

# OPENTEXT

May 5, 2005

## Open Text Announces Third Quarter 2005 Financial Results

Waterloo, ON - 2005-05-05 - Open Text Corporation (Nasdaq: OTEX; TSX: OTC), a leading provider of Enterprise Content Management (ECM) software (1), today announced financial results for its third fiscal quarter ended March 31, 2005.

### Financial Highlights

Total revenue for the third quarter was \$105.2 million, compared to \$80.2 million in the same period last year. License revenue for the quarter was \$33 million, compared to \$34.5 million in the same period last year. Revenue results were broadly based, with 51% derived from Europe, 42% from North America and 7% from the Middle East and Asia.

Open Text reported adjusted net income for the third quarter of \$10.7 million, or adjusted earnings per share on a diluted basis (EPS) of \$0.21, compared to \$0.25 adjusted EPS from the same period last year. Open Text had 51.7 million fully-diluted shares outstanding for the three month period ended March 31, 2005. (2)

Net income for the third quarter in accordance with U.S. Generally Accepted Accounting Principles (GAAP) was \$5.3 million, or \$0.10 EPS on a diluted basis. This compares to GAAP net income of \$3.3 million, or \$0.07 EPS in the same period a year ago.

Total cash flow from operations in the third quarter was \$30 million, up 94% from the same period last year. The total cash on hand at quarter end was \$99 million or \$1.91 per diluted share. Total deferred revenue at quarter end was \$80 million, up 18% over the same period a year ago. Days Sales Outstanding (DSO) was 68 days. During the quarter, the Company repurchased approximately 1 million shares for cancellation at a cost of \$18.9 million.

"Driven by a need for compliance and efficiency, more of our customers are electing to increase the size and mix of their deployments to the entire Livelink ECM suite." said John Shackleton, President of Open Text. "As the leader in ECM, we remain confident in our business and believe that focusing on our profitability is the best route for our future success."

### Guidance

As announced on April 11, 2005, for the fourth quarter of fiscal 2005 (ending June 30, 2005), the Company estimates revenue of \$115 to \$125 million with adjusted EPS of \$0.30 to \$0.40.

Open Text's actual results for future periods may vary from the guidance presented and such variations may be material. Please see note (2) below for a reconciliation of non GAAP based financial measures, used in this press release, to GAAP based financial measures.

### Recent Highlights

#### 1. Open Text Completes Rollout of Industry s Most Advanced E-mail Management Solutions

Open Text has completed the rollout of the industry s most advanced e-mail management software as part of its Livelink ECM Solutions. The solutions include the first-ever integrated platform combining e-mail archiving, records management and search capabilities.

For more information use the following link:

<http://www.opentext.com/news/pr.html?id=1611>

#### 2. Open Text in "Leaders" Quadrant for Integrated Document Archiving and Retrieval Systems

Gartner's well-known Magic Quadrants are graphical representations of a technology vendor s performance in a market segment, and are based on Gartner s analysis of the vendor s vision and ability to execute that vision.

For more information use the following link:

<http://www.opentext.com/news/pr.html?id=1591>

#### 3. German Banking Giant NORD/LB Chooses ECM Solution from Open Text

German bank Norddeutsche Landesbank (NORD/LB) has chosen Open Text's Livelink to provide a full range of ECM capabilities to support its new staff information portal. NORD/LB is a global banking giant based in Hanover, Germany, with more than 200 billion in assets and about 9,500 employees.

For more information use the following link:  
<http://www.opentext.com/news/pr.html?id=1587>

#### **4. LiveLinkUp Europe 2005: Open Text comes to the User**

Open Text hosted its user conference, LiveLinkUp Europe 2005. The central theme of the user conference was the Open Text SAP® strategy, which aims to integrate any type of business content in SAP processes. Open Text also unveiled its latest product roadmap, including tailored solutions for the manufacturing, banking and insurance, and pharmaceutical sectors, as well as public administration and media.

For more information use the following link:  
<http://www.opentext.com/news/pr.html?id=1578>

#### **Upcoming Investor Events**

Open Text announced plans to participate in the following financial conferences. Note that event dates and times are subject to change after the release of this announcement. To confirm a date or learn about Webcast availability, visit the Company's Web site closer to the event date at: [www.opentext.com/investor/investor\\_events/](http://www.opentext.com/investor/investor_events/)

May 25, 2005  
UBS Global Software and IT Services Conference  
New York, NY

June 14, 2005  
Merrill Lynch Growth Stock Conference  
Toronto, ON

#### **Teleconference Call**

Open Text will host a conference call on May 5, 2005, at 5:00 p.m. EDT to discuss its financial results.

**Date:** Thursday, May 5th, 2005  
**Time:** 5:00 p.m. EDT/2:00 p.m. PT  
**Length:** 60 minutes  
**Where:** 416-640-1907

Please dial-in approximately 10 minutes before the teleconference is scheduled to begin. A replay of the call will be available beginning May 5th, at 7:00 p.m. EDT through 11:59 p.m. on May 19th, 2005 and can be accessed by dialing 416-640-1917 and using pass code #21119847.

For more information or to listen to the call via Webcast, please use the following link:  
[www.opentext.com/investor/quarterly\\_reports/index.html](http://www.opentext.com/investor/quarterly_reports/index.html)

#### **About Open Text**

Open Text is a market leader in providing Enterprise Content Management (ECM) solutions that bring together people, processes and information in global organizations. Today, the company supports almost 20 million seats across 13,000 deployments in 114 countries and 12 languages worldwide. For more information on Open Text, go to: [www.opentext.com](http://www.opentext.com).

#### **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

Forward-looking statements in this press release are not promises or guarantees of future performance and are subject to risks and uncertainties, including the risk that the Company will need to make adjustments to its financial results as part of the Company's quarterly and annual closing financial procedures and review by the Company's auditors, that could cause the

Company's actual results to differ materially from those anticipated. The Company cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Forward-looking statements relate to, among other things, the future performance of Open Text, the benefits and integration of any acquisition, the success of combined products following an acquisition, the strength of the Company's pipeline, the Company's growth and profitability prospects, the potential for growth in the ECM market and its estimated size, the Company's position in the market and future opportunities therein, the benefits of the Company's products to be realized by customers, and the demand for and the extent of deployment of the Company's products. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The risks and uncertainties that may affect forward-looking statements include, among others, risks involved in the completion and integration of acquisitions, the possibility of fluctuations in currency exchange rates, the possibility of technical, logistical or planning issues in connection with deployments, the continuous commitment of the Company's customers, demand for the Company's products and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission (SEC), including the Company's Annual Report on Form 10-K for the year ended June 30, 2004 and the Quarterly Report on Form 10-Q for the quarters ended September 30, 2004 and December 31, 2004. Forward-looking statements are based on management's beliefs and opinions at the time the statements are made, and the Company does not undertake any obligation to update forward-looking statements should circumstances or management's beliefs or opinions change.

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## Notes

(1) Based on comparison of future revenue guidance publicly disseminated by companies in the Enterprise Content Management ("ECM") sector. All dollar amounts in this press release are in US Dollars unless otherwise indicated.

(2) Use of Non-GAAP financial measures In addition to reporting financial results in accordance with United States generally accepted accounting principles ("GAAP"), the Company provides certain non-GAAP financial measures that are not in accordance with GAAP. The Company's definition of these non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and may be different from similar non-GAAP financial measures used by other companies and may differ from period to period. The Company uses the financial measures adjusted net income and adjusted EPS to supplement the information provided in its consolidated financial statements, which are presented in accordance with GAAP. The presentation of adjusted EPS and adjusted net income is not meant to be a substitute for net income per share or net income, respectively, presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures. Adjusted EPS and adjusted net income are calculated as net income (or per share on a diluted basis, as applicable), excluding the amortization of acquired intangible assets, other income (loss), and restructuring, all net of tax. The Company's management believes that the presentation of adjusted EPS and adjusted net income provides useful information to investors because it excludes non-operational charges and allows investors to evaluate the operational and financial performance of the Company's core business and is therefore a better indication of Open Text's performance or expected performance of recurring operations and facilitates period-to-period comparison of operating performance.

The following charts provide reconciliation (unaudited) of GAAP based financial measures to non-GAAP based financial measures referred to in this press release:

Reconciliation (unaudited) of GAAP based Net Income to Adjusted Net Income (in thousands of US dollars) for the fiscal quarters ended March 31, 2005 and 2004:

	Three months ended March 31, 2005	Three months ended March 31, 2004
GAAP based "Net Income"	\$5,342	\$3,279
Amortization of intangibles	6,424	3,062
Restructuring	(275)	10,005
Other (Income)/Expense	1,215	(817)
Tax Impact on Above	(2,045)	(3,357)
Non-GAAP based "Adjusted Net Income"	\$10,661	\$12,172

Reconciliation (unaudited) of GAAP based EPS to non-GAAP based EPS for the fiscal quarters ended March 31, 2005 and 2004; EPS has been calculated on a diluted basis:

Three months ended March 31, 2005    Three months ended March 31, 2004

GAAP based EPS	\$0.10	\$0.07
Amortization of intangibles	0.12	0.06
Restructuring	-	0.21
Other (Income)/Expense	0.03	(0.02)
Tax Impact on Above	(0.04)	(0.07)
Non-GAAP EPS	\$0.21	\$0.25

The guidance presented is based on (a) financial information prepared by Open Text consistent with the manner in which it reports its revenue, adjusted EPS and net income per share in accordance with GAAP and (b) the assumptions referred to in note (2). This guidance assumes minimal fluctuations of currency exchange rates.

The following assumptions of Company management are an integral part of the guidance presented for the quarter ending June 30, 2005. Open Text's actual results for future periods may vary from the guidance presented and such variations may be material.

(a) The guidance assumes a fully diluted weighted average number of shares for the quarter ended ending June 30, 2005, of approximately 51.0 million shares.

(b) Assumptions have been made concerning revenue growth and income tax rates that will be in effect and which may change depending upon both the timing and jurisdiction of future revenues.

## **For more information, please contact**

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