OPEN TEXT CORP

FORM 10-Q
(Quarterly Report)

Filed 02/02/17 for the Period Ending 12/31/16

Telephone	519-888-7111
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Symbol	OTEX
SIC Code	7373 - Computer Integrated Systems Design
Industry	Software
Sector	Technology
Fiscal Year	06/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2016 .

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 of incorporation or organization)	**(IRS Employer Identification No.)**

275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1
(Address of principal executive offices)

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

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 Regulation 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 ☐

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 definitions 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 ☒

At January 31, 2017 , there were 263,141,058 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION

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OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share data)

	December 31, 2016 (unaudited)	June 30, 2016
ASSETS		
Cash and cash equivalents	$ 1,722,491	$ 1,283,757
Short-term investments	3,238	11,839
Accounts receivable trade, net of allowance for doubtful accounts of $7,903 as of December 31, 2016 and $6,740 as of June 30, 2016 (note 3)	315,562	285,904
Income taxes recoverable (note 14)	19,232	31,752
Prepaid expenses and other current assets	58,129	59,021
Total current assets	2,118,652	1,672,273
Property and equipment (note 4)	179,044	183,660
Goodwill (note 5)	2,597,685	2,325,586
Acquired intangible assets (note 6)	772,534	646,240
Deferred tax assets (note 14)	1,078,548	241,161
Other assets (note 7)	66,905	53,697
Deferred charges (note 8)	59,598	22,776
Long-term income taxes recoverable (note 14)	9,225	8,751
Total assets	$ 6,882,191	$ 5,154,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 245,506	$ 257,450
Current portion of long-term debt (note 10)	8,000	8,000
Deferred revenues	364,872	373,549
Income taxes payable (note 14)	24,770	32,030
Total current liabilities	643,148	671,029
Long-term liabilities:		
Accrued liabilities (note 9)	30,309	29,848
Deferred credits (note 8)	6,820	8,357
Pension liability (note 11)	55,827	61,993
Long-term debt (note 10)	2,389,826	2,137,987
Deferred revenues	47,119	37,461
Long-term income taxes payable (note 14)	146,845	149,041
Deferred tax liabilities (note 14)	72,121	79,231
Total long-term liabilities	2,748,867	2,503,918
Shareholders' equity:		
Share capital (note 12)		
263,000,896 and 242,809,354 Common Shares issued and outstanding at December 31, 2016 and June 30, 2016, respectively; authorized Common Shares: unlimited	1,416,644	817,788
Additional paid-in capital	158,975	147,280
Accumulated other comprehensive income	39,884	46,310
Retained earnings	1,894,802	992,546
Treasury stock, at cost (917,372 shares at December 31, 2016 and 1,267,294 at June 30, 2016, respectively)	(20,709)	(25,268)
Total OpenText shareholders' equity	3,489,596	1,978,656
Non-controlling interests	580	541
Total shareholders' equity	3,490,176	1,979,197
Total liabilities and shareholders' equity	$ 6,882,191	$ 5,154,144

Guarantees and contingencies (note 13)
Related party transactions (note 21)
Subsequent events (note 22)

As a result of the two -for-one share split, effected January 24, 2017 by way of a share sub-division, all current and historical period per share data and number of Common Shares outstanding in these Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are presented on a post share split basis.

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of U.S. dollars, except share and per share data)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Revenues:				
License	$ 97,764	$ 81,856	$ 158,420	$ 133,187
Cloud services and subscriptions	175,061	149,099	344,748	296,889
Customer support	219,656	184,137	429,862	369,804
Professional service and other	50,228	50,255	101,343	100,002
Total revenues	542,709	465,347	1,034,373	899,882
Cost of revenues:				
License	2,391	2,029	6,236	4,710
Cloud services and subscriptions	73,150	58,918	143,442	117,834
Customer support	27,349	21,689	53,087	42,197
Professional service and other	40,295	38,375	81,638	76,439
Amortization of acquired technology-based intangible assets (note 6)	24,848	18,731	47,983	38,614
Total cost of revenues	168,033	139,742	332,386	279,794
Gross profit	374,676	325,605	701,987	620,088
Operating expenses:				
Research and development	64,721	45,710	123,293	92,150
Sales and marketing	102,651	85,875	197,799	163,820
General and administrative	39,914	33,767	78,111	69,336
Depreciation	15,301	13,330	30,571	26,244
Amortization of acquired customer-based intangible assets (note 6)	33,815	27,793	67,423	55,598
Special charges (recoveries) (note 17)	11,117	9,088	23,571	26,425
Total operating expenses	267,519	215,563	520,768	433,573
Income from operations	107,157	110,042	181,219	186,515
Other income (expense), net	(3,558)	961	3,141	(3,952)
Interest and other related expense, net	(27,743)	(19,187)	(55,018)	(38,233)
Income before income taxes	75,856	91,816	129,342	144,330
Provision for (recovery of) income taxes (note 14)	30,822	4,074	(828,603)	15,276
Net income for the period	$ 45,034	$ 87,742	$ 957,945	$ 129,054
Net (income) attributable to non-controlling interests	(12)	(56)	(39)	(82)
Net income attributable to OpenText	$ 45,022	$ 87,686	$ 957,906	$ 128,972
Earnings per share—basic attributable to OpenText (note 20)	$ 0.18	$ 0.36	$ 3.92	$ 0.53
Earnings per share—diluted attributable to OpenText (note 20)	$ 0.18	$ 0.36	$ 3.89	$ 0.53
Weighted average number of Common Shares outstanding—basic	245,653	242,492	244,282	243,398
Weighted average number of Common Shares outstanding—diluted	247,501	243,584	246,123	244,432
Dividends declared per Common Share	$ 0.1150	$ 0.1000	$ 0.2300	$ 0.2000

As a result of the two -for-one share split, effected January 24, 2017 by way of a share sub-division, all current and historical period per share data and number of Common Shares outstanding in these Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are presented on a post share split basis.

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Net income for the period	$ 45,034	$ 87,742	$ 957,945	$ 129,054
Other comprehensive income—net of tax:				
Net foreign currency translation adjustments	(11,526)	(2,751)	(10,307)	(1,028)
Unrealized gain (loss) on cash flow hedges:				
Unrealized (loss) - net of tax (recovery) effect of ($252) and ($515) for the three months ended December 31, 2016 and 2015, respectively; ($380) and ($1,737) for the six months ended December, 31 2016 and 2015, respectively	(698)	(1,429)	(1,053)	(4,819)
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of ($33) and $294 for the three months ended December 31, 2016 and 2015, respectively; ($38) and $478 for the six months ended December 31, 2016 and 2015, respectively	(91)	814	(108)	1,326
Actuarial gain (loss) relating to defined benefit pension plans:				
Actuarial gain - net of tax expense (recovery) effect of $1,077 and ($92) for the three months ended December 31, 2016 and 2015, respectively; $484 and $210 for the six months ended December 31, 2016 and 2015, respectively	2,823	648	4,361	1,761
Amortization of actuarial loss into net income - net of tax recovery effect of $57 and $34 for the three months ended December 31, 2016 and 2015, respectively; $119 and $66 for the six months ended December 31, 2016 and 2015, respectively	134	90	281	173
Unrealized net gain on short-term investments - net of tax effect of nil for the three and six months ended December 31, 2016 and 2015, respectively	512	120	400	135
Total other comprehensive income, net, for the period	(8,846)	(2,508)	(6,426)	(2,452)
Total comprehensive income	36,188	85,234	951,519	126,602
Comprehensive (income) attributable to non-controlling interests	(12)	(56)	(39)	(82)
Total comprehensive income attributable to OpenText	$ 36,176	$ 85,178	$ 951,480	$ 126,520

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(unaudited)

	Six Months Ended December 31,	
	2016	**2015**
Cash flows from operating activities:		
Net income for the period	$ 957,945	$ 129,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	145,977	120,456
Share-based compensation expense	15,712	13,114
Excess tax (benefits) on share-based compensation expense	(542)	(40)
Pension expense	2,061	2,325
Amortization of debt issuance costs	2,654	2,312
Amortization of deferred charges and credits	4,292	4,598
Loss on sale and write down of property and equipment	—	890
Deferred taxes	(868,233)	(7,869)
Share in net (income) of equity investees	(5,993)	—
Other non-cash charges	1,033	—
Changes in operating assets and liabilities:		
Accounts receivable	456	10,880
Prepaid expenses and other current assets	11,885	613
Income taxes and deferred charges and credits	(9,620)	294
Accounts payable and accrued liabilities	(23,995)	(14,819)
Deferred revenue	(47,742)	(48,673)
Other assets	(5,420)	3,523
Net cash provided by operating activities	180,470	216,658
Cash flows from investing activities:		
Additions of property and equipment	(32,274)	(29,899)
Proceeds from maturity of short-term investments	9,212	5,324
Purchase of HP Inc. CCM Business	(315,000)	—
Purchase of Recommind, Inc.	(170,107)	—
Purchase of HP Inc. CEM Business	(7,289)	—
Purchase of ANXe Business Corporation	143	—
Purchase of Daegis Inc., net of cash acquired	—	(22,146)
Purchase consideration for acquisitions prior to Fiscal 2016	—	(9,859)
Other investing activities	(563)	(3,680)
Net cash used in investing activities	(515,878)	(60,260)
Cash flows from financing activities:		
Excess tax benefits on share-based compensation expense	542	40
Proceeds from issuance of long-term debt (note 10)	256,875	—
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	10,701	7,988
Proceeds from issuance of Common Shares under the public Equity Offering (note 12)	604,223	—
Repayment of long-term debt and revolver	(4,000)	(4,000)
Debt issuance costs	(4,155)	—
Equity issuance costs	(18,127)	—
Common Shares repurchased	—	(65,509)
Purchase of treasury stock	—	(10,627)
Payments of dividends to shareholders	(55,650)	(47,528)
Net cash provided by (used in) financing activities	790,409	(119,636)
Foreign exchange gain (loss) on cash held in foreign currencies	(16,267)	(10,798)
Increase in cash and cash equivalents during the period	438,734	25,964
Cash and cash equivalents at beginning of the period	1,283,757	699,999
Cash and cash equivalents at end of the period	$ 1,722,491	$ 725,963

Supplemental cash flow disclosures (note 19)

See accompanying Notes to Condensed Consolidated Financial Statements

NOTE 1—BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as "OpenText" or the "Company". We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa), GXS, Inc. (GXS Korea) and EC1 Pte. Ltd. (GXS Singapore), which as of December 31, 2016 , were 90% , 85% and 81% owned, respectively, by OpenText. All inter-company balances and transactions have been eliminated.

Throughout this Quarterly Report on Form 10-Q: (i) the term “Fiscal 2017” means our fiscal year beginning on July 1, 2016 and ending June 30, 2017; (ii) the term “Fiscal 2016” means our fiscal year beginning on July 1, 2015 and ended June 30, 2016; (iii) the term “Fiscal 2015” means our fiscal year beginning on July 1, 2014 and ended June 30, 2015; and (iv) the term "Fiscal 2014" means our fiscal year beginning on July 1, 2013 and ended June 30, 2014.

These Condensed Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Recommind, Inc. (Recommind), with effect from July 20, 2016, and certain customer communication management software and services assets and liabilities acquired from HP Inc. (CCM Business), with effect from July 31, 2016 (see note 18 "Acquisitions").

Use of 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 Condensed 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 from those estimates. In particular, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) testing of goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) the valuation of long-lived assets, (vi) the recognition of contingencies, (vii) restructuring accruals, (viii) acquisition accruals and pre-acquisition contingencies, (ix) the realization of investment tax credits, (x) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plan, (xi) the valuation of pension assets and obligations, and (xii) accounting for income taxes.

Share Split

As a result of the two -for-one share split, effected January 24, 2017 by way of a share sub-division, all current and historical period per share data and number of Common Shares outstanding in these the accompanying Condensed Consolidated Financial Statements and the Notes to the Condensed Consolidated Financial Statements are presented on a post share split basis. See note 12 "Share Capital, Option Plans and Share-based Payments" for additional information about the share split.

NOTE 2—RECENT ACCOUNTING PRONOUNCEMENTS

Definition of a Business

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-01, "Business Combinations (Topic 805): Clarifying the definition of a Business" (ASU 2017-01) which amends the current definition of a business. Under ASU 2017-01, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. ASU 2017-01 further states that when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The new guidance also narrows the definition of the term “outputs” to be consistent with how it is described in Topic 606, Revenue from Contracts with Customers. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. ASU 2017-01 is effective for us for acquisitions commencing on or after the first quarter of our fiscal year ending June 30, 2019, with early adoption permitted. Adoption of this guidance will be applied prospectively on or after the effective date. We have not early adopted ASU 2017-01.

Statement of Cash Flows

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" (ASU 2016-18) which amends the current guidance to clarify how the presentation of changes in restricted cash should be presented in the statement of cash flows.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" (ASU 2016-15) which clarifies how companies should present and classify certain cash receipts and cash payments in the statement of cash flows.

Both ASU 2016-18 and ASU 2016-15 are effective for us during the first quarter of our fiscal year ending June 30, 2019, with early adoption permitted. We are currently evaluating the impact of the pending adoption of these two standards on our Condensed Consolidated Financial Statements .

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16). ASU 2016-16 primarily changes the timing of when certain intercompany transactions are recognized within the provision for income taxes among other things. ASU 2016-16 is effective for us during the first quarter of our fiscal year ending June 30, 2019, on a modified retrospective basis, with early adoption permitted. We are currently evaluating the impact of the pending adoption of ASU 2016-16 on our Condensed Consolidated Financial Statements .

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (ASU 2016-13), which requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for us in our first quarter for our fiscal year ending June 30, 2021, with earlier adoption permitted beginning in the first quarter of our fiscal year ending June 30, 2020. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our Condensed Consolidated Financial Statements .

In January 2016, the FASB issued ASU 2016-01 “Financial Instruments - Overall (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01). This update requires that all equity investments be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). This update also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Additionally, this update eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public entities. ASU 2016-01 is effective for our fiscal year ending June 30, 2019. We are currently evaluating the impact of the pending adoption of ASU 2016-01 on our Condensed Consolidated Financial Statements .

Share-based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718)." This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for us during the first quarter of our fiscal year ending June 30, 2018, with early adoption permitted. We are currently evaluating the impact of the pending adoption of ASU 2016-09 on our Condensed Consolidated Financial Statements .

Investments-Equity Method and Joint Ventures

In March 2016, the FASB issued ASU No. 2016-07, "Investments - Equity Method and Join Ventures (Topic 323): Simplifying the Transition to Equity Method of Accounting" (ASU 2016-07). The amendments in this update require that the equity method investor add the cost of acquiring any additional interest in an investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Upon qualifying for equity method accounting, no retroactive adjustment of the investment is required. We adopted ASU 2016-07 in the first quarter of our Fiscal 2017. The adoption did not have a material impact on our reported financial position or results of operations and cash flows.

Leases

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)” (ASU 2016-02), which supersedes the guidance in former ASC Topic 840 “Leases”. The most significant change will result in the recognition of lease assets for the right to use the underlying asset and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows related to leases. This standard is effective for us for our fiscal year ending June 30, 2020, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the effect that the pending adoption of ASU 2016-02 will have on our Condensed Consolidated Balance Sheets. Although we have not completed our assessment, we do not expect the adoption to change the recognition, measurement or presentation of lease expenses within the Condensed Consolidated Statements of Operations and Cash Flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (ASU 2014-09) and issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016 and May 2016 within ASU 2015-04, ASU 2016-08, ASU 2016-10 and ASU 2016-12, respectively. These updates supersede the revenue recognition requirements in ASC Topic 605, "Revenue Recognition" and nearly all other existing revenue recognition guidance under U.S. GAAP. The core principal of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 identifies five steps to be followed to achieve this core principal, which include (i) identifying contract(s) with customers, (ii) identifying performance obligations in the contract(s), (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract(s) and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB voted to defer the effective date of ASU 2014-09 for one year. The new guidance will now be effective for us in the first quarter of our fiscal year ending June 30, 2019. Early adoption, prior to the original effective date, is not permitted. When applying ASU 2014-09 we can either apply the amendments: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 or (ii) retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. We are currently evaluating the effect that the pending adoption of the above mentioned ASUs will have on our Condensed Consolidated Financial Statements and related disclosures. Although it may have a significant impact on our revenue recognition policies and disclosures, we have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

There have been no other significant changes in our reported financial position or results of operations and cash flows as a result of our adoption of new accounting pronouncements or changes to our significant accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016.

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2016	$	6,740
Bad debt expense		3,631
Write-off /adjustments		(2,468)
Balance as of December 31, 2016	$	7,903

Included in accounts receivable are unbilled receivables in the amount of $28.6 million as of December 31, 2016 (June 30, 2016 — $35.6 million).

NOTE 4—PROPERTY AND EQUIPMENT

	As of December 31, 2016		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$ 20,092	$ (13,453)	$ 6,639
Office equipment	1,130	(556)	574
Computer hardware	138,928	(94,269)	44,659
Computer software	55,937	(29,193)	26,744
Capitalized software development costs	59,061	(22,391)	36,670
Leasehold improvements	58,519	(33,798)	24,721
Land and buildings	48,386	(9,349)	39,037
Total	$ 382,053	$ (203,009)	$ 179,044

	As of June 30, 2016		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$ 20,462	$ (12,505)	$ 7,957
Office equipment	823	(226)	597
Computer hardware	134,688	(89,351)	45,337
Computer software	51,991	(25,134)	26,857
Capitalized software development costs	53,540	(16,830)	36,710
Leasehold improvements	57,061	(30,743)	26,318
Land and buildings	48,529	(8,645)	39,884
Total	$ 367,094	$ (183,434)	$ 183,660

NOTE 5—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2016:

Balance as of June 30, 2016	$ 2,325,586
Acquisition of Recommind, Inc. (note 18)	93,985
Acquisition of CCM Business (note 18)	178,144
Adjustments relating to prior acquisitions (note 18)	(30)
Balance as of December 31, 2016	$ 2,597,685

NOTE 6—ACQUIRED INTANGIBLE ASSETS

	As of December 31, 2016		
	Cost	Accumulated Amortization	Net
Technology assets	$ 485,373	$ (203,831)	$ 281,542
Customer assets	858,106	(367,114)	490,992
Total	$ 1,343,479	$ (570,945)	$ 772,534

	As of June 30, 2016		
	Cost	Accumulated Amortization	Net
Technology assets	$ 359,573	$ (155,848)	$ 203,725
Customer assets	790,506	(347,991)	442,515
Total	$ 1,150,079	$ (503,839)	$ 646,240

The weighted average amortization periods for acquired technology and customer intangible assets are approximately five years and seven years, respectively.

The following table shows the estimated future amortization expense for the fiscal years indicated. This calculation assumes no future adjustments to acquired intangible assets:

	Fiscal years ending June 30,
2017 (six months ended June 30)	$ 113,378
2018	218,992
2019	191,593
2020	120,079
2021	45,872
2022 and beyond	82,620
Total	$ 772,534

NOTE 7—OTHER ASSETS

	As of December 31, 2016	As of June 30, 2016
Deposits and restricted cash	$ 13,445	$ 10,715
Deferred implementation costs	22,435	18,116
Investments	23,608	18,062
Long-term prepaid expenses and other long-term assets	7,417	6,804
Total	$ 66,905	$ 53,697

Deposits and restricted cash relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of certain contractual-based agreements.

Deferred implementation costs relate to deferred direct and relevant costs on implementation of long-term contracts, to the extent such costs can be recovered through guaranteed contract revenues.

Investments relate to certain non-marketable equity securities in which we are a limited partner. Our interest, individually, in each of these investees range from 4% to below 20% . These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments is recorded as a component of other income (expense), net in our Condensed Consolidated Statements of Income. During the three and six months ended December 31, 2016 , our share of income from these investments was $0.5 million and $6.0 million , respectively (three and six months ended December 31, 2015 — nil , respectively).

Long-term prepaid expenses and other long-term assets primarily relate to advance payments on long-term licenses that are being amortized over the applicable terms of the licenses.

NOTE 8—DEFERRED CHARGES AND CREDITS

Deferred charges and credits relate to cash taxes payable and the elimination of deferred tax balances relating to legal entity consolidations completed as part of internal reorganizations of our international subsidiaries. Deferred charges and credits are amortized to income tax expense over periods of 6 to 15 years.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of December 31, 2016	As of June 30, 2016
Accounts payable—trade	$ 33,800	$ 35,804
Accrued salaries and commissions	67,120	77,813
Accrued liabilities	116,334	113,272
Accrued interest on Senior Notes	24,011	23,562
Amounts payable in respect of restructuring and other Special charges	3,423	5,109
Asset retirement obligations	818	1,890
Total	$ 245,506	$ 257,450

Long-term accrued liabilities

	As of December 31, 2016	As of June 30, 2016
Amounts payable in respect of restructuring and other Special charges	$ 1,874	$ 3,986
Other accrued liabilities*	19,650	19,138
Asset retirement obligations	8,785	6,724
Total	$ 30,309	$ 29,848

* Other accrued liabilities consist primarily of tenant allowances, deferred rent and lease fair value adjustments relating to certain facilities acquired through business acquisitions.

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. As of December 31, 2016 , the present value of this obligation was $9.6 million (June 30, 2016 — $8.6 million), with an undiscounted value of $10.5 million (June 30, 2016 — $9.2 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of December 31, 2016	As of June 30, 2016
Total debt		
Senior Notes 2026	$ 850,000	$ 600,000
Senior Notes 2023	800,000	800,000
Term Loan B	776,000	780,000
Total principal payments due	2,426,000	2,180,000
Premium on Senior Notes 2026	6,875	—
Debt issuance costs	(35,049)	(34,013)
Total amount outstanding	2,397,826	2,145,987
Less:		
Current portion of long-term debt		
Term Loan B	8,000	8,000
Non-current portion of long-term debt	$ 2,389,826	$ 2,137,987

Senior Notes 2026

On May 31, 2016, we issued $600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

On December 20, 2016, we issued an additional $250 million in aggregate principal amount by reopening the previously issued Senior Notes 2026 at an issue price of 102.75% . The additional notes have identical terms, are fungible with and are a part of a single series with the $600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is $850 million .

For the three and six months ended December 31, 2016 , we recorded interest expense of $9.4 million and $18.2 million , respectively, relating to Senior Notes 2026.

Senior Notes 2023

On January 15, 2015, we issued $800 million in aggregate principal amount of 5.625% Senior Notes due 2023 (Senior Notes 2023) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three and six months ended December 31, 2016 , we recorded interest expense of $11.2 million and $22.5 million , respectively, relating to Senior Notes 2023 (three and six months ended December 31, 2015 — $11.2 million and $22.5 million , respectively).

Term Loan B

In connection with the acquisition of GXS Group, Inc. (GXS), on January 16, 2014, we entered into a credit facility, which provides for a $800 million term loan facility (Term Loan B).

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver (defined below). We entered into Term Loan B and borrowed the full amount on January 16, 2014.

Term Loan B has a seven year term and 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 currently bear a floating rate of interest at a rate per annum equal to 2.5% plus the higher of LIBOR or 0.75% .

For the three and six months ended December 31, 2016 , we recorded interest expense of $6.5 million and $13.0 million , respectively, relating to Term Loan B (three and six months ended December 31, 2015 — $6.6 million and $13.1 million , respectively).

Revolver

As of December 31, 2016 we had a $300 million undrawn committed revolving credit facility (the Revolver). Subsequently, on January 13, 2017 we drew down $200 million from the Revolver, to partially finance the Dell-EMC Acquisition (as defined in note 18 "Acquisitions") and on January 26, 2017, we drew down an additional $25 million from the Revolver for miscellaneous general corporate purposes. Furthermore on February 1, 2017, we amended the Revolver to increase the total commitments under the revolving credit facility from $300 million to $450 million (see note 22 "Subsequent Events"). Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver will mature on December 22, 2019 with no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed rate that is dependent on our consolidated net leverage ratio.

Debt Issuance Costs and Premium on Senior Notes

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our credit facilities and issuing our Senior Notes and are being amortized over the respective terms of the Senior Notes, Term Loan B and the Revolver, using the effective interest method.

In connection with the recent reopening of Senior Notes 2026, we incurred debt issuance costs of approximately $3.7 million , of which $2.8 million had been paid as of December 31, 2016.

The premium on Senior Notes 2026 represents the excess of the proceeds received over the face value of Senior Notes 2026. This premium is amortized as a credit to interest expense over the term of Senior Notes 2026 using the effective interest method.

NOTE 11—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER) and GXS Philippines, Inc. (GXS PHP) as of December 31, 2016 and June 30, 2016 :

	As of December 31, 2016		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$ 27,293	$ 578	$ 26,715
GXS Germany defined benefit plan	23,151	777	22,374
GXS Philippines defined benefit plan	3,937	73	3,864
Other plans	3,029	155	2,874
Total	$ 57,410	$ 1,583	$ 55,827

	As of June 30, 2016		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$ 29,450	$ 589	$ 28,861
GXS Germany defined benefit plan	24,729	772	23,957
GXS Philippines defined benefit plan	7,341	30	7,311
Other plans	3,330	1,466	1,864
Total	$ 64,850	$ 2,857	$ 61,993

*The current portion of the benefit obligation has been included within "Accrued salaries and commissions", all within "Accounts payable and accrued liabilities" in the Condensed Consolidated Balance Sheets (see note 9 "Accounts Payable and Accrued Liabilities").

Defined Benefit Plans

CDT Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors’ benefits. Benefits under the CDT pension plan are generally based on age at retirement, years of service and the employee’s annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of December 31, 2016 , there is approximately $0.3 million in accumulated other comprehensive income related to the CDT pension plan that is expected to be recognized as a component of net periodic benefit costs over the remainder of Fiscal 2017.

GXS Germany Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed an unfunded defined benefit pension plan covering certain German employees which provides for old age, disability and survivors' benefits. The GXS GER plan has been closed to new participants since 2006. Benefits under the GXS GER plan are generally based on a participant’s remuneration, date of hire, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan’s active employees. As of December 31, 2016 , there is approximately $80.3 thousand in accumulated other comprehensive income related to the GXS GER plan that is expected to be recognized as a component of net periodic benefit costs over the remainder of Fiscal 2017.

GXS Philippines Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which has a fair value of approximately $33.1 thousand as of December 31, 2016 , no additional contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of December 31, 2016 , there is approximately $23.5 thousand in accumulated other comprehensive income related to the GXS PHP plan that is expected to be recognized as a component of net periodic benefit costs over the remainder of Fiscal 2017.

The following are the details of the change in the benefit obligation for each of the above mentioned pension plans for the periods indicated:

	As of December 31, 2016				As of June 30, 2016			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of period	$ 29,450	$ 24,729	$ 7,341	$ 61,520	$ 26,091	$ 22,420	$ 7,025	$ 55,536
Service cost	232	195	642	1,069	422	359	1,628	2,409
Interest cost	226	186	121	533	610	543	314	1,467
Benefits paid	(228)	(391)	(26)	(645)	(534)	(770)	(190)	(1,494)
Actuarial (gain) loss	(768)	(218)	(3,836)	(4,822)	3,299	2,564	(1,145)	4,718
Foreign exchange (gain) loss	(1,619)	(1,350)	(305)	(3,274)	(438)	(387)	(291)	(1,116)
Benefit obligation—end of period	27,293	23,151	3,937	54,381	29,450	24,729	7,341	61,520
Less: Current portion	(578)	(777)	(73)	(1,428)	(589)	(772)	(30)	(1,391)
Non-current portion of benefit obligation	$ 26,715	$ 22,374	$ 3,864	$ 52,953	$ 28,861	$ 23,957	$ 7,311	$ 60,129

The following are details of net pension expense relating to the following pension plans:

	Three Months Ended December 31,							
	2016				2015			
Pension expense:	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	$ 112	$ 94	$ 203	$ 409	$ 104	$ 85	$ 424	$ 613
Interest cost	109	90	45	244	151	137	81	369
Amortization of actuarial (gains) and losses	150	40	(12)	178	105	11	—	116
Net pension expense	$ 371	$ 224	$ 236	$ 831	$ 360	$ 233	$ 505	$ 1,098

	Six Months Ended December 31,							
	2016				2015			
Pension expense:	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	$ 232	$ 195	$ 642	$ 1,069	$ 211	$ 188	$ 851	$ 1,250
Interest cost	226	186	121	533	305	265	162	732
Amortization of actuarial (gains) and losses	310	83	(24)	369	212	11	—	223
Net pension expense	$ 768	$ 464	$ 739	$ 1,971	$ 728	$ 464	$ 1,013	$ 2,205

In determining the fair value of the pension plan benefit obligations as of December 31, 2016 and June 30, 2016 , respectively, we used the following weighted-average key assumptions:

	As of December 31, 2016			As of June 30, 2016		
	CDT	GXS GER	GXS PHP	CDT	GXS GER	GXS PHP
Assumptions:						
Salary increases	2.00%	2.00%	6.20%	2.00%	2.00%	6.20%
Pension increases	1.75%	2.00%	3.25%	1.75%	2.00%	4.75%
Discount rate	1.72%	1.72%	5.25%	1.56%	1.56%	4.25%
Normal retirement age	65	65-67	60	65	65-67	60
Employee fluctuation rate:						
to age 20	—%	N/A	12.19%	—%	N/A	7.90%
to age 25	—%	N/A	16.58%	—%	N/A	5.70%
to age 30	1.00%	N/A	13.97%	1.00%	N/A	4.10%
to age 35	0.50%	N/A	10.77%	0.50%	N/A	2.90%
to age 40	—%	N/A	7.39%	—%	N/A	1.90%
to age 45	0.50%	N/A	3.28%	0.50%	N/A	1.40%
to age 50	0.50%	N/A	—%	0.50%	N/A	—%
from age 51	1.00%	N/A	—%	1.00%	N/A	—%

Anticipated pension payments under the pension plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2017 (six months ended June 30)	$ 279	$ 368	$ 36
2018	598	819	88
2019	669	874	129
2020	731	923	147
2021	809	936	240
2022 to 2026	4,780	5,175	1,696
Total	$ 7,866	$ 9,095	$ 2,336

Other Plans

Other plans include defined benefit pension plans that are offered by certain of our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. These other plans are primarily unfunded, with the aggregate projected benefit obligation included in our pension liability. The net periodic cost of these plans are determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.

NOTE 12—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Share Split

On December 21, 2016, we announced that our board of directors (the Board) approved a two -for-one share split of our outstanding Common Shares. The two -for-one share split was implemented by way of a share sub-division whereby shareholders of record on the record date received one additional Common Share for each Common Share held. The record date for the share split was January 9, 2017 and the distribution date was January 24, 2017. In connection with the share split, the Company’s articles were amended on December 22, 2016 to change the number of Common Shares, whether issued or unissued, on a two -for-one basis, such that each Common Share became two Common Shares.

As a result of the two -for-one share split, all current and historical period per share data, number of Common Shares outstanding and share-based compensation awards are presented on a post share split basis.

Cash Dividends

For the three and six months ended December 31, 2016 , pursuant to the Company’s dividend policy, we declared total non-cumulative dividends of $0.1150 and $0.2300 , respectively, per Common Share, on a post share split basis, in the aggregate amount of $27.9 million and $55.7 million , respectively, which we paid during the same period.

For the three and six months ended December 31, 2015 , pursuant to the Company’s dividend policy, we paid total non-cumulative dividends of $0.1000 and $0.2000 , respectively, per Common Share, on a post share split basis, in the aggregate amount of $24.2 million and $47.5 million , respectively.

Share Capital

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preference Shares. No Preference Shares have been issued.

Public Offering of Common Shares

On December 19, 2016, we issued 18,500,000 Common Shares in a public offering at $30.50 per share (the Equity Offering), on a post share split basis. Additionally, the underwriters partially exercised their over-allotment option and purchased an additional 1,310,604 shares at $30.50 per share, on a post share split basis. In total, as a result of the Equity Offering and the exercise of the underwriter’s over-allotment option, we issued 19,810,604 Common Shares for total net proceeds of approximately $584.6 million . Total costs associated with the Equity Offering are approximately $19.6 million , of which $18.1 million had been paid as of December 31, 2016.

Treasury Stock

Repurchase

During the three and six months ended December 31, 2016 , we did not repurchase any of our Common Shares for potential reissuance under our Long Term Incentive Plans (LTIP) or other plans.

During the three and six months ended December 31, 2015 , we repurchased 450,000 Common Shares on a post share split basis, in the amount of $10.6 million , for potential reissuance under our LTIP or other plans.

Reissuance

During the three and six months ended December 31, 2016 , we reissued 341,588 and 349,922 Common Shares on a post share split basis, respectively, from treasury stock (three and six months ended December 31, 2015 — 414,156 Common Shares on a post share split basis, respectively), in connection with the settlement of our LTIP and other awards.

Share Repurchase Plan

On July 26, 2016, the Board authorized the repurchase of up to $200 million of Common Shares (Share Repurchase Plan), pursuant to a normal course issuer bid. Shares may be repurchased from time to time in the open market, private purchases through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise.

During the three and six months ended December 31, 2016 , we did not repurchase any of our Common Shares under the Share Repurchase Plan.

During the three and six months ended December 31, 2015 , we repurchased and cancelled 688,872 and 2,952,496 Common Shares on a post share split basis, respectively, for approximately $15.5 million and $65.5 million , respectively, under our previous share repurchase plan.

Share-Based Payments

Total share-based compensation expense for the periods indicated below is detailed as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Stock options	$ 2,787	$ 3,096	$ 6,675	$ 6,760
Performance Share Units (issued under LTIP)	947	727	1,828	1,347
Restricted Share Units (issued under LTIP)	1,765	1,370	3,367	2,604
Restricted Share Units (other)	743	330	1,495	711
Deferred Share Units (directors)	830	1,058	1,341	1,692
Employee Share Purchase Plan	500	—	1,006	—
Total share-based compensation expense	$ 7,572	$ 6,581	$ 15,712	$ 13,114

Summary of Outstanding Stock Options

On September 23, 2016, at our annual general meeting, our shareholders approved the amendment and restatement of our 2004 Stock Option Plan to reserve an additional 8,000,000 Common Shares, on a post share split basis, for issuance under our 2004 Stock Option Plan. As of December 31, 2016 , an aggregate of 9,029,680 options to purchase Common Shares were outstanding on a post share split basis, and an additional 12,621,082 options to purchase Common Shares were available for issuance on a post share split basis, under our stock option plans. Our stock options generally vest over four years and expire between seven and ten years from the date of the grant. Currently we also have options outstanding that vest over five years , as well as options outstanding that vest based on meeting certain market conditions. The exercise price of all our options is set at an amount that is not less than the closing price of our Common Shares on the NASDAQ on the trading day immediately preceding the applicable grant date.

A summary of activity under our stock option plans, on a post share split basis, for the six months ended December 31, 2016 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000s)
Outstanding at June 30, 2016	8,354,816	$ 21.94		
Granted	924,974	29.83		
Exercised	(203,714)	21.89		
Forfeited or expired	(46,396)	20.16		
Outstanding at December 31, 2016	9,029,680	$ 22.76	4.32	$ 73,589
Exercisable at December 31, 2016	3,580,466	$ 18.57	3.14	$ 44,188

We estimate the fair value of stock options using the Black-Scholes option-pricing model or, where appropriate, the Monte Carlo Valuation Method, consistent with the provisions of ASC Topic 718, "Compensation—Stock Compensation" (Topic 718) and SEC Staff Accounting Bulletin No. 107. The option-pricing models require input of subjective assumptions, including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

We believe that the valuation techniques and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our stock option grants. Estimates of fair value are not intended, however, to predict actual future events or the value ultimately realized by employees who receive equity awards.

For the periods indicated, the weighted-average fair value of options and weighted-average assumptions were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Weighted–average fair value of options granted	$ 6.58	$ 5.38	$ 6.54	$ 5.60
Weighted-average assumptions used:				
Expected volatility	28.53%	31.99%	29.29%	32.58%
Risk–free interest rate	1.22%	1.35%	1.06%	1.47%
Expected dividend yield	1.43%	1.70%	1.45%	1.64%
Expected life (in years)	4.34	4.33	4.33	4.33
Forfeiture rate (based on historical rates)	5%	5%	5%	5%
Average exercise share price	$ 30.37	$ 22.68	$ 29.83	$ 22.85

As of December 31, 2016 , the total compensation cost related to the unvested stock option awards not yet recognized was approximately $21.6 million , which will be recognized over a weighted-average period of approximately 2.2 years .

No cash was used by us to settle equity instruments granted under share-based compensation arrangements in any of the periods presented.

We have not capitalized any share-based compensation costs as part of the cost of an asset in any of the periods presented.

For the three and six months ended December 31, 2016 , cash in the amount of $2.1 million and $4.5 million , respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three and six months ended December 31, 2016 from the exercise of options eligible for a tax deduction was $0.3 million and $0.4 million , respectively.

For the three and six months ended December 31, 2015 , cash in the amount of $2.0 million and $6.3 million , respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three and six months ended December 31, 2015 from the exercise of options eligible for a tax deduction was nil and $0.2 million , respectively.

Long-Term Incentive Plans

We incentivize our executive officers, in part, with long term compensation pursuant to our LTIP. The LTIP is a rolling three year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or Restricted Share Units (RSUs). Target PSUs become vested upon the achievement of certain financial and/or operational performance criteria (the Performance Conditions) that are determined at the time of the grant. Target RSUs become vested when an eligible employee remains employed throughout the vesting period. LTIP grants that have recently vested, or have yet to vest, are described below. LTIP grants will be referred to in this Quarterly Report on Form 10-Q based upon the year in which the grants are expected to vest.

Fiscal 2016 LTIP

Grants made in Fiscal 2014 under the LTIP (collectively referred to as Fiscal 2016 LTIP) consisting of PSUs and RSUs, took effect in Fiscal 2014 starting on November 1, 2013. We settled the Fiscal 2016 LTIP by issuing 339,922 Common Shares, on a post share split basis, from our treasury stock during the three months ended December 31, 2016 , with a cost of $4.4 million .

Fiscal 2017 LTIP

Grants made in Fiscal 2015 under the LTIP (collectively referred to as Fiscal 2017 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2015 starting on September 4, 2014. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2017 LTIP. We expect to settle the Fiscal 2017 LTIP awards in stock.

Fiscal 2018 LTIP

Grants made in Fiscal 2016 under the LTIP (collectively referred to as Fiscal 2018 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2016 starting on August 23, 2015. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2018 LTIP. We expect to settle the Fiscal 2018 LTIP awards in stock.

Fiscal 2019 LTIP

Grants made in Fiscal 2017 under the LTIP (collectively referred to as Fiscal 2019 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2017 starting on August 14, 2016. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2019 LTIP. We expect to settle the Fiscal 2019 LTIP awards in stock.

PSUs and RSUs granted under the LTIPs have been measured at fair value as of the effective date, consistent with Topic 718, and will be charged to share-based compensation expense over the remaining life of the plan. Stock options granted under the LTIPs have been measured using the Black-Scholes option-pricing model, consistent with Topic 718. We estimate the fair value of PSUs using the Monte Carlo pricing model and RSUs have been valued based upon their grant date fair value.

As of December 31, 2016 , the total expected compensation cost related to the unvested LTIP awards not yet recognized was $19.0 million , which is expected to be recognized over a weighted average period of 2.1 years .

Restricted Share Units (RSUs)

During the three and six months ended December 31, 2016 , we granted nil and 7,800 RSUs on a post share split basis, respectively, to employees in accordance with employment and other agreements (three and six months ended December 31, 2015 — nil). The RSUs vest over a specified contract date, typically three years from the respective date of grants. We expect to settle the awards in stock.

During the three and six months ended December 31, 2016 , we issued 1,666 and 10,000 Common Shares on a post share split basis, respectively, from our treasury stock, with a cost of $20.5 thousand and $0.1 million , respectively, in connection with the settlement of vested RSUs (three and six months ended December 31, 2015 — 10,000 Common Shares on a post share split basis, with a cost of $0.1 million , respectively).

Deferred Stock Units (DSUs)

During the three and six months ended December 31, 2016 , we granted 73,254 and 75,696 DSUs on a post share split basis, respectively, to certain non-employee directors (three and six months ended December 31, 2015 — 105,634 and 106,746 , on a post share split basis, respectively). The DSUs were issued under our Deferred Share Unit Plan. DSUs granted as compensation for directors fees vest immediately, whereas all other DSUs granted vest at our next annual general meeting following the granting of the DSUs. No DSUs are payable by us until the director ceases to be a member of the Board.

Employee Share Purchase Plan (ESPP)

Beginning January 1, 2016, our ESPP offers employees a purchase price discount of 15% . Any Common Shares that were issued under the ESPP prior to January 1, 2016 were issued at a purchase price discount of 5% .

During the three and six months ended December 31, 2016 , 116,224 and 219,856 Common Shares on a post share split basis, respectively, were eligible for issuance to employees enrolled in the ESPP.

During the three and six months ended December 31, 2016 , cash in the amount of approximately $3.3 million and $6.2 million , respectively, was received from employees relating to the ESPP (three and six months ended December 31, 2015 — $0.7 million and $1.7 million , respectively).

NOTE 13—GUARANTEES AND CONTINGENCIES

We have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

		Payments due between			
	Total	January 1, 2017— June 30, 2017	July 1, 2017— June 30, 2019	July 1, 2019— June 30, 2021	July 1, 2021 and beyond
Long term debt obligations [1]	$ 3,294,203	$ 63,506	$ 256,602	$ 984,407	$ 1,989,688
Operating lease obligations [2]	282,531	25,556	92,605	68,250	96,120
Purchase obligations [3]	16,640	13,539	2,646	455	—
	$ 3,593,374	$ 102,601	$ 351,853	$ 1,053,112	$ 2,085,808

[(1)] Includes interest and principal

[(2)] Net of $8.1 million of sublease income to be received from properties which we have subleased to third parties.

[(3)] Includes fees of $10.0 million relating to a commitment letter with Barclays Bank PLC, Citigroup Global Markets Inc. and Royal Bank of Canada that we entered into in September 2016, as previously disclosed in the Company's Form 10-Q for the quarter ended September 30, 2016. Following the closing of the Dell-EMC Acquisition (as defined in note 18 "Acquisitions") on January 23, 2017 (see note 22 "Subsequent Events"), this commitment letter was terminated on January 23, 2017 and the associated fee discussed above was paid.

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 Condensed Consolidated Financial Statements .

Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business. Such agreements have not had a material effect on our results of operations, financial position or cash flows.

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 Quarterly Report on Form 10-Q , the aggregate of such estimated losses was 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

As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (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. We also previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Condensed Consolidated Financial Statements .

As part of these examinations, (which are ongoing), on July 17, 2015 we received from the IRS a Notice of Proposed Adjustment (NOPA) in draft form proposing a one-time approximately $280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010 and proposing penalties equal to 20% of the additional taxes, plus interest at the applicable statutory rate (which will continue to accrue until the matter is resolved and may be substantial). A NOPA is an IRS position and does not impose an obligation to pay tax. The draft NOPA may be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment. Based on discussions with the IRS, we expect we will receive an additional NOPA proposing an approximately $80 million increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by proposed penalties and interest (although there can be no assurance that this will be the amount reflected in the NOPA when received, including because the IRS may assign a higher value to our intellectual property). Depending upon the outcome of these matters, additional state income taxes plus penalties and interest may be due. We currently estimate that, as of December 31, 2016 , adjustments under the draft NOPA in its present form and the anticipated additional NOPA could result in an aggregate liability of approximately $550 million , inclusive of U.S. federal and state taxes, penalties and interest.

We strongly disagree with the IRS’ position and intend to vigorously contest the proposed adjustments to our taxable income. We are examining various alternatives available to taxpayers to contest the proposed adjustments. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Quarterly Report on Form 10-Q , we have not recorded any material accruals in respect of these examinations in our Condensed Consolidated Financial Statements . An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

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 $2.7 million as of December 31, 2016 . 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 has approximately $5.3 million accrued 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 $1.5 million to cover our anticipated financial exposure in this matter.

Please also see "Risk Factors" included in our Annual Report on Form 10-K for Fiscal 2016.

NOTE 14—INCOME TAXES

Our effective tax rate represents the net effect of the mix of income earned in various tax jurisdictions that are subject to a wide range of income tax rates.

We recognize interest expense and penalties related to income tax matters in income tax expense.

For the three and six months ended December 31, 2016 and 2015 , we recognized the following amounts as income tax-related interest expense and penalties:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Interest expense	$ 1,501	$ 1,195	$ 2,783	$ 2,972
Penalties expense (recoveries)	(218)	(2,596)	(324)	(2,726)
Total	$ 1,283	$ (1,401)	$ 2,459	$ 246

As of December 31, 2016 and June 30, 2016 , the following amounts have been accrued on account of income tax-related interest expense and penalties:

	As of December 31, 2016	As of June 30, 2016
Interest expense accrued *	$ 36,957	$ 34,476
Penalties accrued *	$ 1,234	$ 1,615

* These balances have been included within "Long-term income taxes payable" within the Condensed Consolidated Balance Sheets .

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of December 31, 2016 , could decrease tax expense in the next 12 months by $2.0 million , relating primarily to the expiration of competent authority relief and tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

Our four most significant tax jurisdictions are Canada, the United States, Luxembourg and Germany. Our tax filings remain subject to audits by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The earliest fiscal years open for examination are 2009 for Germany, 2010 for the United States, 2011 for Luxembourg, and 2012 for Canada.

We are subject to tax audits in all major taxing jurisdictions in which we operate and currently have tax audits open in Canada, the United States, France, Germany, India, the Netherlands, Italy and Malaysia. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. Statements regarding the United States audits are included in note 13 "Guarantees and Contingencies".

The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax audits in one or more jurisdictions. These assessments or settlements may or may not result in changes to our contingencies related to positions on tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes. For more information relating to certain tax audits, please refer to note 13 "Guarantees and Contingencies".

As at December 31, 2016 , we have provided $17.7 million (June 30, 2016 — $15.9 million) in respect of both additional foreign withholding taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution. We have not provided for additional foreign withholding taxes or deferred income tax liabilities related to undistributed earnings of all other non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries, or are not subject to withholding taxes. It is not practicable to reasonably estimate the amount of additional deferred income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our intellectual property (IP) in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. We believe our reorganization also reduces our exposure to global political and tax uncertainties, particularly in Europe. We believe that further consolidating our IP in Canada will continue to ensure appropriate legal protections for our consolidated IP, simplify legal, accounting and tax compliance, and improve our global cash management. A significant tax benefit of $876.1 million , associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was realized in the first quarter of Fiscal 2017. We believe it is more likely than not that the deferred tax asset will be realized and therefore no valuation allowance was required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText.

The effective tax rate increased to a provision of 40.6% for the three months ended December 31, 2016 , compared to a provision of 4.4% for the three months ended December 31, 2015 . The increase in tax expense of $26.7 million was primarily due to an increase of $25.1 million resulting from the impact of foreign rates. Starting in Fiscal 2017 the Company is recognizing a significant portion of its global income in Canada for tax purposes which gives rise to a non-cash deferred tax expense resulting from the use of the tax assets discussed above at the Canadian statutory rate. Also contributing to the increase in tax expense is an increase in changes in unrecognized tax benefits in the amount of $10.5 million relating mainly to reversals of reserves in the three months ended December 31, 2015 that did not reoccur in the three months ended December 31, 2016. These increases were partially offset by a decrease of $4.2 million relating to the tax impact of the Company having lower income before taxes, a decrease in the change in valuation allowance of $1.6 million and a decrease in the amortization of deferred charges of $1.2 million . The remainder of the difference was due to normal course movements and non-material items.

The effective tax rate decreased to a recovery of 640.6% for the six months ended December 31, 2016 , compared to a provision of 10.6% for the six months ended December 31, 2015 . The decrease in tax expense of $843.9 million was primarily due to a significant tax benefit of $876.1 million resulting from an internal reorganization that is further described above. Additionally, we saw an increase of $36.0 million resulting from the impact of foreign rates. Starting in Fiscal 2017 the Company is recognizing a significant portion of its global income in Canada for tax purposes which gives rise to a non-cash deferred tax expense resulting from the use of the tax assets discussed above at the Canadian statutory rate. Also contributing to the increase in tax expense is an increase in changes in unrecognized tax benefits in the amount of $8.3 million relating mainly to reversals of reserves in the six months ended December 31, 2015 that did not reoccur in the six months ended December 31, 2016. These increases were partially offset by a decrease of $4.0 million relating to the tax impact of the Company having lower income before taxes, a decrease in the change in valuation allowance of $2.7 million and a decrease in the amortization of deferred charges of $1.7 million . The remainder of the difference was due to normal course movements and non-material items.

NOTE 15—FAIR VALUE MEASUREMENT

ASC Topic 820 "Fair Value Measurement" (Topic 820) defines fair value, establishes a framework for measuring fair value, and addresses disclosure requirements for fair value measurements. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

In addition to defining fair value and addressing disclosure requirements, Topic 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Our financial assets and liabilities measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2016 and June 30, 2016 :

	December 31, 2016				June 30, 2016			
		Fair Market Measurements using:				Fair Market Measurements using:		
	December 31, 2016	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	June 30, 2016	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:								
Short-term investments*	$ 3,238	N/A	$ 3,238	N/A	$ 11,839	N/A	$ 11,839	N/A
Derivative financial instrument asset (note 16)	—	N/A	—	N/A	792	N/A	792	N/A
	$ 3,238	N/A	$ 3,238	N/A	$ 12,631	N/A	$ 12,631	N/A
Financial Liabilities:								
Derivative financial instrument liability (note 16)	$ (787)	N/A	$ (787)	N/A	$ —	N/A	$ —	N/A
	$ (787)	N/A	$ (787)	N/A	$ —	N/A	$ —	N/A

*These assets in the table above are classified as Level 2 as certain specific assets included within may not have quoted prices that are readily accessible in an active market or we may have relied on alternative pricing methods that do not rely exclusively on quoted prices to determine the fair value of the investments.

Our valuation techniques used to measure the fair values of the derivative instruments, the counterparty to which has high credit ratings, were derived from pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for these instruments. Our discounted cash flow techniques use observable market inputs, such as, where applicable, foreign currency spot and forward rates.

Our cash and cash equivalents, along with our accounts receivable and accounts payable and accrued liabilities balances, are measured and recognized in our Condensed Consolidated Financial Statements at an amount that approximates their fair value (a Level 2 measurement) due to their short maturities.

If applicable, we will recognize transfers between levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the three and six months ended December 31, 2016 and 2015 , we did not have any transfers between Level 1, Level 2 or Level 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the three and six months ended December 31, 2016 and 2015 , no indications of impairment were identified and therefore no fair value measurements were required.

Short-term Investments

Short-term investments are classified as available for sale securities and are recorded on our Condensed Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of Accumulated Other Comprehensive Income.

A summary of our short-term investments outstanding as of December 31, 2016 and June 30, 2016 is as follows:

	As of December 31, 2016				As of June 30, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Short-term investments	$ 2,406	$ 832	$ —	$ 3,238	$ 11,406	$ 436	$ (3)	$ 11,839

NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Foreign Currency Forward Contracts

We are engaged in hedging programs with relationship banks to limit the potential foreign exchange fluctuations incurred on future cash flows relating to a portion of our Canadian dollar payroll expenses. We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of our business, in particular to changes in the Canadian dollar on account of large costs that are incurred from our centralized Canadian operations, which are denominated in Canadian dollars. As part of our risk management strategy, we use foreign currency forward contracts to hedge portions of our payroll exposure with typical maturities of between one and twelve months . We do not use derivatives for speculative purposes.

We have designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 “Derivatives and Hedging” (Topic 815). As the critical terms of the hedging instrument, and of the entire hedged forecasted transaction, are the same, in accordance with Topic 815 we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within other comprehensive income. The fair value of the contracts, as of December 31, 2016 , is recorded within "Accounts payable and accrued liabilities”.

As of December 31, 2016 , the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was $39.6 million (June 30, 2016 — $33.2 million).

Fair Value of Derivative Instruments and Effect of Derivative Instruments on Financial Performance

The effect of these derivative instruments on our Condensed Consolidated Financial Statements for the periods indicated below were as follows (amounts presented do not include any income tax effects).

Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets (see note 15 "Fair Value Measurements")

Derivatives	Balance Sheet Location	As of December 31, 2016 Fair Value Asset (Liability)	As of June 30, 2016 Fair Value Asset (Liability)
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	$ (787)	$ 792

Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)

Three and Six Months Ended December 31, 2016

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended December 31, 2016	Six Months Ended December 31, 2016		Three Months Ended December 31, 2016	Six Months Ended December 31, 2016		Three Months Ended December 31, 2016	Six Months Ended December 31, 2016
Foreign currency forward contracts	$ (950)	$ (1,433)	Operating expenses	$ 124	$ 146	N/A	$ —	$ —

Three and Six Months Ended December 31, 2015

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended December 31, 2015	Six Months Ended December 31, 2015		Three Months Ended December 31, 2015	Six Months Ended December 31, 2015		Three Months Ended December 31, 2015	Six Months Ended December 31, 2015
Foreign currency forward contracts	$ (1,944)	$ (6,556)	Operating expenses	$ (1,108)	$ (1,804)	N/A	$ —	$ —

NOTE 17—SPECIAL CHARGES (RECOVERIES)

Special charges (recoveries) include costs and recoveries that relate to certain restructuring initiatives that we have undertaken from time to time under our various restructuring plans, as well as acquisition-related costs and other charges.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Fiscal 2017 Restructuring Plan	$ 761	$ —	$ 1,856	$ —
Fiscal 2015 Restructuring Plan	(2,624)	5,555	(2,639)	21,029
OpenText/GXS Restructuring Plan	(3)	(1,882)	851	(2,034)
Restructuring Plans prior to OpenText/GXS Restructuring Plan	—	4	(16)	4
Acquisition-related costs	3,892	983	10,666	1,160
Other charges	9,091	4,428	12,853	6,266
Total	$ 11,117	$ 9,088	$ 23,571	$ 26,425

Fiscal 2017 Restructuring Plan

In the first half of Fiscal 2017 and in the context of the acquisition of Recommind and the acquisition of CCM Business, we began to implement restructuring activities to streamline our operations (Fiscal 2017 Restructuring Plan). The Fiscal 2017 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

As of December 31, 2016 , we expect total costs to be incurred in conjunction with the Fiscal 2017 Restructuring Plan to be approximately $4.0 million , of which $1.9 million has already been recorded within "Special charges (recoveries)" to date.

A reconciliation of the beginning and ending liability for the six months ended December 31, 2016 is shown below.

Fiscal 2017 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2016	$ —	$ —	$ —
Accruals and adjustments	1,236	620	1,856
Cash payments	(914)	(224)	(1,138)
Foreign exchange	7	(85)	(78)
Balance payable as at December 31, 2016	$ 329	$ 311	$ 640

Fiscal 2015 Restructuring Plan

In the third quarter of Fiscal 2015 and in the context of the acquisition of Actuate Corporation (Actuate), we began to implement restructuring activities to streamline our operations (OpenText/Actuate Restructuring Plan). We subsequently announced, on May 20, 2015 that we were initiating a restructuring program in conjunction with organizational changes to support our cloud strategy and drive further operational efficiencies. These charges are combined with the OpenText/Actuate Restructuring Plan (collectively referred to as the Fiscal 2015 Restructuring Plan) and are presented below. The Fiscal 2015 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

Since the inception of the plan, $27.8 million has been recorded within "Special charges (recoveries)" to date. We do not expect to incur any further significant charges related to this plan.

A reconciliation of the beginning and ending liability for the six months ended December 31, 2016 is shown below.

Fiscal 2015 Restructuring Plan	**Workforce reduction**	**Facility costs**	**Total**
Balance payable as at June 30, 2016	$ 3,145	$ 5,046	$ 8,191
Accruals and adjustments	(1,148)	(1,491)	(2,639)
Cash payments	(1,385)	(570)	(1,955)
Foreign exchange	(95)	(117)	(212)
Balance payable as at December 31, 2016	$ 517	$ 2,868	$ 3,385

OpenText/GXS Restructuring Plan

In the third quarter of Fiscal 2014 and in the context of the acquisition of GXS, we began to implement restructuring activities to streamline our operations (OpenText/GXS Restructuring Plan). These charges relate to workforce reductions, facility consolidations and other miscellaneous direct costs. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

Since the inception of the plan, $24.9 million has been recorded within "Special charges (recoveries)". We do not expect to incur any further significant charges related to this plan.

A reconciliation of the beginning and ending liability for the six months ended December 31, 2016 is shown below.

OpenText/GXS Restructuring Plan	**Workforce reduction**	**Facility costs**	**Total**
Balance payable as at June 30, 2016	$ 115	$ 606	$ 721
Accruals and adjustments	169	682	851
Cash payments	—	(327)	(327)
Foreign exchange	(152)	41	(111)
Balance payable as at December 31, 2016	$ 132	$ 1,002	$ 1,134

Acquisition-related costs

Included within "Special charges (recoveries)" for the three and six months ended December 31, 2016 are costs incurred directly in relation to acquisitions in the amount of $3.9 million and $10.7 million , respectively (three and six months ended December 31, 2015 — $1.0 million and $1.2 million , respectively).

Other charges (recoveries)

ERP Implementation Costs

We are currently involved in a one-time project to implement a broad enterprise resource planning (ERP) system.

For the three and six months ended December 31, 2016 , we incurred costs of $ 2.3 million and $4.7 million , respectively, relating to the implementation of this project (three and six months ended December 31, 2015 — $2.9 million and $4.8 million , respectively).

Other charges

For the three months ended December 31, 2016 , "Other charges" primarily include (i) $8.2 million relating to commitment fees and (ii) $0.1 million relating to certain interest on pre-acquisition liabilities. These charges were partially offset by (i) a recovery of $1.4 million relating to certain pre-acquisition sales and use tax liabilities being released upon becoming statute barred and (ii) a recovery of $0.2 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations. The remaining amounts relate to miscellaneous other charges.

For the six months ended December 31, 2016 , "Other charges" primarily include (i) $9.2 million relating to commitment fees and (ii) $1.1 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations. These charges were partially offset by a recovery of $2.6 million relating to certain pre-acquisition sales and use tax liabilities being released upon becoming statute barred. The remaining amounts relate to miscellaneous other charges.

For the three months ended December 31, 2015 , "Other costs" primarily includes (i) a charge of $0.9 million relating to assets disposed in connection with a restructured facility, (ii) $0.7 million relating to post-acquisition integration costs necessary to streamline acquired companies into our operations and to reorganize certain legal entities, and (iii) a charge of $0.1 million relating to interest on certain pre-acquisition liabilities. These charges were partially offset by a recovery of $0.3 million relating to certain pre-acquisition tax liabilities becoming statute barred.

For the six months ended December 31, 2015 , "Other costs" primarily includes (i) a charge of $0.9 million relating to the assets disposed in connection with a restructured facility and (ii) $0.8 million relating to post-acquisition integration costs necessary to streamline acquired companies into our operations and to reorganize certain legal entities. These charges were partially offset by (i) a recovery of $0.5 million relating to certain pre-acquisition tax liabilities becoming statute barred, and (ii) a recovery of $0.1 million relating to interest on certain pre-acquisition liabilities.

NOTE 18—ACQUISITIONS

Fiscal 2017 Acquisitions

Material Definitive Agreement

On September 12, 2016 , we entered into a material definitive agreement with EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries (collectively referred to as Dell-EMC) pursuant to which we agreed to the acquisition of certain assets and assume certain liabilities of the enterprise content division of Dell-EMC (the Dell-EMC Acquisition). This acquisition closed on January 23, 2017 for a purchase price of approximately $1.62 billion . See note 22 "Subsequent Events" for more details.

Purchase of an Asset Group Constituting a Business - CCM Business

On July 31, 2016 , we acquired certain customer communications management software and services assets and liabilities from HP Inc. (CCM Business) for approximately $315.0 million . Previously, $2.8 million was held back and unpaid in accordance with the terms of the purchase agreement. This amount has since been released and paid during three months ended December 31, 2016 . In accordance with Topic 805 "Business Combinations" (Topic 805), this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, and allows us to better serve our customers by offering a wider set of CCM capabilities.

The results of operations of this acquisition have been consolidated with those of OpenText beginning July 31, 2016.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of July 31, 2016, are set forth below:

Current assets	$	683
Non-current deferred tax asset		6,916
Non-current tangible assets		2,348
Intangible customer assets		64,000
Intangible technology assets		101,000
Liabilities assumed		(38,091)
Total identifiable net assets		136,856
Goodwill		178,144
Net assets acquired	$	315,000

The goodwill of $178.1 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $147.4 million is expected to be deductible for tax purposes.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for assets acquired and liabilities assumed. We expect to finalize this determination on or before June 30, 2017.

Acquisition-related costs for CCM Business included in "Special charges (recoveries)" in the Condensed Consolidated Statements of Income for the three and six months ended December 31, 2016 were $0.1 million and $0.8 million , respectively.

The acquisition had no significant impact on revenues and net earnings for the three and six months ended December 31, 2016 , since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

Acquisition of Recommind, Inc.

On July 20, 2016, we acquired all of the equity interest in Recommind, a leading provider of eDiscovery and information analytics, for approximately $170.1 million . In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our EIM solutions, and through eDiscovery and analytics, provides increased visibility into structured and unstructured data.

The results of operations of Recommind have been consolidated with those of OpenText beginning July 20, 2016.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of July 20, 2016, are set forth below:

Current assets	$	30,034
Non-current tangible assets		1,245
Intangible customer assets		51,900
Intangible technology assets		24,800
Deferred tax liabilities		(4,360)
Other liabilities assumed		(27,497)
Total identifiable net assets		76,122
Goodwill		93,985
Net assets acquired	$	170,107

The goodwill of $94.0 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of $28.7 million . The gross amount receivable was $29.6 million of which $0.9 million of this receivable was expected to be uncollectible.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for taxation-related balances and for potential adjustments to assets and liabilities. We expect to finalize this determination on or before June 30, 2017.

Acquisition-related costs for Recommind included in "Special charges (recoveries)" in the Condensed Consolidated Statements of Income for the three and six months ended December 31, 2016 were $0.3 million and $0.9 million , respectively.

The acquisition had no significant impact on revenues and net earnings for the three and six months ended December 31, 2016 , since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

Fiscal 2016 Acquisitions

Acquisition of ANXe Business Corporation

On May 1, 2016, we acquired all of the equity interest in ANXe Business Corporation (ANX), a leading provider of cloud-based information exchange services to the automotive and healthcare industries, for approximately $104.4 million . In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition strengthens our industry presence and reach in the automotive and healthcare industries through strong customer relationships and targeted business partner collaboration solutions.

The results of operations of ANX have been consolidated with those of OpenText beginning May 1, 2016.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of May 1, 2016, are set forth below:

Current assets	$	9,712
Non-current tangible assets		511
Intangible customer assets		49,700
Intangible technology assets		5,600
Liabilities assumed		(26,204)
Total identifiable net assets		39,319
Goodwill		65,108
Net assets acquired	$	104,427

The goodwill of $65.1 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $7.0 million is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of $5.7 million . The gross amount receivable was $5.8 million of which $0.1 million of this receivable was expected to be uncollectible.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for taxation-related balances. We expect to finalize this determination on or before March 31, 2017.

Adjustments made to goodwill during Fiscal 2017 in the amount of $0.1 million were primarily related to working capital adjustments.

Purchase of an Asset Group Constituting a Business - CEM Business

On April 30, 2016 , we acquired certain customer experience software and services assets and liabilities from HP Inc. (CEM Business) for approximately $160.0 million . Previously, $7.3 million was held back and unpaid in accordance with the terms of the purchase agreement. This amount has since been released and paid during the three months ended September 30, 2016. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, particularly our Customer Experience Management and Cloud offerings.

The results of operations of this acquisition have been consolidated with those of OpenText beginning April 30, 2016 .

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of April 30, 2016 , are set forth below:

Current assets	$	3,078
Non-current tangible assets		12,589
Intangible customer assets		33,000
Intangible technology assets		47,000
Liabilities assumed		(26,478)
Total identifiable net assets		69,189
Goodwill		90,811
Net assets acquired	$	160,000

The goodwill of $90.8 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $ 77.0 million is expected to be deductible for tax purposes.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for assets acquired and liabilities assumed. We expect to finalize this determination on or before March 31, 2017.

Adjustments made to goodwill during Fiscal 2017 in the amount of $0.1 million were primarily related to working capital adjustments.

NOTE 19—SUPPLEMENTAL CASH FLOW DISCLOSURES

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Cash paid during the period for interest	$ 24,394	$ 6,942	$ 53,585	$ 36,236
Cash received during the period for interest	$ 700	$ 259	$ 1,470	$ 542
Cash paid during the period for income taxes	$ 32,862	$ 9,061	$ 39,682	$ 16,466

NOTE 20—EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income, attributable to OpenText, by the weighted average number of Common Shares outstanding during the period. Diluted earnings per share are computed by dividing net income, attributable to OpenText, by the shares used in the calculation of basic earnings per share plus the dilutive effect of Common Share equivalents, such as stock options, using the treasury stock method. Common Share equivalents are excluded from the computation of diluted earnings per share if their effect is anti-dilutive. Per share data and number of Common Shares included in the table below are presented on a post share split basis. See note 12 "Share Capital, Option Plans and Share-based Payments" for additional information about the share split.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Basic earnings per share				
Net income attributable to OpenText	$ 45,022	$ 87,686	$ 957,906 (1)	$ 128,972
Basic earnings per share attributable to OpenText	$ 0.18	$ 0.36	$ 3.92	$ 0.53
Diluted earnings per share				
Net income attributable to OpenText	$ 45,022	$ 87,686	$ 957,906 (1)	$ 128,972
Diluted earnings per share attributable to OpenText	$ 0.18	$ 0.36	$ 3.89	$ 0.53
Weighted-average number of shares outstanding				
Basic	245,653	242,492	244,282	243,398
Effect of dilutive securities	1,848	1,092	1,841	1,034
Diluted	247,501	243,584	246,123	244,432
Excluded as anti-dilutive (2)	1,618	5,498	1,445	5,506

(1) Please also see note 14 "Income Taxes" for details relating to a one-time tax benefit of $876.1 million recorded during the three months ended September 30, 2016 in connection with an internal reorganization of our subsidiaries.

(2) Represents options to purchase Common Shares excluded from the calculation of diluted earnings per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares during the period.

NOTE 21—RELATED PARTY TRANSACTIONS

Our procedure regarding the approval of any related party transaction requires that the material facts of such transaction be reviewed by the independent members of the Audit Committee and the transaction be approved by a majority of the independent members of the Audit Committee. The Audit Committee reviews all transactions in which we are, or will be, a participant and any related party has or will have a direct or indirect interest in the transaction. In determining whether to approve a related party transaction, the Audit Committee generally takes into account, among other facts it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent and nature of the related person’s interest in the transaction; the benefits to the Company of the proposed transaction; if applicable, the effects on a director’s independence; and if applicable, the availability of other sources of comparable services or products.

During the six months ended December 31, 2016 , Mr. Stephen Sadler, a director, earned $0.7 million (six months ended December 31, 2015 — $17.5 thousand) in consulting fees from OpenText for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

NOTE 22—SUBSEQUENT EVENTS

Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on February 1, 2017 , a dividend of $0.1150 per Common Share, on a post share split basis. The record date for this dividend is March 3, 2017 and the payment date is March 23, 2017 . 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.

Acquisition of the Enterprise Content Division of Dell-EMC

On January 23, 2017, we completed our previously announced acquisition of certain assets and liabilities of the enterprise content division of Dell-EMC for approximately $1.62 billion . In accordance with Topic 805 this acquisition will be accounted for as a business combination. We believe this acquisition will complement and extend our EIM portfolio. Given that this acquisition has only recently closed, as of the date of filing of this Quarterly Report on Form 10-Q, we are still evaluating the impact of this acquisition on our consolidated financial statements. The results of this evaluation along with this acquisition's financial results will be consolidated in our financial statements for the third quarter of Fiscal 2017 from the closing date.

Restructuring Plan

In connection with the Dell-EMC Acquisition, on February 1, 2017, we committed to restructuring activities to streamline our operations. These charges relate to workforce reductions, facility consolidations and other costs. With respect to each of these categories we expect to incur charges during the remainder of Fiscal 2017 and into Fiscal 2018, in the following amounts:

- Workforce reductions: approximately $41 million ,
- Facility consolidations: approximately $6 million , and
- Other Costs: approximately $3 million .

Total costs to be incurred in conjunction with this restructuring plan are expected to be approximately $50 million with a substantial portion of the costs expected to be incurred during the remainder of Fiscal 2017.

Revolver

On January 13, 2017 we drew down $200 million from the Revolver, to partially finance the Dell-EMC Acquisition and on January 26, 2017, we drew down an additional $25 million from the Revolver for miscellaneous general corporate purposes. Furthermore on February 1, 2017, we amended the Revolver to increase the total commitments under the revolving credit facility from $300 million to $450 million . Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver will mature on December 22, 2019 with no fixed repayment date prior to the end of the term.

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

This Quarterly Report on Form 10-Q , 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 Securitie s *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.*

When used in this report, the words "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and other similar language, as they relate to Open Text Corporation ("OpenText" or the "Company"), are intended to identify forward-looking statements under applicable securities laws. Specific forward-looking statements in this report include, but are not limited to: (i) statements about our focus in the fiscal year beginning July 1, 2016 and ending June 30, 2017 (Fiscal 2017) on growth in earnings and cash flows; (ii) creating value through investments in broader Enterprise Information Management (EIM) capabilities; (iii) our future business plans and business planning process; (iv) statements relating to business trends; (v) statements relating to distribution; (vi) the Company's presence in the cloud and in growth markets; (vii) product and solution developments, enhancements and releases and the timing thereof; (viii) the Company's financial conditions, results of operations and earnings; (ix) the basis for any future growth and for our financial performance; (x) declaration of quarterly dividends; (xi) future tax rates; (xii) the changing regulatory environment and its impact on our business; (xiii) recurring revenues; (xiv) research and development and related expenditures; (xv) our building, development and consolidation of our network infrastructure; (xvi) competition and changes in the competitive landscape; (xvii) our management and protection of intellectual property and other proprietary rights; (xviii) foreign sales and exchange rate fluctuations; (xix) cyclical or seasonal aspects of our business; (xx) capital expenditures; (xxi) potential legal and/or regulatory proceedings; and (xxii) other matters.

In addition, any statements or information 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. The forward-looking statements contained in this report are based on certain assumptions including the following: (i) countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; (ii) our continued operation of a secure and reliable business network; (iii) the stability of general economic and market conditions, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify and source attractive and executable business combination opportunities; and (vi) our continued compliance with third party intellectual property rights. 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 that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. 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 potential for the incurrence of or assumption of debt in connection with acquisitions and the impact on the ratings or outlooks of rating agencies on our outstanding debt securities; (iii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder, or applicable Canadian securities regulation; (iv) the risks associated with bringing new products and services to market; (v) fluctuations in currency exchange rates (including as a result of the impact of Brexit); (vi) delays in the purchasing decisions of the Company's customers; (vii) the competition the Company faces in its industry and/or marketplace; (viii) the final determination of litigation, tax audits (including tax examinations in the United States or elsewhere) and other legal proceedings; (ix) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes; (x) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xi) the continuous commitment of the Company's customers; (xii) demand for the Company's products and services; (xiii) increase in exposure to international business risks (including as a result of the impact of Brexit) as we continue to increase our international operations; (xiv) inability to raise capital at all or on not unfavorable terms in the future; and (xv) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xvi) potential changes in ratings or outlooks of rating agencies on our outstanding debt securities. Other factors that may affect forward-looking statements include, but are not limited to: (i) the future performance, financial and otherwise, of the Company; (ii) the ability of the Company to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) failure to secure and protect patents, trademarks and other proprietary rights; (v) infringement of third-party proprietary rights triggering indemnification obligations and resulting in *significant expenses or restrictions on our ability to provide our products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement; (vii) the Company's growth and profitability prospects; (viii) the estimated size and growth prospects of the EIM market; (ix) the Company's competitive position in the EIM market and its ability to take advantage of future opportunities in this market; (x) the benefits of the Company's products and services to be realized by customers; (xi) 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; (xii) the Company's financial condition and capital requirements; (xiii) system or network failures or information security breaches in connection with the Company's offerings; and (xiv) failure to attract and retain key personnel to develop and effectively manage the Company's business.*

For additional information with respect to risks and other factors which could occur, see Part II, Item 1A "Risk Factors" herein and the Company's Annual Report on Form 10-K, including Part I, Item 1A "Risk Factors" therein; Quarterly Reports on Form 10-Q and other documents we file from time to time with the Securities and Exchange Commission (SEC) and other securities regulators. 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.

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 Condensed Consolidated Financial Statements and the accompanying Notes to our Condensed Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q .

All dollar and percentage comparisons made herein generally refer to the three and six months ended December 31, 2016 compared with the three and six months ended December 31, 2015 , unless otherwise noted.

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 operate in the Enterprise Information Management (EIM) market. We are an independent company providing a comprehensive platform and 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 improve customer satisfaction and digital experience, gain analytical insight, improve collaboration with business partners, address the legal and business requirements associated with information governance, and help to ensure that information remains secure and private, as demanded in today's highly regulated climate.

Our products and services are designed to provide the benefits of maximizing the value of enterprise information while largely minimizing its risks. Our solutions incorporate collaborative and mobile technologies and are delivered for on-premises deployment as well as through cloud, hybrid 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 information and 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 (TSX) in 1998. We are a multinational company and as of December 31, 2016 , employed approximately 9,800 people worldwide.

Our ticker symbol on the NASDAQ is OTEX and our ticker symbol on the TSX was OTC. Commencing February 6, 2017, we anticipate that our ticker symbol on the TSX will be aligned as OTEX.

IP Reorganization

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our intellectual property (IP) in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. We believe our reorganization also reduces our exposure to global political and tax uncertainties, particularly in Europe. We believe that further consolidating our IP in Canada will continue to ensure appropriate legal protections for our consolidated IP, simplify legal, accounting and tax compliance, and improve our global cash management. A significant tax benefit of $876.1 million associated with the recognition of a net deferred tax asset ensuing from the reorganization was realized in the first quarter of Fiscal 2017. This had a significant impact on our GAAP-based net income and earnings per share, as illustrated in our year to date results presented below.

Public Offering of Common Shares and New Debt Financing

On December 19, 2016, we issued 18,500,000 Common Shares in a public offering at $30.50 per share (the Equity Offering), on a post share split basis. Additionally, the underwriters partially exercised their over-allotment option and purchased an additional 1,310,604 shares at $30.50 per share, on a post share split basis. In total, as a result of the Equity Offering and the exercise of the underwriter's over-allotment option, we issued 19,810,604 Common Shares, on a post share split basis for total net proceeds of approximately $584.6 million . Total costs associated with the Equity Offering are approximately $19.6 million , of which $18.1 million had been paid as of December 31, 2016.

On December 20, 2016, we issued an additional $250 million in aggregate principal amount by reopening the previously issued 5.875% Senior Notes due 2026 (Senior Notes 2026) at an issue price of 102.75% (the Notes Reopening). The additional notes have identical terms, are fungible with and are a part of a single series with the $600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is $850 million .

Share Split

On December 21, 2016, we announced that our board of directors (the Board) approved a two-for-one share split of our outstanding Common Shares. The two-for-one share split was implemented by way of a share sub-division whereby shareholders of record on the record date received one additional Common Share for each Common Share held. The record date for the share split was January 9, 2017 and the distribution date date was January 24, 2017. In connection with the share split, the Company's articles were amended on December 22, 2016 to change the number of Common Shares, whether issued or unissued, on a two-for-one basis, such that each Common Share became two Common Shares. We are undertaking the share split to make our Common Shares more readily accessible to individual shareholders, and potentially improve the liquidity of the market for our Common Shares and broaden our shareholder base.

As a result of the two-for-one share split, all current and historical period per share data, number of Common Shares outstanding and share-based compensation awards are presented on a post share split basis.

Quarterly Summary:

During the quarter we saw the following activity:

- Total revenue was $542.7 million , up 16.6% compared to the same period in the prior fiscal year; up 17.2% after factoring the impact of $2.9 million of foreign exchange rate changes.
- Total recurring revenue was $444.9 million , up 16.0% compared to the same period in the prior fiscal year; up 16.7% after factoring the impact of $2.6 million of foreign exchange rate changes.
- Cloud services and subscriptions revenue was $175.1 million , up 17.4% compared to the same period in the prior fiscal year; up 17.8% after factoring the impact of $0.6 million of foreign exchange rate changes.
- License revenue was $97.8 million , up 19.4% compared to the same period in the prior fiscal year; up 19.7% after factoring the impact of $0.3 million of foreign exchange rate changes.
- GAAP-based EPS, diluted on a post share split basis, was $0.18 compared to $0.36 in the same period in the prior fiscal year.
- Non-GAAP-based EPS, diluted on a post share split basis, was $0.54 compared to $0.50 in the same period in the prior fiscal year.
- GAAP-based gross margin was 69.0% compared to 70.0% in the same period in the prior fiscal year.
- GAAP-based operating margin was 19.7% compared to 23.6% in the same period in the prior fiscal year.
- Non-GAAP-based operating margin was 34.0% compared to 37.0% in the same period in the prior fiscal year.
- Operating cash flow was $180.5 million for the six months ended December 31, 2016 , down 16.7% from the same period in the prior fiscal year.
- Cash and cash equivalents was $1,722.5 million as of December 31, 2016 , after raising net proceeds from the Notes Reopening and the Equity Offering, compared to $1,283.8 million as of June 30, 2016 .

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

See "Acquisitions" below for the impact of acquisitions on the period-to-period comparability of results.

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, on an ongoing basis we regularly evaluate acquisition opportunities within the EIM market and at any time may be in various stages of discussions with respect to such opportunities.

Acquisition of Recommind, Inc.

O n July 20, 2016, we acquired Recommind, Inc. (Recommind), a leading provider of eDiscovery and information analytics, for approximately $170.1 million . We believe this acquisition complements our EIM solutions, and through eDiscovery and analytics, provides increased visibility into structured and unstructured data. The results of operations of Recommind have been consolidated with those of OpenText beginning July 20, 2016.

Acquisition of Certain Customer Communication Management Software Assets from HP Inc.

On July 31, 2016 , we acquired certain customer communication management software and services assets and liabilities from HP Inc. (CCM Business) for approximately $315.0 million . We believe this acquisition complements our current software portfolio, and allows us to better serve our customers by offering a wider set of CCM capabilities. The results of operations of this acquisition have been consolidated with those of OpenText beginning July 31, 2016 .

Acquisition of the Enterprise Content Division of Dell Technologies Inc.

On January 23, 2017, we completed our previously announced acquisition of certain assets and liabilities of the enterprise content division of Dell-EMC (the Dell-EMC Acquisition) for approximately $1.62 billion . The financial results will be consolidated in our financial statements from the closing date for the third quarter of Fiscal 2017. For additional details, please refer to note 22 "Subsequent Events" to our Condensed Consolidated Financial Statements.

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 provide superior shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business. Our acquisitions, particularly significant ones, can affect the period-to-period comparability of our results. See note 18 "Acquisitions" to our Condensed Consolidated Financial Statements for more details.

Outlook for remainder of Fiscal 2017

We expect to continue to pursue strategic acquisitions in the future to strengthen our service offerings in the EIM market, and at any time may be in various stages of discussions with respect to such opportunities. We believe we are a value oriented and disciplined acquirer, having efficiently deployed $5.8 billion on acquisitions over the last 10 years, including the recently closed Dell-EMC Acquisition. We see our ability to successfully integrate acquired companies and assets into our business as a strength and pursuing strategic acquisitions is an important aspect to our growth strategy. During the first half of Fiscal 2017, we further demonstrated the implementation of this strategy by acquiring Recommind and CCM Business. For additional details, please refer to note 18 "Acquisitions" to our Condensed Consolidated Financial Statements.

While continuing to acquire companies is our leading growth driver, our growth strategy also includes organic growth through internal innovation. This quarter we invested approximately $65 million in research and development (R&D) and we typically target to spend approximately 10% to 12% of revenues for R&D each fiscal year. We believe our ability to leverage our global presence is helpful to our organic growth initiatives.

We see an opportunity to help our customers become “digital businesses” and we believe we have a strong platform to integrate personalized analytics and insights onto our OpenText EIM suites of products, which will further our vision to enable “the digital world” and strengthen our position among leaders in EIM.

We also believe 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 Condensed 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) Business combinations,
(iv) Goodwill,
(v) Acquired intangibles,
(vi) Restructuring charges,
(vii) Foreign currency, and
(viii) Income taxes.

During the second quarter of Fiscal 2017, there were no significant changes to our critical accounting policies and estimates. For a detailed discussion of our critical accounting and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended June 30, 2016.

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, 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 GAAP-based measures to Non-GAAP-based measures.

Summary of Results of Operations

(In thousands)	Three Months Ended December 31, 2016	Change increase (decrease)	2015	Six Months Ended December 31, 2016	Change increase (decrease)	2015
Total Revenues by Product Type:						
License	$ 97,764	$ 15,908	$ 81,856	$ 158,420	$ 25,233	$ 133,187
Cloud services and subscriptions	175,061	25,962	149,099	344,748	47,859	296,889
Customer support	219,656	35,519	184,137	429,862	60,058	369,804
Professional service and other	50,228	(27)	50,255	101,343	1,341	100,002
Total revenues	542,709	77,362	465,347	1,034,373	134,491	899,882
Total Cost of Revenues	168,033	28,291	139,742	332,386	52,592	279,794
Total GAAP-based Gross Profit	374,676	49,071	325,605	701,987	81,899	620,088
Total GAAP-based Gross Margin %	69.0%		70.0%	67.9%		68.9%
Total GAAP-based Operating Expenses	267,519	51,956	215,563	520,768	87,195	433,573
Total GAAP-based Income from Operations	$ 107,157	$ (2,885)	$ 110,042	$ 181,219	$ (5,296)	$ 186,515
% Revenues by Product Type:						
License	18.0%		17.6%	15.3%		14.8%
Cloud services and subscriptions	32.2%		32.0%	33.3%		33.0%
Customer support	40.5%		39.6%	41.6%		41.1%
Professional service and other	9.3%		10.8%	9.8%		11.1%
Total Cost of Revenues by Product Type:						
License	$ 2,391	$ 362	$ 2,029	$ 6,236	$ 1,526	$ 4,710
Cloud services and subscriptions	73,150	14,232	58,918	143,442	25,608	117,834
Customer support	27,349	5,660	21,689	53,087	10,890	42,197
Professional service and other	40,295	1,920	38,375	81,638	5,199	76,439
Amortization of acquired technology-based intangible assets	24,848	6,117	18,731	47,983	9,369	38,614
Total cost of revenues	$ 168,033	$ 28,291	$ 139,742	$ 332,386	$ 52,592	$ 279,794
% GAAP-based Gross Margin by Product Type:						
License	97.6%		97.5%	96.1%		96.5%
Cloud services and subscriptions	58.2%		60.5%	58.4%		60.3%
Customer support	87.5%		88.2%	87.7%		88.6%
Professional service and other	19.8%		23.6%	19.4%		23.6%
Total Revenues by Geography:						
Americas (1)	$ 317,064	$ 58,122	$ 258,942	$ 613,200	$ 103,263	$ 509,937
EMEA (2)	176,274	13,706	162,568	323,905	15,117	308,788
Asia Pacific (3)	49,371	5,534	43,837	97,268	16,111	81,157
Total revenues	$ 542,709	$ 77,362	$ 465,347	$ 1,034,373	$ 134,491	$ 899,882
% Revenues by Geography:						
Americas (1)	58.4%		55.6%	59.3%		56.7%
EMEA (2)	32.5%		34.9%	31.3%		34.3%
Asia Pacific (3)	9.1%		9.5%	9.4%		9.0%

(In thousands)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
GAAP-based gross margin	69.0%	70.0%	67.9%	68.9%
GAAP-based operating margin	19.7%	23.6%	17.5%	20.7%
GAAP-based EPS, diluted	$ 0.18	$ 0.36	$ 3.89	$ 0.53
Non-GAAP-based gross margin (4)	73.8%	74.2%	72.7%	73.4%
Non-GAAP-based operating margin (4)	34.0%	37.0%	32.5%	35.6%
Non-GAAP-based EPS, diluted (4)	$ 0.54	$ 0.50	$ 0.97	$ 0.92

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

(2) EMEA primarily consists of countries in Europe, the Middle East and Africa.

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

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

Revenues, Cost of Revenues and Gross Margin by Product Type

1) License:

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)	Three Months Ended December 31, 2016	Change increase (decrease)	2015	Six Months Ended December 31, 2016	Change increase (decrease)	2015
License Revenues:						
Americas	$ 47,586	$ 10,530	$ 37,056	$ 78,575	$ 16,264	$ 62,311
EMEA	41,116	6,050	35,066	62,318	4,574	57,744
Asia Pacific	9,062	(672)	9,734	17,527	4,395	13,132
Total License Revenues	97,764	15,908	81,856	158,420	25,233	133,187
Cost of License Revenues	2,391	362	2,029	6,236	1,526	4,710
GAAP-based License Gross Profit	$ 95,373	$ 15,546	$ 79,827	$ 152,184	$ 23,707	$ 128,477
GAAP-based License Gross Margin %	97.6%		97.5%	96.1%		96.5%
% License Revenues by Geography:						
Americas	48.7%		45.3%	49.6%		46.8%
EMEA	42.1%		42.8%	39.3%		43.4%
Asia Pacific	9.2%		11.9%	11.1%		9.8%

License revenues increased by $15.9 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $0.3 million . Geographically, the overall increase was attributable to an increase in Americas of $10.5 million and an increase in EMEA of $6.1 million , partially offset by a decrease in Asia Pacific of $0.7 million . The number of license deals greater than $0.5 million that closed during the second quarter of Fiscal 2017 was 41 deals, of which 17 deals were greater than $1.0 million, compared to 27 deals in the second quarter of Fiscal 2016, of which 9 deals were greater than $1.0 million. License revenue, as a proportion of our total revenues, remained stable at approximately 18% .

License revenues increased by $25.2 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $0.8 million . Geographically, the overall increase was attributable to an increase in Americas of $16.3 million , and increase in EMEA of $4.6 million and an increase in Asia Pacific of $4.4 million . The number of license deals greater than $0.5 million that closed during the first six months of Fiscal 2017 was 64 deals, of which 24 deals were greater than $1.0 million, compared to 41 deals in the same period in Fiscal 2016, of which 14 deals were greater than $1.0 million. License revenue, as a proportion of our total revenues, remained stable at approximately 15% .

Cost of license revenues increased by $0.4 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year as a result of an increase in third party technology costs. Approximately $0.3 million of this increase is a result of a broad range of products that we have inherited from our recent acquisitions. Overall, the gross margin percentage on license revenues remained stable at approximately 98% .

Cost of license revenues increased by $1.5 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year as a result of an increase in third party technology costs. Approximately $0.9 million of this increase is a result of a broad range of products that we have inherited from our recent acquisitions. Overall, the gross margin percentage on license revenues remained stable at approximately 96% .

2) Cloud Services and Subscriptions:

Cloud services and subscription revenues consist of (i) software as a service offerings (ii) managed service arrangements and (iii) subscription revenues relating to on premise offerings. These offerings 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, we offer business-to-business (B2B) integration solutions, such as messaging services, and managed services. 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 and subscriptions 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)	Three Months Ended December 31, 2016	Change increase (decrease)	2015	Six Months Ended December 31, 2016	Change increase (decrease)	2015
Cloud Services and Subscriptions:						
Americas	$ 118,234	$ 23,936	$ 94,298	$ 234,348	$ 42,398	$ 191,950
EMEA	40,026	1,740	38,286	76,862	4,117	72,745
Asia Pacific	16,801	286	16,515	33,538	1,344	32,194
Total Cloud Services and Subscriptions Revenues	175,061	25,962	149,099	344,748	47,859	296,889
Cost of Cloud Services and Subscriptions Revenues	73,150	14,232	58,918	143,442	25,608	117,834
GAAP-based Cloud Services and Subscriptions Gross Profit	$ 101,911	$ 11,730	$ 90,181	$ 201,306	$ 22,251	$ 179,055
GAAP-based Cloud Services and Subscriptions Gross Margin %	58.2%		60.5%	58.4%		60.3%
% Cloud Services and Subscriptions Revenues by Geography:						
Americas	67.5%		63.2%	68.0%		64.7%
EMEA	22.9%		25.7%	22.3%		24.5%
Asia Pacific	9.6%		11.1%	9.7%		10.8%

Cloud services and subscriptions revenues increased by $26.0 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $0.6 million . Geographically, the overall change was attributable to an increase in Americas of $23.9 million , an increase in EMEA of $1.7 million , and an increase in Asia Pacific of $0.3 million . The number of Cloud services deals greater than $1.0 million that closed during the second quarter of Fiscal 2017 was 8 deals, compared to 7 deals in the second quarter of Fiscal 2016.

Cloud services and subscriptions revenues increased by $47.9 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $1.5 million . Geographically, the overall change was attributable to an increase in Americas of $42.4 million , an increase in EMEA of $4.1 million , and an increase in Asia Pacific of $1.3 million . The number of Cloud services deals greater than $1.0 million that closed during the first six months of Fiscal 2017 was 21 deals, compared to 13 deals in the same period in Fiscal 2016.

Cost of Cloud services and subscriptions revenues increased by $14.2 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, primarily due to an increase in labour-related costs of approximately $9.6 million resulting from increased headcount, predominantly on account of recent acquisitions, and an increase in third party network usage fees of approximately $4.9 million related to an expanded portfolio of cloud-based offerings. These increases were partially offset by a reduction in other miscellaneous costs of $0.3 million. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased slightly to approximately 58% from approximately 60% .

Cost of Cloud services and subscriptions revenues increased by $25.6 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, primarily due to an increase in labour-related costs of approximately $16.5 million resulting from increased headcount, predominantly on account of recent acquisitions, and an increase in third party network usage fees of approximately $8.8 million related to an expanded portfolio of cloud-based offerings. The remainder is due to an increase in other miscellaneous costs of $0.3 million. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased slightly to approximately 58% from approximately 60% .

3) *Customer Support:*

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. Our management reviews our Customer support renewal rates on a quarterly basis and we use these rates as a method of monitoring our customer service performance. For the three months ended December 31, 2016 , our Customer support renewal rate was approximately 90%, consistent with the Customer support renewal rate during the three months ended December 31, 2015 .

Cost of Customer support revenues is comprised primarily of technical support personnel and related costs, as well as third party royalty costs.

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2016	Change increase (decrease)	2015	2016	Change increase (decrease)	2015
Customer Support Revenues:						
Americas	$ 129,789	$ 24,842	$ 104,947	$ 253,980	$ 43,439	$ 210,541
EMEA	71,382	5,941	65,441	140,284	8,635	131,649
Asia Pacific	18,485	4,736	13,749	35,598	7,984	27,614
Total Customer Support Revenues	219,656	35,519	184,137	429,862	60,058	369,804
Cost of Customer Support Revenues	27,349	5,660	21,689	53,087	10,890	42,197
GAAP-based Customer Support Gross Profit	$ 192,307	$ 29,859	$ 162,448	$ 376,775	$ 49,168	$ 327,607
GAAP-based Customer Support Gross Margin %	87.5%		88.2%	87.7%		88.6%
% Customer Support Revenues by Geography:						
Americas	59.1%		57.0%	59.1%		56.9%
EMEA	32.5%		35.5%	32.6%		35.6%
Asia Pacific	8.4%		7.5%	8.3%		7.5%

Customer support revenues increased by $35.5 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $1.4 million . Geographically, the overall increase was attributable to an increase in Americas of $24.8 million , an increase in EMEA of $5.9 million , and an increase in Asia Pacific of $4.7 million .

Customer support revenues increased by $60.1 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $4.0 million . Geographically, the overall increase was attributable to an increase in Americas of $43.4 million , an increase in EMEA of $8.6 million , and an increase in Asia Pacific of $8.0 million .

Cost of Customer support revenues increased by $5.7 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, due to an increase in labour-related costs of approximately $4.1 million, which was predominantly due to recent acquisitions, an increase in the installed base of third party products of approximately $1.5 million, and an increase in other miscellaneous costs of $0.1 million. The increase in the installed base of third party products was primarily the result of products we have inherited from our recent acquisitions. Overall, the gross margin percentage on Customer support revenues remained stable at approximately 88% .

Cost of Customer support revenues increased by $10.9 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, due to an increase in labour-related costs of approximately $8.1 million, which was predominantly due to recent acquisitions, an increase in the installed base of third party products of approximately $2.7 million, and an increase in other miscellaneous costs of $0.1 million. The increase in the installed base of third party products was primarily the result of products we have inherited from our recent acquisitions. Overall, the gross margin percentage on Customer support revenues decreased slightly to approximately 88% from approximately 89% .

4) Professional Service and Other:

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.

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2016	Change increase (decrease)	2015	2016	Change increase (decrease)	2015
Professional Service and Other Revenues:						
Americas	$ 21,455	$ (1,186)	$ 22,641	$ 46,297	$ 731	$ 45,566
EMEA	23,750	(25)	23,775	44,441	(1,778)	46,219
Asia Pacific	5,023	1,184	3,839	10,605	2,388	8,217
Total Professional Service and Other Revenues	50,228	(27)	50,255	101,343	1,341	100,002
Cost of Professional Service and Other Revenues	40,295	1,920	38,375	81,638	5,199	76,439
GAAP-based Professional Service and Other Gross Profit	$ 9,933	$ (1,947)	$ 11,880	$ 19,705	$ (3,858)	$ 23,563
GAAP-based Professional Service and Other Gross Margin %	19.8%		23.6%	19.4%		23.6%
% Professional Service and Other Revenues by Geography:						
Americas	42.7%		45.1%	45.7%		45.6%
EMEA	47.3%		47.3%	43.9%		46.2%
Asia Pacific	10.0%		7.6%	10.4%		8.2%

Professional service and other revenues remained stable during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, which is inclusive of the negative impact of foreign exchange of approximately $0.6 million . Geographically, the overall change was attributable to a decrease in Americas of $1.2 million offset by an increase in Asia Pacific of $1.2 million .

Professional service and other revenues increased by $1.3 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, of which approximately $1.5 million was due to the negative impact of foreign exchange. Geographically, the overall increase was attributable to an increase in Asia Pacific of $2.4 million and an increase in Americas of $0.7 million , partially offset by a decrease in EMEA of $1.8 million .

Cost of Professional service and other revenues increased by $1.9 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year, primarily as a result of an increase in labour-related costs of approximately $2.0 million, which was predominantly due to recent acquisitions. The remainder is due to a reduction in other miscellaneous costs of $0.1 million. Overall, the gross margin percentage on Professional service and other revenues decreased to approximately 20% from approximately 24% .

Cost of Professional service and other revenues increased by $5.2 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year, primarily as a result of an increase in labour-related costs of approximately $5.6 million, which was predominantly due to recent acquisitions. Approximately $1.1 million of the increase in labour-related costs was associated with one-time charges incurred as we continue to reorganize and improve efficiencies in our professional services organization. These increases were partially offset by a reduction in other miscellaneous costs of $0.4 million. Overall, the gross margin percentage on Professional service and other revenues decreased to approximately 19% from approximately 24% .

Amortization of Acquired Technology-based Intangible Assets

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2016	Change increase (decrease)	2015	2016	Change increase (decrease)	2015
Amortization of acquired technology-based intangible assets	$ 24,848	$ 6,117	$ 18,731	$ 47,983	$ 9,369	$ 38,614

Amortization of acquired technology-based intangible assets increased during the three and six months ended December 31, 2016 by $6.1 million and $9.4 million , respectively, as compared to the same periods in the prior fiscal year. This was due to additions of acquired technology-based intangible assets from our acquisitions of CCM Business, Recommind, CEM Business, ANX, and Daegis. This was partially offset by the intangible assets pertaining to our previous acquisitions becoming fully amortized.

Operating Expenses

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2016	Change increase (decrease)	2015	2016	Change increase (decrease)	2015
Research and development	$ 64,721	$ 19,011	$ 45,710	$ 123,293	$ 31,143	$ 92,150
Sales and marketing	102,651	16,776	85,875	197,799	33,979	163,820
General and administrative	39,914	6,147	33,767	78,111	8,775	69,336
Depreciation	15,301	1,971	13,330	30,571	4,327	26,244
Amortization of acquired customer-based intangible assets	33,815	6,022	27,793	67,423	11,825	55,598
Special charges	11,117	2,029	9,088	23,571	(2,854)	26,425
Total operating expenses	$ 267,519	$ 51,956	$ 215,563	$ 520,768	$ 87,195	$ 433,573
% of Total Revenues:						
Research and development	11.9%		9.8%	11.9%		10.2%
Sales and marketing	18.9%		18.5%	19.1%		18.2%
General and administrative	7.4%		7.3%	7.6%		7.7%
Depreciation	2.8%		2.9%	3.0%		2.9%
Amortization of acquired customer-based intangible assets	6.2%		6.0%	6.5%		6.2%
Special charges	2.0%		2.0%	2.3%		2.9%

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 and improves product stability and functionality, and accordingly, we dedicate extensive efforts to update and upgrade our product offerings. The primary driver is typically budgeted software upgrades and software development.

(In thousands)	Quarter-over-Quarter Change between Fiscal 2017 and 2016	YTD-over-YTD Change between Fiscal 2017 and 2016
Payroll and payroll-related benefits	$ 13,132	$ 21,731
Contract labour and consulting	1,630	2,932
Share-based compensation	1,261	2,253
Travel and communication	121	208
Facilities	2,050	2,679
Other miscellaneous	817	1,340
Total year-over-year change in research and development expenses	$ 19,011	$ 31,143

Research and development expenses increased by $19.0 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $13.1 million and an increase in the use of facility and related resources of $2.1 million , which were predominantly the result of recent acquisitions. Additionally, contract labour and consulting increased by $1.6 million , and share-based compensation increased by $1.3 million . Overall, our research and development expenses, as a percentage of total revenues, increased slightly from approximately 10% to approximately 12% .

Research and development expenses increased by $31.1 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $21.7 million and an increase in the use of facility and related resources of $2.7 million , which were predominantly the result of recent acquisitions. Additionally, contract labour and consulting increased by $2.9 million and share-based compensation increased by $2.3 million . Overall, our research and development expenses, as a percentage of total revenues, increased slightly from approximately 10% to approximately 12% .

Our research and development labour resources increased by 451 employees, from 1,996 employees at December 31, 2015 to 2,447 employees at December 31, 2016 , primarily as a result of our recent acquisitions.

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

(In thousands)	Quarter-over-Quarter Change between Fiscal 2017 and 2016	YTD-over-YTD Change between Fiscal 2017 and 2016
Payroll and payroll-related benefits	$ 15,137	$ 24,012
Commissions	5,009	5,433
Contract labour and consulting	221	703
Share-based compensation	(357)	(629)
Travel and communication	1,037	1,240
Marketing expenses	(4,466)	1,569
Facilities	646	1,138
Other miscellaneous	(451)	513
Total year-over-year change in sales and marketing expenses	$ 16,776	$ 33,979

Sales and marketing expenses increased by $16.8 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $15.1 million , which was predominantly the result of recent acquisitions, an increase in commissions expense of $5.0 million , and an increase in travel and communications expense of $1.0 million . These increases were partially offset by a decrease in marketing expenses of $4.5 million , which was primarily a result of our annual user conference taking place in July 2016 as compared to November 2015 in the prior fiscal year. Overall, our sales and marketing expenses, as a percentage of total revenues, increased slightly from approximately 18% to approximately 19% .

Sales and marketing expenses increased by $34.0 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $24.0 million , which was predominantly the result of recent acquisitions, an increase in commissions expense of $5.4 million , an increase in marketing expenses of $1.6 million , an increase in travel and communications expense of $1.2 million , and an increase in facility and related resources of $1.1 million . Overall, our sales and marketing expenses, as a percentage of total revenues, increased slightly from approximately 18% to approximately 19% .

Our sales and marketing labour resources increased by 322 employees, from 1,316 employees at December 31, 2015 to 1,638 employees at December 31, 2016 , primarily as a result of our recent acquisitions.

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)	Quarter-over-Quarter Change between Fiscal 2017 and 2016	YTD-over-YTD Change between Fiscal 2017 and 2016
Payroll and payroll-related benefits	$ 4,288	$ 5,138
Contract labour and consulting	3,398	4,458
Share-based compensation	(62)	677
Travel and communication	303	(140)
Facilities	(1,218)	(616)
Other miscellaneous	(562)	(742)
Total year-over-year change in general and administrative expenses	$ 6,147	$ 8,775

General and administrative expenses increased by $6.1 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $4.3 million , which was predominantly the result of recent acquisitions, and an increase in contract labour and consulting of $3.4 million . These increases were partially offset by a reduction in facility and related resources of $1.2 million and a reduction in other miscellaneous expenses of $0.6 million , which includes professional fees such as legal, audit and tax related expenses. Overall, general and administrative expenses, as a percentage of total revenue remained stable at approximately 7% .

General and administrative expenses increased by $8.8 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $5.1 million , which was predominantly the result of recent acquisitions, and an increase in contract labour and consulting of $4.5 million .These increases were partially offset by a reduction in facility and related resources of $0.6 million and a reduction in other miscellaneous expenses of $0.7 million , which includes professional fees such as legal, audit and tax related expenses. Overall, general and administrative expenses, as a percentage of total revenue remained stable at approximately 8% .

Our general and administrative labour resources increased by 219 employees, from 1,027 employees at December 31, 2015 to 1,246 employees at December 31, 2016 , primarily as a result of our recent acquisitions.

Depreciation expenses:

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**2016**	**Change increase (decrease)**	**2015**	**2016**	**Change increase (decrease)**	**2015**
Depreciation	$ 15,301	$ 1,971	$ 13,330	$ 30,571	$ 4,327	$ 26,244

Depreciation expenses increased by $2.0 million and $4.3 million , respectively, during the three and six months ended December 31, 2016 , as compared to the same periods in the prior fiscal year, but remained relatively stable as a percentage of total revenue, at approximately 3%.

Amortization of acquired customer-based intangible assets:

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**2016**	**Change increase (decrease)**	**2015**	**2016**	**Change increase (decrease)**	**2015**
Amortization of acquired customer-based intangible assets	$ 33,815	$ 6,022	$ 27,793	$ 67,423	$ 11,825	$ 55,598

Acquired customer-based intangible assets amortization expense increased by $6.0 million and $11.8 million , respectively, during the three and six months ended December 31, 2016 as compared to the same periods in the prior fiscal year. This was primarily due to the impact of newly acquired customer-based intangible assets from our acquisitions of CCM Business, Recommind, CEM Business, ANX, and Daegis. This was partially offset by the customer-based intangible assets pertaining to previous acquisitions becoming fully amortized.

Special charges (recoveries):

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 one-time 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.

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**2016**	**Change increase (decrease)**	**2015**	**2016**	**Change increase (decrease)**	**2015**
Special charges (recoveries)	$ 11,117	$ 2,029	$ 9,088	$ 23,571	$ (2,854)	$ 26,425

Special charges increased by $2.0 million during the three months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to (i) an increase of $8.2 million relating to commitments fees, and (ii) an increase in acquisition related costs of $2.9 million. These increases were partially offset by (i) a net decrease in restructuring charges of

$5.5 million, (ii) a decrease of $1.3 million relating to a higher net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain instances, becoming statute barred, (iii) a decrease of $0.9 million relating to assets that were disposed in connection with a restructured facility last fiscal year, (iv) a decrease of $0.8 million relating to post-acquisition integration costs necessary to streamline acquired companies into our operations, and (v) a decrease of $0.6 million relating to a ERP implementation project we are currently involved in.

Special charges decreased by $2.9 million during the six months ended December 31, 2016 as compared to the same period in the prior fiscal year. This was primarily due to (i) a net decrease in restructuring charges of $18.9 million, (ii) a decrease of $1.8 million relating to a higher net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain instances, becoming statute barred, and (iii) a decrease of $0.9 million relating to assets that were disposed in connection with a restructured facility last fiscal year. These decreases were partially offset by (i) an increase in acquisition related costs of $9.5 million and (ii) an increase of $9.2 million relating to commitments fees.

For more details on Special charges (recoveries), see note 17 "Special Charges (Recoveries)" to our Condensed Consolidated Financial Statements .

Other Income (Expense), Net

Other income (expense), net 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. Other income (expense) also includes our share of income or losses in non-marketable equity securities accounted for under the equity method.

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**2016**	**Change increase (decrease)**	**2015**	**2016**	**Change increase (decrease)**	**2015**
Other income (expense), net	$ (3,558)	$ (4,519)	$ 961	$ 3,141	$ 7,093	$ (3,952)

Other income included foreign exchange losses of $4.0 million on our inter-company transactions during the three months ended December 31, 2016 compared to $1.0 million in foreign exchange gains during the same period in the prior fiscal year.

Other income included foreign exchange losses of $2.9 million on our inter-company transactions during the six months ended December 31, 2016 compared to $4.4 million in foreign exchange losses during the same period in the prior fiscal year.

Additionally, during three and six months ended December 31, 2016 we recognized income of approximately $0.5 million and $6.0 million , respectively, relating to our share of income in non-marketable equity investments accounted for under the equity method.

Interest and Other Related Expense, Net

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

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**2016**	**Change increase (decrease)**	**2015**	**2016**	**Change increase (decrease)**	**2015**
Interest and other related expense, net	$ 27,743	$ 8,556	$ 19,187	$ 55,018	$ 16,785	$ 38,233

Interest and other related expense, net increased during the three and six months ended December 31, 2016 by $8.6 million and $16.8 million , respectively, as compared to the same periods in the prior fiscal year. This was primarily due to additional interest expense incurred relating to Senior Notes 2026, issued in May 2016.

For more details see note 10 "Long-Term Debt" to our Condensed Consolidated Financial Statements .

Provision for Income Taxes

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 the United States.

Please also see "Risk Factors" included in our Annual Report on Form 10-K for Fiscal 2016.

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2016	Change increase (decrease)	2015	2016	Change increase (decrease)	2015
Provision for (recovery of) income taxes	$ 30,822	$ 26,748	$ 4,074	$ (828,603)	$ (843,879)	$ 15,276

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our IP in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. We believe our reorganization also reduces our exposure to global political and tax uncertainties, particularly in Europe. We believe that further consolidating our IP in Canada will continue to ensure appropriate legal protections for our consolidated IP, simplify legal, accounting and tax compliance, and improve our global cash management. A significant tax benefit of $876.1 million , associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was realized in the first quarter of Fiscal 2017. We believe it is more likely than not that the deferred tax asset will be realized and therefore no valuation allowance was required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText. This significant tax benefit is specifically tied to the reorganization and applied to the first quarter of Fiscal 2017 only and as a result, has not and will not continue in future periods.

The effective tax rate increased to a provision of 40.6% for the three months ended December 31, 2016 , compared to a provision of 4.4% for the three months ended December 31, 2015 . The increase in tax expense of $26.7 million was primarily due to an increase of $25.1 million resulting from the impact of foreign rates. Starting in Fiscal 2017 the Company is recognizing a significant portion of its global income in Canada for tax purposes which gives rise to a non-cash deferred tax expense resulting from the use of the tax assets discussed above at the Canadian statutory rate. Also contributing to the increase in tax expense is an increase in changes in unrecognized tax benefits in the amount of $10.5 million relating mainly to reversals of reserves in the three months ended December 31, 2015 that did not reoccur in the three months ended December 31, 2016. These increases were partially offset by a decrease of $4.2 million relating to the tax impact of the Company having lower income before taxes, a decrease in the change in valuation allowance of $1.6 million and a decrease in the amortization of deferred charges of $1.2 million . The remainder of the difference was due to normal course movements and non-material items.

The effective tax rate decreased to a recovery of 640.6% for the six months ended December 31, 2016 , compared to a provision of 10.6% for the six months ended December 31, 2015 . The decrease in tax expense of $843.9 million was primarily due to a significant tax benefit of $876.1 million resulting from an internal reorganization that is further described above. Additionally, we saw an increase of $36.0 million resulting from the impact of foreign rates. Starting in Fiscal 2017 the Company is recognizing a significant portion of its global income in Canada for tax purposes which gives rise to a non-cash deferred tax expense resulting from the use of the tax assets discussed above at the Canadian statutory rate. Also contributing to the increase in tax expense is an increase in changes in unrecognized tax benefits in the amount of $8.3 million relating mainly to reversals of reserves in the six months ended December 31, 2015 that did not reoccur in the six months ended December 31, 2016. These increases were partially offset by a decrease of $4.0 million relating to the tax impact of the Company having lower income before taxes, a decrease in the change in valuation allowance of $2.7 million and a decrease in the amortization of deferred charges of $1.7 million . The remainder of the difference was 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 Condensed 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 Condensed 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 Condensed 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, after giving effect to the amortization of acquired intangible assets, other income (expense), share-based compensation, and Special charges (recoveries), all net of tax and any tax benefits/expense items unrelated to current period income, as further described in the tables below. Non-GAAP-based gross profit is the arithmetical sum of GAAP-based gross profit and the amortization of acquired technology-based intangible assets and share-based compensation within cost of sales. Non-GAAP-based gross margin is calculated as Non-GAAP-based gross profit expressed as a percentage of total revenue. Non-GAAP-based income from operations is calculated as income from operations, excluding the amortization of acquired intangible assets, Special charges (recoveries), and share-based compensation expense. Non-GAAP-based operating margin is calculated as Non-GAAP-based income from operations expressed as a percentage of total 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 (recoveries), 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 three months ended December 31, 2016
(in thousands except for per share data)

	Three Months Ended December 31, 2016					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$ 73,150		$ (211)	(1)	$ 72,939	
Customer support	27,349		(270)	(1)	27,079	
Professional service and other	40,295		(468)	(1)	39,827	
Amortization of acquired technology-based intangible assets	24,848		(24,848)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	374,676	69.0%	25,797	(3)	400,473	73.8%
Operating expenses						
Research and development	64,721		(1,995)	(1)	62,726	
Sales and marketing	102,651		(2,329)	(1)	100,322	
General and administrative	39,914		(2,299)	(1)	37,615	
Amortization of acquired customer-based intangible assets	33,815		(33,815)	(2)	—	
Special charges (recoveries)	11,117		(11,117)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	107,157	19.7%	77,352	(5)	184,509	34.0%
Other income (expense), net	(3,558)		3,558	(6)	—	
Provision for (recovery of) income taxes	30,822		(7,319)	(7)	23,503	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	45,022		88,229	(8)	133,251	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.18		$ 0.36	(8)	$ 0.54	

(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 total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include one-time, non-recurring charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total 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. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 41% and a Non-GAAP-based tax rate of approximately 15%; 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. Such excluded expenses include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 15%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Three Months Ended December 31, 2016	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 45,022	$ 0.18
Add:		
Amortization	58,663	0.24
Share-based compensation	7,572	0.03
Special charges (recoveries)	11,117	0.04
Other (income) expense, net	3,558	0.01
GAAP-based provision for (recovery of) income taxes	30,822	0.12
Non-GAAP-based provision for income taxes	(23,503)	(0.08)
Non-GAAP-based net income, attributable to OpenText	$ 133,251	$ 0.54

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the three months ended December 31, 2015

(in thousands except for per share data)

	Three Months Ended December 31, 2015					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$ 58,918		$ (158)	(1)	$ 58,760	
Customer support	21,689		(258)	(1)	21,431	
Professional service and other	38,375		(386)	(1)	37,989	
Amortization of acquired technology-based intangible assets	18,731		(18,731)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	325,605	70.0%	19,533	(3)	345,138	74.2%
Operating expenses						
Research and development	45,710		(736)	(1)	44,974	
Sales and marketing	85,875		(2,715)	(1)	83,160	
General and administrative	33,767		(2,328)	(1)	31,439	
Amortization of acquired customer-based intangible assets	27,793		(27,793)	(2)	—	
Special charges (recoveries)	9,088		(9,088)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	110,042	23.6%	62,193	(5)	172,235	37.0%
Other income (expense), net	961		(961)	(6)	—	
Provision for (recovery of) income taxes	4,074		26,480	(7)	30,554	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	87,686		34,752	(8)	122,438	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.36		$ 0.14	(8)	$ 0.50	

(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 total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include one-time, non-recurring charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total 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 rate of approximately 4% and a Non-GAAP-based tax rate of approximately 20%; 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. Such excluded expenses include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and “book to return” adjustments for tax return filings and tax assessments. In arriving at our Non-GAAP-based tax rate of approximately 20%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Three Months Ended December 31, 2015	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 87,686	$ 0.36
Add:		
Amortization	46,524	0.19
Share-based compensation	6,581	0.03
Special charges (recoveries)	9,088	0.04
Other (income) expense, net	(961)	—
GAAP-based provision for (recovery of) income taxes	4,074	0.02
Non-GAAP-based provision for income taxes	(30,554)	(0.14)
Non-GAAP-based net income, attributable to OpenText	$ 122,438	$ 0.50

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the six months ended December 31, 2016
(in thousands except for per share data)

	Six Months Ended December 31, 2016					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$ 143,442		$ (571)	(1)	$ 142,871	
Customer support	53,087		(505)	(1)	52,582	
Professional service and other	81,638		(913)	(1)	80,725	
Amortization of acquired technology-based intangible assets	47,983		(47,983)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	701,987	67.9%	49,972	(3)	751,959	72.7%
Operating expenses						
Research and development	123,293		(3,738)	(1)	119,555	
Sales and marketing	197,799		(5,149)	(1)	192,650	
General and administrative	78,111		(4,836)	(1)	73,275	
Amortization of acquired customer-based intangible assets	67,423		(67,423)	(2)	—	
Special charges (recoveries)	23,571		(23,571)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	181,219	17.5%	154,689	(5)	335,908	32.5%
Other income (expense), net	3,141		(3,141)	(6)	—	
Provision for (recovery of) income taxes	(828,603)		870,698	(7)	42,095	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	957,906		(719,150)	(8)	238,756	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 3.89		$ (2.92)	(8)	$ 0.97	

(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 total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include one-time, non-recurring charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total 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. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.

(7) Adjustment relates to differences between the GAAP-based tax recovery rate of approximately 641% and a Non-GAAP-based tax rate of approximately 15%; 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. Such excluded expenses include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and “book to return” adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 15%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Six Months Ended December 31, 2016	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 957,906	$ 3.89
Add:		
Amortization	115,406	0.47
Share-based compensation	15,712	0.06
Special charges (recoveries)	23,571	0.10
Other (income) expense, net	(3,141)	(0.01)
GAAP-based provision for (recovery of) income taxes	(828,603)	(3.37)
Non-GAAP-based provision for income taxes	(42,095)	(0.17)
Non-GAAP-based net income, attributable to OpenText	$ 238,756	$ 0.97

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the six months ended December 31, 2015
(in thousands except for per share data)

	Six Months Ended December 31, 2015					
	GAAP-based Measures	**GAAP-based Measures % of Total Revenue**	**Adjustments**	**Note**	**Non-GAAP-based Measures**	**Non-GAAP-based Measures % of Total Revenue**
Cost of revenues						
Cloud services and subscriptions	$ 117,834		$ (439)	(1)	$ 117,395	
Customer support	42,197		(416)	(1)	41,781	
Professional service and other	76,439		(839)	(1)	75,600	
Amortization of acquired technology-based intangible assets	38,614		(38,614)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	620,088	68.9%	40,308	(3)	660,396	73.4%
Operating expenses						
Research and development	92,150		(1,488)	(1)	90,662	
Sales and marketing	163,820		(5,830)	(1)	157,990	
General and administrative	69,336		(4,102)	(1)	65,234	
Amortization of acquired customer-based intangible assets	55,598		(55,598)	(2)	—	
Special charges (recoveries)	26,425		(26,425)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	186,515	20.7%	133,751	(5)	320,266	35.6%
Other income (expense), net	(3,952)		3,952	(6)	—	
Provision for (recovery of) income taxes	15,276		41,049	(7)	56,325	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	128,972		96,654	(8)	225,626	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.53		$ 0.39	(8)	$ 0.92	

(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 total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include one-time, non-recurring charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total 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 rate of approximately 11% and a Non-GAAP-based tax rate of 20%; 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. Such excluded expenses include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and “book to return” adjustments for tax return filings and tax assessments. In arriving at our Non-GAAP-based tax rate of 20%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Six Months Ended December 31, 2015	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 128,972	$ 0.53
Add:		
Amortization	94,212	0.39
Share-based compensation	13,114	0.05
Special charges (recoveries)	26,425	0.11
Other (income) expense, net	3,952	0.02
GAAP-based provision for (recovery of) income taxes	15,276	0.06
Non-GAAP-based provision for income taxes	(56,325)	(0.24)
Non-GAAP-based net income, attributable to OpenText	$ 225,626	$ 0.92

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 December 31, 2016	Change increase (decrease)	As of June 30, 2016
Cash and cash equivalents	$ 1,722,491	$ 438,734	$ 1,283,757
Short-term investments	$ 3,238	$ (8,601)	$ 11,839

	Six Months Ended December 31,		
(In thousands)	2016	Change	2015
Cash provided by operating activities	$ 180,470	$ (36,188)	$ 216,658
Cash used in investing activities	$ (515,878)	$ (455,618)	$ (60,260)
Cash provided by (used in) financing activities	$ 790,409	$ 910,045	$ (119,636)

Cash and cash equivalents

Cash and cash equivalents primarily consist of balances with banks as well as deposits with original maturities of 90 days or less.

Our cash balance increased during the three months ended December 31, 2016 as a result of total net proceeds of approximately $840 million from the Equity Offering and the Notes Reopening. Our cash and cash equivalents decreased by approximately $1.62 billion in January 2017, from its balance as of December 31, 2016 , as a result of the closing of the Dell-EMC Acquisition. Notwithstanding this, we continue to 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, potential repurchases under our normal course issuer bid, and operating needs for the next 12 months. Any further material or acquisition-related activities, aside from the Dell-EMC Acquisition, 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.

As at December 31, 2016 , we have provided $17.7 million (June 30, 2016 — $15.9 million) in respect of both additional foreign withholding taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution.

Cash flows provided by operating activities

Cash flows from operating activities decreased by $36.2 million due to a decrease in changes from working capital of $26.3 million and a decrease in net income before the impact of non-cash items of $9.9 million. The decrease in operating cash flow from changes in working capital of $26.3 million was primarily due to the net impact of the following decreases: (i) $10.4 million relating to accounts receivable, (ii) $9.9 million relating to income taxes payable and deferred charges and credits, which is primarily the result of $14.0 million paid this quarter on account of a one-time gain arising from our recent IP reorganization, (iii) $9.2 million relating to accounts payable and accrued liabilities, which is primarily a result of more cash payments relating to interest on our Senior Notes due 2026, and (iv) $8.9 million relating to other assets. These decreases were partially offset by increases of: (i) $11.2 million relating to prepaid and other current assets and (ii) $0.9 million relating to deferred revenues.

During the second quarter of Fiscal 2017 our DSO was 52 days compared to a DSO of 54 days during the second quarter of Fiscal 2016. The per day impact of our DSO in the second quarters of Fiscal 2017 and Fiscal 2016 on our cash flows was $6.1 million and $5.2 million , respectively. For the six months ended December 31, 2016 our operating cash flow was negatively impacted by the DSO of recent acquisitions. For instance, Recommind historically offered longer payment terms than OpenText. We expect to see improvements to our overall global DSO as we continue to onboard and bring their payment terms in line with OpenText policies and procedures.

Cash flows used in investing activities

Our cash flows used in investing activities is primarily on account of acquisitions and additions of property and equipment.

Cash flows used in investing activities increased by $455.6 million . This was primarily due to a $460.2 million increase in consideration paid for acquisitions during the first half of Fiscal 2017 as compared to the same period in Fiscal 2016, and an increase in additions of property and equipment of $2.4 million. These increases were offset by a decrease in other investing activity of $3.1 million and an increase in the inflow of investing cash from the maturity of certain short term investments of $3.9 million.

Cash flows provided by (used in) financing activities

Our cash flows from financing activities generally 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.

Cash flows provided by financing activities increased by $910.0 million . This was primarily due to (i) net proceeds from our public offering of Common Shares during the second quarter of Fiscal 2017 which resulted in cash inflow of approximately $586.1 million, (ii) the issuance of an additional $250 million in aggregate principal amount of Senior Notes 2026 at an issue price of 102.75% , which resulted in a gross cash inflow of approximately $256.9 million, (iii) the repurchase of approximately 1.5 million Common Shares for approximately $65.5 million during Fiscal 2016, for which no similar purchases have been made during Fiscal 2017, and (iv) the repurchase of approximately 0.2 million Common Shares for approximately $10.6 million for potential reissuance under our Long Term Incentive Plans (LTIP) or other plans during Fiscal 2016 for which no similar purchases have been made during Fiscal 2017. These cash inflows were partially offset by (i) a $4.2 million increase in debt issuance costs associated with our Senior Notes 2026, and (ii) a $8.1 million increase in dividend payments made to our shareholders. The remainder of the change was due to miscellaneous items.

Cash Dividends

During the three and six months ended December 31, 2016 , we declared and paid cash dividends of $0.1150 and $0.2300 per Common Share on a post share split basis, respectively, that totaled $27.9 million and $55.7 million , respectively. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of the Board.

Public Offering of Common Shares

On December 19, 2016 we issued 18,500,000 Common Shares in a public offering at $30.50 per share, on a post share split basis. Additionally, the underwriters partially exercised their over-allotment option and purchased an additional 1,310,604 shares at $30.50 per share, on a post share split basis. In total, as a result of the Equity Offering and the exercise of the underwriter's over-allotment option, we issued 19,810,604 Common Shares, on a post share split basis, for total net proceeds of approximately $584.6 million . Total costs associated with the Equity Offering are approximately $19.6 million , of which $18.1 million had been paid as of December 31, 2016.

Long-term Debt and Credit Facilities

Senior Unsecured Fixed Rate Notes

Senior Notes 2026

On May 31, 2016 we issued $600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

On December 20, 2016, we issued an additional $250 million in aggregate principal amount by reopening the previously issued Senior Notes 2026 at an issue price of 102.75% . The additional notes have identical terms, are fungible with and are a part of a single series with the $600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is $850 million .

We may redeem all or a portion of the Senior Notes 2026 at any time prior to June 1, 2021 at a redemption price equal to 100% of the principal amount of Senior Notes 2026 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may also redeem up to 40% of the aggregate principal amount of Senior Notes 2026, on one or more occasions, prior to June 1, 2019, using the net proceeds from certain qualified equity offerings at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasions, redeem Senior Notes 2026, in whole or in part, at any time on and after

June 1, 2021 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2026, dated as of May 31, 2016 among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2026 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of changes of control triggering events specified in the Indenture, we will be required to make an offer to repurchase Senior Notes 2026 at a price equal to 101% of the principal amount of Senior Notes 2026, plus accrued and unpaid interest, if any, to the date of purchase.

The 2026 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of the notes; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2026 Indenture. The 2026 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding notes to be due and payable immediately.

Senior Notes 2026 are initially guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2026 and the guarantees rank equally in right of payment with all of our and our guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of the our and our guarantors' future subordinated debt. Senior Notes 2026 and the guarantees will be effectively subordinated to all of our and our guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2026 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2026 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on May 31, 2016.

Senior Notes 2023

On January 15, 2015, we issued $800 million in aggregate principal amount of our 5.625% Senior Notes due 2023 (Senior Notes 2023) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed in accordance with their terms, or repurchased.

We may redeem all or a portion of the Senior Notes 2023 at any time prior to January 15, 2018 at a redemption price equal to 100% of the principal amount of Senior Notes 2023 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may also redeem up to 40% of the aggregate principal amount of Senior Notes 2023, on one or more occasions, prior to January 15, 2018, using the net proceeds from certain qualified equity offerings at a redemption price of 105.625% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasion, redeem Senior Notes 2023, in whole or in part, at any time on and after January 15, 2018 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2023, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (the 2023 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of changes of control triggering events specified in the 2023 Indenture, we will be required to make an offer to repurchase Senior Notes 2023 at a price equal to 101% of the principal amount of Senior Notes 2023, plus accrued and unpaid interest, if any, to the date of purchase.

The 2023 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the subsidiary guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2023; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2023 Indenture. The 2023 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding notes to be due and payable immediately.

Senior Notes 2023 are initially guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2023 and the guarantees rank equally in right of payment with all of our and our subsidiary guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our subsidiary guarantors' future subordinated debt. Senior Notes 2023 and the guarantees will be effectively subordinated to all of ours and our guarantors' existing and future secured debt, including the obligations under the Revolver and Term Loan B, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2023 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2023 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on January 15, 2015.

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 the Revolver. 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 December 31, 2016 , 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 December 31, 2016 , our consolidated net leverage ratio was 1.0:1.

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

Revolver

As of December 31, 2016 we had a $300 million undrawn committed revolving credit facility (the Revolver). Subsequently, on January 13, 2017 we drew down $200 million from the Revolver, to partially finance the Dell-EMC Acquisition and on January 26, 2017, we drew down an additional $25 million from the Revolver for miscellaneous general corporate purposes. Furthermore on February 1, 2017, we amended the Revolver to increase the total commitments under the revolving credit facility from $300 million to $450 million (see note 22 "Subsequent Events" to our Condensed Consolidated Financial Statements). Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver will mature on December 22, 2019 with no fixed repayment date prior to the end of the term and has financial covenants consistent with Term Loan B. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed rate that is dependent on our consolidated net leverage ratio.

Share Repurchase Plan

On July 26, 2016, our board of directors (the Board) authorized the repurchase of up to $200 million of Common Shares (Share Repurchase Plan), pursuant to a normal course issuer bid. Shares may be repurchased from time to time in the open market, private purchases through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. The timing of any repurchase will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

During the three and six months ended December 31, 2016 , we did not repurchase any of our Common Shares under the Share Repurchase Plan.

During the three and six months ended December 31, 2015 , we repurchased and cancelled 688,872 and 2,952,496 Common Shares on a post share split basis, respectively, for approximately $15.5 million and $65.5 million , respectively, under our previous share repurchase plan.

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 with the SEC, which became effective automatically. On December 12, 2016, we filed a post-effective Amendment No. 2 to the shelf registration statement to make the base prospectus included therein consistent with the updated Canadian base shelf short-form prospectus (as amended, the Shelf Registration Statement). The Shelf Registration Statement allows for primary and secondary offerings 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 short-form prospectus qualifying the distribution of such securities has also been filed with 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 Canadian securities regulators.

Pensions

As of December 31, 2016 , our total unfunded pension plan obligations were $57.4 million , of which $1.6 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**
2017 (six months ended June 30)	$ 279	$ 368	$ 36
2018	598	819	88
2019	669	874	129
2020	731	923	147
2021	809	936	240
2022 to 2026	4,780	5,175	1,696
Total	$ 7,866	$ 9,095	$ 2,336

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

Commitments and Contractual Obligations

As of December 31, 2016 , we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

		Payments due between			
	Total	**January 1, 2017— June 30, 2017**	**July 1, 2017— June 30, 2019**	**July 1, 2019— June 30, 2021**	**July 1, 2021 and beyond**
Long term debt obligations (1)	$ 3,294,203	$ 63,506	$ 256,602	$ 984,407	$ 1,989,688
Operating lease obligations (2)	282,531	25,556	92,605	68,250	96,120
Purchase obligations (3)	16,640	13,539	2,646	455	—
	$ 3,593,374	$ 102,601	$ 351,853	$ 1,053,112	$ 2,085,808

(1) Includes interest and principal.

(2) Net of $8.1 million of sublease income to be received from properties which we have subleased to third parties.

[3] Includes fees of $10.0 million relating to a commitment letter with Barclays Bank PLC, Citigroup Global Markets Inc. and Royal Bank of Canada that we entered into in September 2016, as previously disclosed in the Company's Form 10-Q for the quarter ended September 30, 2016. Following the closing of the Dell-EMC Acquisition on January 23, 2017, (see note 22 "Subsequent Events" to our Condensed Consolidated Financial Statements), this commitment letter was terminated on January 23, 2017 and the associated fee discussed above was paid.

The long-term debt obligations are comprised of interest and principal payments on Senior Notes and credit facilities. See note 10 "Long-Term Debt" to our Condensed 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 Condensed Consolidated Financial Statements .

Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business. Such agreements have not had a material effect on our results of operations, financial position or cash flows.

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 Quarterly Report on Form 10-Q , the aggregate of such estimated losses were not material to our consolidated financial position or results 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

As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (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. We also previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Condensed Consolidated Financial Statements .

As part of these examinations, (which are ongoing), on July 17, 2015 we received from the IRS a Notice of Proposed Adjustment (“NOPA”) in draft form proposing a one-time approximately $280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010 and proposing penalties equal to 20% of the additional taxes, plus interest at the applicable statutory rate (which will continue to accrue until the matter is resolved and may be substantial). A NOPA is an IRS position and does not impose an obligation to pay tax. The draft NOPA may be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment. Based on discussions with the IRS, we expect we will receive an additional NOPA proposing an approximately $80 million increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by proposed penalties and interest (although there can be no assurance that this will be the amount reflected in the NOPA when received, including because the IRS may assign a higher value to our intellectual property). Depending upon the outcome of these matters, additional state income taxes plus penalties and interest may be due. We currently estimate that, as of December 31, 2016 , adjustments under the draft NOPA in its present form and the anticipated additional NOPA could result in an aggregate liability of approximately $550 million , inclusive of U.S. federal and state taxes, penalties and interest.

We strongly disagree with the IRS’ position and intend to vigorously contest the proposed adjustments to our taxable income. We are examining various alternatives available to taxpayers to contest the proposed adjustments. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Quarterly Report on Form 10-Q , we have not recorded any material accruals in respect of these examinations in our Condensed Consolidated Financial Statements . An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

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 $2.7 million as of December 31, 2016 . 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 has approximately $5.3 million accrued 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 $1.5 million to cover our anticipated financial exposure in this matter.

Please also see "Risk Factors" included in our Annual Report on Form 10-K for Fiscal 2016.

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice, except for guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business, and 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 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest rate risk

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

As of December 31, 2016 , we had an outstanding balance of $776.0 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 December 31, 2016 , 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 $7.8 million , assuming that the loan balance as of December 31, 2016 is outstanding for the entire period.

As of December 31, 2016 , the Revolver was undrawn. However, subsequently during January 2017 we drew down an aggregate $225 million from the Revolver. If this balance had been outstanding as of December 31, 2016 , an adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on the Revolver by approximately $2.3 million , assuming that the balance is outstanding for the entire period.

At June 30, 2016 , an adverse change of one percent would have had the effect of increasing our annual interest payments on Term Loan B by approximately $7.8 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 December 31, 2016 , a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of approximately $0.4 million in the mark to market on our existing foreign exchange forward contracts.

At June 30, 2016 , a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of approximately $0.3 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 particular, the amount of cash and cash equivalents that we report in U.S. dollars for a significant portion of the cash held by these subsidiaries is subject to translation variance caused by changes in foreign currency exchange rates as of the end of each respective reporting period (the offset to which is recorded to accumulated other comprehensive income on our Condensed Consolidated Balance Sheets).

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of December 31, 2016 (equivalent in U.S. dollar):

(In thousands)		U.S. Dollar Equivalent at December 31, 2016		U.S. Dollar Equivalent at June 30, 2016
Euro	$	165,589	$	182,524
British Pound		30,693		29,572
Canadian Dollar		33,916		22,103
Swiss Franc		19,978		30,298
Other foreign currencies		81,980		72,107
Total cash and cash equivalents denominated in foreign currencies		332,156		336,604
U.S. dollar		1,390,335		947,153
Total cash and cash equivalents	$	1,722,491	$	1,283,757

If overall foreign currency exchange rates in comparison to the U.S. dollar uniformly weakened by 10%, the amount of cash and cash equivalents we would report in equivalent U.S. dollars would decrease by approximately $33.2 million (June 30, 2016— $33.7 million).

Item 4. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q , our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2016 , our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that information required to be disclosed by us in the reports we file under the Exchange Act (according to Rule 13(a)-15(e)) is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(B) Changes in Internal Control over Financial Reporting (ICFR)

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

Item 1A. Risk Factors

The following risk factors update, and are in addition to, the risk factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended June 30, 2016, and should be read in conjunction therewith. These 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.

We may fail to realize all of the anticipated benefits of the Dell-EMC Acquisition or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating the enterprise content division of Dell-EMC we acquire.

Our ability to realize the anticipated benefits of the Dell-EMC Acquisition will depend, to a large extent, on our ability to integrate the enterprise content division of Dell-EMC we acquire, which is a complex, costly and time-consuming process. The nature of a carve-out acquisition makes it inherently more difficult to assume operations upon closing and to integrate activities. As a result, we will be required to devote significant management attention and resources to integrate the business practices and operations of OpenText and the enterprise content division of Dell-EMC we acquire. The integration process may disrupt our business and, if implemented ineffectively, would restrict the realization of the full expected benefits. The failure to meet the challenges involved in the integration process and to realize the anticipated benefits of the Dell-EMC Acquisition could cause an interruption of, or a loss of momentum in, our operations and could adversely affect our business, financial condition and results of operations.

In addition, the integration of the enterprise content division of Dell-EMC may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customers and other business relationships, and diversion of management's attention. Additional integration challenges include:

- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition;
- difficulties in the integration of operations and systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures;
- difficulties in the assimilation of employees; and
- coordinating a geographically dispersed organization.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could adversely affect our business, financial condition and results of operations. In addition, even if the enterprise content division of Dell-EMC is integrated successfully, the full benefits of the Dell-EMC Acquisition may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration process. All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effect of the Dell-EMC Acquisition and negatively impact the price of our Common Shares.

Our effective tax rate for the six months ended December 31, 2016 was positively impacted by a non-recurring income tax benefit.

Our effective tax rate for the six months ended December 31, 2016 was a recovery of 640.6%, compared to a provision of 10.6% for the same period in the prior year. The decrease in tax rate was primarily due to a significant tax benefit of $876.1 million associated with the recognition of a net deferred tax asset resulting from the implementation of a reorganization of our subsidiaries worldwide, as discussed in note 14 "Income Taxes" to our Condensed Consolidated Financial Statements. This tax benefit is specifically tied to the reorganization and applied to the first quarter of Fiscal 2017 only, and as a result, has not and will not continue in the future periods.

Item 5. Other Information

Restructuring Plan

In connection with the Dell-EMC Acquisition, on February 1, 2017, we committed to restructuring activities to streamline our operations. These charges relate to workforce reductions, facility consolidations and other costs. With respect to each of these categories we expect to incur charges during the remainder of Fiscal 2017 and into Fiscal 2018, in the following amounts:

- Workforce reductions: approximately $41 million ,
- Facility consolidations: approximately $6 million , and
- Other Costs: approximately $3 million .

Total costs to be incurred in conjunction with this restructuring plan are expected to be approximately $50 million with a substantial portion of the costs expected to be incurred during the remainder of Fiscal 2017.

Revolver

We and certain of our subsidiaries entered into Amendment No. 2 to the Second Amended and Restated Credit Agreement, dated February 1, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent.

Amendment No. 2 increases the total commitments under the revolving credit facility from $300 million to $450 million . Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver will mature on December 22, 2019 with no fixed repayment date prior to the end of the term.

Amendment No. 2 became effective in accordance with its terms on February 1, 2017.

The foregoing description of Amendment No. 2 does not purport to be complete and is qualified in its entirety by reference to the amendment, which is attached as an exhibit to this quarterly report on Form 10-Q.

Item 6. Exhibits and Financial Statements Schedules

The following documents are filed as a part of this report:

Exhibit Number	Description of Exhibit
4.1	Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.625% Senior Notes due 2023, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (1)
4.2	Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.875% Senior Notes due 2026, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (1)
10.1	Incremental Assumption Agreement and Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of February 1, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent.
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL instance document.
101.SCH	XBRL taxonomy extension schema.
101.CAL	XBRL taxonomy extension calculation linkbase.
101.DEF	XBRL taxonomy extension definition linkbase.
101.LAB	XBRL taxonomy extension label linkbase.
101.PRE	XBRL taxonomy extension presentation.

(1) Filed as an Exhibit to the Post-Effective Amendment No. 2 to the Company's Registration Statement on Form S-3, as filed with the SEC on December 12, 2016 and incorporated herein by reference.

SIGNATURES

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

OPEN TEXT CORPORATION

Date: February 2, 2017

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea
Chief Executive Officer and Chief Technology Officer
(Principal Executive Officer)

/s/ JOHN M. DOOLITTLE

John M. Doolittle
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ ADITYA MAHESHWARI

Aditya Maheshwari
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.1

INCREMENTAL ASSUMPTION AGREEMENT AND AMENDMENT NO. 2 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

INCREMENTAL ASSUMPTION AGREEMENT AND AMENDMENT NO. 2, dated as of February 1, 2017 (this " **Amendment** "), by and among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation (" **Open Text** "), as Borrowers (collectively, the " **Borrowers** " and each, a " **Borrower** "), the Domestic Guarantors party hereto (the " **Domestic Guarantors** "), the Foreign Guarantors party hereto (the " **Foreign Guarantors** " and, together with the Domestic Guarantors, the " **Guarantors** "), the incremental lenders party hereto (the " **Incremental Lenders** "), and Barclays Bank PLC, as Administrative Agent and Collateral Agent (the " **Administrative Agent** ").

W I T N E S S E T H:

WHEREAS, the Borrowers, the Domestic Guarantors, each lender from time to time party thereto (the " **Lenders** ") and the Administrative Agent have entered into that certain Second Amended and Restated Credit Agreement, effective as of January 15, 2015 (as amended by that certain Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of June 16, 2016 and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the " **Credit Agreement** ") (capitalized terms not otherwise defined in this Amendment have the same meanings assigned thereto in the Credit Agreement);

WHEREAS, the Borrowers have requested Incremental Commitments pursuant to Section 2.01(4) of the Credit Agreement in an aggregate principal amount of $ **150,000,000** ;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Incremental Lenders and the Incremental Commitments . Pursuant to Section 2.01(4) of the Credit Agreement and subject to the satisfaction or waiver of the conditions to effectiveness of this Amendment set forth in Section 4 of this Amendment:

(a) Each Incremental Lender severally agrees to provide Incremental Commitments in the principal amount for such Incremental Lender set forth on Schedule 1 hereto. The aggregate principal amount of the Incremental Commitments being provided by all of the Incremental Lenders pursuant to this Amendment is $ **150,000,000** .

(b) The Incremental Commitments shall have terms identical to the terms of the Revolving Credit Commitments outstanding under the Credit Agreement immediately prior to the Second Amendment Effective Date (as defined below) (including, without limitation, with respect to the maturity date, pricing, mandatory prepayments and voluntary prepayments) and shall otherwise be subject to the provisions of the Credit Agreement and the other Credit Documents. On and after the Second Amendment Effective Date, each reference to (i) a "Revolving Credit Commitment" or "Revolving Credit Commitments" or (ii) a "Revolving Credit Borrowing" or "Revolving Credit Borrowings" in the Credit Agreement or herein shall be deemed to include the Incremental Commitments and any Incremental Advances made in respect of the Incremental Commitments, as applicable, established pursuant to this Amendment and all other related terms will have correlative meanings.

(c) Each of the parties hereto hereby agrees that the Administrative Agent may take any and all action as may be reasonably necessary to ensure that all Incremental Advances, when originally made, are included in each Borrowing of outstanding Advances under the Revolving Credit Facility on a pro rata basis.

SECTION 2. Amendment to the Credit Agreement .

(a) Schedule 3 to the Credit Agreement is hereby replaced in its entirety with Schedule 3 hereto.

SECTION 3. Representations and Warranties True; No Default . The Borrowers and Guarantors each hereby represent and warrant, in each case on and as of the date hereof and both before and after giving effect to this Amendment, that:

(a) the execution and delivery of this Amendment by each Loan Party and the performance by each such Loan Party of its respective obligations hereunder and under the Credit Agreement as amended by this Amendment (the " **Amended Agreement** ") and the other Credit Documents have been duly authorized by all necessary corporate, partnership or analogous action and no Authorization, under any Law, and no registration, qualification, designation, declaration or filing with any Governmental Authority, is or was necessary therefor or to perfect the same, except as are in full force and effect, unamended except for Permitted Exceptions and where failure to obtain, take or make such authorization, action, Authorization, registration, qualification, designation, declaration or filing with any Governmental Authority would not reasonably be expected to have a Material Adverse Effect;

(b) the execution and delivery of this Amendment by each Loan Party and the performance by each Loan Party of its respective obligations hereunder and under the Amended Agreement and the other Credit Documents and compliance with the terms, conditions and provisions hereof and thereof, will not (i) conflict with or result in a breach of any of the terms, conditions or provisions of (w) its constating documents or by-laws, (x) any Law, (y) any material contractual restriction binding on or affecting it or its properties, or (z) any judgment, injunction, determination or award which is binding on it; or (ii) result in, require or permit (x) the imposition of any Encumbrance in, on or with respect to the Assets now owned or hereafter acquired by it (other than pursuant to the Security Documents or which is a Permitted Encumbrance), (y) the acceleration of the maturity of any material Debt binding on or affecting it or (z) any third party to terminate or acquire any rights materially adverse to the applicable Loan Party under any Material Agreement except where such conflict, result, requirement or permission would not reasonably be expected to have a Material Adverse Effect;

(c) this Amendment and the Amended Agreement have been duly executed and delivered by each Loan Party which is a party hereto and thereto and constitute legal, valid and binding obligations of such Loan Party, enforceable against it in accordance with their respective terms, subject only to any limitation under Laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; and (ii) general equitable principles including the discretion that a court may exercise in the granting of equitable remedies;

(d) each of the representations and warranties in the Credit Agreement is true on and as of the date hereof in all material respects as if made on the date hereof (except (A) to the extent expressly limited therein to a specific date, in which case on and as of such date and (B) any representations and warranties that are qualified as to "materiality" or "Material Adverse Effect" or similar language shall be true in all respects (after giving effect to any qualification therein));

(e) no Default or Event of Default has occurred and is continuing after giving effect to the incurrence of the Incremental Commitments hereunder; and

(f) Open Text is in compliance on a *pro forma* basis with the financial covenant in Section 7.03 of the Credit Agreement after giving effect to the incurrence of the Incremental Commitments hereunder.

SECTION 4. Conditions of Effectiveness of the Amendment . This Amendment shall become effective on and as of the first date on which the following conditions precedent have been satisfied (the " **Second Amendment Effective Date** ") when each of the following conditions shall have been satisfied (or waived in accordance with Section 17.01 of the Credit Agreement):

(a) the Administrative Agent shall have received from the Borrowers, the Guarantors, the Incremental Lenders and the Administrative Agent an executed counterpart hereof or other written confirmation (in form reasonably satisfactory to the Administrative Agent) that such party has signed a counterpart hereof;

(b) the Administrative Agent shall have received from the Loan Parties a certified copy of (i) the charter documents and by-laws (or equivalent governing documents) of each Loan Party (other than any Foreign Guarantor); (ii) the resolutions of the board of directors (or any duly authorized committee or other governing body thereof) or of the shareholders, as the case may be, of each Loan Party (other than any Foreign Guarantor) approving the commitment increase and other matters provided for in this Amendment and approving the entering into of all other related Credit Documents to which they are a party and the completion of all transactions contemplated thereunder; (iii) all other instruments evidencing necessary corporate, company or partnership action of each Loan Party (other than any Foreign Guarantor) and of any required Authorization with respect to such matters; and (iv) certifying the names and true signatures of its officers authorized to sign this Amendment and the other Credit Documents manually or by mechanical means;

(c) the Administrative Agent shall have received a certificate of status, compliance, good standing or like certificate with respect to each Loan Party (other than any Foreign Guarantor) issued by the appropriate government official in the jurisdiction of its incorporation;

(d) the Loan Parties shall have taken all action reasonably requested by the Administrative Agent to maintain the perfection and priority of the security interest of the Administrative Agent for the benefit of the Secured Creditors (as defined in the Security Documents) in the Collateral granted under the Security Documents;

(e) each of the representations and warranties contained in Section 3 above shall be true and correct;

(f) the Administrative Agent shall have received a certificate, dated as of the Second Amendment Effective Date and signed by a Responsible Officer of Open Text, confirming the accuracy of the representations and warranties set forth in Section 3 above;

(g) the Borrowers shall have paid all reasonable fees and documented out-of-pocket expenses owing to the Administrative Agent (including the reasonable fees and out-of-pocket costs of legal counsel to the Administrative Agent) incurred in connection with the transactions contemplated under this Amendment in accordance with Section 15.01 of the Credit Agreement;

(h) the Administrative Agent shall have received reasonably satisfactory opinions of (i) Cleary Gottlieb Steen & Hamilton LLP, special United States counsel to the Loan Parties, (ii) Osler, Hoskin & Harcourt LLP, special Delaware counsel to the Loan Parties, (iii) Osler, Hoskin & Harcourt LLP, special Ontario counsel to the Loan Parties, (iv) Stewart McKelvey, special Nova Scotia counsel to the Loan Parties and (v) Gordon A Davies, Chief Legal Officer and Corporate Secretary of Open Text, in each case as is relevant to confirm, *inter alia* , corporate existence, due authorization, non-contravention of other Debt of any Loan Party or any of its Subsidiaries (other than Exempt Immaterial Subsidiaries) which is outstanding in an aggregate principal amount exceeding $75,000,000, execution by the Borrowers and Domestic Guarantors and enforceability of the Amendment and the validity and perfection of the Encumbrances created under the applicable U.S. and Canadian Credit Documents after giving effect to the Amendment; for the avoidance of doubt, the opinion of Gordon A Davies, Chief Legal Officer and Corporate Secretary of Open Text shall not cover enforceability of the Amendment or the validity and perfection of the Encumbrances created under the applicable U.S. and Canadian Credit Documents after giving effect to the Amendment; and

(i) the Administrative Agent shall have received a certificate, dated as of the Second Amendment Effective Date and signed by a Responsible Officer of Open Text, attesting to the Solvency of Open Text and its Subsidiaries, on a consolidated basis and taken as a whole.

SECTION 5. Certain Post-Closing Obligations . On or prior to the date that is 60 days following any request by the Administrative Agent to take the following actions described in this Section 5, to the extent that such request is delivered no later than 60 days following the Second Amendment Effective Date, the Borrowers shall take all action reasonably determined by local counsel to the Administrative Agent to be necessary to maintain the perfection and priority of the security interest of the Administrative Agent for the benefit of the Secured Creditors in the Collateral granted by the Foreign Guarantors under the Security Documents, in the same manner as contemplated by the Security Documents prior to the incurrence of the Incremental Commitments.

SECTION 6. Reference to and Effect Upon the Credit Agreement and the Other Credit Documents .

(a) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Credit Documents, nor constitute a waiver of any provision of any of the Credit Documents. On and as of the Second Amendment Effective Date, this Amendment shall for all purposes constitute a Credit Document.

(b) On and as of the Second Amendment Effective Date, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(c) The Credit Agreement and each of the other Credit Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The obligations of the Loan Parties and each Guarantor contained in the Guarantees shall remain in full force and effect and are hereby confirmed and continued by this Amendment and are enforceable against the Loan Parties and each of the Guarantors. All rights, benefits, interests, duties, liabilities and obligations of the parties to the Security Documents, as amended below, are hereby confirmed and continued by this Amendment and continue to secure, apply and extend to all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the Loan Parties and each Guarantor to the Collateral Agent for the benefit of the Secured Creditors, or any one or more of them, in any currency, under, in connection with or pursuant to the Guarantees and any other Credit Document to which the Loan Parties and each Guarantor is a party. Without limitation of the foregoing, all security interests, pledges, assignments and other Encumbrances previously granted by any Guarantor, as a Grantor, pursuant to the Security Documents are confirmed and continued by this Amendment, and all such security interests, pledges, assignments and other Encumbrances shall remain in full force and effect as security for all obligations thereunder with no change in the priority applicable thereto, in each case, subject only to Encumbrances permitted under the Credit Documents, to the extent provided therein.

SECTION 7. Governing Law . This Amendment shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable in that Province.

SECTION 8. Execution in Counterparts . This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart hereof by facsimile or electronic transmission (e.g., “pdf” or “tif”) shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 9. Amendments; Headings; Severability . This Amendment may not be amended nor may any provision hereof be waived except pursuant to a writing signed by the Borrowers, the Guarantors, the Administrative Agent and the Incremental Lenders party hereto. The Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting this Amendment. Any provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof, and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

OPEN TEXT CORPORATION, as Borrower and Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: Executive Vice President, Chief Financial Officer

OPEN TEXT ULC, as Borrower and Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT HOLDINGS, INC., as Borrower and Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT SA ULC, as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT GXS ULC, as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT CANADA LTD., as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT CANADA LTD., in its capacity as general partner of

VIGNETTE PARTNERSHIP, LP, as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT INC., as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

EASYLINK SERVICES INTERNATIONAL CORPORATION, as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

EASYLINK SERVICES USA, INC., as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

XPEDITE SYSTEMS, LLC, as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

GXS, INC., as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

GXS INTERNATIONAL, INC., as Domestic Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: President

OPEN TEXT COÖPERATIEF U.A., as Foreign Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: Director

OPEN TEXT SOFTWARE GMBH, as Foreign Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: Director

OPEN TEXT UK LIMITED, as Foreign Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: Director

SYSGENICS LIMITED, as Foreign Guarantor

By: /s/ JOHN DOOLITTLE

Name: John Doolittle

Title: Director

BARCLAYS BANK PLC,
as Administrative Agent and Incremental Lender

By: /s/ Ritam Bhalla

Name: Ritam Bhalla

Title: Director

Morgan Stanley Bank N.A,
as Incremental Lender

By: /s/ Michael King

Name: Michael King

Title: Authorized Signatory

Citibank, N.A. Canadian Branch as
Incremental Lender

By: /s/ Agha Murtaza

Name: Agha Murtaza

Title: Authorized Signatory

ROYAL BANK OF CANADA
as Incremental Lender

By: /s/ Mike Elsey

Name: Mike Elsey

Title: Authorized Signatory

NATIONAL BANK OF CANADA
as Incremental Lender

By: /s/ Michelle Fiebig

Name: Michelle Fiebig

Title: Director

[for institutions requiring a second signature]

By: /s/ Manny Deol

Name: Manny Deol

Title: Director

Export Development Canada,
as Incremental Lender

By: /s/ Danielle Dunlop

Name: Danielle Dunlop

Title: Financing Manager

By: /s/ Sarah Lanthier

Name: Sarah Lanthier

Title: Senior Associate

Bank of Montreal,
as Incremental Lender

By: /s/ Jeff Cowan

Name: Jeff Cowan

Title: Vice President

Bank of America, N.A., Canada Branch,
as Incremental Lender

By: /s/ Julie Griffin

Name: Julie Griffin

Title: Senior Vice President

PNC Bank Canada Branch,
as Incremental Lender

By: /s/ Nazmin Adatia

Name: Nazmin Adatia

Title: Senior Vice President

The Bank of Nova Scotia,
as Incremental Lender

By: /s/ Caitriona Geoghegan

Name: Caitriona Geoghegan

Title: Associate Director

By: /s/ Eddy Popp

Name: Eddy Popp

Title: Director

Canadian Imperial bank of Commerce,
as Incremental Lender

By: /s/ Ben Fallico

Name: Ben Fallico

Title: Authorized Signatory

[for institutions requiring a second signature]

By: /s/ James Day

Name: James Day

Title: Authorized Signatory

Schedule 1

Lender	**Incremental Commitment**
Barclays PLC	$5,000,000
Morgan Stanley Bank, N.A.	$7,500,000
Citibank, N.A., Canadian branch	$20,000,000
Royal Bank of Canada	$20,000,000
National Bank of Canada	$5,500,000
Export Development Canada	$4,000,000
Bank of Montreal	$40,000,000
Bank of America, N.A., Canada Branch	$12,000,000
PNC Bank Canada Branch	$12,000,000
The Bank of Nova Scotia	$12,000,000
Canadian Imperial Bank of Commerce	$12,000,000
Total	$150,000,000

SCHEDULE 3

REVOLVING CREDIT COMMITMENTS/ SWING LINE LENDER'S COMMITMENT/ DOCUMENTARY CREDIT COMMITMENTS

Lender	**Revolving Credit Commitment**	**Documentary Credit Commitment**	**Swing Line Lender's Commitment**
Barclays PLC	$60,000,000		$5,000,000
Morgan Stanley Bank, N.A.	$50,000,000		
Citibank, N.A., Canadian branch	$50,000,000		
Royal Bank of Canada	$50,000,000	$35,000,000	
HSBC Bank Canada	$30,000,000		
Bank of Tokyo-Mitsubishi UFJ (Canada)	$20,000,000		
National Bank of Canada	$20,000,000		
Export Development Canada	$14,000,000		
Bank of Montreal	$50,000,000		
ICICI Bank Canada	$10,000,000		
Bank of America, N.A., Canada Branch	$20,000,000		
PNC Bank Canada Branch	$20,000,000		
The Bank of Nova Scotia	$20,000,000		
Canadian Imperial Bank of Commerce	$20,000,000		
JPMorgan Chase Bank N.A.	$8,000,000		
State Bank of India (Canada)	$4,000,000		
Wells Fargo Capital Finance, LLC	$4,000,000		
Total Revolving Credit Commitments	$450,000,000		

Exhibit 31.1

CERTIFICATIONS

I, Mark J. Barrenechea, certify that:

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

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea
Chief Executive Officer and Chief Technology Officer

Date: February 2, 2017

Exhibit 31.2

CERTIFICATIONS

I, John M. Doolittle, certify that:

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

By: /s/ JOHN M. DOOLITTLE

John M. Doolittle
Executive Vice President and Chief Financial Officer

Date: February 2, 2017

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the “Company”) for the quarter ended December 31, 2016 as filed with the Securities and Exchange Commission (the “Report”), I, Mark J. Barrenechea, Chief Executive Officer and Chief Technology Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK J.
BARRENECHEA

Mark J. Barrenechea
Chief Executive Officer and Chief Technology Officer

Date: February 2, 2017

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended December 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, John M. Doolittle, Executive Vice President and Chief Financial Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN M. DOOLITTLE

John M. Doolittle
Executive Vice President and Chief Financial Officer

Date: February 2, 2017