

UNITED STATES  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2003

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 or 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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of October 31, 2003, there were 40,321,917 outstanding Common Shares of the registrant.

**OPEN TEXT CORPORATION**

**TABLE OF CONTENTS**

<b>PART I- FINANCIAL INFORMATION</b>		<b><u>Page No.</u></b>
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of September 30, 2003 (Unaudited) and June 30, 2003 .....	3
	Condensed Consolidated Statements of Income (Unaudited) - Three Months Ended September 30, 2003 and 2002.....	4
	Condensed Consolidated Statements of Cash Flows (Unaudited) - Three Months Ended September 30, 2003 and 2002.....	5
	Notes to Condensed Consolidated Financial Statements .....	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	15
Item 3.	Quantitative and Qualitative Disclosures about Market Risk .....	26
Item 4.	Controls and Procedures .....	27
<b>PART II - OTHER INFORMATION</b>		
Item 1.	Legal Proceedings .....	27
Item 6.	Exhibits and Reports on Form 8-K.....	28
Signatures	.....	29
Index to Exhibits	.....	30

## Part I: Financial Information

### Item 1. Condensed Consolidated Financial Statements

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(In US Dollars)

(in thousands, except share data)

	<u>September 30,</u> <u>2003</u>	<u>June 30,</u> <u>2003</u>
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 108,747	\$ 116,554
Accounts receivable - net of allowance for doubtful accounts of \$1,620 as of September 30, 2003 and \$1,933 as of June 30, 2003	27,857	35,855
Income taxes recoverable	5,726	484
Prepaid expenses and other assets	4,316	3,541
Deferred tax asset (note 4)	<u>10,665</u>	<u>7,688</u>
Total current assets	157,311	164,122
Long term assets		
Restricted cash (note 10)	12,000	-
Capital assets	9,643	10,011
Goodwill, net of accumulated amortization of \$12,807 at September 30, 2003 and June 30, 2003	31,465	32,301
Deferred tax asset	8,439	8,674
Other assets	<u>23,540</u>	<u>23,579</u>
	<u>\$ 242,398</u>	<u>\$ 238,687</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 26,023	\$ 31,596
Deferred revenues	<u>33,968</u>	<u>38,086</u>
Total current liabilities	59,991	69,682
Long term liabilities:		
Deferred revenues	1,415	1,696
Deferred tax credit (note 4)	3,326	-
Accrued liabilities	<u>4,585</u>	<u>4,912</u>
	9,326	6,608
Shareholders' equity:		
Share capital		
40,132,214 and 39,136,518 Common Shares issued and outstanding at September 30, 2003 and June 30, 2003, respectively	211,129	204,343
Accumulated other comprehensive income:		
Cumulative translation adjustment	425	(119)
Accumulated deficit	<u>(38,473)</u>	<u>(41,827)</u>
Total shareholders' equity	<u>173,081</u>	<u>162,397</u>
	<u>\$ 242,398</u>	<u>\$ 238,687</u>
Commitments and Contingencies (note 9)		
Subsequent Events (note 10)		

See accompanying notes to condensed consolidated financial statements

**OPEN TEXT CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In US Dollars)  
(in thousands, except per share data)

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>
	(unaudited)	
Revenues:		
License	\$ 16,867	\$ 15,476
Customer support	19,421	13,662
Service	7,897	8,517
Total revenues	44,185	37,655
Cost of revenues:		
License	1,291	1,649
Customer support	3,181	2,317
Service	7,203	6,235
Total cost of revenues	11,675	10,201
Gross profit	32,510	27,454
Operating expenses:		
Research and development	8,031	6,162
Sales and marketing	13,807	11,986
General and administrative	3,354	3,242
Depreciation	1,187	1,216
Amortization of acquired intangible assets	1,188	487
Total operating expenses	27,567	23,093
Income from operations	4,943	4,361
Other income (expense)	(380)	617
Interest income	225	384
Income before income taxes	4,788	5,362
Provision for income taxes	1,434	-
Net income for the period	\$ 3,354	\$ 5,362
Basic net income per share* (note 7)	\$ 0.08	\$ 0.14
Diluted net income per share* (note 7)	\$ 0.08	\$ 0.13
Weighted average number of Common		
Shares outstanding - basic* (note 7)	39,522	39,279
Weighted average number of Common		
Shares outstanding - diluted* (note 7)	42,213	41,076

\*Adjusted for stock split declared on October 8, 2003 (note 10)

See accompanying notes to condensed consolidated financial statements

**OPEN TEXT CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of US Dollars)

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>
	<u>(unaudited)</u>	
Cash flows from operating activities:		
Net income for the period	\$ 3,354	\$ 5,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of acquired intangible assets	2,375	1,703
Deferred income taxes	235	-
Other	8	-
Changes in operating assets and liabilities net of assets acquired:		
Accounts receivable	7,998	3,515
Prepaid expenses and other assets	(775)	264
Accounts payable and accrued liabilities	(4,437)	(1,608)
Income taxes payable	(4,365)	(26)
Deferred revenues	(4,398)	760
Unrealized foreign exchange loss (gain)	<u>13</u>	<u>(367)</u>
Net cash provided by operating activities	<u>8</u>	<u>9,603</u>
Cash flows used in investing activities:		
Acquisitions of capital assets	(828)	(530)
Cash restricted for Gauss acquisition (note 10)	(12,000)	-
Business acquisition costs	(1,041)	-
Purchase of patent	-	(1,246)
Other	<u>(693)</u>	<u>(132)</u>
Net cash used in investing activities	<u>(14,562)</u>	<u>(1,908)</u>
Cash flow from financing activities:		
Payments of obligations under capital leases	(92)	-
Proceeds from issuance of Common Shares	6,786	1,711
Repurchase of Common Shares	<u>-</u>	<u>(16,236)</u>
Net cash provided by (used in) financing activities	<u>6,694</u>	<u>(14,525)</u>
Foreign exchange gain (loss) on cash held in foreign currency	53	(52)
Decrease in cash and cash equivalents during the period	(7,807)	(6,882)
Cash and cash equivalents at beginning of period	<u>116,554</u>	<u>109,895</u>
Cash and cash equivalents at end of period	<u>\$ 108,747</u>	<u>\$ 103,013</u>
Supplementary cash flow information		
Cash paid during the period for interest	\$8	\$4
Cash paid during the period for taxes	\$4,200	\$0

See accompanying notes to condensed consolidated financial statements

# OPEN TEXT CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2003

(unaudited)

(Tabular dollar amounts in thousands of US Dollars, except share data)

### NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements (“Interim Financial Statements”) include the accounts of Open Text Corporation and its wholly owned subsidiaries, collectively referred to as “Open Text” or the “Company”. All inter-company balances and transactions have been eliminated.

These Interim Financial Statements are expressed in US dollars and are based upon accounting policies and methods of their application consistent with those used and described in the Company's annual consolidated financial statements. The Interim Financial Statements do not include all of the financial statement disclosures included in the annual financial statements prepared in accordance with United States generally accepted accounting principles (“US GAAP”) and therefore should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2003.

The information furnished reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. The operating results for the three months ended September 30, 2003 are not necessarily indicative of the results expected for any succeeding quarter or the entire fiscal year ending June 30, 2004.

On October 8, 2003, the Company declared a two-for-one split of the Company’s Common Shares effected by means of a dividend. The stock split doubled the number of the Company's outstanding Common Shares. Share certificates representing the stock dividend were mailed on or after October 28, 2003 to shareholders of record as of the close of business on October 22, 2003. All of the information presented in these Interim Financial Statements has been retroactively restated to reflect the stock dividend.

The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates, judgments and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the financial statements. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable at that time under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to revenue recognition, allowance for doubtful accounts, investments, long-lived assets, litigation, and the valuation allowance relating to the Company’s Deferred tax asset.

#### *Comprehensive net income*

Comprehensive net income is comprised of net income and other comprehensive net income (loss), including the effect of foreign currency translation resulting from the consolidation of subsidiaries where the functional currency is a foreign currency, and the inclusion of unrealized capital gains and losses on available for sale marketable securities. The Company’s total comprehensive net income was as follows:

# OPEN TEXT CORPORATION

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended September 30, 2003**  
**(unaudited)**  
**(Tabular dollar amounts in thousands of US Dollars, except share data)**

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2003</b>	<b>2002</b>
Other comprehensive net income (loss):		
Foreign currency translation adjustment	\$ 544	\$ (694)
Unrealized loss on available for sale securities (net of tax)	-	(45)
Other comprehensive income (loss):	544	(739)
Net income for the period	3,354	5,362
Comprehensive net income for the period	\$ 3,898	\$ 4,623

## NOTE 2 – ACCOUNTING POLICIES

### *Consolidation of Variable Interest Entities*

In January 2003, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (“FIN 46”). The consolidation provisions of FIN 46 are required to be adopted by the Company in the period ending December 31, 2003. The Company believes adoption of FIN 46 will not have a material impact on its financial condition or results of operations.

## NOTE 3 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	<b>As of</b>	
	<b>September 30,</b>	<b>June 30,</b>
	<b>2003</b>	<b>2003</b>
	(unaudited)	
Accounts payable - trade	\$ 3,104	\$ 4,035
Accrued trade liabilities	11,273	12,693
Amounts payable for acquisitions	2,826	3,443
Accrued salaries and commissions	7,871	10,403
Other liabilities	949	1,022
	\$ 26,023	\$ 31,596

## NOTE 4—INCOME TAXES

As of September 30, 2003, the Company had total net deferred tax assets of approximately \$19.1 million, the principal component of which is temporary differences associated with net operating loss carry forwards. The Company operates in several tax jurisdictions. The Company’s income is subject to varying rates of tax, and losses incurred in one jurisdiction cannot be used to offset income taxes payable in another.

As of September 30, 2003, the Company had approximately \$69.5 million of losses and deductions available to reduce taxable income in future years, the benefit of which is reflected in the deferred tax assets. Deductions of \$17.0 million have no expiration date, and the balance of losses expire between 2004 and 2018. The Company's ability to use these income tax

# OPEN TEXT CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2003

(unaudited)

(Tabular dollar amounts in thousands of US Dollars, except share data)

losses and future income tax deductions is dependent upon the operations of the Company in the tax jurisdictions in which such losses or deductions arose.

Management records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Based on the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax asset and tax planning strategies, management has determined that a valuation allowance of \$5.8 million is required in respect of its deferred income tax assets as at September 30, 2003. The Company continues to evaluate its taxable position and its valuation allowances quarterly and considers factors by taxing jurisdiction such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others. A valuation allowance of \$5.7 million was required for the deferred income tax assets as at June 30, 2003.

To fully utilize the net deferred income tax assets of \$19.1 million the Company will need to generate future taxable income in applicable jurisdictions of approximately \$55.0 million. Based on the Company's current projection of taxable income for the periods in which the deferred income tax assets are deductible, it is more likely than not that the Company will realize the benefit of the net deferred income tax assets as at September 30, 2003.

During the quarter ended September 30, 2003, the Company acquired the shares of a company with tax loss carry forwards of \$10.0 million. The Company expects to fully utilize these losses within the current year. As the tax losses exceed the purchase price, the Company recorded a current deferred tax asset of \$3.3 million and an offsetting deferred tax credit of \$3.3 million. As the losses are utilized, both the current deferred tax asset and the deferred credit will decrease concurrently and the Company will recognize the benefit of the loss carry forwards in its income tax expense for the period.

### NOTE 5—SEGMENT INFORMATION

The Company has two reportable segments: North America and Europe. The Company evaluates operating segment performance based on revenues and direct operating expenses of the segment based on the location of the respective customers. The accounting policies of the operating segments are the same as those set forth in the Company's Annual Report on Form 10-K for the year ended June 30, 2003.

Included in the following operating results are allocations of certain operating costs that are incurred in one reporting segment but which relate to all reporting segments. The allocations of these common operating costs are consistent with the manner in which they are allocated for presentation to, and analysis by, the chief operating decision maker of the Company. The "Other" category consists of geographic regions other than North America and Europe.

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

# OPEN TEXT CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Three Months Ended September 30, 2003 (unaudited) (Tabular dollar amounts in thousands of US Dollars, except share data)

Information about reported segments is as follows:

	North America	Europe	Other	Total
<b>Three months ended September 30, 2003</b>				
Revenues from external customers	\$ 26,316	\$ 16,671	\$ 1,198	\$ 44,185
Operating costs	<u>19,361</u>	<u>16,061</u>	<u>1,445</u>	<u>36,867</u>
Contribution margin	<u>\$ 6,955</u>	<u>\$ 610</u>	<u>\$ (247)</u>	<u>\$ 7,318</u>
Segment assets as of September 30, 2003	<u>\$ 94,932</u>	<u>\$ 41,144</u>	<u>\$ 2,117</u>	<u>\$ 138,193</u>

### Three months ended September 30, 2002

Revenues from external customers	\$22,148	\$14,473	\$1,034	\$ 37,655
Operating costs	<u>17,561</u>	<u>12,774</u>	<u>1,256</u>	<u>31,591</u>
Contribution margin	<u>\$ 4,587</u>	<u>\$ 1,699</u>	<u>\$ (222)</u>	<u>\$ 6,064</u>
Segment assets as of June 30, 2003	<u>\$ 98,769</u>	<u>\$ 38,618</u>	<u>\$ 2,106</u>	<u>\$ 139,493</u>

A reconciliation of the totals reported for the operating segments to the applicable line items in the condensed consolidated financial statements for the three months ended September 30, 2003 and 2002 is as follows:

	Three months ended September 30, 2003	2002
Total contribution margin from operating segments	\$ 7,318	\$ 6,064
Amortization and depreciation	<u>(2,375)</u>	<u>(1,703)</u>
Income from operations	4,943	\$ 4,361
Interest, other income and income taxes	<u>(1,589)</u>	<u>1,001</u>
Net income	<u>\$ 3,354</u>	<u>\$ 5,362</u>

	As of September 30, 2003	As of June 30, 2003
Segment assets	\$ 138,193	\$ 139,493
Term deposits	<u>104,205</u>	<u>99,194</u>
Total corporate assets	<u>\$ 242,398</u>	<u>\$ 238,687</u>

# OPEN TEXT CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2003

(unaudited)

(Tabular dollar amounts in thousands of US Dollars, except share data)

The following table sets forth the distribution of net revenues, determined by location of customer and identifiable assets, by geographic area where the net revenue for such location is greater than 10% of total revenue for the three months ended September 30, 2003 and 2002:

	Three months ended September 30,	
	2003	2002
Net revenues		
Canada	\$ 3,636	\$ 2,362
United States	22,680	19,786
United Kingdom	6,020	4,346
Rest of Europe	10,651	10,127
Other	1,198	1,034
Total revenues	\$ 44,185	\$ 37,655

	As of September 30,	As of June 30,
	2003	2003
Segment assets:		
Canada	\$ 44,293	\$ 43,725
United States	50,638	55,044
United Kingdom	14,914	13,733
Rest of Europe	26,231	24,885
Other	2,117	2,106
Total segment assets	\$ 138,193	\$ 139,493

# OPEN TEXT CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the Three Months Ended September 30, 2003 (unaudited) (Tabular dollar amounts in thousands of US Dollars, except share data)

### NOTE 6—ACCUMULATED DEFICIT

During the three-month period ended September 30, 2003, no Common Shares were repurchased by the Company. During the three month period ended September 30, 2002, the Company, through its stock repurchase program, purchased 712,200 of its Common Shares at an aggregate cost of \$16.2 million. \$7.3 million of the repurchase was charged to Share capital based on the average carrying value of the Common Shares, with the remaining \$8.9 million charged to accumulated deficit.

### NOTE 7—NET INCOME PER SHARE

	Three Months Ended September 30,	
	2003	2002
	(in thousands, except per share data)	
<b>Basic net income per share</b>		
Net income	\$ 3,354	\$ 5,362
Weighted average number of shares outstanding**	39,522	39,279
Basic net income per share	\$ 0.08	\$ 0.14
<b>Diluted net income per share</b>		
Net income	\$ 3,354	\$ 5,362
Weighted average number of shares outstanding**	39,522	39,279
Dilutive effect of stock options	2,691	1,797
Adjusted weighted average number of shares outstanding**	42,213	41,076
Diluted net income per share	\$ 0.08	\$ 0.13

\* Anti-dilutive options of 228,783 have been excluded (first quarter fiscal 2003 2,394,326)

\*\* Reflects stock dividend declared on October 8, 2003 for shareholder's of record on October 22, 2003

### NOTE 8—OPTION PLANS

#### *Employee stock option plans*

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and to present the pro forma information that is required by SFAS No. 123—"Accounting for Stock-Based Compensation" ("SFAS 123"). APB 25 requires compensation cost for stock-based employee compensation plans to be recognized over the vesting period of the options based on the difference, if any, on the grant date between the quoted market price of the Company's stock and the option exercise price. No compensation cost was included in net income as reported for the three month periods ended September 30, 2003 and 2002.

# OPEN TEXT CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2003

(unaudited)

(Tabular dollar amounts in thousands of US Dollars, except share data)

Had compensation cost for the Company's stock-based compensation plans and the employee stock purchase plan been determined using the fair value approach set forth in SFAS 123, the Company's net income for the three month period and net income per share would have been in accordance with the pro forma amounts indicated below:

	Three Months Ended September 30,	
	2003	2002
	(in thousands, except per share amounts)	
Net income		
As reported	\$ 3,354	\$ 5,362
Fair value compensation cost	\$ (1,637)	\$ (1,977)
Pro forma	\$ 4,991	\$ 7,339
Net income per share - basic		
As reported	\$ 0.08	\$ 0.14
Pro forma	\$ 0.13	\$ 0.19
Net income per share - diluted		
As reported	\$ 0.08	\$ 0.13
Pro forma	\$ 0.12	\$ 0.18

### *Summary of Outstanding Stock Options*

As of September 30, 2003, options to purchase an aggregate of 5,912,128 Common Shares were outstanding under all of the Company's stock option plans out of an allowable pool of options totaling 20,614,848. As of September 30, 2003 there were exercisable options outstanding to purchase 4,047,161 shares at an average price of \$7.66. At September 30, 2002, there were exercisable options outstanding to purchase 4,347,164 shares at an average price of \$6.78. As a result of the stock split declared on October 8, 2003 the number of stock options doubled and accordingly the exercise price was halved.

The following table summarizes information regarding stock options outstanding at September 30, 2003 adjusted for the stock dividend declared on October 8, 2003:

			<u>Options Outstanding</u>			<u>Options Exercisable</u>		
Range of Exercise Prices			Number Outstanding at September 30, 2003	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Outstanding at September 30, 2003	Weighted Average Exercise Price	
\$	0.08	- 4.63	1,098,940	3.31	\$ 3.45	1,098,940	\$ 3.45	
	4.69	- 6.88	1,357,630	4.86	6.48	1,333,381	6.49	
	7.22	- 9.16	290,750	5.4	7.81	242,000	7.68	
	9.25	- 10.75	1,007,700	7.36	10.31	539,200	10.22	
	10.76	- 13.97	1,106,668	8.02	12.00	384,200	11.33	
	14.10	- 20.00	1,050,440	8.02	15.63	449,440	15.22	
\$	0.08	- 20.00	<u>5,912,128</u>	<u>6.18</u>	<u>\$ 9.29</u>	<u>4,047,161</u>	<u>\$ 7.66</u>	

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

As of September 30, 2003, the Company had future commitments and contractual obligations as summarized in the following table. These commitments are principally comprised of operating leases for the Company's leased premises.

<u>Fiscal Year</u>	
2004	\$ 6,627
2005	8,986
2006	7,018
2007	6,071
Thereafter	<u>29,830</u>
	<u>\$ 58,532</u>

The Company does not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space, computer equipment, and vehicles. In accordance with GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

The Company typically agrees in its sales contracts to indemnify its customers for any expenses or liability resulting from claimed infringements of patents, trademarks or copyrights of third parties. The terms of these indemnification agreements are generally perpetual after execution of the agreement. The maximum amount of potential future indemnification is unlimited. To date the Company has not paid any amounts to settle claims, defend lawsuits or otherwise under these indemnification agreements.

## **NOTE 10 – SUBSEQUENT EVENTS**

### *Gauss Acquisition*

On October 16, 2003, Open Text announced that 2016090 Ontario Inc., a wholly-owned subsidiary of Open Text, had waived all of the conditions of the Sale and Purchase Agreements with certain shareholders of Gauss Interprise AG. This transaction was previously announced August 27, 2003. After the transfer of shares under these and other agreements, shares tendered in the public Tender Offer and purchases of shares in the public market, 2016090 Ontario Inc. will hold more than 75% of the total outstanding share capital of Gauss Interprise AG. To support the guarantee provided by the Company's financial institution, for consideration to be paid in the Gauss transaction, \$12.0 million of cash was restricted and shown as a long-term asset as of September 30, 2003. At September 30, 2003 the Company had incurred approximately \$1.0 million in acquisition related costs, which have been deferred and included in other assets in the consolidated balance sheet.

### *IXOS Software AG*

On October 21, 2003, Open Text announced that it had entered into a business combination agreement with IXOS Software AG ("IXOS"), in which a wholly-owned subsidiary of Open Text will acquire all of the issued and outstanding shares of IXOS. The transaction will proceed via a tender offer to purchase all of the issued and outstanding shares of common stock of IXOS (collectively, the "IXOS Shares") for consideration, at the election of the holder of IXOS Shares, of either (i) 9 Euro or (ii) 0.5220 of Open Text Common Share and 0.1484 of a warrant, each whole warrant exercisable to purchase one Open Text Common Share for up to one year after closing the transaction at a strike price of US \$20.75 per share (a "Warrant"), for each IXOS Share tendered under the tender offer. The foregoing exchange ratios and the warrant strike price give effect to the Open Text stock dividend declared by the Board of Directors of Open Text Corporation on October 8, 2003, of one common share for each common share held as of the close of business on October 22, 2003.

### *SER*

On October 23, 2003 Open Text acquired all the common shares of SER Solutions Software GmbH and SER eGovernment Deutschland GmbH (SER) for total consideration of up to \$10.5 million (9 million euro) depending on future performance. A portion of the purchase price is held to secure certain warranties, representations and covenants in the acquisition agreement. The Companies develop and markets the DOMEA® software solution.

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

*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. 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 risks and uncertainties include, the factors set forth in "Cautionary Statements" in this Quarterly Report on Form 10-Q. Readers should not place undue reliance on any such forward-looking statements, which speak only as at 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 regarding these plans, estimates, opinions or projections should change. This discussion should be read in conjunction with the condensed consolidated financial statements and related notes for the periods specified. Further reference should be made to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2003.*

### **OVERVIEW**

Open Text develops, markets, licenses and supports collaboration and knowledge management software for use on intranets, extranets and the Internet. The Company's principal product line is Livelink®, a leading collaboration and knowledge management software product for global enterprises. The software enables users to find electronically stored information, work together in creative and collaborative processes, perform group calendaring and scheduling, and distribute or make available to users across networks or the Internet the resulting work product and other information. This collaborative environment enables ad hoc teams to form quickly across functional and organizational boundaries, which enables information to be accessed by employees using any standard Web browser. Fully Web-based with open architecture, Livelink provides rapid out-of-the-box deployment, accelerated adoption, and low cost of ownership. Open Text provides integrated solutions that enable people to use information and technology more effectively at departmental levels and across enterprises. The Company offers its solutions both as end-user stand-alone products and as fully integrated modules, which together provide a complete solution that is easily incorporated into existing enterprise business systems. Although most of the Company's technology is proprietary in nature, the Company does include certain third party software in its products.

During the three months ended September 30, 2003, the Company recorded total revenue of \$44.2 million, of which license revenue was \$16.9 million and net income of \$3.4 million. In addition, the Company's cash and cash equivalents excluding \$12.0 million of cash restricted in connection with the Company's acquisition of shares of Gauss Interprise AG ("Gauss"), were \$108.7 million, with cash flow from operations totaling \$8,000. The Company's days' sales outstanding ("DSO") of 57 days at September 30, 2003, were significantly improved over 71 days at September 30, 2002. Segment information relating to the financial statements is presented in Note 5 to the Company's condensed consolidated financial statements.

On October 16, 2003, the company announced that 2016090 Ontario Inc., a wholly-owned subsidiary of the Company, had waived all of the conditions of the Sale and Purchase Agreements with certain shareholders of Gauss. This transaction was previously announced August 27, 2003. After the transfer of shares under these and other agreements, shares tendered in the public Tender Offer and purchases of shares in the public market, 2016090 Ontario Inc. will hold more than 75% of the total outstanding share capital of Gauss Interprise AG. Gauss is one of Europe's leading developers of Web Content Management (WCM) software, serving more than 1,100 customers worldwide through headquarters in Hamburg, Germany, and Irvine, CA. Gauss provides Integrated Document and Output Management (IDOM) software for ERP systems. These products automate processes such as invoicing, ordering and insurance claims, allowing customers to convert large volumes of paper into electronic documents via imaging technology and processing them through highly structured workflows.

On October 21, 2003, the Company announced that it had entered into a business combination agreement with IXOS Software AG ("IXOS"), in which a wholly-owned subsidiary of the company will acquire all of the issued and outstanding shares of IXOS. IXOS is a leader in content management and archiving and is currently considered to be Europe's number one provider of Enterprise Content Management (ECM). Munich-based IXOS has approximately 900 employees and revenues of US\$145 million in the fiscal year ended June 30, 2003. With the completion of the tender offer, the combined company will become the world's largest ECM solutions provider. ECM is the technology used to create, capture, customize, deliver, manage and archive content across the enterprise.

The Company continues to seek 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.

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). These accounting principles were applied on a basis consistent with those of the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended June 30, 2003 filed with the Securities and Exchange Commission.

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles necessarily requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenues, bad debts, investments, intangible assets, income taxes, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed at the time to be reasonable under the circumstances.

The critical accounting policies affecting significant judgments and estimates used in the preparation of its condensed consolidated financial statements have been applied as outlined in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of the Company's control.

## RESULTS OF OPERATIONS

### Three Months Ended September 30, 2003 compared with Three Months Ended September 30, 2002

#### *Revenues*

The Company's total revenues increased 17% from \$37.7 million in the three months ended September 30, 2002 to \$44.2 million for the three months ended September 30, 2003.

License revenues increased 9% from \$15.5 million in the three months ended September 30, 2002 to \$16.9 million in the three months ended September 30, 2003. The increase in license revenues is largely a result of the Company's growth from acquisitions. During the quarter ended September 30, 2003 the Company completed two license transactions that generated over \$1.0 million in revenue each, the majority of which represented license revenue.

Customer support revenues increased 42% from \$13.7 million in the three months ended September 30, 2002 to \$19.4 million for the three months ended September 30, 2003. The increase in customer support revenues was attributable to both strong retention rates with existing customers as well as growth from acquisitions.

Service revenues decreased 7% from \$8.5 million in the three months ended September 30, 2002 to \$7.9 million in the three months ended September 30, 2003. The decrease in service revenues relates primarily to focusing our services to support rapid deployment of solutions and implementations. Utilization in the quarter ended September 30, 2003 and September 30, 2002 was 49% and 60%, respectively. Lower utilization rates are expected during the summer quarter due to seasonality.

No single customer comprised greater than 10% of the Company's revenue in the three months ended September 30, 2003 or 2002. For the three months ended September 30, 2003 and 2002, 59% of total revenues were from customers located in North America, 38% of total revenues were from customers in Europe and 3% of revenues were from customers in countries outside North America and Europe ("Other").

#### *Cost of revenues*

Cost of license revenues decreased 22% from \$1.6 million in the three months ended September 30, 2002 to \$1.3 million in the three months ended September 30, 2003. As a percentage of license revenues, cost of license revenues represented 11% in the three months ended September 30, 2002 compared with 8% in the three months ended September 30, 2003. The decrease in the cost and percentage of license revenues resulted from a decrease in licensing of third-party software, and therefore the associated royalties, during the three months ended September 30, 2003 as compared with the same three-month period a year ago.

Cost of customer support revenues increased 37% from \$2.3 million in the three months ended September 30, 2002 to \$3.2 million in the three months ended September 30, 2003. As a percentage of customer support revenues, cost of customer support revenues remained relatively consistent at 17% and 16% in the three months ended September 30, 2002 and 2003, respectively, primarily due to a higher revenue base. The increase in cost of customer support revenues is primarily due to an increase in personnel-related expenses, primarily as a result of acquisitions and increases in personnel to support organic growth.

Cost of service revenues increased 16% from \$6.2 million in the three months ended September 30, 2002 to \$7.2 million in the three months ended September 30, 2003. As a percentage of service revenues, cost of service revenues increased from 73% in the three months ended September 30, 2002 to 91% in the three months ended September 30, 2003. The increase in cost of service revenues resulted primarily from increases in the number of employees resulting from the Company's acquisitions compared to a year ago.

### *Research and development*

Research and development expenses increased 30% from \$6.2 million in the three months ended September 30, 2002 to \$8.0 million in the three months ended September 30, 2003. Research and development expenses consist primarily of personnel expenses, and their related facilities and equipment expenses. As a percentage of total revenues, research and development expenses increased from 16% in the three months ended September 30, 2002 to 18% in the three months ended September 30, 2003. The increase in research and development expenses primarily resulted from an increase in personnel-related expenses associated with the new employees from acquisitions and the Company's continued commitment to developing new products and integrating acquired technologies.

### *Sales and marketing*

Sales and marketing expenses increased 15% from \$12.0 million in the three months ended September 30, 2002 to \$13.8 million in the three months ended September 30, 2003. Sales and marketing expenses include the costs associated with the Company's sales force including compensation costs, travel, and training, as well as the costs of marketing programs and initiatives. As a percentage of total revenues, sales and marketing expenses decreased slightly from 32% in the three months ended September 30, 2002 to 31% in the three months ended September 30, 2003. The increase in sales and marketing expenses in absolute dollars is primarily due to increases in amounts spent on tradeshows as well as employee incentive programs and added headcount from acquired companies. The decrease in sales and marketing expenses as a percentage of total revenues for the three months ended September 30, 2003 resulted from a higher total revenue base.

### *General and administrative*

General and administrative expenses increased 3% from \$3.2 million in the three months ended September 30, 2002 to \$3.4 million in the three months ended September 30, 2003. General and administrative expenses consist primarily of the salaries of administrative personnel and related overhead and facilities expenses. As a percentage of total revenues, general and administration expenses decreased from 9% for the three months ended September 30, 2002 to 8% for the three months ended September 30, 2003. The decrease in general and administrative expenses as a percentage of total revenues resulted primarily from a higher total revenue base.

### *Depreciation*

Depreciation expense remained constant at \$1.2 million for the three months ended September 30, 2002 and 2003. As a percentage of revenues, depreciation expense remained approximately 3% for both the three months ended September 30, 2002 and 2003.

### *Amortization of acquired intangible assets*

Amortization of acquired intangible assets increased 144% from \$0.5 million in the three months ended September 30, 2002, to \$1.2 million in the three months ended September 30, 2003, primarily as a result of acquisitions completed by the Company. As a percentage of total revenues, amortization of acquired intangible assets increased from 1% in the three months ended September 30, 2002 to 3% in the three months ended September 30, 2003. Amortization of acquired intangible assets increased primarily because the three months ended September 30, 2003 included the amortization of core technology and purchased software acquired pursuant to the acquisitions completed in the prior year.

### *Other income (expense)*

Other income (expense) decreased 162% from \$617,000 for the three months ended September 30, 2002 to \$(380,000) for the three months ended September 30, 2003. Other income (expense) consists primarily of foreign exchange gains or losses, which reflect relative movements in the various foreign currencies in which the Company conducts business.

### *Interest income*

Interest income decreased 41% from \$384,000 for the three months ended September 30, 2002 to \$225,000 for the three months ended September 30, 2003. The reduction in interest income is a result of lower interest rates realized in the three months ended September 30, 2003, compared to the three months ended September 30, 2002.

### *Income taxes*

As of September 30, 2003, the Company had total net deferred tax assets of \$19.1 million, the principal component of which is temporary differences associated with net operating loss carry forwards. The Company operates in several tax jurisdictions. The Company's income is subject to varying rates of tax, and losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company has provided against the deferred tax asset with a valuation allowance of \$5.8 million because it believes that sufficient uncertainty exists regarding the realization of certain deferred tax assets. The Company continues to evaluate its taxable position quarterly and therefore its valuation allowance and considers factors by taxing jurisdiction such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others.

As of September 30, 2003, the Company had approximately \$69.5 million of losses and deductions available to reduce taxable income in future years, the benefit of which is reflected in the deferred tax assets. Deductions of \$17.0 million have no expiration date, and the balance of losses expire between 2004 and 2018.

During the quarter ended September 30, 2003, the Company acquired the shares of a Company with tax loss carry forwards of \$10.0 million. The Company expects to fully utilize these losses within the current year. As the tax losses exceed the purchase price the Company recorded a current deferred tax asset of \$3.3 million and an offsetting deferred tax credit of \$3.3 million. As the losses are utilized, both the current deferred tax asset and the deferred credit will decrease concurrently and the Company will recognize the benefit of the loss carry forwards in its income tax expense for the period.

During the quarter ended September 30, 2003, the Company recorded a tax provision of \$1.4 million compared to no tax provision during the quarter ended September 30, 2002. The reason for the increase in the Company's tax provision is the Company became taxable in certain taxing jurisdictions where it was previously able to use loss carryforwards.

### **Liquidity and Capital Resources**

Other than cash generated through its operations, the Company has traditionally financed its cash needs primarily through the issuance of the Company's Common Shares. At September 30, 2003, the Company had current assets of \$157.3 million, current liabilities of \$60.0 million and working capital of \$97.3 million. These amounts compare to current assets of \$164.1 million, current liabilities of \$69.7 million, and working capital of \$94.4 million at June 30, 2003. At September 30, 2003, the Company had cash and cash equivalents totaling \$108.7 million, compared to cash and cash equivalents of \$116.6 million at June 30, 2003. The change in the Company's cash and cash equivalents, current assets and working capital balances since the beginning of the fiscal year are largely a result of cash restricted in connection with the Gauss acquisition, a large tax payment made during the period and timing of payment of payables. These were partially offset by net income for the three months ended September 30, 2003, cash collections during the quarter and cash provided by exercises under the Company's stock option program as well as decreases in current liabilities.

Net cash provided by operating activities was approximately \$8,000 for the period ended September 30, 2003 compared with \$9.6 million for the period ended September 30, 2002. The decrease in cash flow from operations was

primarily a result of a large tax payment, decreases in accounts payable and deferred revenue, and lower net income in the three months ended September 30, 2003, compared to the three months ended September 30, 2002.

Net cash used in investing activities was \$1.9 million during the three months ended September 30, 2002 compared to \$14.6 million during the three months ended September 30, 2003. The cash used during the three months ended September 30, 2003 primarily related to amounts restricted for the Gauss acquisition and costs associated with the Company's acquisitions. Also included in investing activities is the purchase of capital assets, which totaled \$828,000 during the three months ended September 30, 2003 as compared with \$530,000 during the three months ended September 30, 2002.

Net cash provided by financing activities totaled \$6.7 million in the three months ended September 30, 2003, primarily resulting from cash provided by exercises under the Company's stock option program. Net cash used in financing activities was \$14.5 million in the three months ended September 30, 2002, primarily resulting from the repurchase for cancellation of 712,200 Common Shares at a cost of \$16.2 million, of which \$7.3 million was charged to share capital and \$8.9 million was charged to accumulated deficit, partially offset by proceeds of \$1.7 million from the sale of Common Shares related to the exercise of Company stock options.

The Company has a Cdn\$10.0 million (USD\$6.3 million) line of credit with a Canadian chartered bank, under which no borrowings were outstanding at September 30, 2003, the entire amount of which was available for use. 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.

On October 16, 2003, the Company announced that 2016090 Ontario Inc., a wholly-owned subsidiary of the Company, had waived all of the conditions of the Sale and Purchase Agreements with certain shareholders of Gauss. This transaction was previously announced August 27, 2003.

On October 21, 2003, the Company announced that it had entered into a business combination agreement with IXOS Software AG ("IXOS"), in which a wholly-owned subsidiary of the Company will acquire all of the issued and outstanding shares of IXOS. Based on recent exchange rates the total purchase consideration would be approximately \$240 million US in cash assuming all IXOS shareholders elected to receive cash.

On a cumulative basis, to date, license and service revenues have been insufficient to satisfy the Company's total cash requirements, particularly as the Company has sought to repurchase its Common Shares, acquire businesses and grow its infrastructure. The Company will likely need to raise additional funds, however, in order to fund more rapid expansion of our business, develop new and enhance existing products and services, or acquire complimentary products, businesses or technologies. If additional funds are raised through the issuance of equity or convertible securities, the percentage ownership of the Company's stockholders may be reduced, the Company's stockholders may experience additional dilution, and such securities may have rights, preferences, or privileges senior to those of the Company's stockholders. Additional financing may not be available on terms favorable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company's ability to fund its expansion, take advantage of acquisition opportunities or develop or enhance its services or products would be significantly limited.

## **Cautionary 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. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including those set forth in the following cautionary statements and elsewhere in this Quarterly Report on Form 10-Q, that may cause the actual results, performance or achievements of the Company, or developments in the Company's industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. The following factors, as well as all of the other information set forth herein, should be considered carefully in evaluating Open Text and its business. If any of the following risks were to occur, the Company's business, financial condition and results of operations would likely suffer. In that event, the trading price of the Company's Common Shares would likely decline.*

### ***If the Company does not continue to develop new technologically advanced products, future revenues will be negatively affected***

Open Text's success will depend on its ability to design, develop, test, market, license 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 of its Livelink software 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 products are key to the success of the Company's strategy, and the Company may not 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 operating results will materially suffer. In addition, if new industry standards emerge that the Company does not anticipate or adapt to, the Company's software products could be rendered obsolete and its business would be materially harmed.

### ***If the Company's products and services do not gain market acceptance, the Company may not be able to increase its revenues***

Open Text is continually working on the development of, and improvements to, new versions of Livelink and other products. In June 2003 the company released Livelink LaunchForce an application that offers closed-loop distribution of critical information to a distributed field-sales organization. This product based on rich-media technology acquired by Open Text from Eloquent, significantly speeds up training for sales forces and simultaneously helps large sales organizations save money. In August 2003 the company released Livelink 9.2 that significantly advances the ease of use of the system and added significant capabilities to support team collaboration. In addition the company continues to improve Meeting Zone based on customer feedback. The primary market for Open Text's software and services 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, the Company's business will suffer. The Company may be unable to successfully market its current products and services, develop new software products, services and enhancements to current products and services, complete customer installations on a timely basis, or complete products and services currently under development. If the Company's products and services or enhancements do not achieve and sustain market acceptance, the Company's business and operating results will be materially harmed.

***Current and future competitors could have a significant impact on the Company's ability to generate future revenue and profits***

The markets for the Company's products are new, intensely competitive, subject to rapid technological change and are evolving rapidly. The Company expects competition to 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. The Company may not be able to compete effectively with current and future competitors. If competitors were to engage in aggressive pricing policies with respect to competing products, or significant price competition were to otherwise develop, the Company would likely be forced to lower its prices. This could result in lower revenues, reduced margins, loss of customers, or loss of market share for the Company.

***Acquisitions, investments, joint ventures and other business initiatives may negatively affect our operating results***

Open Text acquired three companies in fiscal 2003 and 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. These activities, including the fiscal 2003 acquisitions, create risks such as the need to integrate and manage the businesses acquired with the business of the Company, additional demands on the Company's management, resources, systems, procedures and controls, disruption of the Company's ongoing business, and diversion of management's attention from other business concerns. Moreover, these transactions could involve substantial investment of funds and/or technology transfers and the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute existing shareholders or result in the assumption of debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources of the Company. Any such activity may not be successful in generating revenue, income or other returns to the Company, and the financial or other resources committed to such activities will not be available to the Company for other purposes. The Company's inability to address these risks could negatively affect the Company's operating results.

***A reduction in the number or sales efforts by distributors could materially impact the Company's revenues***

A portion of the Company's revenue is derived from the license of its products through third parties. The Company's success will depend, in part, upon its ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. The Company may not be able to retain a sufficient number of its existing or future distributors. Distributors may also give higher priority to the sale of other products (which could include products of competitors) or may not devote sufficient resources to marketing the Company's products. The performance of third party distributors is largely 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 licensing the Company's products. A reduction in sales efforts, or a decline in the number of distributors, or the discontinuance of sales of the Company's products by its distributors could lead to reduced revenue.

***The Company's international operations expose the Company to business risks that could cause the Company's operating results to suffer***

Open Text intends to continue to make efforts to increase its international operations and anticipates that international sales will continue to account for a significant portion of its revenue. Revenues derived outside of North America represented 42%, 40% and 41% of total revenues for fiscal 2003, fiscal 2002 and fiscal 2001 respectively. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business abroad, compliance with foreign laws, compliance with domestic and international import and export laws and regulations, costs related to localizing products for foreign markets, and costs related to translating and distributing products in a timely manner. International operations also tend to expose the Company to a longer sales and collection cycle, as well as potential losses arising from currency fluctuations, and limitations regarding the repatriation of earnings. 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, international earnings may be subject to taxation by more than one jurisdiction, which could also materially adversely affect the Company's results of operations. Moreover, international expansion may be more difficult, time consuming, and costly. As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, the Company's operating results will suffer.

The Company's products may contain defects that could harm the Company's reputation, be costly to correct, delay revenues, and expose the Company to litigation.

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. Errors may be found in new software products or improvements to existing products after commencement of commercial shipments, or, if discovered, the Company may not 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, the Company may not 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 harm to the Company's reputation resulting from product errors and failures would be damaging to the Company. The Company regularly provides a warranty with its products and the financial impact of these warranty obligations may 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, such coverage may not be adequate and all claims may not be covered. Accordingly, any such claim could negatively affect the Company's financial condition.

***Other companies may claim that the Company's intellectual property violates their patents, which could result in significant costs to defend and if the Company is not successful could have a significant impact on the Company's ability to generate future revenue and profits***

Although the Company does not currently believe that it is infringing on the intellectual property of other companies, as software patents become more prevalent, it is possible that certain parties will claim that the Company's products violate their patents. Such claims could be disruptive to the Company's ability to generate revenue and may result in significantly increased costs as the Company attempts to license the patents or rework its products to ensure that they are not in violation of the claimant's patents or dispute the claims.

The Company currently depends on certain third-party software, the loss of which could result in increased costs of, or delays in, licenses of the Company's products. For a limited number of product modules, the Company relies on certain software that it licenses from third parties, including software that is integrated with internally developed software and which is used in its products to perform key functions. These third-party software licenses may not continue to be available to us on commercially reasonable terms, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors. The loss of license to use, or the inability of licensors to support, maintain, and enhance any of such software, could result in increased costs, delays, or reductions in product shipments until equivalent software is developed or licensed, if at all, and integrated.

***Current and future competitors could have a significant impact on the Company's ability to generate future revenue and profits***

The markets for the Company's products are new, intensely competitive, subject to rapid technological change and are evolving rapidly. The Company expects competition to 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. The Company

may not be able to compete effectively with current and future competitors. If competitors were to engage in aggressive pricing policies with respect to competing products, or significant price competition were to otherwise develop, the Company would likely be forced to lower its prices. This could result in lower revenues, reduced margins, loss of customers, or loss of market share for the Company.

***The length of the Company's sales cycle can fluctuate significantly which could result in significant fluctuations in license revenue being recognized from quarter to quarter***

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, licenses 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. Given the significant investment and commitment of resources required by an organization in order to implement the Company's software, the Company's sales cycle tends to take considerable time to complete. Particularly in the current economic environment of reduced information technology spending, it can take several months, or even quarters, for sales opportunities to translate into revenue. If installation of the Company's products in one or more customers takes longer than originally anticipated, the date on which revenue from these licenses could be recognized would be delayed. Such delays could cause the Company's revenues to be lower than expected in a particular period.

***The Company may not achieve its anticipated revenues if it does not expand its product line***

Substantially all of Open Text's revenues are currently derived from its Livelink and related products and 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 expanding its product-line and related services. To achieve its revenue goals, the Company must also 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 licenses of Livelink and related services, would significantly harm the Company's business.

***The Company must continue to manage its growth or its operating results could be adversely affected***

Over the past several years, Open Text has experienced growth in revenues, operating expenses, and product distribution channels. In addition, Open Text's markets have continued to evolve at a rapid pace. The total number of employees of the Company has grown from 292 as of September 1, 1996 to 1,168, as of September 30, 2003, including contractors. 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. Moreover, the Company has grown significantly through acquisitions in the past and continues to review acquisition opportunities as a means of increasing the size and scope of its business. 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's administrative infrastructure, systems, procedures and controls may not adequately support the Company's operations and the Company's management may not 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 operating results will likely suffer.

***The Company's products rely on the stability of various infrastructure software which, if not stable, could negatively impact the effectiveness of the Company's products, resulting in harm to the reputation and business of the Company***

Developments of internet and intranet applications by Open Text depends on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as that of Sun, HP, Oracle, Microsoft and others. If weaknesses in such infrastructure software exist, the Company may not 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 and reputation may be significantly harmed.

***The Company's quarterly revenues and operating results are likely to fluctuate which could impact the price of the Company's Common Shares***

The Company has experienced, and is likely to continue to experience, significant fluctuations in quarterly revenues and 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, market acceptance of 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, delays involved in installing products with customers, the mix of distribution channels through which products are licensed, the mix of products and services sold, the mix of international and North American revenues, foreign currency exchange rates and general economic conditions.

Like many other software companies, the Company has generally recognized a substantial portion of its revenues in the last weeks of each quarter. Accordingly, the cancellation or deferrals of even a small number of licenses or delays in installations of the Company's products could have a material adverse effect on the Company's results of operations 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 revenues recorded in the quarter ended September 30 than in other quarters. Because of 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. For these reasons, no one should rely on period-to-period comparisons of the Company's financial results to forecast future performance. It is likely that the Company's quarterly revenue and operating results will vary significantly in the future and if a shortfall in revenue occurs or if operating costs increase significantly, the market price of our Common Shares could decline.

***Failure to protect our intellectual property could harm our ability to compete effectively***

The Company is highly dependent on its ability to protect its proprietary technology. The Company's efforts to protect its intellectual property rights may not 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. While US and Canadian copyright laws, 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. 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, third parties may assert infringement claims against the Company in the future, and any such assertions may result in costly litigation or require the Company to obtain a license for the intellectual property rights of third parties, such licenses may not be available on reasonable terms, or at all.

***If the Company is not able to attract and retain top employees, the Company's ability to compete may be harmed***

The Company's performance is substantially dependent on the performance of its executive officers and key employees. The loss of the services of any of its executive officers or other key employees could significantly harm the Company's business. The Company does not maintain "key person" life insurance policies on any of its employees. The Company's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel, including recently hired officers and other employees. Specifically, the recruitment of top research developers, along with experienced salespeople, remains critical to the Company's success. Competition for such personnel is intense, and the Company may not be able to attract, integrate or retain highly qualified technical and managerial personnel in the future.

***The volatility of the Company's stock price could lead to losses by shareholders***

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, resulting in losses to shareholders. 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. Due to the volatility of our stock price, the Company could be the target of securities litigation in the future. 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 and operating results.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The Company is primarily exposed to market risks associated with fluctuations in interest rates and foreign currency exchange rates.

*Interest rate risk*

The Company's exposure to interest rate fluctuations relates primarily to its investment portfolio, since the Company had no borrowings outstanding under its line of credit at September 30, 2003. The Company primarily invests its cash in short-term high-quality securities with reputable financial institutions. The primary objective of the Company's investment activities is to preserve principal while at the same time maximizing the income the Company receives from its investments without significantly increasing risk. The Company does not use derivative financial instruments in its investment portfolio. The interest income from the Company's investments is subject to interest rate fluctuations, which the Company believes would not have a material impact on the financial position of the Company.

All highly liquid investments with a maturity of less than three months at the date of purchase are considered to be cash equivalents. All investments with maturities of three months or greater are classified as available-for-sale and considered to be short-term investments. Some of the securities that the Company has invested in may be subject to market risk. This means that a change in the prevailing interest rates may cause the principal amount of the investment to fluctuate. The impact on net interest income of a 100 basis point adverse change in interest rates for the quarter ended September 30, 2003 would have been a decrease of approximately \$0.3 million.

*Foreign currency risk*

The Company has net monetary asset and liability balances in foreign currencies other than the US Dollar, including the Canadian Dollar ("CDN"), the Pound Sterling ("GBP"), the Australian dollar ("AUD"), the Swiss Franc ("CHF"), the German Mark ("DEM"), the French Franc ("FRF"), the Dutch Guilder ("NLG"), the Danish Kroner ("DKK"), the Arabian Durham ("AED"), and the Euro ("EUR"). The Company's cash and cash equivalents are primarily held in US Dollars. The Company does not currently use financial instruments to hedge operating expenses in foreign currencies. The Company intends to assess the need to utilize financial instruments to hedge currency exposures on an ongoing basis.

The following tables provide a sensitivity analysis on the Company's exposure to changes in foreign exchange rates. For foreign currencies where the Company engages in material transactions, the following table quantifies the impact that a 10% change against the U.S. dollar would have had on the Company's total revenues, operating expenses, and net income for the quarter ended September 30, 2003. This analysis is presented in both functional and transactional

currency. Functional currency represents the currency of measurement for each of an entity's domestic and foreign operations. Transactional currency represents the currency the underlying transactions take place in. The impact of changes in foreign exchange rates for those foreign currencies not presented in these tables is not material.

	<b>10% Change in Functional Currency (in thousands)</b>		
	<b>Total Revenue</b>	<b>Operating Expenses</b>	<b>Net Income</b>
Euro	\$ 747	\$ 447	\$ 300
British Pound	602	404	198
Swiss Franc	200	151	49
Swedish Krona	126	61	65

	<b>10% Change in Transactional Currency (in thousands)</b>		
	<b>Total Revenue</b>	<b>Operating Expenses</b>	<b>Net Income</b>
Euro	\$ 697	\$ 455	\$ 242
British Pound	576	391	185
Canadian Dollar	341	915	(574)
Swedish Krona	100	59	41

#### **Item 4. Controls and Procedures**

As of September 30, 2003, our Chief Executive Officer and Chief Financial Officer performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13-a15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2003, our disclosure controls and procedures are effective in ensuring that material information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There were no changes in our internal control over financial reporting over our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II Other Information**

### **Item 1. Legal Proceedings**

The Harold Tilbury and Yolanda Tilbury Family Trust has brought an action against the Company under the Ontario Arbitrators Act. The complaint alleges failure to pay amounts owing under a stock purchase agreement for purchase of Bluebird Systems ("Bluebird"), a company previously acquired. The claim is for \$10 million plus \$5 million in punitive damages. The Company was not a party to the stock purchase agreement but has been held by the arbitrator to be principal behind the transaction. The Company has counterclaimed and instituted an action under the Ontario Arbitrators Act against Harold Tilbury and Yolanda Tilbury as Trustees of the Tilbury Family Trust, and Harold Tilbury personally, claiming that not only is no further amounts owing but for reimbursement for parts of the purchase price of Bluebird. The Company is also seeking indemnification for breaches of the representations and warranties under the stock purchase agreement in the amount of approximately \$6.5 million. This claim also asks for

a rescission of a facility lease assumed on the purchase of Bluebird, or damages of \$7 million, together with punitive damages of \$1 million.

In the normal course of business the Company is subject to various other legal matters. While the results of litigation and claims cannot be predicted with certainty, the Company believes that the final outcome of these other matters will not have a materially adverse effect on its consolidated results of operations or financial conditions.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No	Description
10.1	Support Letter Agreement issued by GAP LP, GAPCO II, KG and GapStar and accepted and agreed to by Open Text Corporation, dated October 20, 2003.*
10.2	Business Combination Agreement between 2016091 Ontario, Inc., Open Text Corporation and IXOS Software AG, dated October 20, 2003.*
31.1	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

\* Filed as an Exhibit to Schedule 13D, as filed by the Company with the SEC on October 30, 2003 and incorporated herein by reference.

(b) Reports on Form 8-K

	Description
i) Financial results	On August 14, 2003, the Company furnished a Report on Form 8-K, pursuant to Item 12 thereof, to furnish a press release announcing the Company's financial results for the fiscal quarter ended June 30, 2003.
ii) Tender offer for Gauss Interprise	On August 29, 2003, the Company filed a Report on Form 8-K, pursuant to Items 5 and 7 thereof, to file a press release announcing the Company's tender offer for common shares of Gauss Interprise of Hamburg, Germany.

**SIGNATURES**

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

**OPEN TEXT CORPORATION**  
(Registrant)

Date: November 10, 2003

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

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

## **Index to Exhibits**

<b>No.</b>	<b>Description</b>
10.1	Support Letter Agreement issued by GAP LP, GAPCO II, KG and GapStar and accepted and agreed to by Open Text Corporation, dated October 20, 2003*.
10.2	Business Combination Agreement between 2016091 Ontario, Inc., Open Text Corporation and IXOS Software AG, dated October 20, 2003*.
31.1	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)

\*Filed as an Exhibit to Schedule 13D, as filed by the Company with the SEC on October 30, 2003 and incorporated herein by reference.

**Exhibit 31.1**

**CERTIFICATIONS**

I, P. Thomas Jenkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Open Text Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986.]
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2003

By: /s/ P. Thomas Jenkins  
P. Thomas Jenkins

Chief Executive Officer

I, Alan Hoverd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Open Text Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986.]
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2003

By: /s/ Alan Hoverd  
Alan Hoverd,  
Chief Financial Officer



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, P. Thomas Jenkins, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: November 10, 2003

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan Hoverd, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to (S) 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Alan Hoverd  
Alan Hoverd  
Chief Financial Officer

Dated: November 10, 2003