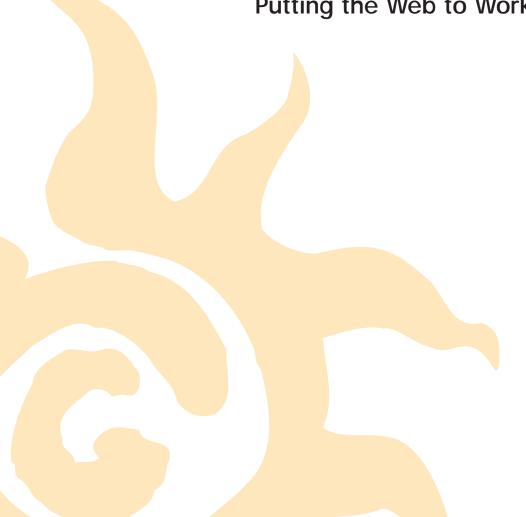




Corporate Mission Statement

Open Text is a leading provider of Intranet application software, tools and services that enable organizations to leverage the global reach and openness of Internet technologies, providing a powerful collaborative environment for communication, managing and working together....

Putting the Web to Work.



To our Shareholders

I'm pleased to announce that fiscal 1996 was a landmark year for Open Text Corporation. The company clearly defined its core business, sharply delineated critical milestones required for long-term success, and decisively took the necessary steps to establish a strong, profitable base for the future.

With these enterprise-building achievements to guide us, we believe 1996's progress can be measured by how well we have focused our resources, built technological capabilities for our core intranet business and positioned Open Text as a leader in the intranet market with our high-end suite of software products.

Highlights of 1996 include:

- Our initial public offering of 4.6 million shares in January 1996 raised US\$61 million, net of offering costs
- The completion of strategic acquisitions designed to enhance our core competencies in intranet technology
- An increase in our workforce from 20 to almost 300 in a matter of months

To effectively manage increased investment, new acquisitions, and growth in staffing, we quickly moved to strengthen our senior management team and to restructure our operations to take advantage of the opportunities available in the exploding intranet market.

The result? A more efficient organization, capable of sustaining growth by capitalizing on Open Text's strengths in targeted market segments.



Tom JenkinsPresident and Chief Executive Officer



Putting the Web to Work

While most every software company is trying to carve out an Intranet niche, Open Text Corp. is well ahead and lengthening its lead with a new release of its Livelink suite.

Randy Barrett Inter@ctive Week

Qualcomm Incorporated's patented digital wireless technology is pivotal in the current cellular and Personal Communications System explosion. To support time critical design deliveries to customers and strategic business partners, Qualcomm has purchased Livelink Intranet.

From Search Engines to Intranet Solutions

Open Text began its successful rise to prominence by building a powerful Internet search engine. As we developed our breakthrough search engine, the Internet emerged as one of the century's most significant new business communications platform. Open Text had the vision to recognize that a market with substantial potential would emerge, a market combining the ease and global reach of the World Wide Web with the privacy and security of internal corporate networks. These private webs were dubbed "intranets." The emergence of the intranet market would allow people to efficiently work together, share information and access corporate data, empowering staff and improving efficiency.

Open Text was among the first to understand the potential of intranets to facilitate people's work in large government and corporate environments. Guided by this vision, we implemented a strategy of acquiring technology in document management, workflow and collaborative computing which we married with our search engine technology. Today, we are working to provide world-wide customers with intranet technology that looks and feels like the World Wide Web. Why? According to a recent survey by Network World and International Data Corporation, an estimated 89 percent of large corporations are building intranets in calendar 1996, each spending an average of \$2.6 million.

Our intranet product suite, Livelink, "puts the Web to work" by providing a powerful, secure environment for communication and information management. Power and security are of particular importance to organizations that handle massive amounts of technical data — sectors that include telecommunications, financial services, biotech/pharmaceutical, manufacturing and government.

Strategies for Long-Term Success

At Open Text, we realize that the intranet software market will become highly competitive. Even with the comparative advantage of being an early entrant, our long-term success will depend on our ability to execute an aggressive business plan guided by three key strategies — growth by acquisition, managing our growth and improved market positioning — strategies that have helped guide us through fiscal 1996.

Growth by Acquisition

To achieve our growth objectives, we will continue to develop strategic assets that include technologies, products, distribution

and infrastructure. During the past year, OpenText has made seven acquisitions to enhance our technological and sales and deployment capabilities. These enhancements will allow us to quickly install products that meet the unique needs of each customer. As we expand, our goal is to build the critical mass necessary to maintain a leadership position in intranet technologies, products and services.

Managing Our Growth

Expanding our capabilities by acquisition requires paying close attention to organizational structure and management. In 1996, we supported the company's growth and evolution by hiring two

senior managers — Keith Soley, Chief Operating Officer and Bill Stirlen, Chief Financial Officer — who between them have more than 50 years' experience in high-technology industries.

Their initial objectives were to refine our business model, identify and leverage our core competencies and implement stringent business systems and

financial controls. A critical component of this process included rationalizing and streamlining our operations.

To focus our resources on specific markets, we restructured Open Text by consolidating our operations in Canada, closing a U.S.-based office dedicated to supporting Internet service applications and eliminating any duplicated jobs caused by corporate acquisitions.

Improved Market Positioning

Our third strategy is to make ourselves more visible and position Open Text as a leader in the emerging intranet software market. To this end, we stress our competitive difference — high-end technology and products — and carefully target our sales and marketing efforts.

Because of our precise marketing strategy, by fiscal year-end we generated more than 5,000 corporate leads, expanded the number of evaluations of Livelink to more than 150 accounts, and acquired some key clients. At the same time, we revamped our pricing models and established strict discounting policies for major accounts.

Financial Review

Financial results for the fiscal year as of June 30, 1996, reported under U.S. Generally Accepted Accounting Principles (GAAP), included revenues of US\$10 million, up 400 percent from the \$2.5 million reported for the previous year.

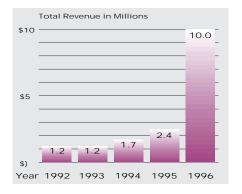
Bottom-line results, however, were impacted by several non-cash charges. For 1996, the company recorded write-offs of \$31.6 million for amortization, depreciation and asset revaluation related to its various acquisitions and \$3.4 million for restructuring of operations. Excluding these one-time charges, Open Text recorded a loss of \$9.0 million for the year. Including these

charges, the total loss was \$43.2 million or \$3.59 per share.

Open Text's very healthy balance sheet included cash and short-term investments of \$51.1 million as of June 30, 1996. This increase reflects the net proceeds from our private placements and initial public offering. As at June 30, 1996, total shareholder's equity was \$55.6 million.

Business Outlook

As we enter fiscal 1997, we recognize the many challenges ahead. Given the infancy of the intranet software market and the newness of products, customers are only now beginning to make significant commitments to our software products. As our customer base grows, resulting



Putting the Web to Work

At Sony Microelectronics
Company of America's San Antonio
manufacturing site, workers
require continuous access to
procedural documents that are
100 percent accurate and up to
date. Today the site uses a
comprehensive Livelink Intranet
system to make information
available on demand, while
greatly reducing turnaround time
on revisions.

in major new "win" announcements, we will continue to add new features and functionality to our products.

We will also continue to invest heavily in technology to provide our customers with leading-edge solutions and in sales and marketing to create the brand awareness needed to build market share. At the same time, we will further develop the management systems and controls required to support our growth.

At Open Text, we aim to capitalize on opportunities in the expanding intranet software market to penetrate large accounts in key segments and, over time, to achieve solid profits. We believe that our powerful, exciting technology, our talented pool of employees and our solid financial resources will enable Open Text to meet these objectives.

Throughout this evolutionary process, we thank you, our shareholders, for your continuing support. Moreover, we thank our employees, whose dedication and creativity have helped position Open Text as a market leader.

Sincerely, Tom Jenkins

President and Chief Executive Officer December 1996 pen Text Corporation is a leading provider of intranet application software, tools and services that enable organizations to leverage the global reach and openness of Internet technologies within a powerful, collaborative environment for communicating, managing, and working together.

Corporate Vision

In early spring 1995, Open Text concluded that the real potential of the Internet would be achieved when its technology and standards were applied to business. The emerging technology was later called "intranet." Open Text's vision is to provide intranet software that enables organizations to become more productive and constructive in the most basic business process: people working together.

The Open Text Opportunity

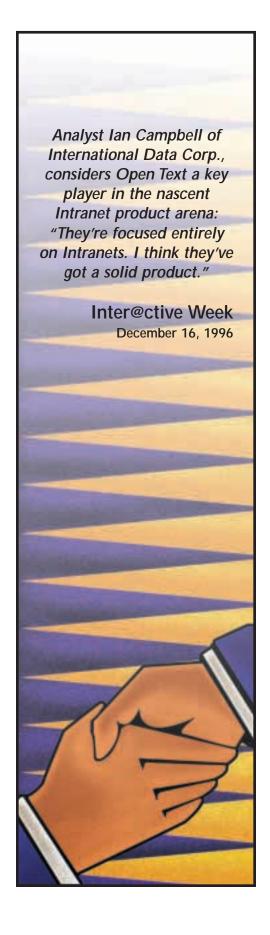
Technology, along with the simultaneous — and not unrelated — globalization of the economy, is rewriting the basics of the business environment. Open Text was founded on four basic beliefs about this new environment.

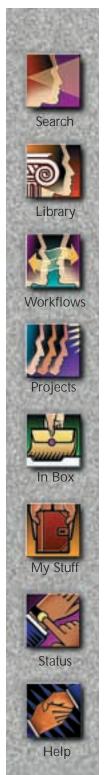
1. Intranets are the emerging computing platform.

First there were mainframes, then microcomputers, then PCs, then workstations, then office networks. Now there are intranets. According to Zona Research, spending on intranet software in the U.S. alone will reach US\$1.2 billion in 1997. International Data Corporation reports the intranet market will grow to \$3.0 billion by the year 2000. IDC expects that as intranets are applied to more sophisticated applications such as business process management or support, the cost of implementation will rise. Companies will find it cost-effective to enhance their infrastructure with intranets because they will be able to more easily extend the reach of their business processes to remote users, partners, suppliers and even customers

2. This new platform is profoundly connective.

PCs became the new corporate computing platform of the 80s because they put incredible processing power on the desktop of every knowledge worker. By providing connectivity, intranets hold the same type of potential as the PC revolution , – an environment for communication and management of information on a scale never before imaginable.





Search massive amounts of information

Access control and version management for all documents

Workflow tools you need for on-time, on-budget delivery

Collaborative resources for your virtual teams

The information that needs your current attention

A place to keep and organize your personal files

Graphical maps show a project's progress at a glance

So easy to learn and use, you may not need this

3. Intranets improve the way people work together.

Intranets help eliminate the barriers that keep people from collaborating on projects effectively. With an intranet, all you need in order to "plug in" to your group is a Web browser, a phone jack and a password. No matter how many geographically distributed offices are involved and no matter whether the team members are at their desks or in a hotel room, the group can be productive.

4. An Intranet by itself is just plumbing and infrastructure.

Managing the difficult challenges working groups face requires robust applications to help find key information (search engine); to ensure the integrity of the information they develop (document management); to coordinate and manage the processes by which the group achieves its goals (workflow); and to enable the group to function at a high level of efficiency (project collaboration). This complete set of intranet solutions facilitates many business-critical functions by enabling organizations to leverage the global reach of the Internet.

Defining Intranets

The initial excitement about intranets was tied to an internal publishing medium that enabled a corporation to post its policies and procedures, human resources forms and sales materials. While this was important, it was really only the beginning of the many benefits intranets offer.

Intranets are about much more than reading. They are also about doing. They provide a universally available, cross-platform network that enables working groups to communicate, share tools and information, assign and track tasks and manage projects of any complexity.

Open Text is leading the way in defining intranets as a business-critical computing platform.

Problems solved

To date, the Internet and intranets have been a mixed blessing for businesses. While greatly increasing access to information and to other people, they have simultaneously created significant problems:

- Finding information is more difficult because so much is available
- Managing people is more challenging due to the worldwide distribution of resources over an intranet
- Maintaining accountability is harder because working groups

can be so easily pulled together without first having to establish lines of authority

 Controlling access to information with leading-edge technology is more complicated because the Web opens data floodgates

Open Text addresses each of these problems with its integrated combination of search engine, document management, workflow, and project collaboration tools.

The Livelink Difference

Open Text developed the Livelink suite of products — Livelink Intranet — to address this new market by capitalizing on the company's core strengths. These products, which run on both Microsoft Windows NT and most UNIX operating systems, comprise the first full-power intranet application suite on which even the largest organizations can run their business more effectively.

While the intranet market will be crowded, with software vendors trying to stake a claim, Open Text's Livelink Intranet has several clear advantages:

- Built for Webs. Livelink Intranet is designed to use open Internet standards — which lowers the risk of adoption for customers and the Internet's look and feel, which greatly reduces users' training costs.
- Designed for business-critical applications. Livelink Intranet is the only intranet application suite to provide a powerful collaborative environment that can support any number of users, systems or locations. With just a Web browser and a password, workgroups and managers working from anywhere in the world can use fully integrated Livelink tools that can handle the most demanding environments.
- "Heavy Lifting" applications that are at the core of a business. It
 easily handles complex processes, data and documents. As a result,
 Livelink is currently being used to manage engineering change
 order systems, legal support systems, the creation of standard
 operating procedures in government-regulated industries and
 other demanding tasks.
- Rich feature set. No other intranet software package matches Livelink Intranet's richness of functionality. The core engines powering Livelink Intranet have been proven in the field to be superior for routing workflow, managing documents and organizing projects.

"The flexibility, openness and comprehensiveness of Livelink Intranet were the key factors in our decision to add Livelink to our intranet-based, information management systems." "By integrating the document management, workflow and search capabilities of Livelink with the messaging, conferencing, security and administration features of SuiteSpot, our customers will enjoy a total intranet solution, on the most advanced UNIX and Windows NT servers available." Robert Hoog Siemens Nixdorf

Intranets have expanded the capabilities of groupware both physically, by allowing groupware to cross structural barriers, and functionally, by expanding the scope of applications possible. IDC expects intranets to continue as the catalyst of groupware and remain the driving force for the foreseeable future. Intranetbased groupware products such as Open Text's Livelink Intranet are leading this trend by meeting user expectations in the area of document management and workflow with tangible results.

International Data Corp.

 Fully integrated solution. Livelink Intranet is a complete solution, as it brings together functionality that customers typically must piece together themselves at great risk and cost. With Livelink Intranet, customers receive a completely integrated application that includes document management, search engine, workflow and project collaboration.

Livelink Intranet integrates powerful application tools into a single, easy to use system. Livelink Search lets you find documents with unprecedented speed, even across multiple networks, locations and technology types. Livelink Intranet's sophisticated document management system lets you organize and manage your information resources, guaranteeing information accuracy and access control. You can keep work processes on track with workflow tools that let you build and display visual workflow status maps in real time. Breakthrough project collaboration tools provide workgroups with a virtual meeting place for collaboration. Livelink Intranet is fully operational off the shelf, but you can add or alter functionality anytime with the Livelink Builder, a visual, object-oriented, cross-platform development environment. Access through an off-the-shelf Web browser or a high-power, completely interoperable client/server version ensures that Livelink Intranet is easy to use and integrates smoothly into your work environment.

Virtually any kind of organization can gain a competitive advantage with Livelink Intranet. You can lower the cost of developing products that comply with regulatory or corporate standards, accelerate your time to market by effectively managing globally distributed document repositories and processes and make the most of all your resources – people, information and technology. To test drive Livelink technology, visit our Web site at http://www.opentext.com

Intranet Opportunities Going Forward

In this environment — truly a generational shift in how corporations work — Open Text provides the software, tools and services that enable companies to take advantage of the new open, connective platforms known as intranets. As the market tures, Open Text believes that this very significant business tunity will emerge, especially as new features and ality are added to Open Text products.

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Mr. Bill Stirlen Chief Financial Officer

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February 24, 1997

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