

OPEN TEXT CORP
Form 10-K
July 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended June 30, 2014.

OR

.. TRANSITION 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)

Canada

98-0154400

(State or other jurisdiction

(IRS Employer

of incorporation or organization)

Identification No.)

275 Frank Tompa Drive,
Waterloo, Ontario, Canada

N2L 0A1

(Address of principal executive offices)

(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common stock without par value

NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Edgar Filing: OPEN TEXT CORP - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the Registrant's Common Shares held by non-affiliates, based on the closing price of the Common Shares as reported by the NASDAQ Global Select Market ("NASDAQ") on December 31, 2013, the end of the registrant's most recently completed second fiscal quarter, was approximately \$4.6 billion. The number of the Registrant's Common Shares outstanding as of July 28, 2014 was 121,787,704.

DOCUMENTS INCORPORATED BY REFERENCE

None.

OPEN TEXT CORPORATION
TABLE OF CONTENTS

	Page No
Part I	
Item 1 Business	<u>3</u>
Item 1A Risk Factors	<u>10</u>
Item 1B Unresolved Staff Comments	<u>22</u>
Item 2 Properties	<u>22</u>
Item 3 Legal Proceedings	<u>23</u>
Item 4 Mine Safety Disclosures	<u>23</u>
Part II	
Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>23</u>
Item 6 Selected Financial Data	<u>27</u>
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operation	<u>29</u>
Item 7A Quantitative and Qualitative Disclosures about Market Risk	<u>56</u>
Item 8 Financial Statements and Supplementary Data	<u>57</u>
Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	<u>57</u>
Item 9A Controls and Procedures	<u>57</u>
Item 9B Other Information	<u>58</u>
Part III	
Item 10 Directors, Executive Officers and Corporate Governance	<u>59</u>
Item 11 Executive Compensation	<u>64</u>
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>90</u>
Item 13 Certain Relationships and Related Transactions, and Director Independence	<u>92</u>
Item 14 Principal Accountant Fees and Services	<u>93</u>
Part IV	
Item 15 Exhibits and Financial Statement Schedules	<u>94</u>
Signatures	<u>142</u>

PART I

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbours created by those sections. Words such as “anticipates”, “expects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “could”, “would”, “might”, “will” and variations of these words or expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements involve known and unknown risks as well as uncertainties, including those discussed herein and in the Notes to Consolidated Financial Statements for the year ended June 30, 2014, which are set forth in Part II, Item 8 of this Annual Report. The actual results that we achieve may differ materially from any forward-looking statements, which reflect management's current expectations and projections about future results only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include, but are not limited to, those set forth in Part I, Item 1A “Risk Factors” and elsewhere in this Annual Report as well as other documents we file from time to time with the United States Securities and Exchange Commission (the SEC). Any one of these factors may cause our actual results to differ materially from recent results or from our anticipated future results. You should not rely too heavily on the forward-looking statements contained in this Annual Report on Form 10-K because these forward-looking statements are relevant only as of the date they were made.

Item 1. Business

Overview

Open Text Corporation was incorporated on June 26, 1991. References herein to the “Company”, “OpenText”, “we” or “us” refer to Open Text Corporation and, unless context requires otherwise, its subsidiaries. Our principal office is located at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, and our telephone number at that location is (519) 888-7111. Our internet address is www.opentext.com. Our website is included in this Annual Report on Form 10-K as an inactive textual reference only. Except for the documents specifically incorporated by reference into this Annual Report, information contained on our website is not incorporated by reference in this Annual Report on Form 10-K and should not be considered to be a part of this Annual Report. Throughout this Annual Report on Form 10-K: (i) the term “Fiscal 2014” means our fiscal year beginning on July 1, 2013 and ending June 30, 2014; (ii) the term “Fiscal 2013” means our fiscal year beginning on July 1, 2012 and ending June 30, 2013; and (iii) the term “Fiscal 2012” means our fiscal year beginning on July 1, 2011 and ending June 30, 2012. Our Consolidated Financial Statements are presented in U.S. dollars and, unless otherwise indicated, all amounts included in this Annual Report on Form 10-K are expressed in U.S. dollars.

As a result of the two-for-one stock split, effected February 18, 2014 by way of a stock dividend, all historical share numbers and per share data are presented on a post stock-split basis.

In Fiscal 2014, we completed the acquisition of GXS Group, Inc. (GXS) as more fully discussed in note 18 “Acquisitions” to the Consolidated Financial Statements included in this Annual Report on Form 10-K. Information contained in this Annual Report on Form 10-K includes GXS with effect from January 16, 2014.

General

We are an independent software company providing a comprehensive suite of software products and services that assist organizations in finding, utilizing, and sharing business information from any device in ways which are intuitive, efficient and productive. Our technologies and business solutions address one of the biggest problems encountered by enterprises today: the explosive growth of information volume and formats. Our software and services allow organizations to manage the information that flows into, out of, and throughout the enterprise as part of daily operations. Our solutions help to increase customer satisfaction, improve collaboration with partners, address the legal and business requirements associated with information governance, and aim to ensure the security and privacy of

information demanded in today's highly regulated climate.

Our products and services provide the benefits of organizing and managing business content, while leveraging it to operate more efficiently and effectively. Our solutions incorporate social and mobile technologies and are delivered for on-premises deployment as well as through cloud and managed hosted services models to provide the flexibility and cost

efficiencies demanded by the market. In addition, we provide solutions that facilitate the exchange of transactions that occur between supply chain participants, such as manufacturers, retailers, distributors and financial institutions, and are central to a company's ability to effectively collaborate with its partners.

We operate in a market known as Enterprise Information Management (EIM). This is a comprehensive market category that includes a rich set of capabilities that allow organizations to manage content by optimizing the value of business information while reducing the costs associated with capturing, storing, and managing information. At its core, EIM is about helping organizations get the most out of information. Our EIM offerings include Enterprise Content Management (ECM), Business Process Management (BPM), Customer Experience Management (CEM), Information Exchange (iX), and Discovery, and are designed to deliver:

- (i) Increased compliance with information governance resulting in reduced exposure to risk of regulatory sanctions related to how information is handled and protected;
- (ii) Lower cost of storage and management of information through improved classification and archiving strategies;
- (iii) Reduced infrastructure costs due to, among other factors, legacy decommissioning capabilities of EIM and cloud and hosted services deployment models;
- (iv) Improved innovation, productivity and time-to-market as a result of letting employees, trading partners and customers work with information and collaborate in ways which are intuitive, automated, and flexible; and
- (v) Increased revenue streams with the enablement of easy expansion across new channels and, ultimately, new markets.

OpenText Products and Services

Our portfolio is comprised of capabilities in the following areas:

Enterprise Content Management

We facilitate ECM with an integrated set of technologies that manage information throughout its lifecycle and improve business productivity, all while mitigating the risk and controlling the costs of growing volumes of content.

Our ECM capabilities include the following:

Content Management provides a repository for business documents (such as those created with Microsoft Office, AutoCAD and Adobe Acrobat/PDF) and allows for the organizing, displaying, classifying, access control, version control, event auditing, rendition, and search of documents and other content types.

Records Management enables control of the complete lifecycle of content management by associating retention and disposition rules to control if and when content can or must be deleted or archived on storage media.

Archiving helps reduce storage expenses through optimization of storage use. It manages content storage policies according to business context, optimizes storage use, and provides high-end storage services to reduce future storage demands.

Email Solutions enable the archiving, control, and monitoring of email, regardless of platform, to reduce the size of the email database, improve email server performance, control the lifecycle of email content, and monitor email content to improve compliance.

Collaboration capabilities designed to facilitate people, teams, and partners working with each other in the context of content and business processes. These tools include project and community workspaces, wikis, polls, cloud-based file sharing, blogs, and discussion forums.

Business Process Management

BPM provides the software capabilities for analyzing, automating, monitoring and optimizing structured business processes that typically fall outside the scope of existing enterprise systems.

Our BPM capabilities include the following:

- Business Process Management provides the software capabilities for analyzing, automating, monitoring and optimizing routine business processes. Customers turn to our BPM offering as an alternative to custom software development tools. BPM often involves interaction with other enterprise applications, such as those from SAP and Oracle.

Dynamic Case Management (DCM) solutions combine workflow, content management, business rules, portal, and collaboration tools to collectively allow for the completion of an entire 'case' or unit of work. Instead of following predefined and structured processes typical to other BPM applications, DCM enables users to adapt to changing requirements and define tasks needed to resolve or complete a specific case.

Process Applications are a new generation of tailored, prepackaged BPM solutions to manage both structured and unstructured processes. Each application takes advantage of process and case management, content management, capture, collaboration, analytics, customer communications, and information awareness capabilities which increase

departmental (such as finance, human resources, marketing) or industry-specific (such as claims management for insurance) efficiencies.

High Volume Imaging provides the software capabilities for digesting, classifying and managing high volumes of business documents in both paper and electronic format. These solutions are typically used in conjunction with highly structured process automation and content retrieval mechanisms.

Business Architecture solutions deliver a complete platform for enterprise business planning, modeling, and architecture that enable customers to implement best-practice solutions to their most pressing process and information management challenges and execute on operational planning and transformation initiatives.

Reporting and Analytic solutions deliver dashboard reporting capabilities designed to increase operational visibility, improve performance measurement, determine bottlenecks and identify process issues, and, ultimately, enhance overall business decision-making.

Customer Experience Management

CEM generates improved time-to-market by giving customers, employees, and channel partners personalized and engaging experiences.

Our CEM capabilities include the following:

- Web Content Management provides software for authoring, maintaining, and administering websites designed to offer a “visitor experience” that integrates content from internal and external sources.

- Digital Asset Management provides a set of content management services for browsing, searching, viewing, assembling, and delivering rich media content such as images, audio and video.

- Customer Communications Management software makes it possible for organizations to process and deliver highly personalized documents in paper or electronic format rather than a “one message fits all” approach.

- Social Communities applications help companies “socialize” their web presence by adding blogs, wikis, ratings and reviews, and build communities for public websites and employee intranets.

Portal enables organizations to aggregate, integrate and personalize corporate information and applications and provide a central, contextualized, and personalized view of information for executives, departments, partners, and customers.

Information Exchange

iX is a set of offerings that facilitate efficient, secure, and compliant exchange of information inside and outside the enterprise.

Our iX capabilities include the following:

- Business-to-Business (B2B) Integration services help optimize the reliability, reach, and cost efficiency of an enterprise's electronic supply chain while reducing costs, infrastructure and overhead.

- Fax Solutions automate business fax and electronic document distribution to improve the business impact of company information, increase employee productivity and decrease paper-based operational costs.

- Connectivity provides access to critical business applications with virtual desktop solutions and terminal emulation for desktops and mobile devices.

Capture and Recognition systems convert documents from analog sources, such as paper or facsimile (fax), to electronic documents and apply value-added functions, such as optical / intelligent character recognition (OCR/ICR) and barcode scanning, and then release these documents into OpenText or third party repositories where they can be stored, managed, and searched.

Secure Messaging helps to share and synchronize files across an organization, across teams and with business partners, while leveraging the latest smartphones and tablets to provide information on the go without sacrificing information governance or security.

Discovery

Discovery solutions organize and visualize all relevant content and make it possible for business users to quickly locate information and make better informed decisions based on timely, contextualized information.

Our Discovery capabilities include the following:

- Search addresses information security and productivity requirements by securely indexing all information for fast retrieval and real-time monitoring.

Content Analytics helps information-rich organizations to extract meaning, nuance and content from vast amounts of unstructured content.

Semantic Navigation improves the end-user experience of websites by enabling intuitive visual exploration of site content through contextual navigation.

- Auto-Classification improves the quality of information governance through intelligent metadata extraction and accurate classification of information.

eDiscovery enables the in-sourcing of legal discovery processes through the ability to classify, analyze and extract relevant information in an automated fashion.

Information Access Platform makes it possible for organizations to deal with the issue of so-called “information silos” resulting from, for instance, numerous legacy systems, multiple business applications for the same solution, in-house built systems and acquired company infrastructure. An information access platform allows organizations to consolidate, decommission, archive and migrate content from virtually any system or information repository.

OpenText Revenues

Our business consists of four revenue streams: license, customer support, professional service and other, and cloud services. For information regarding our revenues and assets by geography for Fiscal 2014, Fiscal 2013 and Fiscal 2012, see note 19 “Segment Information” in the Notes to Consolidated Financial Statements included in Item 8 to this Annual Report on Form 10-K.

License

License revenues consist of fees earned from the licensing of software products to our customers. Our license revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions. The decision by a customer to license our software products often involves a comprehensive implementation process across the customer’s network or networks and the licensing and implementation of our software products may entail a significant commitment of resources by prospective customers.

Customer Support

The first year of our customer support offering is usually purchased by customers together with the license of our EIM software products. Customer support is typically renewed on an annual basis and historically customer support revenues have been a significant portion of our total revenue. Through our OpenText customer support programs, customers receive access to software upgrades, a knowledge base, discussions, product information, and an online mechanism to post and review “trouble tickets”. Additionally, our customer support teams handle questions on the use, configuration, and functionality of OpenText products and can help identify software issues, develop solutions, and document enhancement requests for consideration in future product releases.

Professional Service and Other

We provide consulting and learning services to customers and generally these services relate to the implementation, training and integration of our licensed product offerings into the customer's systems.

Our consulting services help customers build solutions that enable them to leverage their investments in our technology and in existing enterprise systems. The implementation of these services can range from simple modifications to meet specific departmental needs to enterprise applications that integrate with multiple existing systems.

Our learning services consultants analyze our customers' education and training needs, focusing on key learning outcomes and timelines, with a view to creating an appropriate education plan for the employees of our customers who work with our products. Education plans are designed to be flexible and can be applied to any phase of implementation: pilot, roll-out, upgrade or refresher. OpenText learning services employ a blended approach by combining mentoring, instructor-led courses, webinars, eLearning and focused workshops.

Cloud Services

Cloud services revenues consist of services arrangements that allow our customers to make use of OpenText software, services and content over Internet enabled networks supported by OpenText data centers. These web applications allow customers to transmit a variety of content between various mediums and to securely manage enterprise information without the commitment of investing in related hardware infrastructure. Revenues are generated on several transactional usage-based models, are typically billed monthly in arrears, and can therefore fluctuate from period to period.

In addition, the acquisition of GXS combines GXS' portfolio of B2B integration solutions, such as messaging services, and managed services, with offerings in OpenText's iX portfolio. Messaging services allow for the automated and

reliable exchange of electronic transaction information, such as purchase orders, invoices, shipment notices and other business

6

documents, among businesses worldwide. Managed services provide an end-to-end fully outsourced B2B integration solution to our customers, including program implementation, operational management, and customer support. These services enable customers to effectively manage the flow of electronic transaction information with their trading partners and reduce the complexity of disparate standards and communication protocols.

Marketing and Sales

Customers

Our customer base consists of a number of Global 10,000 organizations, some mid-market companies and government agencies. Historically, including Fiscal 2014, no single customer has accounted for 10% or more of our total revenues.

Global Distribution Channels

We operate on a global basis and in Fiscal 2014 we generated approximately 54% of our revenues from our "Americas" region, which consists of countries in North, Central, and South America, approximately 36% from our "EMEA" region, which consists of countries in Europe, Africa, and the United Arab Emirates, and approximately 10% from our "Asia Pacific" region, which primarily consists of Japan, Australia, Hong Kong, Singapore, and New Zealand. We make direct sales of products and services through our global network of subsidiaries. Generally, each of our subsidiaries license our software and then make license sales and provide services to customers in its local country as well as in foreign countries where we do not have a local subsidiary.

Partners and Alliances

We also market our products and services worldwide through indirect channels. We partner with prominent organizations in the enterprise software and hardware industries in an effort to enhance the value of our solutions and the investments our customers have made in their existing systems. We strive to create mutually beneficial relationships with systems integrators, consultants, and software and hardware developers that augment and extend our products and services. Through these relationships, we and our partners are better able to fulfill key market objectives, drive new business, establish a competitive advantage, and create demonstrable business value.

Our strategic partners are:

OpenText and SAP AG (SAP)

OpenText and SAP have shared many years of partnership and close collaboration. Our solutions help customers improve the way they manage content from SAP systems in order to assist them to improve efficiency in key processes, manage compliance and reduce costs. Our targeted solutions let customers create, access, manage and securely archive content for SAP systems, including data, multimedia content, and documents. In addition, our solutions for SAP allow customers to address stringent requirements for risk reduction, operational efficiency and information technology consolidation. OpenText products are typically used by SAP customers as part of their key business processes.

OpenText and Microsoft Corporation (Microsoft)

Our strategic alliance with Microsoft offers integration between our EIM solutions and Microsoft's desktop and server products, such as Microsoft SharePoint and Exchange. Microsoft and OpenText have partnered to drive the creation of comprehensive business and industry-specific EIM solutions leveraging customers' significant investments in the Microsoft platform and productivity applications. We provide support for Microsoft platforms such as Windows and SQL Server and integration with many Microsoft products such as Exchange, Rights Management and Windows Azure. The integration of our solutions with Microsoft Office and SharePoint allows an OpenText customer to work with information from Enterprise Resource Planning, Customer Relationship Management, EIM and other enterprise applications from within the Microsoft SharePoint or Microsoft Office interface.

OpenText and Oracle Corporation (Oracle)

For more than ten years, OpenText has developed innovative solutions for Oracle applications that enhance the experience and productivity of users working with these tools. OpenText is committed to continued development that extends and enhances the Oracle application and technology portfolio. Our partnership extends our enterprise solutions framework and builds upon the OracleFusion-based integration between OpenText and Oracle. We provide a comprehensive portfolio of solutions that enhance Oracle applications such as PeopleSoft Enterprise, JD Edwards EnterpriseOne, JD Edwards World, Oracle E-Business Suite, and Siebel.

Our global systems integrators are:

Accenture plc (Accenture)

Accenture, a global management consulting, technology services and outsourcing company, is one of our systems integrator partners. Together we provide strategic EIM solutions. Accenture's extensive experience with enterprise-rollout planning and design, combined with our EIM technology, provides solutions designed to address an organization's EIM requirements.

Deloitte Consulting LLP (Deloitte)

Deloitte is also one of our systems integrator partners. Together, we help organizations build value through improved ECM performance. Deloitte's services provide value across human capital, strategy and operations, and technology within multiple industries.

Other System Integrators

Other OpenText systems integrator partners include Cap Gemini Inc., CGI Group Inc. (through its acquisition of Logica plc), ATOS SE, and Raytheon Company.

International Markets

As a global provider of EIM software, OpenText products are sold and supported in more than 140 countries. We provide our product offerings worldwide. Our geographic coverage allows us to draw on business and technical expertise from a geographically diverse workforce, providing greater stability to our operations and revenue streams by diversifying our portfolio to better mitigate against the risks of a single geographically focused business.

There are inherent risks to conducting operations internationally. For more information about these risks, see "Risk Factors" included in Item 1A of this Annual Report on Form 10-K.

Competition

The market for our products and services is highly competitive, subject to rapid technological change and shifting customer needs and economic pressures. We compete with multiple companies, some that have single or narrow solutions and some that have a range of information management solutions, like ourselves. Our competitors are International Business Machines Corporation (IBM), EMC Corporation (EMC), Hewlett-Packard Company (HP) and Adobe. In certain markets, OpenText competes with Oracle and Microsoft, who are also our partners. In addition there are numerous, other niche software vendors in the information management space, such as j2, Axway, Seeburger Inc., and Pegasystems Inc., that compete with OpenText in certain segments of the EIM market. We also face competition from systems integrators that configure hardware and software into customized systems. Additionally, new competitors or alliances among existing competitors may emerge and could rapidly acquire additional market share. We also expect that competition will increase as a result of ongoing software industry consolidation.

We believe that the principal competitive factors affecting the market for our software products and services include:

(i) vendor and product reputation; (ii) product quality, performance and price; (iii) the availability of software products on multiple platforms; (iv) product scalability; (v) product integration with other enterprise applications; (vi) software functionality and features; (vii) software ease of use; (viii) the quality of professional services, customer support services and training; and (ix) the ability to address specific customer business problems. We believe the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

Research and Development

The industry in which we compete is subject to rapid technological developments, evolving industry standards, changes in customer requirements and competitive new products and features. As a result, our success, in part, depends on our ability to continue to enhance our existing products in a timely and efficient manner and to develop and introduce new products that meet customer needs while reducing total cost of ownership. To achieve these objectives, we have made and expect to continue to make investments in research and development, through internal and third-party development activities, third-party licensing agreements and potentially through technology acquisitions. Our research and development expenses were \$176.8 million for Fiscal 2014, \$164.0 million for Fiscal 2013, and \$169.0 million for Fiscal 2012. We believe our spending on research and development is an appropriate balance between managing our organic growth and results of operation. We expect to continue to invest in research and development to maintain and improve our products and services offerings.

Acquisitions during the last five fiscal years

Our competitive position in the marketplace requires us to maintain a complex and evolving array of technologies, products, services and capabilities. In light of the continually evolving marketplace in which we operate, we regularly evaluate various acquisition opportunities within the marketplace and elsewhere in the high technology industry.

In Fiscal 2014, we completed the following acquisitions:

On January 16, 2014, we acquired GXS, a Delaware corporation and leader in cloud-based B2B integration services for \$1.2 billion, inclusive of the issuance of 2,595,042 OpenText Common Shares, on a post stock-split basis.

On August 15, 2013, we acquired Cordys Holding B.V. (Cordys), a leading provider of BPM and case management solutions, offered on one platform with cloud, mobile, and social capabilities, based in Putten, the Netherlands for \$33.2 million.

Prior to Fiscal 2014, we completed the following acquisitions:

On May 23, 2013, we acquired ICCM Professional Services Limited (ICCM), a company based in Malmesbury, United Kingdom, for \$18.9 million. ICCM is a provider of IT service management software solutions.

On March 5, 2013, we acquired Resonate KT Limited (RKT), a company based in Cardiff, United Kingdom, for \$20.0 million. RKT is a leading provider of software that enables organizations to visualize unstructured data, create new user experiences for ECM and xECM for SAP, as well as build industry-based applications that maximize unstructured data residing within Content Server, a key component of the OpenText ECM suite.

On July 2, 2012, we acquired EasyLink Services International Corporation (EasyLink), a company based in Georgia, USA and a global provider of cloud-based electronic messaging and business integration services for \$342.3 million.

On October 31, 2011, we acquired System Solutions Australia Pty Limited (MessageManager), a software company based in Sydney, Australia for \$3.3 million. MessageManager specializes in Fax over Internet Protocol (FoIP).

On September 1, 2011, we acquired Operitel Corporation (Operitel), a software company based out of Peterborough, Ontario, Canada, for \$7.0 million. Operitel specializes in building enterprise “Learning Portal” solutions.

On July 13, 2011, we acquired Global 360 Holding Corp. (Global 360), a software company based in Dallas, Texas, USA, for \$256.6 million. Global 360 offers case management and document-centric BPM solutions.

The acquisition continued our expansion into the BPM market and added to our technology, talent, services, partner and geographical strengths.

On March 15, 2011, we acquired weComm Limited (weComm), based in London, United Kingdom, for \$20.5 million. weComm's software platform offers deployment of media rich applications for mobile devices, including smart phones and tablets.

On February 18, 2011, we acquired Metastorm Inc. (Metastorm) for \$182.0 million. Based in Baltimore, Maryland, USA, Metastorm provides BPM, Business Process Analysis (BPA), and Enterprise Architecture (EA) software that helps enterprises align their strategies with execution.

On October 27, 2010, we acquired StreamServe Inc. (StreamServe), a software company based in Burlington, Massachusetts, USA, for \$70.5 million. StreamServe offers enterprise business communication solutions that help organizations process and deliver highly personalized documents in paper or electronic format.

On May 27, 2010, we completed our acquisition of Burntsand Inc. (Burntsand) for \$10.8 million. Burntsand, based in Toronto, Ontario, Canada, is a provider of technology consulting services for customers with complex information processing and information management requirements, focusing in particular in areas such as ECM, Collaboration and Service Management.

On April 16, 2010, we acquired for \$4.0 million the key assets of New Generation Consulting, Inc., a Chicago, Illinois, USA, based professional services company that delivers content enabled solutions to various U.S. based customers. This acquisition enhanced our professional services capabilities for content enabled solutions on Oracle business applications.

On April 1, 2010, we acquired Nstein Technologies Inc. (Nstein), a software company based in Montreal, Quebec, Canada, for \$33.9 million, inclusive of cash acquired, and consideration paid in Common Shares. Nstein provides content management solutions which help enterprises centralize, understand and manage large amounts of content. Nstein's solutions include its patented “Text Mining Engine” which allows users to more easily search through different content and data.

On July 21, 2009, we acquired, by way of merger, all of the issued and outstanding shares of Vignette Corporation (Vignette), an Austin, Texas, USA, based company that provides and develops software used for managing and delivering business content for \$321.4 million, inclusive of cash acquired, equity consideration provided and the fair value of shares already owned prior to acquisition date.

We believe our acquisitions support our long-term strategic direction, strengthen our competitive position, expand our customer base and provide greater scale to accelerate innovation, grow our earnings and increase shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business.

Intellectual Property Rights

Our success and ability to compete depends on our ability to develop and maintain our intellectual property and proprietary technology and to operate without infringing on the proprietary rights of others. Our software products are generally licensed to our customers on a non-exclusive basis for internal use in a customer's organization. We also grant rights in our intellectual property to third parties that allow them to market certain of our products on a non-exclusive or limited-scope exclusive basis for a particular application of the product(s) or to a particular geographic area.

We rely on a combination of copyright, patent, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We have obtained or applied for trademark registration for most strategic product names in most major markets. We have a number of U.S. and foreign patents and pending applications, including patents and rights to patent applications acquired through strategic transactions, which relate to various aspects of our products and technology. The duration of our patents is determined by the laws of the country of issuance and for the U.S. is typically 17 years from the date of issuance of the patent or 20 years from the date of filing of the patent application resulting in the patent. While we believe our intellectual property is valuable and our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular patent, trademark, license, or other intellectual property right.

For more information on the risks related to our intellectual property rights, see "Risk Factors" included in Item 1A of this Annual Report on Form 10-K.

Employees

As of June 30, 2014, we employed a total of approximately 8,000 individuals. The approximate composition of our employee base is as follows: (i) 1,400 employees in sales and marketing, (ii) 1,900 employees in product development, (iii) 2,000 employees in cloud services, (iv) 1,000 employees in professional services, (v) 700 employees in customer support, and (vi) 1,000 employees in general and administrative roles. We believe that relations with our employees are strong. None of our employees are represented by a labour union, nor do we have collective bargaining arrangements with any of our employees. However, in certain international jurisdictions where we operate, a "Workers' Council" represents our employees.

Available Information

Access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed with or furnished to the SEC may be obtained free of charge through the Investors section of our website at www.opentext.com as soon as is reasonably practical after we electronically file or furnish these reports. Our website is included in this Annual Report on Form 10-K as an inactive textual reference only.

Except for the documents specifically incorporated by reference into this Annual Report, information contained on our website is not incorporated by reference in this Annual Report and should not be considered to be a part of this Annual Report. In addition, our filings with the SEC may be accessed through the SEC's website at www.sec.gov. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law.

Item 1A. Risk Factors

The following important factors could cause our actual business and financial results to differ materially from our current expectations, estimates, forecasts and projections. These forward-looking statements contained in this Annual Report on Form 10-K or made elsewhere by management from time to time are subject to important risks, uncertainties and assumptions which are difficult to predict. The risks and uncertainties described below are not the only risks and uncertainties facing us. Additional risks not currently known to us or that we currently believe are immaterial may also impair our operating results, financial condition and liquidity. Our business is also subject to general risks and uncertainties that affect many other companies. These risks discussed below are not presented in order of importance or probability of occurrence.

The length of our sales cycle can fluctuate significantly which could result in significant fluctuations in license revenues being recognized from quarter to quarter

The decision by a customer to license our software products or purchase our services often involves a comprehensive implementation process across the customer's network or networks. As a result, the licensing and implementation of our software products and any related services may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently associated with significant technology implementation projects. Given the significant investment and commitment of resources required by an organization to implement our software products,

our sales cycle may be longer compared to other companies within our own industry, as well as companies in other industries. Also because of changes in customer spending habits, it may be difficult for us to budget, forecast and allocate our resources properly. In weak economic environments, it is not uncommon to see reduced information technology spending. It may take several months, or even several quarters, for marketing opportunities to materialize. If a customer's decision to license our software is delayed or if the implementation of these software products takes longer than originally anticipated, the date on which we may recognize revenues from these licenses would be delayed. Such delays and fluctuations could cause our revenues to be lower than expected in a particular period and we may not be able to adjust our costs quickly enough to offset such lower revenues, potentially negatively impacting our business, operating results and financial condition.

Our success depends on our relationships with strategic partners, distributors, and third party service providers and any reduction in the sales efforts by distributors, or cooperative efforts from our partners, or service from third party providers could materially impact our revenues

We rely on close cooperation with strategic partners for sales and software product development as well as for the optimization of opportunities that arise in our competitive environment. A portion of our license revenues is derived from the licensing of our software products through third parties. Also, a portion of our service revenues may be impacted by the level of service provided by third party service providers relating to internet, telecommunications and power services. Our success will depend, in part, upon our ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. We may not be able to retain a sufficient number of our existing distributors or develop a sufficient number of future distributors. Distributors may also give higher priority to the licensing of software products other than ours (which could include competitors' products) or may not devote sufficient resources to marketing our software products. The performance of third party distributors and third party service providers is largely outside of our control, and we are unable to predict the extent to which these distributors and service providers will be successful in either marketing and licensing our software products or providing adequate internet, telecommunication and power services so that disruptions and outages are not experienced by our customers. A reduction in strategic partner cooperation or sales efforts, a decline in the number of distributors, a decision by our distributors to discontinue the licensing of our software products or a decline or disruption in third party services could cause users and the general public to perceive our software products and services as inferior and could materially reduce revenues.

If we do not continue to develop technologically advanced products that successfully integrate with the software products and enhancements used by our customers, future revenues and our operating results may be negatively affected

Our success depends upon our ability to design, develop, test, market, license and support new software products, services, and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. Recent examples of significant trends in the software industry include cloud computing, mobility, social media and software as a service (SaaS). In addition, our software products, services, and enhancements must remain compatible with standard platforms and file formats. Often, we must integrate software licensed or acquired from third parties with our proprietary software to create or improve our products. If we are unable to achieve a successful integration with third party software, we may not be successful in developing and marketing our new software products, services, and enhancements. If we are unable to successfully integrate third party software to develop new software products, services, and enhancements to existing software products and services, or to complete the development of new software products and services which we license or acquire from third parties, our operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, our operating results will materially suffer. Moreover, if new industry standards emerge that we do not anticipate or adapt to, or with rapid technological change occurring, if alternatives to our services and solutions are developed by our competitors, our software products and services could be rendered obsolete, causing us to lose market share and, as a result, harm our business and operating results, and our ability to compete in the marketplace.

If our software products and services do not gain market acceptance, our operating results may be negatively affected

We intend to pursue our strategy of growing the capabilities of our EIM software offerings through our proprietary research and the development of new software product and service offerings, as well as through acquisitions. In response to customer demand, it is important to our success that we continue to enhance our software products and services and to seek to set the standard for EIM capabilities. The primary market for our software products and services is rapidly evolving which means that the level of acceptance of products and services that have been released recently or that are planned for future release by the marketplace is not certain. If the markets for our software products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products and services and enhancements to current software products and services, (iii) complete customer implementations on a timely basis, or (iv) complete software products and services currently under development. In addition, increased competition could put significant pricing pressures

on our products which could negatively impact our margins and profitability. If our software products and services are not accepted by our customers or by other businesses in the marketplace, our business, operating results and financial condition will be materially affected.

Our investment in our current research and development efforts may not provide a sufficient, timely return. The development of EIM software products is a costly, complex and time-consuming process, and the investment in EIM software product development often involves a long wait until a return is achieved on such an investment. We are making, and will continue to make, significant investments in software research and development and related product opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors, including the degree of innovation of the software products and services developed through our research and development efforts, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated software product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenues from new software product and service investments may not be achieved for a number of years, if at all. Moreover, new software products and services may not be profitable, and even if they are profitable, operating margins for new software products and services may not be as high as the margins we have experienced for our current or historical software products and services.

Product development is a long, expensive and uncertain process, and we may terminate one or more of our development programs

We may determine that certain software product candidates or programs do not have sufficient potential to warrant the continued allocation of resources. Accordingly, we may elect to terminate one or more of our programs for such product candidates. If we terminate a software product in development in which we have invested significant resources, our prospects may suffer, as we will have expended resources on a project that does not provide a return on our investment and we may have missed the opportunity to have allocated those resources to potentially more productive uses and this may negatively impact our business, operating results and financial condition.

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

We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of copyright, patent, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our intellectual property rights vigorously; however, there can be no assurance that these measures will, in all cases, be successful. Enforcement of our intellectual property rights may be difficult, particularly in some countries outside of North America in which we seek to market our software products and services. While U.S. 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. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our software products represents a loss of revenue to us. Where applicable, certain of our license arrangements have required us to make a limited confidential disclosure of portions of the source code for our software products, or to place such source code into escrow for the protection of another party. Despite the precautions we have taken, unauthorized third parties, including our competitors, may be able to copy certain portions of our software products or reverse engineer or obtain and use information that we regard as proprietary. Also, our competitors could independently develop technologies that are perceived to be substantially equivalent or superior to our technologies. Our competitive position may be adversely affected by our possible inability to effectively protect our intellectual property. In addition, certain of our products contain open source software. Licensees of open source software may be required to make public certain source code or to make certain derivative works available to others. While we monitor and control the use of open source software in our products and in any third party software that is incorporated into our products, and we try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product or service, there can be no guarantee that

such use could not inadvertently occur. If this happened it could harm our intellectual property position and have a material adverse effect on our business, results of operations and financial condition.

Other companies may claim that we infringe their intellectual property, which could materially increase costs and materially harm our ability to generate future revenues and profits

Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents, are applied to software products. Although we do not believe that our products infringe on the

rights of third parties, third parties have and will continue to assert infringement claims against us in the future. Although most of our technology is proprietary in nature, we do include certain third party and open source software in our software products. In the case of third party software, this software is licensed from the entity holding the intellectual property rights. Although we believe that we have secured proper licenses for all third-party software that is integrated into our products, third parties may continue to assert infringement claims against us in the future, including the sometimes aggressive and opportunistic actions of non-practicing entities whose business model is to obtain patent-licensing revenues from operating companies such as us. Any such assertion, regardless of merit, may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available or they may not be available on commercially reasonable terms. In addition, as we continue to develop software products and expand our portfolio using new technology and innovation, our exposure to threats of infringement may increase. Any infringement claims and related litigation could be time-consuming, disruptive to our ability to generate revenues or enter into new market opportunities and may result in significantly increased costs as a result of our defense against those claims or our attempt to license the intellectual property rights or rework our products to avoid infringement of third party rights. Typically our agreements with our partners and end-users contain provisions which require us to indemnify them for damages sustained by them as a result of any infringement claims involving our products. Any of the foregoing infringement claims and related litigation could have a significant adverse impact on our business and operating results as well as our ability to generate future revenues and profits.

The loss of licenses to use third party software or the lack of support or enhancement of such software could adversely affect our business

We currently depend upon a limited number of third-party software products. If such software products were not available, we might experience delays or increased costs in the development of our software products. For a limited number of our product modules, we rely on software products that we license from third-parties, including software that is integrated with internally developed software and which is used in our 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 by us of the license to use, or the inability by licensors to support, maintain, or enhance any of such software, could result in increased costs, lost revenues or delays until equivalent software is internally developed or licensed from another third party and integrated with our software. Such increased costs, lost revenues or delays could adversely affect our business.

Current and future competitors could have a significant impact on our ability to generate future revenues and profits. The markets for our software products and services are intensely competitive and are subject to rapid technological change and other pressures created by changes in our industry. The convergence of many technologies has resulted in unforeseen competitors arising from companies that were traditionally not viewed as threats to our marketplace. We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens and as additional companies enter our markets, including those competitors who offer similar solutions as we do, but offer it through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) introduce new competitive products or services, (ii) add new functionality to existing products and services, (iii) acquire competitive products and services, (iv) reduce prices, or (v) form strategic alliances with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our software products and services, we would need to lower the prices we charge for the products and services we offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results. Additionally, if prospective consumers choose other methods of EIM delivery, different from that which we offer, our business and operating results could also be materially and adversely affected.

Consolidation in the industry, particularly by large, well-capitalized companies, could place pressure on our operating margins which could, in turn, have a material adverse affect on our business

Acquisitions by large, well-capitalized technology companies have changed the marketplace for our software products and services by replacing competitors which are comparable in size to our Company with companies that have more resources at their disposal to compete with us in the marketplace. In addition, other large corporations with considerable financial resources either have products and/or services that compete with our software products and services or have the ability to encroach on our competitive position within our marketplace. These companies have considerable financial resources, channel influence, and broad geographic reach; thus, they can engage in competition with our software products and services on the basis of price, marketing, services or support. They also have the ability to introduce items that compete with our maturing software products and services. The threat posed by larger competitors and their ability to use their better economies of scale to sell competing products and services at a lower cost may materially reduce the profit margins we earn on the software products

and services we provide to the marketplace. Any material reduction in our profit margin may have an adverse material effect on the operations or finances of our business, which could hinder our ability to raise capital in the public markets at opportune times for strategic acquisitions or general operational purposes, which may prevent effective strategic growth, improved economies of scale or put us at a disadvantage to our better capitalized competitors. We must continue to manage our internal resources during periods of company growth or our operating results could be adversely affected

The EIM market in which we compete continues to evolve at a rapid pace. Moreover, we have grown significantly through acquisitions in the past and expect to continue to review acquisition opportunities as a means of increasing the size and scope of our business. Our growth, coupled with the rapid evolution of our markets, has placed, and will continue to place, significant strains on our administrative and operational resources and increased demands on our internal systems, procedures and controls. Our administrative infrastructure, systems, procedures and controls may not adequately support our operations. In addition, our management may not be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully implement our operational and competitive strategy. If we are unable to manage growth effectively our operating results will likely suffer which may, in turn, adversely affect our business.

If we are not able to attract and retain top employees, our ability to compete may be harmed

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers or other key employees could significantly harm our business. We do not maintain “key person” life insurance policies on any of our employees. Our success is also highly dependent on our continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel. In particular, the recruitment of top research developers and experienced salespeople remains critical to our success. Competition for such people is intense, substantial and continuous, and we may not be able to attract, integrate or retain highly qualified technical, sales or managerial personnel in the future. In addition, in our effort to attract and retain critical personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our software products or services.

Our compensation structure may hinder our efforts to attract and retain vital employees

A portion of our total compensation program for our executive officers and key personnel includes the award of options to buy our Common Shares. If the market price of our Common Shares performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our stock option policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could adversely affect our ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government or any significant increases in personal income tax levels levied in countries where we have a significant operational presence may hurt our ability to attract or retain our executive officers or other employees whose efforts are vital to our success. Additionally, payments under our long-term incentive plan (the details of which are described in Item 11 of this Annual Report on Form 10-K) are dependent to a significant extent upon the future performance of our Company both in absolute terms and in comparison to similarly situated companies. Any failure to achieve the targets set under our long-term incentive plan could significantly reduce or eliminate payments made under this plan, which may, in turn, materially and adversely affect our ability to retain the key personnel who are subject to this plan.

We may not generate sufficient cash flow to satisfy our unfunded pension obligations

Through our acquisitions, we have assumed certain unfunded pension plan liabilities. We will be required to use the operating cash flow that we generate in the future to meet these obligations. As a result, our future net pension liability and cost may be materially affected by the discount rate used to measure these pension obligations and by the longevity and actuarial profile of the relevant workforce. A change in the discount rate may result in a significant increase or decrease in the valuation of these pension obligations, and these changes may affect the net periodic pension cost in the year the change is made and in subsequent years. We cannot assure that we will generate sufficient cash flow to satisfy these obligations. Any inability to satisfy these pension obligations may have a material adverse effect on the operational and financial health of our business.

For more details see note 11 "Pension Plans and Other Post Retirement Benefits" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Unexpected events may materially harm our ability to align when we incur expenses with when we recognize revenues

We incur operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses are relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the

factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, our business, financial condition, or results of operations could be materially and adversely affected.

We may fail to achieve our financial forecasts due to inaccurate sales forecasts or other factors

Our revenues and particularly our new software license revenues are difficult to forecast, and, as a result, our quarterly operating results can fluctuate substantially. We use a “pipeline” system, a common industry practice, to forecast sales and trends in our business. By reviewing the status of outstanding sales proposals to our customers and potential customers, we make an estimate as to when a customer will make a purchasing decision involving our software products. These estimates are aggregated periodically to make an estimate of our sales pipeline, which we use as a guide to plan our activities and make financial forecasts. Our sales pipeline is only an estimate and may be an unreliable predictor of actual sales activity, both in a particular quarter and over a longer period of time. Many factors may affect actual sales activity, such as weakened economic conditions, which may cause our customers and potential customers to delay, reduce or cancel IT related purchasing decisions and the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favourable terms from us. If actual sales activity differs from our pipeline estimate, then we may have planned our activities and budgeted incorrectly and this may adversely affect our business, operating results and financial condition. In addition, for newly acquired companies, we have limited ability to immediately predict how their pipelines will convert into sales or revenues following the acquisition and their conversion rate post-acquisition may be quite different from their historical conversion rate. The restructuring of our operations may adversely affect our business or our finances and we may incur restructuring charges in connection with such actions

We often undertake initiatives to restructure or streamline our operations. We may incur costs associated with implementing a restructuring initiative beyond the amount contemplated when we first developed the initiative and these increased costs may be substantial. As well, such costs would decrease our net income and earnings per share for the periods in which those adjustments are made. We will continue to evaluate our operations, and may propose future restructuring actions as a result of changes in the marketplace, including the exit from less profitable operations or the decision to terminate products or services which are not valued by our customers. Any failure to successfully execute these initiatives on a timely basis may have a material adverse on our business, operating results and financial condition.

Our international operations expose us to business risks that could cause our operating results to suffer

We intend to continue to make efforts to increase our international operations and anticipate that international sales will continue to account for a significant portion of our revenues. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, differences in business practices, compliance with domestic and foreign laws (including without limitation domestic and international import and export laws and regulations), costs related to localizing products for foreign markets, and costs related to translating and distributing software products in a timely manner. International operations also tend to be subject to a longer sales and collection cycle. In addition, regulatory limitations regarding the repatriation of earnings may adversely affect the transfer of cash earned from foreign operations. Significant international sales may also expose us to greater risk from political and economic instability, unexpected changes in Canadian, United States or other governmental policies concerning import and export of goods and technology, regulatory requirements, tariffs and other trade barriers. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect our effective tax rate. Also, international expansion may be difficult, time consuming, and costly. As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, our business, operating results and financial condition will suffer. Moreover, in any given quarter, a change in foreign exchange rates may adversely affect our revenues, earnings or other financial measures.

Our software products and services may contain defects that could harm our reputation, be costly to correct, delay revenues, and expose us to litigation

Our software products and services are highly complex and sophisticated and, from time to time, may contain design defects, software errors, hardware failures or other computer system failures that are difficult to detect and correct. Errors may be found in new software products or services or improvements to existing products or services after delivery to our customers. If these defects are discovered, we may not be able to successfully correct such errors in a timely manner. In addition, despite the extensive tests we conduct on all our software products or services, we may not be able to fully simulate the environment in which our products or services will operate and, as a result, we may be unable to adequately detect the design defects or software or hardware errors which may become apparent only after the products are installed in an end-user's network, and

users have transitioned to our services. The occurrence of errors and failures in our software products or services could result in the delay or the denial of market acceptance of our products and alleviating such errors and failures may require us to make significant expenditure of our resources. Customers often use our services and solutions for critical business processes and as a result, any defect or disruption in our solutions, any data breaches or misappropriation of proprietary information, or any error in execution, including human error or intentional third-party activity such as denial of service attacks or hacking, may cause customers to reconsider renewing their contract with us. The errors in or failure of our software products and services could also result in us losing customer transaction documents and other customer files, causing significant customer dissatisfaction and possibly giving rise to claims for monetary damages. The harm to our reputation resulting from product and service errors and failures may be materially damaging. Since we regularly provide a warranty with our software products, the financial impact of fulfilling warranty obligations may be significant in the future. Our agreements with our strategic partners and end-users typically contain provisions designed to limit our exposure to claims. These agreements regularly contain terms such as the exclusion of all implied warranties and the limitation of the availability of consequential or incidental damages. However, such provisions may not effectively protect us against claims and the attendant liabilities and costs associated with such claims. Any claims for actual or alleged losses to our customers' businesses may require us to spend significant time and money in litigation or arbitration or to pay significant settlements or damages. Defending a lawsuit, regardless of merit, can be costly and would divert management's attention and resources. Although we maintain errors and omissions insurance coverage and comprehensive liability insurance coverage, such coverage may not be adequate to cover all such claims. Accordingly, any such claim could negatively affect our business, operating results or financial condition.

Our software products rely on the stability of infrastructure software that, if not stable, could negatively impact the effectiveness of our products, resulting in harm to our reputation and business

Our developments of Internet and intranet applications depend on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as the infrastructure software produced by Hewlett-Packard, Oracle, Microsoft and others. If weaknesses in such infrastructure software exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in the infrastructure software such that our software products do not meet customer needs or expectations, our reputation, and consequently, our business may be significantly harmed.

Risks associated with the evolving use of the Internet, including changing standards, competition, regulation and associated compliance efforts, may adversely impact our business.

The use of the Internet as a vehicle for electronic data interchange (EDI), and related services currently raises numerous issues, including reliability, data security, data integrity and rapidly evolving standards. New competitors, which may include media, software vendors and telecommunications companies, offer products and services that utilize the Internet in competition with our products and services and may be less expensive or process transactions and data faster and more efficiently. Internet-based commerce is subject to increasing regulation by Canadian, U.S. federal and state and foreign governments, including in the areas of data privacy and breaches, and taxation. Laws and regulations relating to the solicitation, collection, processing or use of personal or consumer information could affect our customers' ability to use and share data, potentially reducing demand for Internet-based solutions and restricting our ability to store, process, analyze and share data through the Internet. Although we believe that the Internet will continue to provide opportunities to expand the use of our products and services, we cannot ensure that our efforts to exploit these opportunities will be successful or that increased usage of the Internet for business integration products and services or increased competition, and regulation will not adversely affect our business, results of operations and financial condition.

Business disruptions, including those related to data security breaches, may adversely affect our operations

Our business and operations are highly automated and a disruption or failure of our systems may delay our ability to complete sales and to provide services. Business disruptions can be caused by several factors, including natural disasters, terrorist attacks, power loss, telecommunication and system failures, computer viruses, physical attacks and cyber-attacks. A major disaster or other catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems, including our cloud services, could severely affect our ability to

conduct normal business operations. We operate data centres in various locations around the world and although we have redundancy capability built into our disaster recovery plan, we cannot ensure our systems and data centres will remain fully operational during and immediately after a disaster or disruption. We also rely on third parties that provide critical services in our operations and despite our diligence around their disaster recovery processes, we cannot provide assurances as to whether these third party service providers can maintain operations during a disaster or disruption. Any business disruption could negatively affect our business, operating results or financial condition.

In addition, if data security is compromised, this could materially and adversely affect our future operating results given that we have customers that use our systems to store and exchange large volumes of proprietary and confidential information and the security and reliability of our services are significant to these customers. If our systems are attacked or accessed by unauthorized parties, it could lead to major disruption and loss of customer data which may involve us having to spend material resources on correcting the breach and indemnifying the relevant parties which could have adverse effects on our future business, operating results and financial condition.

Unauthorized disclosures and breaches of security data may adversely affect our operations

Most of the jurisdictions in which we operate have laws and regulations relating to data privacy, security and protection of information. We have certain measures to protect our information systems against unauthorized access and disclosure of our confidential information and confidential information belonging to our customers. We have policies and procedures in place dealing with data security and records retention. However, there is no assurance that the security measures we have put in place will be effective in every case. Breaches in security could result in a negative impact for us and for our customers, affecting both of our businesses, assets, revenues, brands and reputations and resulting in penalties, fines, litigation and other potential liabilities, in each case depending on the nature of the information disclosed. Security breaches could also affect our relations with our customers, injure our reputation and harm our ability to keep existing customers and to attract new customers. These risks to our business may increase as we expand the number of web-based and cloud-based products and services we offer and as we increase the number of countries in which we operate.

Our revenues and operating results are likely to fluctuate, which could materially impact the market price of our Common Shares

We experience significant fluctuations in revenues and operating results caused by many factors, including:

- Changes in the demand for our software products and services and for the products and services of our competitors;
- The introduction or enhancement of software products and services by us and by our competitors;
- Market acceptance of our software products, enhancements and/or services;
- Delays in the introduction of software products, enhancements and/or services by us or by our competitors;
- Customer order deferrals in anticipation of upgrades and new software products;
- Changes in the lengths of sales cycles;
- Changes in our pricing policies or those of our competitors;
- Delays in software product implementation with customers;
- Change in the mix of distribution channels through which our software products are licensed;
- Change in the mix of software products and services sold;
- Change in the mix of international and North American revenues;
- Changes in foreign currency exchange rates and LIBOR and other applicable interest rates;
- Acquisitions and the integration of acquired businesses;
- Restructuring charges taken in connection with any completed acquisition or otherwise;
- Changes in general economic and business conditions; and
- Changes in general political developments, such as international trade policies and policies taken to stimulate or to preserve national economies.

A general weakening of the global economy or a continued weakening of the economy in a particular region or economic or business uncertainty could result in the cancellation of or delay in customer purchases. A cancellation or deferral of even a small number of license sales or services or delays in the implementation of our software products could have a material adverse effect on our business, operating results and financial condition. As a result of the timing of software product and service introductions and the rapid evolution of our business as well as of the markets we serve, we cannot predict whether patterns or trends experienced in the past will continue. For these reasons, you should not rely upon period-to-period comparisons of our financial results to forecast future performance. Our revenues and operating results may vary significantly and this possible variance could materially reduce the market price of our Common Shares.

Changes in our stock price could lead to losses for shareholders

The market price of our Common Shares is subject to fluctuations. Such fluctuations in market price may continue in response to: (i) quarterly and annual variations in operating results; (ii) announcements of technological innovations or new products or services that are relevant to our industry; (iii) changes in financial estimates by securities analysts; or (iv) other events or factors. In addition, financial markets experience significant price and volume fluctuations that particularly affect the market prices of equity securities of many technology companies. These fluctuations have often resulted from the failure of such companies to meet market expectations in a particular quarter, and thus such fluctuations may or may not be related to the underlying operating performance of such companies. Broad market fluctuations or any failure of our operating results in a

particular quarter to meet market expectations may adversely affect the market price of our Common Shares. Occasionally, periods of volatility in the market price of a company's securities may lead to the institution of securities class action litigation against a company. If we are subject to such volatility in our stock price, we may be the target of such securities litigation in the future. Such legal action could result in substantial costs to defend our interests and a diversion of management's attention and resources, each of which would have a material adverse effect on our business and operating results.

We may become involved in litigation that may materially adversely affect us

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results or financial condition.

Our provision for income taxes and effective income tax rate may vary significantly and may adversely affect our results of operations and cash resources

Significant judgment is required in determining our provision for income taxes. Various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, the impact of transactions we complete, future levels of research and development spending, changes in the valuation of our deferred tax assets and liabilities, transfer pricing adjustments, changes in the overall mix of income among the different jurisdictions in which we operate, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements (such as those that may be described in note 2 "Significant Accounting Policies" in our notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K), and/or any internal restructuring initiatives we may implement from time to time to streamline our operations, can have a material impact on our effective income tax rate.

Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by us and our transfer pricing methodology based upon our limited risk distributor model, the result of which could have a material adverse effect on our financial condition and results of operations. Although we believe our estimates are reasonable, the ultimate outcome with respect to the taxes we owe may differ from the amounts recorded in our financial statements, and this difference may materially affect our financial results in the period or periods for which such determination is made.

For more details of tax audits to which we are subject see note 14 "Income Taxes" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

A tax examination by the IRS may lead to proposed adjustments to our taxes, which may be material, individually or in the aggregate; and an adverse outcome could have a material adverse effect on our financial position and results of operations.

The IRS is examining certain of our tax returns for Fiscal 2010 through Fiscal 2012, and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. These examinations may lead to proposed adjustments to our taxes, which may be material, individually or in the aggregate. As of the date of this Annual Report on Form 10-K, no adjustments have been proposed by the IRS, and we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements. An adverse outcome could have a material adverse effect on our financial position and results of operations.

We may have exposure to greater than anticipated state tax liabilities in the United States as a result of our acquisition of EasyLink

Certain EasyLink cloud service offerings may be subject to telecommunications excise, franchise and sales taxes in states where EasyLink may not have collected and remitted such taxes from customers. We believe that the delivery of

such cloud services are not “telecommunication services”, and therefore, we believe that such cloud service offerings are not subject to various telecommunication taxes, including telecommunications excise, franchise and sales tax. However, certain state taxing authorities may disagree with this position and may continue to audit our cloud service offerings and may subject us to payments (including interest and penalties) on account of such taxes. In the event that actual results differ from our reserves established in this regard, we may need to record additional expense that could have a material impact on our financial condition and results of operations.

For more details see note 13 "Guarantees and Contingencies" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

The declaration, payment and amount of dividends will be made at the discretion of our Board of Directors and will depend on a number of factors

We have adopted a policy to declare non-cumulative quarterly dividends on our Common Shares. The declaration, payment and amount of any dividends will be made pursuant to our dividend policy and is subject to final determination each quarter by our Board of Directors in its discretion based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our Board of Directors may conclude would be in the best interest of our shareholders. Our dividend payments are subject to relevant contractual limitations, including those in our existing credit agreements. Accordingly, there can be no assurance that any future dividends will be equal or similar in amount to any dividends previously paid or that our Board of Directors will not decide to reduce, suspend or discontinue the payment of dividends in the future.

Our operating results could be adversely affected by any weakening of economic conditions

Our overall performance depends in part on worldwide economic conditions. Certain economies have experienced periods of downturn as a result of a multitude of factors, including, but not limited to, turmoil in the credit and financial markets, concerns regarding the stability and viability of major financial institutions, declines in gross domestic product, increases in unemployment and volatility in commodity prices and worldwide stock markets, and excessive government debt. The severity and length of time that a downturn in economic and financial market conditions may persist, as well as the timing, strength and sustainability of any recovery, are unknown and are beyond our control. Moreover, any instability in the global economy affects countries in different ways, at different times and with varying severity, which makes the impact to our business complex and unpredictable. During such downturns, many customers may delay or reduce technology purchases. Contract negotiations may become more protracted or conditions could result in reductions in the licensing of our software products and the sale of services, longer sales cycles, pressure on our margins, difficulties in collection of accounts receivable or delayed payments, increased default risks associated with our accounts receivables, slower adoption of new technologies and increased price competition. In addition, deterioration of the global credit markets could adversely impact our ability to complete licensing transactions and services transactions, including maintenance and support renewals. Any of these events, as well as a general weakening of, or declining corporate confidence in, the global economy, or a curtailment in government or corporate spending could delay or decrease our revenues and therefore have a material adverse effect on our business, operating results and financial condition.

Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against

Financial developments seemingly unrelated to us or to our industry may adversely affect us over the course of time. For example, material increases in LIBOR or other applicable interest rate benchmarks may increase the debt payment costs for our credit facilities. Credit contraction in financial markets may hurt our ability to access credit in the event that we identify an acquisition opportunity or require significant access to credit for other reasons. Similarly, volatility in our stock price due to seemingly unrelated financial developments could hurt our ability to raise capital for the financing of acquisitions or other reasons. Potential price inflation caused by an excess of liquidity in countries where we conduct business may increase the cost we incur to provide our solutions and may reduce profit margins on agreements that govern the licensing of our software products and/or the sale of our services to customers over a multi-year period. A reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of our customer base such as the public sector. As a result, these customers may need to reduce their licensing of our software products or their purchases of our services, or we may experience greater difficulty in receiving payment for the licenses and services that these customers purchase from us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

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

The growth of our Company through the successful acquisition and integration of complementary businesses is a critical component of our corporate strategy. Thus, we continue to seek opportunities to acquire or invest in businesses, products and technologies that expand, complement or otherwise relate to our current or future business. We may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with our own business and products; (ii) additional demands on our resources, systems, procedures and controls; (iii) disruption of our ongoing business; and (iv) diversion of management's attention from other business concerns. Moreover, these transactions

could involve: (a) substantial investment of funds or financings by issuance of debt or equity securities; (b) substantial investment with respect to technology transfers and operational integration; and (c) 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 the interests of existing shareholders or result in the issuance or assumption of debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources of our Company. Any such activity may not be successful in generating revenues, income or other returns to us, and the resources committed to such activities will not be available to us for other purposes. Moreover, if we are unable to access capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Our inability (i) to take advantage of growth opportunities for our business or for our products and services, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect our operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings which, in turn, may have an adverse material effect on the price of our Common Shares.

Our acquisition activity may lead to a material increase in the incurrence of debt which may adversely affect our finances

We may borrow money to provide the funds necessary to pay for companies we seek to acquire, if we deem such financing activity to be appropriate. For example, in connection with our acquisition of GXS, on January 16, 2014, we entered into a credit facility, which provides for a \$800 million term loan facility (Term Loan B). The interest costs generated under any such debt obligations may materially increase our interest expense which may materially and adversely affect our profitability as well as the price of our Common Shares. Our ability to pay the interest and repay the principal for the indebtedness we incur as a result of our acquisition activity depends upon our ability to manage our business operations and our financial resources. In addition, the agreements related to such borrowings may contain covenants requiring us to meet certain financial performance targets and operating covenants, and limiting our discretion with respect to certain business matters, such as, among other things, any future payment of dividends, the borrowing of additional amounts and the making of investments. Our indebtedness following the acquisition of GXS is significantly higher than our indebtedness prior to the acquisition, which could limit our operations and opportunities.

Businesses we acquire may have disclosure controls and procedures and internal controls over financial reporting that are weaker than or otherwise not in conformity with ours

We have a history of acquiring complementary businesses of varying size and organizational complexity. Upon consummating an acquisition, we seek to implement our disclosure controls and procedures as well as our internal controls over financial reporting at the acquired company as promptly as possible. Depending upon the nature of the business acquired, the implementation of our disclosure controls and procedures as well as the implementation of our internal controls over financial reporting at an acquired company may be a lengthy process. We conduct due diligence prior to consummating an acquisition; however, such diligence may not identify all material issues and our integration efforts may periodically expose deficiencies in the disclosure controls and procedures as well as in internal controls over financial reporting of an acquired company. If such deficiencies exist, we may not be in a position to comply with our periodic reporting requirements and, as a result, our business and financial condition may be materially harmed.

We may be unable to successfully integrate GXS' business or do so within the intended timeframe, which could have an adverse effect on our financial condition, results of operations and business prospects.

Our ability to realize the anticipated benefits of the acquisition of GXS will depend, in part, on our ability to successfully and efficiently integrate GXS' business and operations with our own. The integration of GXS' operations with our existing business will be complex, costly and time-consuming, and may result in additional demands on our resources, systems, procedures and controls, disruption of our ongoing business, and diversion of management's attention from other business concerns. Although we cannot be certain of the degree and scope of operational and integration problems that may arise, the difficulties and risks associated with the integration of GXS may include, among others:

- the increased scope and complexity of our operations;
- coordinating geographically separate organizations, operations, relationships and facilities;
- integrating (i) personnel with diverse business backgrounds, corporate cultures and management philosophies, and (ii) the standards, policies and compensation structures, as well as the complex systems, technology, networks and other assets, of the two companies;
- preserving important strategic and customer relationships;
- the possibility that we may have failed to discover liabilities of GXS during our due diligence investigation as part of the acquisition of GXS for which we, as a successor owner, may be responsible; and

provisions in our and GXS' contracts with third parties that may limit our flexibility to take certain actions. As a result of these difficulties and risks, we may not accomplish the integration of GXS' business smoothly, successfully or within our budgetary expectations and anticipated timetable, which may result in a failure to realize some or all of the anticipated benefits of the acquisition of GXS.

Our indebtedness following the acquisition of GXS is significantly higher than our indebtedness prior to the acquisition, which could limit our operations and opportunities.

Our increased debt service obligations on account of our acquisition of GXS could have an adverse effect on our earnings and cash flows for as long as the indebtedness is outstanding, which could reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes.

As of June 30, 2014, one of our credit facilities consists of a \$600 million term loan facility (Term Loan A) and a \$100 million committed revolving credit facility (the Revolver). Borrowings under Term Loan A are secured by a first charge over substantially all of our assets, and as of January 16, 2014, on a pari passu basis with Term Loan B (as defined below). In connection with the acquisition of GXS, on January 16, 2014, we entered into a second credit facility, which provides for a \$800 million term loan facility (Term Loan B).

Repayments made under Term Loan B are equal to 0.25% of the original principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. The terms of Term Loan A and Term Loan B include customary restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to take actions that could be in our best interests. These restrictive covenants include certain limitations on our ability to make investments, loans and acquisitions, incur additional debt, incur liens and encumbrances, consolidate, amalgamate or merge with any other person, dispose of assets, make certain restricted payments, including a limit on dividends on equity securities or payments to redeem, repurchase or retire equity securities or other indebtedness, engage in transactions with affiliates, materially alter the business we conduct, and enter into certain restrictive agreements. Term Loan A includes a financial covenant relating to a minimum consolidated interest coverage ratio and both Term Loan A and Term Loan B include a financial covenant relating to a maximum consolidated net leverage ratio, which could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions. Our failure to comply with any of the covenants that are included in Term Loan A and Term Loan B could result in a default under the terms thereof, which could permit the lenders thereunder to declare all or part of any outstanding borrowings to be immediately due and payable.

For more details see note 10 "Long-Term Debt" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

We may have made certain assumptions relating to GXS or the acquisition that may prove to be materially inaccurate. Even if the integration is successful, we may have made certain assumptions relating to the acquisition of GXS which may prove to be inaccurate, including with respect to general economic and business conditions that could have an adverse effect on the combined company following the acquisition. These assumptions relate to numerous matters, including: our assessments of the asset quality and value of GXS and its assets; projections of the business and GXS' future financial performance; our ability to realize synergies related to commercialization and distribution of new and existing products and services, and back office and administrative consolidation; acquisition costs, including potential restructuring charges, which could be reflected in subsequent quarters; our ability to maintain, develop and deepen relationships with GXS' customers; and our belief that the indemnification and escrow arrangements that we have negotiated in the merger agreement will prove adequate.

If one or more of these assumptions are incorrect, it could have an adverse effect on our business and operating results, and the perceived benefits from the acquisition of GXS may not be realized.

Loss of key personnel could impair the integration of the two businesses, lead to loss of customers and a decline in revenues, or otherwise could have an adverse effect on our operations.

Prior to the consummation of the acquisition of GXS, the Company and GXS operated independently. Our success as a combined business will depend, in part, upon our ability to retain key employees, especially during the integration phase of the two businesses. It is possible that the integration process could result in current and prospective employees of ours and GXS to experience uncertainty about their future roles with us, which could have an adverse effect on our ability to retain key managers and other employees. If, despite our retention and recruiting efforts, key

employees depart or fail to continue employment with us, the loss of their services and their experience and knowledge regarding our business could have an adverse effect on our future operating results and the successful ongoing operation of our businesses.

GXS' business relationships may be subject to disruption due to uncertainty associated with the acquisition.

Parties with which GXS conducted business prior to consummation of the acquisition by us may experience uncertainty associated with the acquisition, including with respect to current or future business relationships with us. As a result, business relationships with GXS' customers and others may be subject to disruptions if they attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us. These disruptions could have an adverse effect on our businesses, financial condition, results of operations or prospects.

The sale by the selling shareholders of the Common Shares issued in connection with the acquisition of GXS could have the effect of depressing the price of our Common Shares.

In connection with the completion of the acquisition of GXS, we issued 2,595,042 Common Shares on a post-stock split basis. These shares are subject to certain demand and piggyback registration rights granted to the holders of such Common Shares. In response to the demand and piggyback registration requests we received, we filed a Shelf Registration Statement and a prospectus supplement with the SEC and certain Canadian securities regulators to allow certain requesting holders to resell their Common Shares. Sales by these selling shareholders under the Shelf Registration Statement or otherwise, or perceptions of future sales of equity securities, may have a negative effect on the market price of our Common Shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our properties consist of owned and leased office facilities for sales, support, research and development, consulting and administrative personnel, totaling approximately 336,000 square feet of owned facilities and approximately 1,710,000 square feet of leased facilities.

Owned Facilities

Waterloo, Canada

Our headquarters is located in Waterloo, Ontario, Canada, and it consists of approximately 232,000 square feet. The land upon which the buildings stand is leased from the University of Waterloo for a period of 49 years beginning in December 2005, with an option to renew for an additional term of 49 years. The option to renew is exercisable by us upon providing written notice to the University of Waterloo not earlier than the 40th anniversary and not later than the 45th anniversary of the lease commencement date.

We have obtained a mortgage from a Canadian chartered bank which has been secured by a lien on our headquarters in Waterloo. For more information regarding this mortgage, please refer to note 10 "Long-term Debt" to our Consolidated Financial Statements, which are set forth in Part II, Item 8 of this Annual Report on Form 10-K.

Brook Park, Ohio, United States

As part of our acquisition of GXS we acquired a building, along with its land, located in Brook Park, Ohio, that consists of approximately 104,000 square feet. This building is used primarily as a data center.

Leased Facilities

We lease approximately 1,710,000 square feet both domestically and internationally. Our significant leased facilities include the following facilities:

• **G**rasbrunn facility, located in Germany, totaling approximately 123,000 square feet of office and storage;

• **R**ichmond Hill facility, located in Ontario, Canada, totaling approximately 101,000 square feet;

• **H**yderabad facility, located in India, totaling approximately 99,000 square feet;

• **T**inton Falls facility, located in New Jersey, United States, totaling approximately 90,000 square feet;

• **G**aithersburg facility, located in Maryland, United States, totaling approximately 84,000 square feet;

• **M**akati City facility, located in Manila, Philippines, totaling approximately 79,000 square feet;

• **B**ellevue facility, located in Washington, United States, totaling approximately 55,000 square feet;

• **A**lpharetta facility, located in Georgia, United States, totaling approximately 54,000 square feet;

Due to restructuring and merger integration initiatives, we have vacated approximately 220,000 square feet of our leased properties. The vacated space has either been sublet or is being actively marketed for sublease or disposition.

Item 3. Legal Proceedings

In the normal course of business, we are subject to various legal claims, as well as potential legal claims. While the results of litigation and claims cannot be predicted with certainty, we believe that the final outcome of these matters will not have a materially adverse effect on our consolidated results of operations or financial conditions.

For more information regarding litigation please refer to note 13 “Guarantees and Contingencies” to our Consolidated Financial Statements, which are set forth in Part II, under Item 8 of this Annual Report on Form 10-K

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Shares have traded on the NASDAQ stock market since 1996 under the symbol “OTEX” and our Common Shares have traded on the Toronto Stock Exchange (TSX) since 1998 under the symbol “OTC”.

On January 23, 2014, we announced that our Board of Directors approved a two-for-one stock-split of our outstanding Common Shares. The two-for-one stock-split effected February 18, 2014, was implemented by way of a stock dividend whereby shareholders received one Common Share for each Common Share held. As a result of the two-for-one stock-split, all historical per share data and number of Common Shares outstanding are presented on a post stock-split basis.

The following table sets forth the high and low sales prices for our Common Shares, as reported by the TSX and NASDAQ, respectively, for the periods indicated below.

	NASDAQ (in USD)		TSX (in CAD)	
	High	Low	High	Low
Fiscal Year Ended June 30, 2014:				
Fourth Quarter	\$49.97	\$44.76	\$55.16	\$49.23
Third Quarter	\$52.86	\$44.05	\$58.03	\$48.20
Second Quarter	\$46.65	\$35.05	\$49.66	\$36.63
First Quarter	\$37.95	\$32.24	\$39.09	\$33.53
Fiscal Year Ended June 30, 2013:				
Fourth Quarter	\$36.89	\$26.81	\$37.60	\$27.51
Third Quarter	\$30.13	\$26.77	\$30.26	\$27.55
Second Quarter	\$29.36	\$25.26	\$29.16	\$25.06
First Quarter	\$28.74	\$22.34	\$28.15	\$22.38

On July 28, 2014, the closing price of our Common Shares on the NASDAQ was \$47.65 per share, and on the TSX was Canadian \$51.48 per share.

As at July 28, 2014, we had 347 shareholders of record holding our Common Shares of which 304 were U.S. shareholders.

Unregistered Sales of Equity Securities

None.

Dividend Policy

Pursuant to a policy adopted by our Board of Directors in April 2013 to pay non-cumulative quarterly dividends, we paid our first quarterly cash dividend in June 2013. We currently expect to continue paying comparable cash dividends on a quarterly basis. However, future declarations of dividends are subject to the final determination of our Board of Directors, in its

discretion, based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our Board of Directors may conclude would be in the best interest of our shareholders. Our dividend payments are subject to relevant contractual limitations, including those in our existing credit agreements.

In Fiscal 2014, our Board of Directors declared the following dividends:

Declaration Date	Dividend per Share	Record Date	Total amount (in thousands of U.S. dollars)	Payment Date
4/24/2014	\$0.1725	5/23/2014	\$21,001	6/13/2014
1/23/2014	\$0.15	* 2/25/2014	\$18,224	3/14/2014
10/30/2013	\$0.15	* 11/29/2013	\$17,747	12/20/2013
7/31/2013	\$0.15	* 8/30/2013	\$17,721	9/20/2013

In Fiscal 2013, our Board of Directors declared the following dividend:

Declaration Date	Dividend per Share	Record Date	Total amount (in thousands of U.S. dollars)	Payment Date
4/24/2013	\$0.15	* 5/31/2013	\$17,703	6/21/2013

*As a result of the two-for-one stock-split, all historical per share data is presented on a post stock-split basis.

Stock Purchases

No shares were repurchased during the three months ended June 30, 2014.

Stock Performance Graph and Cumulative Total Return

The following graph compares for each of the five fiscal years ended June 30, 2014 the yearly percentage change in the cumulative total shareholder return on our Common Shares with the cumulative total return on:

an index of companies in the software application industry (Morningstar Application-Software Index);

the NASDAQ Composite Index; and

the S&P/TSX Composite Index.

The graph illustrates the cumulative return on a \$100 investment in our Common Shares made on June 30, 2009, as compared with the cumulative return on a \$100 investment in the Morningstar Application-Software Index, the NASDAQ Composite Index and the S&P/TSX Composite Index (the Indices) made on the same day. Dividends declared on securities comprising the respective Indices and declared on our Common Shares are assumed to be reinvested. The performance of our Common Shares as set out in the graph is based upon historical data and is not indicative of, nor intended to forecast, future performance of our Common Shares. The graph lines merely connect measurement dates and do not reflect fluctuations between those dates.

The chart below provides information with respect to the value of \$100 invested on June 30, 2009 in our Common Shares as well as in the other Indices, assuming dividend reinvestment when applicable:

	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Open Text Corporation	\$100.00	\$103.08	\$175.78	\$137.01	\$188.86	\$268.24
Morningstar Application-Software Index	\$100.00	\$119.01	\$173.40	\$167.09	\$198.28	\$241.33
NASDAQ Composite	\$100.00	\$115.98	\$153.93	\$164.70	\$193.69	\$254.06
S&P/TSX Composite	\$100.00	\$122.40	\$162.91	\$138.39	\$144.47	\$183.44

To the extent that this Annual Report on Form 10-K has been or will be specifically incorporated by reference into any filing by us under the Securities Act, or the Exchange Act, the foregoing “Stock Performance Graph and Cumulative Total Return” shall not be deemed to be “soliciting materials” or to be so incorporated, unless specifically otherwise provided in any such filing.

For information relating to our various stock compensation plans, see Item 12 of this Annual Report on Form 10-K.
Canadian Tax Matters

Dividends

Since June 21, 2013 and unless stated otherwise, dividends paid by the Company to Canadian residents are eligible dividends as per the Income Tax Act (Canada).

Non-residents of Canada

Dividends paid or credited to non-residents of Canada are subject to a 25% withholding tax unless reduced by treaty. Under current tax treaties, U.S. residents are subject to a 15% withholding tax.

Beginning in calendar year 2012, the Canada Revenue Agency has introduced new rules requiring residents of any country with which Canada has a tax treaty to certify that they reside in that country and are eligible to have Canadian non-resident tax withheld on the payment of dividends at the tax treaty rate. Registered shareholders should have completed the Declaration of Eligibility for Benefits under a Tax Treaty for a Non-Resident Taxpayer and returned it to our transfer agent, ComputerShare Investor Services Inc.

United States Tax Matters

U.S. residents

The following discussion summarizes certain U.S. federal income tax considerations relevant to an investment in the Common Shares by a U.S. holder. For purposes of this summary, a “U.S. holder” is a beneficial owner of Common Shares that holds such shares as capital assets under the U.S. Internal Revenue Code of 1986, as amended (the Code) and is a citizen or resident of the United States and not of Canada, a corporation organized under the laws of the United States or any political subdivision thereof, or a person that is otherwise subject to U.S. federal income tax on a net income basis in respect of Common Shares. It does not address any aspect of U.S. federal gift or estate tax, or of state, local or non-U.S. tax laws and does not address aspects of U.S. federal income taxation applicable to U.S. holders holding options, warrants or other rights to acquire Common Shares. Further, this discussion does not address the U.S. federal income tax consequences to U.S. holders that are subject to special treatment under U.S. federal income tax laws, including, but not limited to U.S. holders owning directly, indirectly or by attribution 10% or more of the Company’s voting power; broker-dealers; banks or insurance companies; financial institutions; regulated investment companies; taxpayers who have elected mark-to-market accounting; tax-exempt organizations; taxpayers who hold Common Shares as part of a “straddle,” “hedge,” or “conversion transaction” with other investments; individual retirement or other tax-deferred accounts; taxpayers whose functional currency is not the U.S. dollar; partnerships or the partners therein; S corporations; or U.S. expatriates.

The discussion is based upon the provisions of the Code, the Treasury regulations promulgated thereunder, the Convention Between the United States and Canada with Respect to Taxes on Income and Capital, together with related Protocols and Competent Authority Agreements (the Convention), the administrative practices published by the U.S. Internal Revenue Service (the IRS) and U.S. judicial decisions, all of which are subject to change. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

Distributions on the Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” U.S. holders generally will treat the gross amount of distributions paid by the Company equal to the U.S. dollar value of such dividends on the date the dividends are received or treated as received (based on the exchange rate on such date), without reduction for Canadian withholding tax (see “Canadian Tax Matters - Dividends - Non-residents of Canada”), as dividend income for U.S. federal income tax purposes to the extent of the Company’s current and accumulated earnings and profits. Because the Company does not expect to maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends.

Individual U.S. holders will generally be eligible to treat dividends as “qualified dividend income” taxable at preferential rates with certain exceptions for short-term and hedged positions, and provided that the Company is not during the taxable year in which the dividends are paid (and was not in the preceding taxable year) classified as a “passive foreign investment company” (PFIC) as described below under “Passive Foreign Investment Company Rules.” Dividends paid on the Common Shares generally will not be eligible for the “dividends received” deduction allowed to corporate U.S. holders in respect of dividends from U.S. corporations.

If a U.S. holder receives foreign currency on a distribution that is not converted into U.S. dollars on the date of receipt, the U.S. holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date the dividends are received or treated as received. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including an exchange for U.S. dollars, will be U.S. source ordinary income or loss.

The amount of Canadian tax withheld generally will give rise to a foreign tax credit or deduction for U.S. federal income tax purposes (see “Canadian Tax Matters - Dividends - Non-residents of Canada”). Dividends paid by the Company generally will constitute “passive category income” for purposes of the foreign tax credit (or in the case of certain U.S. holders, “general category income”). The Code, as modified by the Convention, applies various limitations on the amount of foreign tax credit that may be available to a U.S. taxpayer. The Common Shares are currently traded on both the NASDAQ and TSX. Dividends paid by a foreign corporation that is at least 50% owned by U.S. persons may be treated as U.S. source income (rather than foreign source income) for foreign tax credit purposes to the extent they are attributable to earnings and profits of the foreign corporation from sources within the United States, if the

foreign corporation has more than an insignificant amount of U.S. source earnings and profits. Although this rule does not appear to be intended to apply in the context of a public company such as the Company, we are not aware of any authority that would render it inapplicable. In part because the Company does not expect to calculate its earnings and profits for U.S. federal income tax purposes, the effect of this rule may be to treat all or a portion of any dividends paid by the Company as U.S. source income, which in turn may limit a U.S. holder's ability to claim a foreign tax credit for the Canadian withholding taxes payable in respect of the dividends. Subject to limitations, the Code permits a U.S. holder entitled to benefits under the Convention to elect to treat any dividends paid by the

Company as foreign-source income for foreign tax credit purposes. The foreign tax credit rules are complex. U.S. holders should consult their own tax advisors with respect to the implications of those rules for their investments in the Common Shares.

Sale, Exchange, Redemption or Other Disposition of Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” the sale of Common Shares generally will result in the recognition of gain or loss to a U.S. holder in an amount equal to the difference between the amount realized and the U.S. holder’s adjusted basis in the Common Shares. A U.S. holder’s tax basis in a Common Share will generally equal the price it paid for the Common Share. Any capital gain or loss will be long-term if the Common Shares have been held for more than one year. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. The Company will be classified as a PFIC in a particular taxable year if either: (i) 75 percent or more of the Company’s gross income for the taxable year is passive income, or (ii) the average percentage of the value of the Company’s assets that produce or are held for the production of passive income is at least 50 percent. If the Company is treated as a PFIC for any year, U.S. holders may be subject to adverse tax consequences upon a sale, exchange, or other disposition of the Common Shares, or upon the receipt of certain “excess distributions” in respect of the Common Shares. Dividends paid by a PFIC are not qualified dividends eligible for taxation at preferential rates. Based on audited consolidated financial statements, we believe that the Company was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2013 or 2014 taxable years. In addition, based on a review of the Company’s audited consolidated financial statements and its current expectations regarding the value and nature of its assets and the sources and nature of its income, the Company does not anticipate becoming a PFIC for the 2015 taxable year.

Information Reporting and Backup Withholding

Except in the case of corporations or other exempt holders, dividends paid to a U.S. holder may be subject to U.S. information reporting requirements and may be subject to backup withholding unless the U.S. holder provides an accurate taxpayer identification number on a properly completed IRS Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding will be allowed as a credit against the U.S. holder’s U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that certain required information is timely furnished to the IRS.

Item 6. Selected Financial Data

The following table summarizes our selected consolidated financial data for the periods indicated. The selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of income and balance sheet data for each of the five fiscal years indicated below has been derived from our audited Consolidated Financial Statements. Over the last five fiscal years we have acquired a number of companies including, but not limited to, GXS Group, Inc., EasyLink Services International Corp., Global 360 Holding Corp., Metastorm Inc. and Vignette Corporation. The results of these companies and all of our previously acquired companies have been included herein and have contributed to the growth in our revenues, net income and net income per share and such acquisitions affect period-to-period comparability.

As a result of the two-for-one stock-split in Fiscal 2014, all historical per share data and number of Common Shares outstanding are presented on a post stock-split basis.

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
(In thousands, except per share data)					
Statement of Income Data:					
Revenues	\$ 1,624,699	\$ 1,363,336	\$ 1,207,473	\$ 1,033,303	\$ 912,023
Net income, attributable to OpenText	\$ 218,125	\$ 148,520	\$ 125,174	\$ 123,203	\$ 89,212
Net income per share, basic, attributable to OpenText	\$ 1.82	\$ 1.27	\$ 1.08	\$ 1.08	\$ 0.79
Net income per share, diluted, attributable to OpenText	\$ 1.81	\$ 1.26	\$ 1.07	\$ 1.06	\$ 0.78
Weighted average number of Common Shares outstanding, basic	119,674	117,208	115,780	114,154	112,560
Weighted average number of Common Shares outstanding, diluted	120,576	118,124	117,468	116,520	114,770
	As of June 30,				
	2014	2013	2012	2011	2010
Balance Sheet Data:					
Total assets	\$ 3,918,638	\$ 2,654,817	\$ 2,444,293	\$ 1,932,363	\$ 1,715,682
Long-term liabilities *	\$ 1,616,588	\$ 789,726	\$ 788,107	\$ 477,545	\$ 404,912
Cash dividends per Common Share	\$ 0.6225	\$ 0.15	** \$ —	\$ —	\$ —
* includes long term debt					
** We paid our first dividend in June 2013.					

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbours created by those sections. All statements other than statements of historical facts are statements that could be deemed forward-looking statements.

Certain statements in this Annual Report on Form 10-K, including statements about the focus of Open Text Corporation ("OpenText" or "the Company") in our fiscal year beginning on July 1, 2013 and ending June 30, 2014 (Fiscal 2014) on growth in earnings and cash flows, creating value through investments in broader Enterprise Information Management (EIM) capabilities, distribution, the Company's presence in the cloud and in growth markets, its financial condition, results of operations and earnings, declaration of quarterly dividends, and other matters, may contain words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and variations of these words or similar expressions are considered forward-looking statements or information under applicable securities laws. In addition, any information or statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances, such as certain assumptions about the economy, as well as market, financial and operational assumptions. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors and assumptions that may cause the actual results, performance or achievements to differ materially. Such factors include, but are not limited to: (i) the future performance, financial and otherwise, of OpenText; (ii) the ability of OpenText to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) the Company's growth and profitability prospects; (v) the estimated size and growth prospects of the EIM market; (vi) the Company's competitive position in the EIM market and its ability to take advantage of future opportunities in this market; (vii) the benefits of the Company's products and services to be realized by customers; (viii) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the EIM marketplace; and (ix) the Company's financial condition and capital requirements. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (ii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder; (iii) the risks associated with bringing new products and services to market; (iv) fluctuations in currency exchange rates; (v) delays in the purchasing decisions of the Company's customers; (vi) the competition the Company faces in its industry and/or marketplace; (vii) the final determination of litigation, tax audits and other legal proceedings; (viii) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (ix) the continuous commitment of the Company's customers; and (x) demand for the Company's products and services. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Readers should carefully review Part I, Item 1A "Risk Factors" and other documents we file from time to time with the Securities and Exchange Commission and other applicable securities regulators. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include but are not limited to

those set forth in Part I, Item 1A “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Any one of these factors, and other factors that we are unaware of, or currently deem immaterial, may cause our actual results to differ materially from recent results or from our anticipated future results.

The following MD&A is intended to help readers understand our results of operations and financial condition, and is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying Notes to our Consolidated Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

All dollar and percentage comparisons made herein under the sections titled “Fiscal 2014 Compared to Fiscal 2013” refer to Fiscal 2014 compared with the twelve months ended June 30, 2013 (Fiscal 2013). All dollar and percentage

comparisons made herein under the sections titled “Fiscal 2013 Compared to Fiscal 2012” refer to Fiscal 2013 compared with the twelve months ended June 30, 2012 (Fiscal 2012).

Where we say “we”, “us”, “our”, “OpenText” or “the Company”, we mean Open Text Corporation or Open Text Corporation and its subsidiaries, as applicable.

EXECUTIVE OVERVIEW

We are an independent company providing a comprehensive suite of software products and services that assist organizations in finding, utilizing, and sharing business information from any device in ways which are intuitive, efficient and productive. Our technologies and business solutions address one of the biggest problems encountered by enterprises today: the explosive growth of information volume and formats. Our software and services allow organizations to manage the information that flows into, out of, and throughout the enterprise as part of daily operations. Our solutions help to increase customer satisfaction, improve collaboration with partners, address the legal and business requirements associated with information governance, and aim to ensure the security and privacy of information demanded in today's highly regulated climate.

Our products and services provide the benefits of organizing and managing business content, while leveraging it to operate more efficiently and effectively. Our solutions incorporate social and mobile technologies and are delivered for on-premises deployment as well as through cloud and managed hosted services models to provide the flexibility and cost efficiencies demanded by the market. In addition, we provide solutions that facilitate the exchange of transactions that occur between supply chain participants, such as manufacturers, retailers, distributors and financial institutions, and are central to a company's ability to effectively collaborate with its partners.

Our initial public offering was on the NASDAQ in 1996 and we were subsequently listed on the Toronto Stock Exchange in 1998. We are a multinational company and as of June 30, 2014, employed approximately 8,000 people worldwide.

We operate in a market known as Enterprise Information Management (EIM). This is a comprehensive market category that includes a rich set of capabilities that allow organizations to manage content by optimizing the value of business information while reducing the costs associated with capturing, storing, and managing information. At its core, EIM is about helping organizations get the most out of information. Our EIM offerings include Enterprise Content Management (ECM), Business Process Management (BPM), Customer Experience Management (CEM), Information Exchange (iX), and Discovery.

Fiscal 2014 Highlights:

Fiscal 2014 was a successful year for us. The followings are highlights of our operating results:

• Total revenue was \$1,624.7 million, up 19.2% over the same period in the prior fiscal year.

• License revenue was \$309.2 million, up 10.6% over the same period in the prior fiscal year.

• GAAP-based EPS, diluted, was \$1.81 compared to \$1.26 in the same period of the prior fiscal year.

• Non-GAAP-based EPS, diluted, was \$3.37 compared to \$2.79 in the same period of the prior fiscal year.

• GAAP-based operating margin was 18.5% compared to 14.5% in the same period of the prior fiscal year.

• Non-GAAP-based operating margin was 30.9% compared to 29.3% in the same period of the prior fiscal year.

• Operating cash flow was \$417.1 million, up 31.0% from the same period in the prior fiscal year.

• Cash and cash equivalents was \$427.9 million as of June 30, 2014, compared to \$470.4 million as of June 30, 2013.

See "Use of Non-GAAP Financial Measures" below for a reconciliation of non-GAAP-based measures to GAAP-based measures.

Acquisitions

Our competitive position in the marketplace requires us to maintain a complex and evolving array of technologies, products, services and capabilities. In light of the continually evolving marketplace in which we operate, we regularly evaluate various acquisition opportunities within the EIM market. During Fiscal 2014, the following acquisitions were made:

On January 16, 2014, we acquired GXS Group, Inc. (GXS), a Delaware corporation and leader in cloud-based business-to-business (B2B) integration services for \$1.2 billion, inclusive of the issuance of 2,595,042 OpenText Common Shares, on a post stock-split basis.

•

On August 15, 2013, we acquired Cordys Holding B.V. (Cordys), a leading provider of Business Process Management (BPM) and case management solutions, offered on one platform with cloud, mobile, and social capabilities, based in Putten, the Netherlands for \$33.2 million.

We believe our acquisitions support our long-term strategic direction, strengthen our competitive position, expand our customer base, provide greater scale to accelerate innovation, grow our earnings and increase shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business. Our acquisitions, particularly significant ones such as GXS acquired in January 2014, affect the period-to-period comparability of our results. See note 18 “Acquisitions” to our Consolidated Financial Statements for more details.

Outlook for Fiscal 2015

We believe we have a strong position in the EIM market. Our goal is to strengthen our position in EIM by building on our leadership in ECM, BPM, CEM, and iX and expanding our position in Discovery. Historically, we have had approximately 50% of our revenues from customer support revenues, which are generally a recurring source of income. With the acquisition of GXS, our cloud services revenue has grown and we expect cloud services revenue to continue to be a recurring and growing stream of income in the future. We also believe that our diversified geographic profile helps strengthen our position and helps to reduce the impact of a downturn in the economy that may occur in any one specific region.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- (i) Revenue recognition,
- (ii) Capitalized software
- (iii) Goodwill,
- (iv) Acquired intangibles,
- (v) Restructuring charges,
- (vi) Business combinations,
- (vii) Foreign currency, and
- (viii) Income taxes.

Revenue recognition

License revenues

We recognize revenues in accordance with ASC Topic 985-605, “Software Revenue Recognition” (Topic 985-605). We record product revenues from software licenses and products when persuasive evidence of an arrangement exists, the software product has been shipped, there are no significant uncertainties surrounding product acceptance by the customer, the fees are fixed and determinable, and collection is considered probable. We use the residual method to recognize revenues on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenues related to the undelivered element is deferred based on vendor-specific objective evidence (VSOE) of the fair value of the undelivered element.

Our multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support (PCS) are sold together. We have established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms and our significant PCS renewal experience, from our existing worldwide base. Our multiple element sales arrangements generally include irrevocable rights for the customer to renew PCS after the bundled term ends. The customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

It is our experience that customers generally exercise their renewal PCS option. In the renewal transaction, PCS is sold on a stand-alone basis to the licensees one year or more after the original multiple element sales arrangement. The exercised renewal PCS price is consistent with the renewal price in the original multiple element sales arrangement, although an adjustment to reflect consumer price changes is common. If VSOE of fair value does not exist for all undelivered elements, all revenues are deferred until sufficient evidence exists or all elements have been delivered.

We assess whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. Our sales arrangements generally include standard payment terms. These terms effectively relate to all customers, products, and arrangements regardless of customer type, product mix or arrangement size. Exceptions are only made to these standard terms for certain sales in parts of the world where local practice differs. In these jurisdictions, our customary payment terms are in line with local practice.

Cloud revenues

Cloud revenues consist of subscription revenues for our software as a service offering and managed service arrangements. The majority of the contracts for our software as a service offering and managed service arrangements are based on customers' usage over a period and the revenue associated with those contracts are recognized once the usage has been measured, the fee fixed and determinable and collection is probable.

In certain managed services arrangements, we sell transaction processing along with implementation and start-up services. The implementation and start-up services typically do not have stand-alone value and, therefore, they do not qualify as separate units of accounting and are not separated. We believe these services do not have stand-alone value as the customer generally only receives value from these services in conjunction with the use of the related transaction processing service, we do not generally sell such services separately, and the output of such services cannot be re-sold by the customer. Revenues related to implementation and start-up services are recognized over the estimated customer life. In some arrangements, we also sell professional services which do have stand-alone value and can be separated from other elements in the arrangement. The revenue related to these services is recognized as the service is performed.

We defer all direct and relevant costs associated with implementation of long-term customer contracts to the extent such costs can be recovered through guaranteed contract revenues.

Service revenues

Service revenues consist of revenues from consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, we determine VSOE of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These consulting and implementation services contracts are primarily time and materials based contracts that are, on average, less than six months in length. Revenues from these services are recognized at the time such services are performed. We also enter into contracts that are primarily fixed fee arrangements wherein the services are not essential to the functionality of a software element. In such cases, the proportional performance method is applied to recognize revenues.

Revenues from training and integration services are recognized in the period in which these services are performed.

Customer support revenues

Customer support revenues consist of revenues derived from contracts to provide PCS to license holders. These revenues are recognized ratably over the term of the contract. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received.

Deferred revenues

Deferred revenues primarily relate to support agreements which have been paid for by customers prior to the performance of those services. Generally, the services will be provided in the twelve months after the signing of the agreement.

Long-term sales contracts

We entered into certain long-term sales contracts involving the sale of integrated solutions that include the modification and customization of software and the provision of services that are essential to the functionality of the other elements in this arrangement. As prescribed by ASC Topic 985-605, we recognize revenues from such arrangements in accordance with the contract accounting guidelines in ASC Topic 605-35, "Construction-Type and Production-Type Contracts" (Topic 605-35), after evaluating for separation of any non-Topic 605-35 elements in accordance with the provisions of ASC Topic 605-25, "Multiple-Element Arrangements" (Topic 605-25).

When circumstances exist that allow us to make reasonably dependable estimates of contract revenues, contract costs and the progress of the contract to completion, we account for sales under such long-term contracts using the percentage-of-completion (POC) method of accounting. Under the POC method, progress towards completion of the contract is measured based upon either input measures or output measures. We measure progress towards completion based upon an input measure

and calculate this as the proportion of the actual hours incurred compared to the total estimated hours. For training and integration services rendered under such contracts, revenues are recognized as the services are rendered. We will review, on a quarterly basis, the total estimated remaining costs to completion for each of these contracts and apply the impact of any changes on the POC prospectively. If at any time we anticipate that the estimated remaining costs to completion will exceed the value of the contract, the resulting loss will be recognized immediately.

When circumstances exist that prevent us from making reasonably dependable estimates of contract revenues, we account for sales under such long-term contracts using the completed contract method.

Sales to resellers and channel partners

We execute certain sales contracts through resellers and distributors (collectively, resellers) and also large, well-capitalized partners such as SAP AG and Accenture plc. (collectively, channel partners).

We recognize revenues relating to sales through resellers when all the recognition criteria have been met, in other words, persuasive evidence of an arrangement exists, delivery has occurred in the reporting period, the fee is fixed and determinable, and collectability is probable. In addition we assess the creditworthiness of each reseller and if the reseller is newly formed, undercapitalized or in financial difficulty any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

We recognize revenues relating to sales through channel partners in the reporting period in which we receive evidence, from the channel partner, of end user sales (collectively, the documentation) and all other revenue recognition criteria have been met. As a result, if the documentation is not received within a given reporting period we recognize the revenues in a period subsequent to the period in which the channel partner completes the sale to the end user.

Rights of return and other incentives

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives.

Capitalized Software

We capitalize software development costs in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-40 – "Accounting for the Costs of Computer Software Developed or Obtained for Internal-Use". We capitalize costs for software to be used internally when we enter the application development stage. This occurs when we complete the preliminary project stage, management authorizes and commits to funding the project, and it is feasible that the project will be completed and the software will perform the intended function. We cease to capitalize costs related to a software project when it enters the post implementation and operation stage. If different determinations are made with respect to the state of development of a software project, then the amount capitalized and the amount charged to expense for that project could differ materially.

Costs capitalized during the application development stage consist of payroll and related costs for employees who are directly associated with, and who devote time directly to, a project to develop software for internal use. We also capitalize the direct costs of materials and services, which generally includes outside contractors, and interest. We do not capitalize any general and administrative or overhead costs or costs incurred during the application development stage related to training or data conversion costs. Costs related to upgrades and enhancements to internal-use software, if those upgrades and enhancements result in additional functionality, are capitalized. If upgrades and enhancements do not result in additional functionality, those costs are expensed as incurred. If different determinations are made with respect to whether upgrades or enhancements to software projects would result in additional functionality, then the amount capitalized and the amount charged to expense for that project could differ materially.

We amortize capitalized costs with respect to development projects for internal-use software when the software is ready for use. The capitalized software development costs are generally amortized using the straight-line method over a 5-year period. In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, we consider the effects of obsolescence, technology, competition and other economic factors. If different determinations are made with respect to the estimated useful life of the software, the amount of amortization charged in a particular period could differ materially.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The carrying amount of goodwill is periodically reviewed for impairment (at a minimum annually) and whenever events or changes in circumstances indicate that the carrying value of this asset may not be recoverable.

Our operations are analyzed by management and our chief operating decision maker (CODM) as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management software and solutions. Therefore, our goodwill impairment assessment is based on the allocation of goodwill to a single reporting unit.

Effective Fiscal 2013, we opted to perform a qualitative assessment to test our reporting unit's goodwill for impairment. Based on our qualitative assessment, if we determine that the fair value of our reporting unit is more likely than not (i.e., a likelihood of more than 50 percent) to be less than its carrying amount, the two step impairment test will be performed. In the first step, we would compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets of our reporting unit exceeds its fair value, then we must perform the second step of the impairment test in order to determine the implied fair value of our reporting unit's goodwill. If the carrying value our reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

Our annual impairment analysis of goodwill was performed as of April 1, 2014. Our qualitative assessment indicated that there were no indications of impairment and the fair value of our reporting unit was in excess of its carrying value and therefore there was no impairment of goodwill required to be recorded for Fiscal 2014 (No impairments were recorded for Fiscal 2013 and Fiscal 2012).

Acquired intangibles

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions. Acquired technology is initially recorded at fair value based on the present value of the estimated net future income-producing capabilities of software products acquired on acquisitions. We amortize acquired technology over its estimated useful life on a straight-line basis.

Customer relationships represent relationships that we have with customers of the acquired companies and are either based upon contractual or legal rights or are considered separable; that is, capable of being separated from the acquired entity and being sold, transferred, licensed, rented or exchanged. These customer relationships are initially recorded at their fair value based on the present value of expected future cash flows. We amortize customer relationships on a straight-line basis over their estimated useful lives.

We continually evaluate the remaining estimated useful life of our intangible assets being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Restructuring charges

We record restructuring charges relating to contractual lease obligations and other exit costs in accordance with ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420). Topic 420 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. In order to incur a liability pursuant to Topic 420, our management must have established and approved a plan of restructuring in sufficient detail. A liability for a cost associated with involuntary termination benefits is recorded when benefits have been communicated and a liability for a cost to terminate an operating lease or other contract is incurred when the contract has been terminated in accordance with the contract terms or we have ceased using the right conveyed by the contract, such as vacating a leased facility.

The recognition of restructuring charges requires us to make certain judgments regarding the nature, timing and amount associated with the planned restructuring activities, including estimating sub-lease income and the net recoverable amount of equipment to be disposed of. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances (see note 17 "Special charges" to our Consolidated Financial Statements for more details).

Business combinations

We apply the provisions of ASC Topic 805, "Business Combinations" (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition

date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our consolidated statements of operations.

Costs to exit or restructure certain activities of an acquired company or our internal operations are accounted for as one-time termination and exit costs pursuant to ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420) and are accounted for separately from the business combination.

For a given acquisition, we generally identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequently, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in our provision for income taxes in our Consolidated Statement of Income.

Foreign currency

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the month of the transaction. The effect of foreign currency translation adjustments not affecting net income are included in Shareholders' equity under the "Cumulative translation adjustment" account as a component of "Accumulated other comprehensive income". Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item "Other income (expense) net" for Fiscal 2014, Fiscal 2013 and Fiscal 2012 were \$4.0 million, \$(2.6) million and \$3.6 million, respectively.

Income taxes

We account for income taxes in accordance with ASC Topic 740, "Income Taxes" (Topic 740). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the Consolidated Financial Statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We account for our uncertain tax provisions by using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the "Provision for Income Taxes" line of our Consolidated Statements of Income (see note 14 "Income Taxes" to our Consolidated Financial Statements for more details).

RESULTS OF OPERATIONS

The following tables provide a detailed analysis of our results of operations and financial condition. For each of the periods indicated below, we present our revenues by product, revenues by major geography, cost of revenues by product, total gross margin, total operating margin, gross margin by product, and their corresponding percentage of total revenue. In addition,

35

we provide Non-GAAP measures for the periods discussed in order to provide additional information to investors that we believe will be useful as this presentation is in line with how our management assesses our Company's performance. See "Use of Non-GAAP Financial Measures" below for a reconciliation of Non-GAAP-based measures to GAAP-based measures.

Summary of Results of Operations

(In thousands)	Year Ended June 30,					
	2014	Change increase (decrease)	2013	Change increase (decrease)	2012	
Total Revenues by Product Type:						
License	\$309,217	\$29,619	\$279,598	\$(14,121)	\$293,719	
Cloud services	361,069	187,270	173,799	173,799	—	
Customer support	707,024	48,808	658,216	1,648	656,568	
Professional service and other	247,389	(4,334)	251,723	(5,463)	257,186	
Total revenues	1,624,699	261,363	1,363,336	155,863	1,207,473	
Total Cost of Revenues	511,670	25,766	485,904	67,886	418,018	
Total GAAP-based Gross Profit	1,113,029	235,597	877,432	87,977	789,455	
Total GAAP-based Gross Margin %	68.5	%	64.4	%	65.4	%
Total GAAP-based Operating Expenses	812,501	132,734	679,767	39,672	640,095	
Total GAAP-based Income from Operations	\$300,528	\$102,863	\$197,665	\$48,305	\$149,360	
% Revenues by Product Type:						
License	19.1	%	20.5	%	24.3	%
Cloud services	22.2	%	12.7	%	—	%
Customer support	43.5	%	48.3	%	54.4	%
Professional service and other	15.2	%	18.5	%	21.3	%
Total Cost of Revenues by Product Type:						
License	\$13,362	\$(2,745)	16,107	\$(1,926)	18,033	
Cloud services	135,472	63,107	72,365	72,365	—	
Customer support	95,980	(10,968)	106,948	(3,556)	110,504	
Professional service and other	196,939	65	196,874	(8,035)	204,909	
Amortization of acquired technology-based intangible assets	69,917	(23,693)	93,610	9,038	84,572	
Total cost of revenues	\$511,670	\$25,766	\$485,904	\$67,886	\$418,018	
% GAAP-based Gross Margin by Product Type:						
License	95.7	%	94.2	%	93.9	%
Cloud services	62.5	%	58.4	%	N/A	
Customer support	86.4	%	83.8	%	83.2	%
Professional service and other	20.4	%	21.8	%	20.3	%
Total Revenues by Geography:						
Americas (1)	\$873,420	\$138,834	\$734,586	\$99,126	\$635,460	
EMEA (2)	587,896	94,990	492,906	18,488	474,418	
Asia Pacific (3)	163,383	27,539	135,844	38,249	97,595	
Total revenues	\$1,624,699	\$261,363	\$1,363,336	\$155,863	\$1,207,473	
% Revenues by Geography:						
Americas (1)	53.8	%	53.9	%	52.6	%
EMEA (2)	36.2	%	36.1	%	39.3	%
Asia Pacific (3)	10.0	%	10.0	%	8.1	%

(In thousands)	Year Ended June 30,					
	2014		2013		2012	
GAAP-based gross margin	68.5	%	64.4	%	65.4	%
GAAP-based operating margin	18.5	%	14.5	%	12.4	%
GAAP-based EPS, diluted	\$1.81		\$1.26		\$1.07	
Non-GAAP-based gross margin (4)	72.9	%	71.3	%	72.5	%
Non-GAAP-based operating margin (4)	30.9	%	29.3	%	27.3	%
Non-GAAP-based EPS, diluted (4)	\$3.37		\$2.79		\$2.30	

(1) Americas consists of countries in North, Central and South America.

(2) EMEA primarily consists of countries in Europe, Africa and the United Arab Emirates.

(3) Asia Pacific primarily consists of the countries Japan, Australia, Hong Kong, Korea, Philippines, Singapore and New Zealand.

(4) See "Use of Non-GAAP Financial Measures" (discussed later in the MD&A) for a reconciliation of Non-GAAP-based measures to GAAP-based measures.

Revenues, Cost of Revenues and Gross Margin by Product Type

1) License Revenues:

License revenues consist of fees earned from the licensing of software products to customers. Our license revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions. Cost of license revenues consists primarily of royalties payable to third parties.

(In thousands)	Year Ended June 30,					
	2014	Change increase (decrease)	2013	Change increase (decrease)	2012	
License Revenues:						
Americas	\$143,064	\$9,128	\$133,936	\$(11,757)	\$145,693	
EMEA	127,136	10,928	116,208	(4,645)	120,853	
Asia Pacific	39,017	9,563	29,454	2,281	27,173	
Total License Revenues	309,217	29,619	279,598	(14,121)	293,719	
Cost of License Revenues	13,362	(2,745)	16,107	(1,926)	18,033	
GAAP-based License Gross Profit	\$295,855	\$32,364	\$263,491	\$(12,195)	\$275,686	
GAAP-based License Gross Margin %	95.7	%	94.2	%	93.9	

% License Revenues by Geography:

Americas	46.3	%	47.9	%	49.6		%
EMEA	41.1	%	41.6	%	41.1		%
Asia Pacific	12.6	%	10.5	%	9.3		%

Fiscal 2014 Compared to Fiscal 2013:

License revenues increased by \$29.6 million, which was geographically attributable to an increase in EMEA of \$10.9 million, an increase in Asia Pacific of \$9.6 million, and an increase in Americas of \$9.1 million. The number of license deals greater than \$0.5 million that closed during Fiscal 2014 increased as compared to the prior fiscal year (77 deals in Fiscal 2014 compared to 68 deals in Fiscal 2013).

The acquisition of GXS contributed approximately \$2.6 million of license revenues during Fiscal 2014.

Cost of license revenues decreased by \$2.7 million due to lower third party technology costs. As a result, the gross margin percentage on cost of license revenues increased to approximately 96% from approximately 94%.

Fiscal 2013 Compared to Fiscal 2012:

License revenues decreased by \$14.1 million, which was geographically attributable to a decrease in Americas of \$11.8 million, and a decrease in EMEA of \$4.6 million, partially offset by an increase of \$2.3 million in Asia Pacific. Additionally, the decrease in license revenues was attributable to a lower number of deals greater than \$0.5 million that closed during Fiscal 2013 as compared to the prior fiscal year (68 deals in Fiscal 2013 compared to 83 in Fiscal 2012).

Cost of license revenues decreased by \$1.9 million, primarily due to lower license revenue attainment as well as lower third party technology costs. Overall gross margin percentages on cost of license revenues remained relatively stable at 94%.

2) Cloud Services:

Cloud services revenues consist of service arrangements that allow our customers to make use of OpenText software, services and content over Internet enabled networks supported by OpenText data centers. These web applications allow customers to transmit a variety of content between various mediums and to securely manage enterprise information without the commitment of investing in related hardware infrastructure. Revenues are generated on several transactional usage-based models, are typically billed monthly in arrears, and can therefore fluctuate from period to period. Certain service fees are occasionally charged to customize hosted software for some customers and are either amortized over the estimated customer life, in the case of setup fees, or recognized in the period they are provided.

In addition, the acquisition of GXS combines GXS' portfolio of business-to-business (B2B) integration solutions, such as messaging services, and managed services, with offerings in OpenText's iX portfolio. Messaging services allow for the automated and reliable exchange of electronic transaction information, such as purchase orders, invoices, shipment notices and other business documents, among businesses worldwide. Managed services provide an end-to-end fully outsourced B2B integration solution to our customers, including program implementation, operational management, and customer support. These services enable customers to effectively manage the flow of electronic transaction information with their trading partners and reduce the complexity of disparate standards and communication protocols. Revenues are primarily generated through transaction processing. Transaction processing fees are recurring in nature and are recognized on a per transaction basis in the period in which the related transactions are processed. Revenues from contracts with monthly, quarterly or annual minimum transaction levels are recognized based on the greater of the actual transactions or the specified contract minimum amounts during the relevant period. Customers who are not committed to multi-year contracts generally are under contracts for transaction processing solutions that automatically renew every month or year, depending on the terms of the specific contracts.

Cost of cloud services revenues is comprised primarily of third party network usage fees, maintenance of in-house data hardware centers, technical support personnel-related costs, amortization of customer set up and implementation costs, and some third party royalty costs.

(In thousands)	Year Ended June 30,		Change		2012
	2014	Change increase (decrease)	2013	increase (decrease)	
Cloud Services:					
Americas	\$239,778	\$127,053	\$112,725	N/A	N/A
EMEA	71,150	44,902	26,248	N/A	N/A
Asia Pacific	50,141	15,315	34,826	N/A	N/A
Total Cloud Services Revenues	361,069	187,270	173,799	—	—
Cost of Cloud Services Revenues	135,472	63,107	72,365	N/A	N/A
GAAP-based Cloud Services Gross Profit	\$225,597	\$124,163	\$101,434	\$—	\$—
GAAP-based Cloud Services Gross Margin %	62.5	%	58.4	%	N/A
% Cloud Services Revenues by Geography:					
Americas	66.4	%	64.9	%	N/A

Edgar Filing: OPEN TEXT CORP - Form 10-K

EMEA	19.7	%	15.1	%	N/A
Asia Pacific	13.9	%	20.0	%	N/A

39

Fiscal 2014 Compared to Fiscal 2013:

Cloud services revenues increased by \$187.3 million, primarily due to the acquisition of GXS. Geographically, this was attributable to an increase in Americas of \$127.1 million, an increase in EMEA of \$44.9 million, and an increase in Asia Pacific of \$15.3 million.

Cost of cloud services revenues increased by \$63.1 million in tandem with increased revenues. However, the gross margin percentage on cloud services revenue increased to approximately 62% from approximately 58% as a result of a reduction in third party technology costs associated with lower revenue from legacy cloud services and the impact of certain one-time adjustments related to sales tax liabilities.

3) Customer Support Revenues:

Customer support revenues consist of revenues from our customer support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. Customer support revenues are generated from support and maintenance relating to current year sales of software products and from the renewal of existing maintenance agreements for software licenses sold in prior periods. Therefore, changes in customer support revenues do not always correlate directly to the changes in license revenues from period to period. The terms of support and maintenance agreements are typically twelve months, with customer renewal options. Cost of customer support revenues is comprised primarily of technical support personnel and related costs, as well as third party royalty costs.

(In thousands)	Year Ended June 30,					
	2014	Change increase (decrease)	2013	Change increase (decrease)	2012	
Customer Support Revenues:						
Americas	\$373,531	\$18,672	\$354,859	\$1,888	\$352,971	
EMEA	279,857	28,314	251,543	(2,996)) 254,539	
Asia Pacific	53,636	1,822	51,814	2,756	49,058	
Total Customer Support Revenues	707,024	48,808	658,216	1,648	656,568	
Cost of Customer Support Revenues	95,980	(10,968)) 106,948	(3,556)) 110,504	
GAAP-based Customer Support Gross Profit	\$611,044	\$59,776	\$551,268	\$5,204	\$546,064	
GAAP-based Customer Support Gross Margin %	86.4	%	83.8	%	83.2	%
%						
% Customer Support Revenues by Geography:						
Americas	52.8	%	53.9	%	53.8	%
EMEA	39.6	%	38.2	%	38.8	%
Asia Pacific	7.6	%	7.9	%	7.4	%

Fiscal 2014 Compared to Fiscal 2013:

Customer support revenues increased by \$48.8 million, which was geographically attributable to an increase in EMEA of \$28.3 million, an increase in Americas of \$18.7 million, and an increase in Asia Pacific of \$1.8 million.

The acquisition of GXS contributed approximately \$13.1 million of customer support revenues during Fiscal 2014.

Cost of customer support revenues decreased by \$11.0 million. This was primarily due to a reduction in the installed base of third party products and a reduction in technical support personnel related costs. As a result, the gross margin percentage on customer support revenues increased to approximately 86% from approximately 84%.

Fiscal 2013 Compared to Fiscal 2012:

Customer support revenues increased by \$1.6 million, which was geographically attributable to an increase in Asia Pacific of \$2.8 million, an increase in the Americas of \$1.9 million, partially offset by a decrease in EMEA of \$3.0 million.

Cost of customer support revenues was relatively stable, with margins remaining at approximately 83%.

4) Professional Service and Other Revenues:

Professional service and other revenues consist of revenues from consulting contracts and contracts to provide implementation, training and integration services (professional services). "Other" revenues consist of hardware revenues. These revenues are grouped within the "Professional service and other" category because they are relatively immaterial to our service revenues. Professional services are typically performed after the purchase of new software licenses. Cost of professional service and other revenues consists primarily of the costs of providing integration, configuration and training with respect to our various software products. The most significant components of these costs are personnel-related expenses, travel costs and third party subcontracting.

(In thousands)	Year Ended June 30,		Year Ended June 30,		2012	
	2014	Change increase (decrease)	2013	Change increase (decrease)		
Professional Service and Other Revenues:						
Americas	\$117,046	\$(16,028)	\$133,074	\$(3,722)	\$136,796	
EMEA	109,754	10,855	98,899	(127)	99,026	
Asia Pacific	20,589	839	19,750	(1,614)	21,364	
Total Professional Service and Other Revenues	247,389	(4,334)	251,723	(5,463)	257,186	
Cost of Professional Service and Other Revenues	196,939	65	196,874	(8,035)	204,909	
GAAP-based Professional Service and Other Gross Profit	\$50,450	\$(4,399)	\$54,849	\$2,572	\$52,277	
GAAP-based Professional Service and Other Gross Margin %	20.4	%	21.8	%	20.3	%

% Professional Service and Other Revenues by Geography:

Americas	47.3	%	52.9	%	53.2	%
EMEA	44.4	%	39.3	%	38.5	%
Asia Pacific	8.3	%	7.8	%	8.3	%

Fiscal 2014 Compared to Fiscal 2013:

Professional service and other revenues decreased by \$4.3 million, which was geographically attributable to a decrease in Americas of \$16.0 million, offset by an increase in EMEA of \$10.9 million, and an increase in Asia Pacific of \$0.8 million.

Cost of professional service and other revenues increased by a non-material amount of \$65.0 thousand. The gross margin percentage on professional service and other revenues remained relatively stable.

Fiscal 2013 Compared to Fiscal 2012:

Professional service and other revenues decreased by \$5.5 million, which was geographically attributable to a decrease in Americas of \$3.7 million, a decrease in Asia Pacific of \$1.6 million, and a decrease in EMEA of \$0.1 million.

Cost of professional service and other revenues decreased by \$8.0 million. This is primarily due to lower professional service and other revenues as well as the reduction in the use of subcontractors. As a result of efficiencies achieved and improved utilization, we have experienced increased margins in professional services during Fiscal 2013.

Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Year Ended June 30,		Year Ended June 30,		2012
	2014	Change increase (decrease)	2013	Change increase (decrease)	
Amortization of acquired technology-based intangible assets	\$69,917	\$(23,693)	\$93,610	\$9,038	\$84,572

Fiscal 2014 Compared to Fiscal 2013:

Amortization of acquired technology-based intangible assets decreased by \$23.7 million as compared to Fiscal 2013. This is due to the intangible assets pertaining to our acquisitions of Vignette Corporation, Hummingbird Corporation (Hummingbird), IXOS Software AG (IXOS), and Captaris Inc. becoming fully amortized, offset in part by the addition of new acquired technology-based intangible assets resulting from our acquisition of GXS in the third quarter of Fiscal 2014.

Fiscal 2013 Compared to Fiscal 2012:

Amortization of acquired technology-based intangible assets increased by \$9.0 million, primarily due to the acquisition of EasyLink during Fiscal 2013.

Operating Expenses

(In thousands)	Year Ended June 30,				
	2014	Change increase (decrease)	2013	Change increase (decrease)	2012
Research and development	\$176,834	\$12,824	\$164,010	\$(5,033)	\$169,043
Sales and marketing	345,643	56,486	289,157	14,613	274,544
General and administrative	142,450	33,125	109,325	12,253	97,072
Depreciation	35,237	10,741	24,496	2,909	21,587
Amortization of acquired customer-based intangible assets	81,023	12,278	68,745	15,419	53,326
Special charges	31,314	7,280	24,034	(489)	24,523
Total operating expenses	\$812,501	\$132,734	\$679,767	\$39,672	\$640,095

% of Total Revenues:

Research and development	10.9	%	12.0	%	14.0	%
Sales and marketing	21.3	%	21.2	%	22.7	%
General and administrative	8.8	%	8.0	%	8.0	%
Depreciation	2.2	%	1.8	%	1.8	%
Amortization of acquired customer-based intangible assets	5.0	%	5.0	%	4.4	%
Special charges	1.9	%	1.8	%	2.0	%

Research and development expenses consist primarily of payroll and payroll-related benefits expenses, contracted research and development expenses, and facility costs. Research and development assists with organic growth, improves product stability and functionality, and as such we dedicate extensive efforts to update and upgrade our product offerings. The primary driver is typically budgeted software upgrades and software development.

(In thousands)	Year-over-Year Change between Fiscal	
	2014 and 2013	2013 and 2012
Payroll and payroll-related benefits	\$12,552	\$(594)
Contract labour and consulting	(6,272)	(4,715)
Share based compensation	784	(2,106)
Travel and communication	513	(1,453)
Facilities	3,752	(2,874)
Other miscellaneous	1,495	6,709
Total year-over-year change in research and development expenses	\$12,824	\$(5,033)

Fiscal 2014 Compared to Fiscal 2013:

Research and development expenses increased by \$12.8 million. This was primarily due to a \$12.6 million increase in payroll and payroll-related benefits, partly contributed by acquisitions made in Fiscal 2014, offset by a \$6.3 million decrease in contract labour and consulting, resulting from continued efforts to reduce the usage of external services

and replace them with

42

internal resources. During Fiscal 2014 our research and development labour resources increased by 535 employees, from 1,337 employees at June 30, 2013 to 1,872 employees at June 30, 2014. This increase in labour resources resulted in a \$3.8 million increase in the use of facility and related resources. Overall, our research and development expenses, as a percentage of total revenues, have decreased slightly to 11% from 12%.

Fiscal 2013 Compared to Fiscal 2012:

Research and development expenses decreased by \$5.0 million, primarily due to a decrease in fees related to contract labour and consulting services of \$4.7 million as we reduced the usage of external services and replaced them with internal resources. Correspondingly, the change in contract labour resources resulted in a \$2.9 million decrease in the use of facilities and facility-related resources as well as a decrease in travel and communication expenses of \$1.5 million as steps were taken to further reduce costs. Overall, our research and development expenses, as a percentage of total revenues, have decreased to approximately 12%.

Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising, marketing and trade shows.

(In thousands)	Year-over-Year Change between Fiscal	
	2014 and 2013	2013 and 2012
Payroll and payroll-related benefits	\$26,932	\$16,632
Commissions	21,435	(16,385)
Contract labour and consulting	(2,290)	(2,258)
Share based compensation	(1,239)	(361)
Travel and communication	1,297	2,459
Marketing expenses	4,240	13,148
Facilities	4,943	2,739
Other miscellaneous	1,168	(1,361)
Total year-over-year change in sales and marketing expenses	\$56,486	\$14,613

Fiscal 2014 Compared to Fiscal 2013:

Sales and marketing expenses increased by \$56.5 million. This is primarily due to a \$26.9 million increase in payroll and payroll-related benefits, partly contributed by acquisitions made in Fiscal 2014, and a \$21.4 million increase in commission benefits resulting from the increase in total revenues. During Fiscal 2014 our sales and marketing labour resources increased by 251 employees, from 1,144 employees at June 30, 2013 to 1,395 employees at June 30, 2014. In addition, marketing expenses increased by \$4.2 million, primarily on account of our "Innovation Tour", which was a series of user conferences held in various countries during Fiscal 2014. Overall, our sales and marketing expenses, as a percentage of total revenues, have remained stable at approximately 21%.

Fiscal 2013 Compared to Fiscal 2012:

Sales and marketing expenses increased by \$14.6 million, primarily due to a \$16.6 million increase in payroll and payroll-related benefits and a \$13.1 million increase in marketing expenses. These increases were driven by an initiative to increase sales force capacity and to increase marketing spend to leverage future sales growth. These increases were partially offset by a \$16.4 million decrease in commission benefits resulting from lower license revenues. Overall, our sales and marketing expenses, as a percentage of total revenues, have decreased slightly to approximately 21%.

General and administrative expenses consist primarily of payroll and payroll related benefits expenses, related overhead, audit fees, other professional fees, consulting expenses and public company costs.

(In thousands)	Year-over-Year Change between Fiscal	
	2014 and 2013	2013 and 2012
Payroll and payroll-related benefits	\$9,418	\$8,040
Contract labour and consulting	1,204	(1,359)
Share based compensation	4,311	(593)
Travel and communication	701	3,052
Facilities	1,331	(1,569)
Other miscellaneous	16,160	4,682
Total year-over-year change in general and administrative expenses	\$33,125	\$12,253

Fiscal 2014 Compared to Fiscal 2013:

General and administrative expenses increased by \$33.1 million. This is primarily due to a \$16.2 million increase in other miscellaneous expenses, which includes professional fees such as legal, audit, and tax related expenses. Legal fees have increased primarily on account of litigation that we are pursuing with respect to amounts potentially recoverable by us. Audit and tax fees have increased due to our increased acquisition related activities. Additionally, payroll and payroll-related benefits increased by \$9.4 million, primarily as a result of acquisitions made in Fiscal 2014. During Fiscal 2014 our general and administrative labour resources increased by 257 employees, from 727 employees at June 30, 2013 to 984 employees at June 30, 2014. As a result, general and administrative expenses, as a percentage of total revenue, have increased to 9% from 8% in the same period in the prior fiscal year.

Fiscal 2013 Compared to Fiscal 2012:

General and administrative expenses increased by \$12.3 million due to an increase in other miscellaneous expenses, and payroll and payroll-related benefits, resulting primarily from the short-term impact of the acquisition of EasyLink. General and administrative expenses as a percentage of revenue remained relatively stable at approximately 8%.

Depreciation expenses:

(In thousands)	Year Ended June 30,		2013	Change	
	2014	Change increase (decrease)		Change increase (decrease)	2012
Depreciation	\$35,237	\$10,741	\$24,496	\$2,909	\$21,587

Fiscal 2014 Compared to Fiscal 2013:

Depreciation expenses increased by \$10.7 million. This is due to an increase in capital expenditures and the acquisitions of Cordys and GXS during Fiscal 2014.

Fiscal 2013 Compared to Fiscal 2012:

Depreciation expenses increased by \$2.9 million, primarily due to the acquisition of EasyLink during Fiscal 2013.

Amortization of acquired customer-based intangible assets:

(In thousands)	Year Ended June 30,		2013	Change	
	2014	Change increase (decrease)		Change increase (decrease)	2012
Amortization of acquired customer-based intangible assets	\$81,023	\$12,278	\$68,745	\$15,419	\$53,326

Fiscal 2014 Compared to Fiscal 2013:

Acquired customer-based intangible assets amortization expense increased by \$12.3 million. This is primarily due to the acquisition of GXS during the third quarter of Fiscal 2014, offset by the intangible assets pertaining to our acquisition of Hummingbird and IXOS becoming fully amortized.

Fiscal 2013 Compared to Fiscal 2012:

Acquired customer-based intangible assets amortization expense increased by \$15.4 million, primarily due to the acquisition of EasyLink during Fiscal 2013.

Special charges:

Special charges typically relate to amounts that we expect to pay in connection with restructuring plans relating to employee workforce reduction and abandonment of excess facilities, acquisition related costs and other similar charges. Generally, we implement such plans in the context of integrating existing OpenText operations with that of acquired entities. Actions related to such restructuring plans are typically completed within a period of one year. In certain limited situations, if the planned activity does not need to be implemented, or an expense lower than anticipated is paid out, we record a recovery of the originally recorded expense to Special charges.

(In thousands)	Year Ended June 30,		Change		2012
	2014	Change increase (decrease)	2013	increase (decrease)	
Special charges	\$31,314	\$7,280	\$24,034	\$(489)	\$24,523

Fiscal 2014 Compared to Fiscal 2013:

Special charges increased by \$7.3 million. This was due to a \$10.5 million increase on account of restructuring activities and a \$5.1 million increase in acquisition related costs, offset by a \$8.3 million decrease on account of other miscellaneous charges.

Fiscal 2013 Compared to Fiscal 2012:

Special charges decreased by \$0.5 million, primarily due a \$1.7 million reduction in restructuring activities, offset by a \$1.4 million increase in other charges.

For more details on Special charges, see note 17 "Special Charges" to our Consolidated Financial Statements.

Net Other Income (Expense)

Net other income (expense) relates to certain non-operational charges consisting primarily of transactional foreign exchange gains (losses). This income (expense) is dependent upon the change in foreign currency exchange rates vis-à-vis the functional currency of the legal entity.

(In thousands)	Year Ended June 30,		Change		2012
	2014	Change increase (decrease)	2013	increase (decrease)	
Other income (expense), net	\$3,941	\$6,414	\$(2,473)	\$(6,022)	\$3,549

Net Interest and other Related Expense

Net interest and other related expense is primarily comprised of cash interest paid and accrued on our debt facilities, offset by interest income earned on our cash and cash equivalents.

(In thousands)	Year Ended June 30,		Change		2012
	2014	Change increase (decrease)	2013	increase (decrease)	
Interest and other related expense, net	\$27,934	\$10,952	\$16,982	\$1,418	\$15,564

Fiscal 2014 Compared to Fiscal 2013:

Net interest and other related expense increased by \$11.0 million, as a result of additional interest expense incurred relating to our Term Loan B, partially offset by income of approximately \$0.7 million that we received in the second quarter of Fiscal 2014 as part of an income distribution made from one of our cost basis investments. We do not expect such income

distributions to be made regularly. In addition, interest expense related to Term Loan A decreased by approximately \$1.8 million as a result of changing interest rates.

Fiscal 2013 Compared to Fiscal 2012:

Net interest expense increased by \$1.4 million, primarily due to interest incurred on the new credit facility we entered into on November 9, 2011, which resulted in additional borrowings in Fiscal 2013, as compared to our outstanding debt during Fiscal 2012.

For more details see note 7 "Other Assets" and note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Provision for Income Taxes

We initiated an internal reorganization of our international subsidiaries in our fiscal year which began on July 1, 2009 and ended June 30, 2010 and we continue to integrate acquisitions into this new organizational structure for the following reasons: 1) to consolidate our intellectual property within certain jurisdictions, 2) to effect an operational reduction of our global subsidiaries with a view to, eventually, having a single operating legal entity in each jurisdiction, 3) to better safeguard our intellectual property in jurisdictions with well established legal regimes and protections and 4) to simplify the management of our intellectual property ownership.

We operate in several tax jurisdictions and are exposed to various foreign tax rates. We also note that we are subject to tax rate discrepancies between our domestic tax rate and foreign tax rates that are significant and these discrepancies are primarily related to earnings in Luxembourg.

(In thousands)	Year Ended June 30,		Change		2012
	2014	Change increase (decrease)	2013	increase (decrease)	
Provision for income taxes	\$58,461	\$28,771	\$29,690	\$17,519	\$12,171

Fiscal 2014 Compared to Fiscal 2013:

The effective GAAP tax rate (which is the provision for taxes expressed as a percentage of net income before taxes) increased to 21.1% for Fiscal 2014, from 16.6% for Fiscal 2013, primarily due to an increase in the net expense of unrecognized tax benefits with related interest and penalties in the amount of \$26.3 million, and a decrease of \$7.4 million in the benefit of the impact of internal reorganizations, offset by a decrease of \$6.2 million related to the impact of adjustments in the United States, Germany and Australia upon filing of tax returns in Fiscal 2014 compared to Fiscal 2013. The remainder of the differences are due to normal course movements and non-material items.

Fiscal 2013 Compared to Fiscal 2012:

The effective GAAP tax rate (which is the provision for taxes expressed as a percentage of net income before taxes) increased to 16.6% for Fiscal 2013 from 8.9% for Fiscal 2012 primarily due to greater tax benefits realized in Fiscal 2012 relating to the internal reorganization of the acquired international subsidiaries of Metastorm Inc. and Global 360 Holding Corp. (Global 360) and a Canadian election to file tax returns in U.S. dollar functional currency. The Fiscal 2013 tax expense also includes an increase in tax expense related to the impact of adjustments in the United States and Australia upon filing of tax returns, which is offset by tax benefits achieved on account of tax years becoming statute barred for purposes of uncertain tax positions, as well as a decrease in the impact of valuation allowances. The remainder of the differences are due to normal course movements and non material items.

For information with regards to certain potential tax contingencies, see note 13 "Guarantees and Contingencies" to our Consolidated Financial Statements.

Use of Non-GAAP Financial Measures

In addition to reporting financial results in accordance with U.S. GAAP, the Company provides certain financial measures that are not in accordance with U.S. GAAP (Non-GAAP). These Non-GAAP financial measures have certain limitations in that they do not have a standardized meaning and thus the Company's definition may be different from similar Non-GAAP financial measures used by other companies and/or analysts and may differ from period to period. Thus it may be more difficult to compare the Company's financial performance to that of other companies. However, the Company's management compensates for these limitations by providing the relevant disclosure of the items excluded in the calculation of these Non-GAAP financial measures both in its reconciliation to the U.S. GAAP financial measures and its Consolidated Financial Statements, all of which should be considered when evaluating the Company's results.

The Company uses these Non-GAAP financial measures to supplement the information provided in its Consolidated Financial Statements, which are presented in accordance with U.S. GAAP. The presentation of Non-GAAP financial measures are not meant to be a substitute for financial measures presented in accordance with U.S. GAAP, but rather should be evaluated in conjunction with and as a supplement to such U.S. GAAP measures. OpenText strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure. The Company therefore believes that despite these limitations, it is appropriate to supplement the disclosure of the U.S. GAAP measures with certain Non-GAAP measures defined below.

Non-GAAP-based net income and Non-GAAP-based EPS are calculated as net income or earnings per share on a diluted basis, excluding the amortization of acquired intangible assets, other income (expense), share-based compensation, and special charges, all net of tax. Non-GAAP-based gross profit is the arithmetical sum of GAAP-based gross profit and the amortization of acquired technology-based intangible assets. Non-GAAP-based gross margin is calculated as Non-GAAP-based gross profit expressed as a percentage of revenue. Non-GAAP-based income from operations is calculated as income from operations, excluding the amortization of acquired intangible assets, special charges, and share-based compensation expense. Non-GAAP-based operating margin is calculated as Non-GAAP-based income from operations expressed as a percentage of revenue.

The Company's management believes that the presentation of the above defined Non-GAAP financial measures provides useful information to investors because they portray the financial results of the Company before the impact of certain non-operational charges. The use of the term "non-operational charge" is defined for this purpose as an expense that does not impact the ongoing operating decisions taken by the Company's management and is based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports. In the course of such evaluation and for the purpose of making operating decisions, the Company's management excludes certain items from its analysis, including amortization of acquired intangible assets, special charges, share-based compensation, other income (expense), and the taxation impact of these items. These items are excluded based upon the manner in which management evaluates the business of the Company and are not excluded in the sense that they may be used under U.S. GAAP.

The Company believes the provision of supplemental Non-GAAP measures allow investors to evaluate the operational and financial performance of the Company's core business using the same evaluation measures that management uses, and is therefore a useful indication of OpenText's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance (although prior performance is not necessarily indicative of future performance). As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary Non-GAAP financial measures that exclude certain items from the presentation of its financial results.

The following charts provide unaudited reconciliations of U.S. GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented:

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2014
(in thousands except for per share data)

	Year Ended June 30, 2014					
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue
Cost of revenues						
Cloud services	\$ 135,472		\$ (342)	(1)	\$ 135,130	
Customer support	95,980		(754)	(1)	95,226	
Professional service and other	196,939		(855)	(1)	196,084	
Amortization of acquired technology-based intangible assets	69,917		(69,917)	(2)	—	
GAAP-based gross profit and gross margin (%) /	1,113,029	68.5%	71,868	(3)	1,184,897	72.9%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	176,834		(2,356)	(1)	174,478	
Sales and marketing	345,643		(7,312)	(1)	338,331	
General and administrative	142,450		(8,287)	(1)	134,163	
Amortization of acquired customer-based intangible assets	81,023		(81,023)	(2)	—	
Special charges	31,314		(31,314)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	300,528	18.5%	202,160	(5)	502,688	30.9%
Other income (expense), net	3,941		(3,941)	(6)	—	
Provision for (recovery of) income taxes	58,461		9,569	(7)	68,030	
GAAP-based net income /						
Non-GAAP-based net income, attributable to OpenText	218,125		188,650	(8)	406,775	
GAAP-based earnings per share /						
Non GAAP-based earnings per share-diluted, attributable to OpenText	\$ 1.81		\$ 1.56	(8)	\$ 3.37	

(1) Adjustment relates to the exclusion of share based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily to the transactional impact of foreign exchange and is generally not

indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results.

- Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (7) tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (8) Reconciliation of Non-GAAP-based adjusted net income to GAAP-based net income:

	Year Ended June 30, 2014	
		Per share diluted
Non-GAAP-based net income, attributable to OpenText	\$406,775	\$3.37
Less:		
Amortization	150,940	1.25
Share-based compensation	19,906	0.17
Special charges	31,314	0.26
Other (income) expense, net	(3,941)	(0.03)
GAAP-based provision for (recovery of) income taxes	58,461	0.48
Non-GAAP based provision for income taxes	(68,030)	(0.57)
GAAP-based net income, attributable to OpenText	\$218,125	\$1.81

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2013
(in thousands except for per share data)

	Year Ended June 30, 2013				Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note		
Cost of revenues						
Cloud services	\$72,365		\$ (128)	(1)	\$ 72,237	
Customer support	106,948		(434)	(1)	106,514	
Professional service and other	196,874		(915)	(1)	195,959	
Amortization of acquired technology-based intangible assets	93,610		(93,610)	(2)	—	
GAAP-based gross profit and gross margin (%) /	877,432	64.4%	95,087	(3)	972,519	71.3%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	164,010		(1,693)	(1)	162,317	
Sales and marketing	289,157		(8,429)	(1)	280,728	
General and administrative	109,325		(3,976)	(1)	105,349	
Amortization of acquired customer-based intangible assets	68,745		(68,745)	(2)	—	
Special charges	24,034		(24,034)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	197,665	14.5%	201,964	(5)	399,629	29.3%
Other income (expense), net	(2,473)		2,473	(6)	—	
Provision for (recovery of) income taxes	29,690		23,881	(7)	53,571	
GAAP-based net income /						
Non-GAAP-based net income, attributable to OpenText	148,520		180,556	(8)	329,076	
GAAP-based earnings per share /						
Non GAAP-based earnings per share-diluted, attributable to OpenText	\$ 1.26		\$ 1.53	(8)	\$ 2.79	

(1) Adjustment relates to the exclusion of share based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily to the transactional impact of foreign exchange and is generally not

indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results.

- Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (7) tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (8) Reconciliation of Non-GAAP-based adjusted net income to GAAP-based net income:

	Year Ended June 30, 2013	
		Per share diluted
Non-GAAP-based net income, attributable to OpenText	\$ 329,076	\$2.79
Less:		
Amortization	162,355	1.37
Share-based compensation	15,575	0.13
Special charges	24,034	0.20
Other (income) expense, net	2,473	0.02
GAAP-based provision for (recovery of) income taxes	29,690	0.25
Non-GAAP based provision for income taxes	(53,571)) (0.44)
GAAP-based net income, attributable to OpenText	\$ 148,520	\$ 1.26

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2012
(in thousands except for per share data)

	Year Ended June 30, 2012						
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue	
Cost of revenues							
Customer support	\$ 110,504		\$ (169)	(1)	\$ 110,335		
Professional service and other	204,909		(647)	(1)	204,262		
Amortization of acquired technology-based intangible assets	84,572		(84,572)	(2)	—		
GAAP-based gross profit and gross margin (%) /	789,455	65.4%	85,388	(3)	874,843	72.5%	
Non-GAAP-based gross profit and gross margin (%)							
Operating expenses							
Research and development	169,043		(3,939)	(1)	165,104		
Sales and marketing	274,544		(8,811)	(1)	265,733		
General and administrative	97,072		(4,531)	(1)	92,541		
Amortization of acquired customer-based intangible assets	53,326		(53,326)	(2)	—		
Special charges	24,523		(24,523)	(4)	—		
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	149,360	12.4%	180,518	(5)	329,878	27.3%	
Other income (expense), net	3,549		(3,549)	(6)	—		
Provision for (recovery of) income taxes	12,171		31,833	(7)	44,004		
GAAP-based net income /							
Non-GAAP-based net income, attributable to OpenText	125,174		145,136	(8)	270,310		
GAAP-based earnings per share /							
Non GAAP-based earnings per share-diluted, attributable to OpenText	\$ 1.07		\$ 1.24	(8)	\$ 2.30		

(1) Adjustment relates to the exclusion of share based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating

results.

- (7) Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (8) Reconciliation of Non-GAAP-based adjusted net income to GAAP-based net income:

	Year Ended June 30, 2012	
		Per share diluted
Non-GAAP-based net income, attributable to OpenText	\$270,310	\$2.30
Less:		
Amortization	137,898	1.17
Share-based compensation	18,097	0.15
Special charges	24,523	0.21
Other (income) expense, net	(3,549))(0.03)
GAAP-based provision for (recovery of) income taxes	12,171	0.10
Non-GAAP based provision for income taxes	(44,004))(0.37)
GAAP-based net income, attributable to OpenText	\$125,174	\$1.07

LIQUIDITY AND CAPITAL RESOURCES

The following tables set forth changes in cash flows from operating, investing and financing activities for the periods indicated:

(In thousands)	As of June 30,		2013	Change	
	2014	Change increase (decrease)		increase (decrease)	2012
Cash and cash equivalents	\$427,890	\$ (42,555)	\$470,445	\$ (89,302)	\$559,747
	Year Ended June 30,		2013	Change	
(In thousands)	2014	Change		2012	Change
Cash provided by operating activities	417,127	\$98,625	318,502	52,012	266,490
Cash used in investing activities	(1,153,368)	\$ (778,974)	(374,394)	(92,855)	(281,539)
Cash provided by (used in) financing activities	687,944	\$719,062	(31,118)	(333,702)	302,584
Cash and cash equivalents					

Cash and cash equivalents primarily consist of deposits held at major banks with original maturities of 90 days or less. In connection with our acquisition of GXS, we entered into Term Loan B (as defined below in "Long-term Debt and Credit Facilities") on January 16, 2014 to borrow \$800 million. For further details on this borrowing, see "Long-term Debt and Credit Facilities" below as well as a copy of the agreement filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 16, 2014.

We anticipate that our cash and cash equivalents, as well as available credit facilities, will be sufficient to fund our anticipated cash requirements for working capital, contractual commitments, capital expenditures, dividends and operating needs for the next 12 months. However, any further material or acquisition-related activities may require additional sources of financing and would be subject to the financial covenants established under our credit facilities. For more details, see "Long-term Debt and Credit Facilities" below.

We do not have any material restrictions on repatriation of cash from foreign subsidiaries nor do we expect taxes on repatriation of cash held in foreign subsidiaries to have a material effect on our overall liquidity, financial condition or results of operations.

Cash flows provided by operating activities

Fiscal 2014 Compared to Fiscal 2013:

Cash flows from operating activities increased by \$98.6 million due to an increase in net income before the impact of non-cash items of \$49.4 million and an increase in changes from working capital of \$49.2 million.

Fiscal 2013 Compared to Fiscal 2012:

Cash flows from operating activities increased by \$52.0 million, due to an increase in net income before the impact of non-cash items of \$122.4 million, offset by decreased working capital changes of \$70.4 million, which included a \$27.0 million litigation settlement paid to j2 Global Inc.

Cash used in investing activities

Our cash used in investing activities is primarily on account of acquisitions.

Fiscal 2014 Compared to Fiscal 2013:

Cash flows used in investing activities increased by \$779.0 million. This is primarily due to the higher consideration for our acquisitions made during Fiscal 2014 than for our acquisitions made during Fiscal 2013. Additionally, we invested \$19.2 million in incremental additions to property and equipment.

Fiscal 2013 Compared to Fiscal 2012:

Cash flows used in investing activities increased by \$92.9 million. This was the result of an increase in acquisition related spending of \$95.6 million, partially offset by a \$2.7 million decrease in additions of property and equipment.

Cash flows from financing activities

Our cash flows from financing activities consist of long-term debt financing and amounts received from stock options exercised by our employees. These inflows are typically offset by scheduled and non-scheduled repayments of our long-term debt financing and, when applicable, the payment of dividends and/or the repurchases of our Common Shares.

Fiscal 2014 Compared to Fiscal 2013:

Cash flows used in financing activities increased by \$719.1 million. This is primarily the result of the receipt of a net amount of approximately \$783.3 million under our new term loan facility (Term Loan B) which was used, in part, to fund our acquisition of GXS. Additionally, cash collected from the issuance of Common Shares increased by \$8.5 million. The increases in cash proceeds were offset by an increase in principal payments on our debt facilities of \$15.2 million, and an increase in dividend payments made to our shareholders of \$57.0 million.

Fiscal 2013 Compared to Fiscal 2012:

Cash flows provided by financing activities decreased by \$333.7 million. In Fiscal 2012 we borrowed \$600 million under Term Loan A (defined below in "Long-term Debt and Credit Facilities") and used a portion of the proceeds to repay all of our previously outstanding credit facility debt in the amount of \$284.6 million. The remaining difference was due to principal payments of \$30.7 million on our debt facilities, the payment of \$17.7 million in dividends to our shareholders, and less cash collected from the issuance of Common Shares in Fiscal 2013.

Cash Dividends

In Fiscal 2014, we declared and paid cash dividends of \$0.6225 per Common Share, on a post stock-split basis, that totaled \$74.7 million. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board of Directors.

In Fiscal 2013, we declared and paid cash dividends of \$0.15 per Common Share, on a post stock-split basis, that totaled \$17.7 million.

Long-term Debt and Credit Facilities

Term Loan A and Revolver

As of June 30, 2014, one of our credit facilities consists of a \$600 million term loan facility (Term Loan A) and a \$100 million committed revolving credit facility (the Revolver). Borrowings under Term Loan A are secured by a first charge over substantially all of our assets, and as of January 16, 2014, on a pari passu basis with Term Loan B (as defined below). We entered into this credit facility and borrowed the full amount under Term Loan A on November 9, 2011 and amended certain of its terms on December 16, 2013.

Term Loan A has a five year term and repayments made under Term Loan A are equal to 1.25% of the original principal amount at each quarter for the first 2 years, approximately 1.88% for years 3 and 4 and 2.5% for year 5. Term Loan A bears interest at a floating rate of LIBOR plus a fixed amount, depending on the Company's consolidated leverage ratio. As of June 30, 2014, this fixed amount was 2.75%, and the combined interest rate was 2.9%

The Revolver has a five year term with no fixed repayment date prior to the end of the term. As of June 30, 2014, we have not drawn any amounts on the Revolver.

Under Term Loan A we must maintain a "consolidated leverage" ratio of no more than 3:1 at the end of each financial quarter. Consolidated leverage ratio is defined for this purpose as the proportion of our total debt, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of June 30, 2014, our consolidated leverage ratio was 2.22:1.

We must also maintain a "consolidated interest coverage" ratio of 3:1 or more at the end of each financial quarter. Consolidated interest coverage ratio is defined for this purpose as our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges, over our consolidated interest expense. As of June 30, 2014, our consolidated interest coverage ratio was 13.81:1.

We utilize our long-term debt facilities primarily for acquisition activities. Our current position with respect to our loan covenants provides us with additional ability to borrow for potential future acquisition activities. For more details relating to our Term Loan A, see note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Term Loan B

In connection with the acquisition of GXS, on January 16, 2014, we entered into a second credit facility, which provides for a \$800 million term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets as lead arrangers and joint bookrunners (Term Loan B). Repayments made under Term Loan B are equal to 0.25% of the original principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity.

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with Term Loan A. We entered into Term Loan B and borrowed the full amount of \$800 million on January 16, 2014. Term Loan B has a seven year term.

Borrowings under Term Loan B bear interest at a rate per annum equal to an applicable margin plus, at the borrower's option, either (1) the eurodollar rate for the interest period relevant to such borrowing or (2) an ABR rate determined by reference to the greatest of (i) the prime rate of Barclays, (ii) the federal funds rate plus 0.50% per annum and (iii) the one month eurodollar rate plus 1.00% per annum. The applicable margin for borrowings under Term Loan B will be 2.5% with respect to LIBOR borrowings and 1.5% with respect to ABR rate borrowings.

Currently we have chosen for our borrowings under Term Loan B to bear a floating rate of interest at a rate per annum equal to 2.5% plus the higher of LIBOR or 0.75%. As of June 30, 2014, the interest rate was 3.25%.

Term Loan B has incremental facility capacity of (i) \$250 million plus (ii) additional amounts, subject to meeting a "consolidated senior secured net leverage" ratio not exceeding 2.75:1.00, in each case subject to certain conditions. Consolidated senior secured net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, that is secured by our or any of our subsidiaries' assets, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges.

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of June 30, 2014, our consolidated net leverage ratio was 1.49:1.

For further details relating to Term Loan B, please see note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Mortgage

We currently have an "open" mortgage with a bank where we can pay all or a portion of the mortgage on or before August 1, 2015. The original principal amount of the mortgage was Canadian \$15.0 million and interest accrues monthly at a variable rate of Canadian prime plus 0.50%. Principal and interest are payable in monthly installments of Canadian \$0.1 million with a final lump sum principal payment due on maturity. The mortgage is secured by a lien on our headquarters in Waterloo, Ontario, Canada. We entered into this mortgage in December 2005. As of June 30, 2014, the carrying value of the mortgage was \$9.6 million. As of June 30, 2014, the carrying value of the Waterloo building that secures the mortgage was \$15.6 million.

Shelf Registration Statement

In response to the demand and piggyback registration requests we received pursuant to the registration rights agreement entered into in connection with the acquisition of GXS, we filed a universal shelf registration statement on Form S-3 (the Shelf Registration Statement) with the SEC, which became effective automatically. The Shelf Registration Statement allows for primary and secondary offering from time to time of equity, debt and other securities, including Common Shares, Preference Shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts. A base shelf prospectus qualifying the distribution of such securities was also filed with certain Canadian securities regulators. The type of securities and the specific terms thereof will be

determined at the time of any offering and will be described in the applicable prospectus supplement to be filed separately with the SEC and such Canadian securities regulators.

On May 5, 2014, we filed a prospectus supplement with the SEC and certain Canadian securities regulators to allow certain selling shareholders who requested demand and piggyback registration to resell up to 2,583,302 Common Shares. We

currently do not have any commitments or plans to sell any securities on a primary basis under the Shelf Registration Statement at this time.

Pensions

As of June 30, 2014, our total unfunded pension plan obligations were \$62.0 million, of which \$1.7 million is payable within the next 12 months. We expect to be able to make the long-term and short-term payments related to these obligations in the normal course of operations.

Our anticipated payments under our most significant plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER*	GXS PHP*
2015	\$ 634	\$ 917	\$ 13
2016	704	980	28
2017	785	1,070	38
2018	841	1,149	65
2019	936	1,165	111
2020 to 2024	5,939	6,420	1,072
Total	\$ 9,839	\$ 11,701	\$ 1,327

* These plans were assumed with our acquisition of GXS on January 16, 2014.

For a detailed discussion on all pensions, see note 11 "Pension Plans and Other Post Retirement Benefits" to our Consolidated Financial Statements.

Commitments and Contractual Obligations

As of June 30, 2014, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

(In thousands)	Payments due between	Total	Period ending		July 1, 2019 and beyond
			July 1, 2015— June 30, 2015	July 1, 2017— June 30, 2017	
Long-term debt obligations	\$ 1,516,949	\$ 94,548	\$ 561,687	\$ 66,417	\$ 794,297
Operating lease obligations*	215,527	49,306	69,761	47,554	48,906
Purchase obligations	25,206	11,076	13,711	419	—
	\$ 1,757,682	\$ 154,930	\$ 645,159	\$ 114,390	\$ 843,203

*Net of \$3.0 million of sublease income to be received from properties which we have subleased to third parties.

The long-term debt obligations are comprised of interest and principal payments on our term loans and a mortgage on our headquarters in Waterloo, Ontario, Canada. See note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Guarantees and Indemnifications

We have entered into customer agreements which may include provisions to indemnify our customers against third party claims that our software products or services infringe certain third party intellectual property rights and for liabilities related to a breach of our confidentiality obligations. We have not made any material payments in relation to such indemnification provisions and have not accrued any liabilities related to these indemnification provisions in our Consolidated Financial Statements.

Litigation

We are currently involved in various claims and legal proceedings.

Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim

that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Annual Report on Form 10-K, such aggregated losses were not material to our consolidated financial position or result of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations.

Contingencies

EasyLink Services International Corporation (EasyLink) and its United States subsidiaries are currently being assessed by the New York State Department of Taxation and Finance (the Department) for the potential applicability of telecommunications excise and franchise taxes to its New York State revenues for certain pre-acquisition EasyLink revenue. The potential exposure under this assessment, based upon the notice issued by the Department, is approximately \$10.5 million and has been accrued for by us. OpenText intends to vigorously defend against this assessment.

In addition, Easylink was under audit for New York State sales tax for the periods from June 2004 through to August 2011. This audit has since been closed and we have settled the matter by paying \$0.3 million in Fiscal 2014.

As part of our acquisition of GXS, we have inherited a tax dispute in Brazil between the Company's subsidiary, GXS Tecnologia da Informação (Brasil) Ltda. (GXS Brazil), and the municipality of São Paulo, in connection with GXS Brazil's judicial appeal of a tax claim in the amount of \$2.8 million as of June 30, 2014. We currently have in place a bank guarantee in the amount of \$4.0 million in recognition of this dispute. However, we believe that the position of the São Paulo tax authorities is not consistent with the relevant facts and based on information available on the case and other similar matters provided by local counsel, we believe that we can defend our position and that no tax is owed. Although we believe that the facts support our position, the ultimate outcome of this matter could result in a loss of up to the claim amount discussed above, plus future interest or penalties that may accrue.

Historically, prior to our acquisition of GXS, GXS would charge certain costs to its subsidiaries, including GXS Brazil, primarily based on historical transfer pricing studies that were intended to reflect the costs incurred by subsidiaries in relation to services provided by the parent company to the subject subsidiary. GXS recorded taxes on amounts billed that were considered to be due based on the intercompany charges. GXS subsequently re-evaluated its intercompany charges to GXS Brazil and related taxes and, upon taking into consideration the current environment and judicial proceedings in Brazil, concluded that it was probable that certain indirect taxes would be assessable and payable based upon the accrual of such intercompany charges and accrued approximately \$10.3 million for the probable amount of a settlement related to the indirect taxes, interest and penalties.

Our Indian subsidiary, GXS India Technology Centre Private Limited (GXS India), is subject to potential assessments by Indian tax authorities in the city of Bangalore. GXS India has received assessment orders from the Indian tax authorities alleging that the transfer price applied to intercompany transactions was not appropriate. Based on advice from our tax advisors, we believe that the facts that the Indian tax authorities are using to support their assessment are incorrect. We have filed appeals and anticipate an eventual settlement with the Indian tax authorities. We have accrued \$1.4 million to cover our anticipated financial exposure in this matter.

The United States Internal Revenue Service (IRS) is examining certain of our tax returns for Fiscal 2010 through Fiscal 2012, and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. These examinations may lead to proposed adjustments to our taxes, which may be material, individually or in the aggregate. As of the date of this Annual Report on Form 10-K, no adjustments have been proposed by the IRS, and we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

Please also see "Risk Factors" elsewhere in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We do 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. None of the operating leases described in the previous sentence has, and we currently do not believe that they potentially may have, a material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources. In accordance with U.S. 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to market risks associated with fluctuations in interest rates on our term loans and foreign currency exchange rates.

Interest rate risk

Our exposure to interest rate fluctuations relate primarily to our Term Loan A and Term Loan B.

As of June 30, 2014, we had an outstanding balance of \$513.8 million on Term Loan A. Term Loan A bears a floating interest rate of LIBOR plus a fixed amount, depending on the Company's consolidated leverage ratio. As of June 30, 2014, this fixed amount was 2.75%. An adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on Term Loan A by approximately \$5.1 million, assuming that the loan balance as of June 30, 2014 is outstanding for the entire period.

As of June 30, 2014, we had an outstanding balance of \$796.0 million on Term Loan B. Term Loan B bears a floating interest rate of 2.5% plus the higher of LIBOR or 0.75%. As of June 30, 2014, an adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately \$7.96 million, assuming that the loan balance as of June 30, 2014 is outstanding for the entire period.

At June 30, 2013, an adverse change of one percent would have had the effect of increasing our annual interest payment on Term Loan A by approximately \$5.6 million, assuming that the loan balance was outstanding for the entire period.

Foreign currency risk

Foreign currency transaction risk

We transact business in various foreign currencies. Our foreign currency exposures typically arise from intercompany fees, intercompany loans and other intercompany transactions that are expected to be cash settled in the near term. We expect that we will continue to realize gains or losses with respect to our foreign currency exposures. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we enter into, the currency exchange rates associated with these exposures and changes in those rates. Additionally, we have hedged certain of our Canadian dollar foreign currency exposures relating to our payroll expenses in Canada.

Based on the foreign exchange forward contracts outstanding as at June 30, 2014, a one cent change in the Canadian dollar to U.S. dollar exchange rates would have caused a change of approximately \$1.1 million in the mark to market on our existing foreign exchange forward contracts.

At June 30, 2013, a one cent change in the Canadian dollar to U.S. dollar exchange rates would have caused a change of approximately \$1.0 million in the mark to market on our existing foreign exchange forward contracts.

Foreign currency translation risk

Our reporting currency is the U.S. dollar. Fluctuations in foreign currencies impact the amount of total assets and liabilities that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. In partic