electronic distribution. The Company's success will depend, in part, upon its ability to attract and retain sufficient direct sales personnel, to maintain access to existing channels of distribution and to gain access to new channels if and when they develop.

Risks Associated with International Sales

Open Text intends to continue to make efforts to increase international sales and anticipates that international sales will account for a significant portion of its revenue. These sales are subject to certain risks and costs associated with international operations, including the difficulty and expense of administering business abroad, complications in complying with foreign laws and domestic and international import and export laws and regulations and costs related to localizing products for foreign markets and translating and distributing products in a timely manner. Significant international sales may also expose the Company to greater risk from political and economic instability, unexpected changes in Canadian, US or other governmental policies concerning import and export of goods and technology and other regulatory requirements and tariffs and other trade barriers. In addition, while US and Canadian copyright law, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or the United States. Software piracy has been, and can be expected to be, a persistent problem for the software industry. Although to date the Company has not experienced any of the foregoing factors to any significant extent, there can be no assurance that these factors will not be experienced by the Company in the future or that they will not have a material adverse effect on the Company's business, results of operations and financial condition. In addition, international earnings may be subject to taxation by more than one jurisdiction, which could also materially adversely affect the Company's business, financial condition and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There has been no material change to the information concerning the Company's market risk sensitive instruments as set forth in the Company's Annual Report on Form 10-K/A for the year ended June 30, 2000.

PART II Other Information

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits – None

(b) Reports on Form 8-K

Change in Registrant's Certifying Accountant

The Company filed a Form 8-K dated April 5, 2001 announcing that it was notified by PricewaterhouseCoopers LLP on April 5, 2001that it resigned as the Company's independent auditors effective that day. On April 9, 2001, the Company engaged KPMG LLP as independent auditors of the Company for the fiscal year ending June 30, 2001.

On April 11, 2001, the Company announced that b2bScene, a division of the Company, will be exploring opportunities with PricewaterhouseCoopers LLP for the development and external marketing of hosted vertical collaborative solutions. A copy of the press release is attached as an exhibit to the Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

OPEN TEXT CORPORATION
(registrant)

Date: May 14, 2001

/s/P. Thomas Jenkins
P. Thomas Jenkins
Chief Executive Officer

/s/Alan Hoverd
Alan Hoverd
Chief Financial Officer
(Principal Financial and Accounting Officer)