

# OPEN TEXT CORP

## **FORM 8-K/A** (Amended Current report filing)

Filed 04/03/17 for the Period Ending 01/23/17

Telephone	519-888-7111
CIK	0001002638
Symbol	OTEX
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Industry	Software
Sector	Technology
Fiscal Year	06/30

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

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**FORM 8-K/A  
(Amendment No. 1)**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): January 23, 2017**

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**Open Text Corporation**

**(Exact name of Registrant as specified in its charter)**

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**Canada**  
**(State or Other Jurisdiction  
of Incorporation)**

**0-27544**  
**(Commission  
File Number)**

**98-0154400**  
**(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)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **EXPLANATORY NOTE**

This form 8-K/A (Amendment No. 1) is filed by Open Text Corporation (OpenText or the Company) as an amendment to a Current Report on Form 8-K filed with the United States Securities and Exchange Commission (SEC) on January 23, 2017 relating to the Company's acquisition (the Acquisition) of certain assets and the assumption of certain liabilities of the enterprise content division (the ECD Business) of EMC Corporation, a Massachusetts corporation, EMC International Company, a company organized under the laws of Ireland, and EMC (Benelux) B.V., a besloten vennootschap organized under the laws of Netherlands (collectively referred to as "Dell EMC"). This Amendment No. 1 is being filed to include the financial statements and financial information required under Item 9.01.

### **Item 9.01 Financial Statements and Exhibits**

#### **(a) *Audited Consolidated Financial Statements of the ECD Business***

The following audited financial statements of the ECD Business are included as Exhibit 99.1 to this Current Report on Form 8-K/A:

- Report of Independent Auditors, PricewaterhouseCoopers LLP
- Consolidated Balance Sheets as of December 31, 2016 and 2015
- Consolidated Statements of Operations for the years ended December 31, 2016 and 2015
- Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015
- Consolidated Statements of Changes in Net Investment of Parent for the years ended December 31, 2016 and 2015
- Notes to the Audited Consolidated Financial Statements

#### **(b) *Unaudited Consolidated Financial Statements of the ECD Business***

The following unaudited financial statements of the ECD Business are filed as exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC and the applicable Canadian securities regulatory authorities on December 12, 2016 and incorporated herein by reference:

- Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015
- Consolidated Statements of Operations for the nine months ended September 30, 2016 and 2015
- Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015
- Notes to the Unaudited Consolidated Financial Statements

#### **(c) *Unaudited Pro Forma Condensed Consolidated Financial Statements***

The Unaudited Pro Forma Condensed Consolidated Financial Statements of OpenText, giving effect to the Acquisition and the financing transactions described therein as if they occurred on September 30, 2016 for the Unaudited Pro Forma Condensed Consolidated Balance Sheet, and on July 1, 2015 for the Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended June 30, 2016 and for the three months ended September 30, 2016, are included as Exhibit 99.3 to this Current Report on Form 8-K/A:

- Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2016
  - Unaudited Pro Forma Condensed Consolidated Statement of Income for the three months ended September 30, 2016
  - Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended June 30, 2016
  - Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements
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(d) *Exhibits*

Exhibit No.	Description
23.1	Consent of Independent Accountants, PricewaterhouseCoopers LLP
99.1	Audited consolidated financial statements of the ECD Business, as of and for the years ended December 31, 2016 and 2015 and the notes related thereto
99.2	Unaudited consolidated financial statements of the ECD Business as of September 30, 2016 and December 31, 2015 and for the nine months ended September 30, 2016 and 2015 and the notes related thereto (1)
99.3	Unaudited Pro Forma Condensed Consolidated Financial Statements of OpenText

(1) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC and the applicable Canadian securities regulatory authorities on December 12, 2016 and incorporated herein by reference.

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**SIGNATURES**

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

OPEN TEXT CORPORATION

March 31, 2017

By: /s/ John M. Doolittle

John M. Doolittle

Executive Vice President and Chief Financial Officer

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## Exhibit Index

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99.3	Unaudited Pro Forma Condensed Consolidated Financial Statements of OpenText

(1) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC and the applicable Canadian securities regulatory authorities on December 12, 2016 and incorporated herein by reference.

**Consent of Independent Accountants**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-184670, 333-146351, 333-121377, 333-21447 and 333-87024), and S-3 (No. 333-195479) of Open Text Corporation of our report dated March 31, 2017, relating to the financial statements of the Enterprise Content Division of Dell Technologies, Inc., which appears in this Current Report on Form 8-K/A (Amendment No. 1) of Open Text Corporation dated March 31, 2017 .

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Boston, MA  
March 31, 2017

**Report of Independent Auditors**

To the Board of Directors and  
Management of Dell Technologies, Inc.:

We have audited the accompanying financial statements of Enterprise Content Division of Dell Technologies, Inc., which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, of cash flows and of changes in net investment of Parent for the years then ended.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enterprise Content Division of Dell Technologies, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note A to the financial statements, EMC entered into a Master Acquisition Agreement to divest the Enterprise Content Division.

As discussed in Note K to the financial statements, the Enterprise Content Division has entered into significant transactions with its Parent, Dell Technologies, Inc., a related party.

/s/ PricewaterhouseCoopers LLP  
Boston, MA  
March 31, 2017



**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**BALANCE SHEETS**  
(In thousands)

	As of December 31,	
	2016	2015
<b>ASSETS</b>		
Current assets:		
Accounts receivable, less allowance for doubtful accounts of \$2,351 and \$6,754, respectively	\$ 150,764	\$ 150,793
Other current assets	7,803	6,624
<b>Total current assets</b>	<b>158,567</b>	<b>157,417</b>
Property, plant and equipment, net	9,604	9,279
Intangible assets, net	4,598	5,804
Goodwill	1,807,859	1,807,859
Deferred income taxes	6,463	17,946
Other assets, net	21,603	28,874
<b>Total assets</b>	<b>\$ 2,008,694</b>	<b>\$ 2,027,179</b>
<b>LIABILITIES AND NET INVESTMENT OF PARENT</b>		
Current liabilities:		
Accounts payable	12,652	14,749
Accrued expenses	48,973	57,374
Income taxes payable	11,350	25,371
Deferred revenue	168,615	175,719
<b>Total current liabilities</b>	<b>241,590</b>	<b>273,213</b>
Deferred revenue	22,618	15,084
Income taxes payable	3,009	3,475
Other long-term liabilities	4,328	4,544
<b>Total liabilities</b>	<b>271,545</b>	<b>296,316</b>
Commitments and Contingencies (Note I)		
Net investment of Parent	1,737,149	1,730,863
<b>Total liabilities and net investment of Parent</b>	<b>\$ 2,008,694</b>	<b>\$ 2,027,179</b>

The accompanying notes are an integral part of the financial statements

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**STATEMENT OF OPERATIONS**  
(In thousands)

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
License	\$ 161,707	\$ 151,510
Services	418,098	429,418
Total revenue	<u>579,805</u>	<u>580,928</u>
<b>Costs and expenses:</b>		
Cost of license	34,097	44,753
Cost of services	147,724	152,384
Research and development	87,465	70,395
Selling, general and administrative	191,255	164,935
Restructuring	1,749	16,651
Total operating expenses	<u>462,290</u>	<u>449,118</u>
Operating income	117,515	131,810
Income tax provision	26,276	25,973
Net income	<u>\$ 91,239</u>	<u>\$ 105,837</u>

The accompanying notes are an integral part of the financial statements

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net income	\$ 91,239	\$ 105,837
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,504	34,908
Provision for (recovery of) doubtful accounts	(4,403)	4,354
Non-cash restructuring costs	281	1,202
Impairment of asset	—	1,228
Deferred income taxes	11,483	(5,038)
Changes in assets and liabilities:		
Accounts receivable	4,432	10,892
Other assets, net	(3,498)	601
Accounts payable	(2,097)	(4,017)
Deferred revenue	430	(1,840)
Accrued expenses	(8,701)	(3,295)
Income taxes payable	(14,487)	1,203
Other liabilities	(216)	3,447
Net cash provided by operating activities	<u>102,967</u>	<u>149,482</u>
Additions to property, plant and equipment	(5,300)	(2,594)
Capitalized software development costs	(12,714)	(14,950)
Net cash used in investing activities	<u>(18,014)</u>	<u>(17,544)</u>
Net distributions to Parent	(84,953)	(131,938)
Net cash used in financing activities	<u>(84,953)</u>	<u>(131,938)</u>
Net increase/(decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ —</u>
<b>Non-cash financing activity:</b>		
Stock-based compensation from Parent	\$ 14,666	\$ 23,141
Stock-based compensation acceleration due to Merger	\$ 27,039	\$ —
Retention and incentive compensation from Parent	\$ 24,605	\$ —
Allocation of corporate functions provided by Parent	\$ 8,505	\$ 8,936

The accompanying notes are an integral part of the financial statements

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**STATEMENTS OF CHANGES IN NET INVESTMENT OF PARENT**  
(In thousands)

	<b>Net Investment of Parent</b>
Balance, December 31, 2014	\$ 1,756,964
Net income	105,837
Net distribution to Parent	(131,938)
Balance at December 31, 2015	\$ 1,730,863
Net income	91,239
Net distribution to Parent	(84,953)
Balance at December 31, 2016	\$ 1,737,149

The accompanying notes are an integral part of the financial statements

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

**A. Basis of Presentation**

These accompanying financial statements include the historical accounts of the Enterprise Content Division ("ECD"), which are included in the consolidated financial statements of Dell Technologies, Inc. ("Dell Technologies" or the "Parent", formerly "EMC"). ECD is not a legal entity and did not exist as a legal entity during the periods presented in the accompanying financial statements. As a result, these financial statements may not be indicative of ECD's future performance and do not necessarily reflect what its results of operations, financial position and cash flows would have been had ECD operated as a separate entity apart from Dell Technologies or EMC during the periods presented.

***Merger with Dell***

On September 7, 2016, EMC became a wholly-owned subsidiary of Dell Technologies as a result of the merger of Universal Acquisition Co., a Delaware corporation and wholly-owned subsidiary of Dell Technologies ("Merger Sub"), with and into EMC, with EMC surviving as a wholly-owned subsidiary of Dell Technologies (the "Merger").

***Acquisition by Open Text***

In conjunction with the Merger, EMC explored a disposition of ECD, and on September 12, 2016, entered into a Master Acquisition Agreement with Open Text Corporation ("OpenText") to divest ECD for cash consideration of \$1.62 billion. The acquisition was closed on January 23, 2017.

***Nature of the Business***

Headquartered in Pleasanton, California, ECD provides enterprise software and cloud solutions that help organizations leverage their business content throughout its lifecycle to drive their digital agenda. ECD's offerings include enterprise content management solutions and archiving software. ECD's enterprise content management solutions enable the digitization and flow of content through organizations and includes intelligent capture of information, enterprise content library services, customer communications, information governance and compliance as well as purpose built industry solutions. ECD's archiving software helps customers take cost out of their current IT environments by archiving inactive information to decommission legacy applications and make their current applications run better.

***Basis of Presentation***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") from the consolidated financial statements and accounting records at Dell Technologies.

In accordance with the provisions of Accounting Standards Update No. 2014-17, ECD has elected not to apply push down accounting with respect to the reporting impacts of the Merger. Thus, these financial statements reflect ECD's activity within Dell Technologies and are prepared utilizing EMC's accounting policies prior to the Merger. Any divergence as a result of the Merger from historical EMC accounting policy is not material for the periods presented.

The financial information reported for ECD in the accompanying balance sheets, statements of operations and statements of cash flows, together with the related footnotes has been compiled from the underlying records of Dell Technologies. These financial statements have been carved out from the historical results of operations, the cost basis of assets and liabilities and the cash flows of Dell Technologies using both specific identification and the allocation methodologies described below. All intercompany balances and transactions within ECD have been eliminated.

Net investment of Parent represents Dell Technologies's interest in the net assets of ECD and represents the cumulative investment by Dell Technologies in ECD, net of distributions, through the dates presented, inclusive of cumulative operating results. Balances that were not historically settled in cash are included in net investment of Parent.

During the periods presented, ECD functioned as part of the larger group of entities controlled by Dell Technologies, and accordingly, Dell Technologies performed certain services for ECD on an ongoing basis. Therefore, certain costs and related assets, liabilities, and parent investments related to ECD have been allocated from the Parent. These allocated costs are primarily related to corporate administrative and overhead expenses and employee related costs for the following functional groups: information technology, legal services, accounting and finance services, human resources, marketing and contract support, customer support, facility and other corporate and infrastructure services. The costs associated with these services and support functions have been allocated to ECD primarily based on a percentage of ECD revenues to EMC's total revenues, or as a percentage of ECD headcount to EMC's total headcount, based on the nature of the corporate cost. These methods reflect the best

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

estimate of the time spent by EMC employees within the above functions on tasks related to ECD for the benefit of ECD. Costs allocated for these functions are included in selling, general and administrative expenses within the financial statements. The tax provisions for ECD have been provided using a separate tax return methodology.

Cash has been excluded from ECD's financial statements. For several of its subsidiaries and divisions including ECD, Dell Technologies uses a centralized approach to cash management and financing of its operations. Accordingly, none of the cash or cash equivalents, debt, and interest thereon not directly related to ECD, has been reflected in these financial statements.

Management believes the assumptions and allocations are reasonable. The expenses and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided to or the benefit received by ECD during the periods relative to the total costs incurred by Dell Technologies. However, the amounts recorded may not be representative of the amounts that would have been incurred had ECD been an entity that operated independently of Dell Technologies. Consequently, these financial statements may not be indicative of ECD's future performance and do not necessarily reflect what its results of operations, financial position and cash flows would have been had ECD operated as a separate entity apart from Dell Technologies during the periods presented.

**B. Summary of Significant Accounting Policies**

*Use of Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

*Revenue Recognition*

ECD derives revenue from sales of its software licenses and services. ECD recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. This policy is applicable to all sales, including sales to resellers and end-users.

License revenue consists of software licenses. ECD software applications provide customers with resource management, backup and archiving, information management and intelligence, and data analytics. Depending on the nature of the arrangement, revenue for software license sales is generally recognized upon shipment or electronic delivery. For certain arrangements, revenue is recognized based on usage or ratably over the term of the arrangement. License revenue from royalty arrangements is recognized upon either receipt of royalty reports or payments from third parties.

Services revenue consists of installation services, professional services, software maintenance and training. ECD recognizes revenue from support or maintenance contracts ratably over the contract period and recognizes the costs associated with these contracts as incurred. Generally, professional services are not considered essential to the functionality of products as these services do not alter the product capabilities and may be performed by customers or other vendors. Professional services revenues are recognized using the proportional performance method, which recognizes revenue based on labor costs incurred in proportion to total expected labor costs to perform the service.

When more than one element such as software and services is contained in a single arrangement, revenue is allocated to the undelivered elements based upon their fair value using vendor-specific objective evidence ("VSOE") with the residual revenue allocated to the delivered elements. If ECD cannot objectively determine the VSOE of the fair value of any undelivered software element, revenue is deferred for all software components until all elements are delivered and services have been performed, until fair value can objectively be determined for any remaining undelivered elements, or until software maintenance is the only undelivered element in which case revenue is recognized over the remaining maintenance term for all software elements.

ECD allocates the amount of revenue recognized for delivered elements to the amount that is not subject to forfeiture or refund or contingent on the future delivery of products or services.

ECD markets and sells its products through a direct sales force and indirect channels such as independent distributors and value-added resellers. For substantially all indirect sales, revenues are recognized on products sold to resellers and distributors when evidenced by a master distribution agreement, together with evidence of an end-user arrangement, on a transaction-by-transaction basis.

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

***Deferred Revenue***

Deferred revenue consists primarily of deferred software maintenance revenues and unearned license revenues, which are recognized ratably over the contract term, and deferred professional services, including training, which are recognized as these services are provided.

***Allowance for Doubtful Accounts***

ECD maintains an allowance for doubtful accounts for the estimated probable losses on uncollectible accounts receivable. The allowance is determined by assessing the creditworthiness of its customers, the historical experience of its channel partners, the age of the receivable and current market and economic conditions.

***Property, plant and equipment***

Property, plant and equipment are recorded at cost. Depreciation commences when the asset is placed in service and is recognized on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and fixtures	7-8 years
Equipment and software	2-5 years
Improvements	3-5 years
Capitalized products	3 years

Upon retirement or disposition, the asset cost and related accumulated depreciation are de-recognized with any gain or loss recognized in the results of operations. Repair and maintenance costs, including planned maintenance, are expensed as incurred.

***Research and Development and Capitalized Software Development Costs***

Research and development (“R&D”) costs are expensed as incurred. R&D costs include salaries and benefits, stock-based compensation, consulting expense, facilities related costs, material costs, depreciation expense, and travel costs.

Software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are subject to capitalization. Capitalized costs are amortized straight-line over 24 months, which represents the estimated economic life of the products. GAAP requires that annual amortization expense of the capitalized software development costs be the greater of the amounts computed using the ratio of gross revenue to a products’ total current and anticipated revenues, or the straight-line method over the products’ remaining estimated economic life.

During 2016, amounts capitalized were \$13.1 million and amortization expense was \$23.0 million. During 2015, amounts capitalized were \$15.7 million and amortization expense was \$27.2 million, which included an impairment of \$1.2 million related to a project write-off as stated in Statements of Cash Flows. Unamortized software development costs were \$19.6 million and \$26.9 million at December 31, 2016 and 2015, respectively, and are included in other assets, net in the balance sheets.

***Long-lived Assets***

Purchased intangible assets, other than goodwill, are amortized over their estimated useful lives which range from one to seventeen years. Intangible assets include goodwill, purchased technology, trademarks and tradenames, customer relationships and customer lists. The intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are estimated to be realized. Goodwill is not amortized and is carried at its historical cost.

ECD periodically reviews long-lived assets for impairment. Reviews are initiated whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. When performed, each impairment test, other than goodwill, is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its estimated fair value.

ECD tests goodwill for impairment in the fourth quarter of each year or more frequently if events or changes in circumstances indicate that the asset might be impaired. The test is based on a comparison of the reporting unit's book value to its fair market value. Both qualitative and quantitative tests are performed on goodwill. When using a quantitative approach, fair value is estimated by employing various methodologies, including comparisons to similar industry companies as well as

**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

discounted cash flow estimates. The determination of relevant comparable industry companies impacts the assessment of fair value. Should the operating performance of the reporting unit change in comparison to these companies or should the valuation of these companies change, this could impact the assessment of the fair value of the reporting unit. The discounted cash flow analyses factor in assumptions on revenue and expense growth rates. These estimates are based upon ECD's historical experience and projections of future activity, factoring in customer demand, changes in technology and a cost structure necessary to achieve the related revenues. Additionally, these discounted cash flow analyses factor in expected amounts of working capital and weighted average cost of capital. Changes in judgments on any of these factors could materially impact the value of the reporting unit.

The Merger was considered to be a triggering event for a goodwill and long-lived asset impairment test. Accordingly, ECD performed an impairment test as of September 7, 2016 and also during the fourth quarter of fiscal 2016. Refer to footnote E for additional details. There were no impairments for the years ended December 31, 2016 and 2015.

***Income Taxes***

Historically, ECD operated as product and service lines within the group of Dell Technologies legal entities, thus the calculation of income taxes for ECD required judgment and use of both estimates and allocations. Historical and current ECD-related foreign tax credits, federal and state research credits and net operating losses have been fully applied against Dell Technologies's consolidated returns as ECD is included in Dell Technologies's consolidated U.S. federal and state income tax returns. For the purposes of these consolidated financial statements, ECD's income tax expense and deferred tax balances have been recorded as if ECD had filed on a tax return separate from Dell Technologies.

ECD began fiscal year 2014 with no foreign tax credits or R&D credits. Deferred tax assets and liabilities generated since then but not utilized on a separate return basis will be carried forward.

As part of the process of preparing the consolidated financial statements, ECD is required to estimate its provision for income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax exposure, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheets. ECD assesses the likelihood that its deferred tax assets will be realized through future taxable income and will record a valuation allowance, if necessary, to reduce gross deferred tax assets to an amount that ECD believes is more likely than not to be realized. In the event that actual results differ from these estimates, the provision for income taxes could be materially impacted.

***Sales Taxes***

Sales and other taxes collected from customers and subsequently remitted to government authorities are recorded as accounts receivable with a corresponding offset recorded to sales taxes payable. These balances are removed from the balance sheet as cash is collected from customers and remitted to the tax authorities.

***Accounting for Stock-Based Compensation***

ECD has no separate employee stock compensation plans; however, certain employees of ECD participate in EMC's stock-based compensation programs. At December 31, 2015, stock-based compensation awards held by ECD employees were outstanding under EMC's stock plans. At December 31, 2016, no stock-based compensation awards were outstanding under EMC or Dell Technologies stock-based compensation plans for ECD employees because all outstanding awards of EMC stock was accelerated to vest and subsequently canceled as part of the Merger.

ECD uses the Black-Scholes option-pricing model to determine the fair value of its stock option awards. For stock options, restricted stock and restricted stock units, ECD recognizes compensation cost on a straight-line basis over the awards' vesting periods for those awards which contain only a service vesting feature. For awards with a performance condition vesting feature, when achievement of the performance condition is deemed probable, ECD recognizes compensation cost on a graded-vesting basis over the awards' expected vesting periods.



**ENTERPRISE CONTENT DIVISION OF DELL TECHNOLOGIES, INC.**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
(in thousands of U.S. Dollars, except share and per share amounts)

**C. Accounts Receivable, net**

Accounts receivable, net consisted of the following (table in thousands):

	December 31, 2016	December 31, 2015
Billed receivables	\$ 132,226	\$ 139,404
Unbilled receivables	20,889	18,143
Allowance for doubtful accounts	(2,351)	(6,754)
Receivables, net	<u>\$ 150,764</u>	<u>\$ 150,793</u>

Unbilled receivables primarily represent professional services for which service has been provided and revenue has been recognized prior to period-end, but which have not been billed to the customer at period-end. ECD estimates substantially all of unbilled receivables at December 31, 2016 will be billed within one year.

**D. Property, Plant and Equipment**

Property, plant and equipment consisted of the following (table in thousands):

	December 31, 2016	December 31, 2015
Furniture and fixtures	\$ 170	\$ 494
Equipment and software	44,093	50,372
Buildings and improvements	957	1,172
Capitalized products	2,265	1,547
Total property and equipment	47,485	53,585
Accumulated depreciation	(37,881)	(44,306)
Property, plant and equipment, net	<u>\$ 9,604</u>	<u>\$ 9,279</u>

Depreciation expense was \$5.0 million and \$4.0 million in 2016 and 2015, respectively. During the year ended December 31, 2016, ECD retired \$11.4 million in fully depreciated assets.

**E. Intangible Assets and Goodwill**

*Intangible Assets*

During the year ended December 31, 2016, there were no changes in the carrying amount of intangibles. Intangible assets, excluding goodwill, consisted of the following (table in thousands):

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$ 166,855	\$ (166,392)	\$ 463
Trademarks and tradenames	10,060	(10,046)	14
Customer relationships and customer lists	183,100	(178,979)	4,121
Other	1,380	(1,380)	—
Total intangible assets, excluding goodwill	<u>\$ 361,395</u>	<u>\$ (356,797)</u>	<u>\$ 4,598</u>

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	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$ 166,855	\$ (166,258)	\$ 597
Trademarks and tradenames	10,060	(10,016)	44
Customer relationships and customer lists	183,100	(177,937)	5,163
Other	1,380	(1,380)	—
Total intangible assets, excluding goodwill	<u>\$ 361,395</u>	<u>\$ (355,591)</u>	<u>\$ 5,804</u>

Amortization expense on intangible assets was \$1.2 million and \$6.0 million in 2016 and 2015, respectively. As of December 31, 2016, amortization expense on intangible assets for the next five years is expected to be as follows (table in thousands):

Year	Amortization
2017	\$ 743
2018	\$ 591
2019	\$ 487
2020	\$ 473
2021	\$ 463

**Goodwill**

There were no changes in the carrying amount of goodwill, net, for the years ended December 31, 2016 and 2015.

**Valuation of Goodwill and Intangible Assets**

In conjunction with the Merger, EMC explored a disposition of ECD. The completion of the Merger resulted in a triggering event for impairment testing of goodwill and long-lived assets. Accordingly, ECD management conducted an impairment test as of September 7, 2016 utilizing the quantitative testing approach for goodwill as described in footnote B. Based on the results of this test, the fair value of ECD was calculated to be \$1.87 billion. As the fair value exceeded the carrying value of \$1.70 billion, there was no resulting requirement to perform step two of the goodwill impairment test. The discount rate is the largest driver of the fair value calculation. Applying a sensitivity analysis, it was noted that an increase in the discount rate of 11% by 200 basis points would result in a goodwill impairment indicator requiring step two of the goodwill impairment test to be performed.

Based on its updated impairment testing, ECD management concluded that no impairment of ECD's goodwill existed as of the Merger date. Further, ECD management periodically reviews long-lived assets for impairment. ECD initiates reviews for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test, other than goodwill, is based on a comparison of the un-discounted cash flows to the recorded value of the asset. There was no noted impairment of long-lived assets.

ECD performed a qualitative assessment as part of its annual fourth quarter goodwill impairment testing and noted that there were no additional factors identified that would require a re-assessment as of December 31, 2016.

**F. Accrued Expenses**

Accrued expenses consisted of the following (tables in thousands):

	December 31, 2016	December 31, 2015
Salaries and benefits	\$ 35,661	\$ 32,667
Restructuring	2,797	10,027
Other	10,515	14,680
Total Accrued Expenses	<u>\$ 48,973</u>	<u>\$ 57,374</u>

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**G. Income Taxes**

For purposes of these financial statements, ECD's income tax expense and deferred tax balances have been recorded as if ECD had filed on a separate return basis.

The provision (benefit) for income taxes for the years ended December 31, 2016 and 2015 consisted of the following (table in thousands):

	2016	2015
<b>Federal:</b>		
Current	\$ 11,350	\$ 25,371
Deferred	9,700	(4,419)
	<u>21,050</u>	<u>20,952</u>
<b>State:</b>		
Current	1,076	2,628
Deferred	1,063	(575)
	<u>2,139</u>	<u>2,053</u>
<b>Foreign:</b>		
Current	2,367	3,012
Deferred	720	(44)
	<u>3,087</u>	<u>2,968</u>
<b>Total provision for income taxes</b>	<u>\$ 26,276</u>	<u>\$ 25,973</u>

The effective income tax rate is based upon income for the year, composition of the income in different countries, effect of tax law changes and adjustments, if any, for potential tax consequences, benefits and/or resolutions of tax audits or other tax contingencies. A reconciliation of our income tax provision to the statutory federal tax rate is as follows (tables in thousands, except for rates):

	2016		2015	
Statutory federal tax rate	\$ 41,130	35.00 %	\$ 46,120	35.00 %
State taxes, net of federal taxes	2,160	1.84 %	2,053	1.56 %
Accounting for historical uncertain tax positions	(466)	(0.40)%	(504)	(0.38)%
Tax rate differential for international jurisdictions and other international related tax items	(15,198)	(12.93)%	(21,482)	(16.30)%
U.S. domestic production activities deduction	(187)	(0.16)%	(1,201)	(0.91)%
Permanent items	(1,163)	(0.99)%	987	0.75 %
	<u>\$ 26,276</u>	<u>22.36 %</u>	<u>\$ 25,973</u>	<u>19.72 %</u>

Substantially all of the tax rate differential for international jurisdictions was driven by the earnings of our Irish operations.

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The components of the deferred tax assets and liabilities are as follows (table in thousands):

	December 31, 2016		December 31, 2015	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Accounts receivable	\$ 1,080	\$ —	\$ 2,194	\$ —
Accrued expenses	9,287	—	14,312	—
Deferred revenue	3,660	—	3,161	—
Property, plant and equipment, net	—	(1,183)	73	—
Intangible and other assets, net	—	(9,354)	—	(10,196)
Equity	—	—	4,795	—
Credit carryforwards	203	—	203	—
Net operating losses	2,770	—	3,404	—
Total deferred tax assets and liabilities	\$ 17,000	\$ (10,537)	\$ 28,142	\$ (10,196)

ECD has gross federal net operating loss carryforwards of \$7.2 million and \$8.9 million at December 31, 2016 and 2015, respectively. These federal net operating loss carryforwards are subject to annual limitations under Section 382 of the Internal Revenue Code of 1986 (“Code”), as amended, for U.S. tax purposes. If not utilized, the federal net operating loss carryforwards will begin to expire in 2017. ECD has federal tax credit carryforwards of \$0.2 million and \$0.2 million at December 31, 2016 and 2015, respectively, which will begin to expire in 2019 if not utilized. These tax credit carryforwards are subject to annual limitations under Section 382 of the Code, as amended, for U.S. tax purposes.

Deferred income taxes have not been provided on basis differences related to investments in foreign subsidiaries. These basis differences consisted primarily of undistributed earnings permanently invested in these entities. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

The following table reflects changes in unrecognized tax benefits for the years ended December 31, 2016 and 2015 (table in thousands):

	2016	2015
Unrecognized tax benefits, beginning of year	\$ 3,167	\$ 3,562
Tax positions related to current year:		
Additions	575	528
Tax positions related to prior years:		
Reductions	(1,312)	(923)
Unrecognized tax benefits, end of year	\$ 2,430	\$ 3,167

As of December 31, 2016 and 2015, \$2.4 million and \$3.2 million, respectively, of the unrecognized tax benefits, if recognized, would have been recorded as a reduction to income tax expense.

ECD is part of Dell Technologies's consolidated tax return which is routinely under audit by the Internal Revenue Service (the “IRS”). Dell Technologies has concluded all U.S. federal income tax matters for years through 2008. In the third quarter of 2012, the IRS commenced a federal income tax audit for the tax years 2009 and 2010. The IRS completed their field audit for the tax years 2009 and 2010 and issued Revenue Agent Reports (“RARs”) in the first quarter of 2016. Dell Technologies disagrees with certain proposed adjustments and has filed a formal protest to the IRS Appeals Division. In the first quarter of 2015, the IRS commenced a federal income tax audit for the tax year 2011, which is still ongoing. ECD also has income tax audits in process in numerous state, local and international jurisdictions. Based on the timing and outcome of examinations of Dell Technologies, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in ECD's balance sheets. Dell Technologies anticipates that several of these audits may be finalized within the next twelve months. While Dell Technologies expects the amount of unrecognized tax benefits to change in the next twelve months, Dell Technologies does not expect the change to have a significant impact on ECD's results of operations or financial position.

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ECD recognizes interest expense and penalties related to income tax matters in income tax expense. No interest benefit was recognized in 2016 and \$0.1 million in interest benefit was recognized in 2015. In addition to the unrecognized tax benefits noted above, the gross balance of the accrued interest and penalties was \$0.6 million and \$0.6 million as of December 31, 2016 and 2015, respectively.

**H. Stock-Based Compensation**

ECD employees participated in the EMC Corporation 2003 Stock Plan (the “2003 Plan”), which provided for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. The 2013 Plan was terminated as a result of the Merger.

The exercise price for a stock option shall not be less than 100% of the fair market value of EMC’s common stock on the date of grant. Options generally become exercisable in annual installments over a period of three to five years after the date of grant and expire ten years after the date of grant. Restricted stock is common stock that is subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. Restricted stock units represent the right to receive shares of common stock in the future, with the right to future delivery of the shares subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. Grants of restricted stock awards or restricted stock units that vest only by the passage of time will not vest fully in less than three years after the date of grant.

Stock-based compensation cost is measured at the grant date based on the calculated fair value of the award. The expense is recognized over the employees’ requisite service period, generally the vesting period of the award. The expense is amortized over the service period using the graded vesting method for restricted stock and restricted stock units. The following tables summarize the components of total Parent stock-based compensation expense included in ECD’s statements of operations for the years ended December 31, 2016 and 2015 (in thousands):

	2016	2015
Cost of product	\$ 686	\$ 1,074
Cost of services	12,300	7,804
Research and development	10,678	4,259
Selling, general and administrative	17,451	10,004
Restructuring	590	—
Total parent stock-based compensation	<u>\$ 41,705</u>	<u>\$ 23,141</u>

Included in the table above for the year ended December 31, 2016, is \$27.0 million in stock-based compensation charges related to the acceleration of vesting of EMC stock options and RSUs as a result of the Merger. The accelerated stock compensation expense is considered a related party Parent stock compensation expense. Stock-based compensation accounting guidance requires this expense to be recorded at the subsidiary level.

The following table summarizes Parent restricted stock and restricted stock unit activity applicable to ECD since January 1, 2015 (shares in thousands):

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	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock and restricted stock units outstanding at January 1, 2015	2,005	\$ 26.85
Granted	1,163	26.37
Vested	(666)	26.48
Forfeited	(194)	27.08
Outstanding at December 31, 2015	2,308	26.73
Granted	27	26.24
Vested	(603)	26.90
Forfeited	(312)	26.39
Restricted stock and restricted stock units outstanding at September 7, 2016	1,420	\$ 26.54
Accelerated for the Merger	(1,128)	
Converted into Dell's Restricted Cash Plan	(292)	
Restricted stock and restricted stock units outstanding at December 31, 2016	—	

The total intrinsic values of restricted stock and restricted stock units that vested in 2015 were \$17.9 million. As of December 31, 2015, restricted stock and restricted stock units representing 2.3 million shares were outstanding and unvested, with an aggregate intrinsic value of \$61.7 million. Pursuant to the terms of the completed Dell and EMC Merger Agreement, all eligible outstanding restricted stock and restricted stock units vested upon the close of the transaction.

***Incentive and Retention Compensation***

During the period from September 7, 2016 to December 31, 2016, ECD incurred compensation costs related to Merger-related retention bonuses and ECD employees participating in Dell's cash long-term incentive plan. The following tables summarize the components of total Parent incentive and retention compensation expense included in ECD's statements of operations for the year ended December 31, 2016 (in thousands):

	December 31, 2016
Cost of services	\$ 3,667
Research and development	4,301
Selling, general and administrative	14,993
Restructuring	1,644
Total Parent incentive and retention compensation	\$ 24,605

By analogy to stock-based compensation accounting guidance, these charges have been recorded at the subsidiary level as they relate to Parent compensation plans impacting ECD employees.

**I. Commitments and Contingencies**

***Operating Lease Commitments***

ECD leases office space in Pleasanton, CA, which contains renewal options and escalation clauses and expires in 2018. Rent expense for 2016 and 2015 was \$0.8 million and \$1.3 million, respectively.

Minimum commitments under non-cancelable operating lease agreements as of December 31, 2016 are as follows (table in thousands):

Year	Amount
2017	\$ 1,265
2018	648
Total minimum lease payments	\$ 1,913

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These commitments do not include lease commitments of any non-ECD subsidiaries of Dell Technologies to which ECD is not an obligor.

***Guarantees and Indemnification Obligations***

ECD occasionally enters into agreements in the ordinary course of business with, among others, customers, resellers, original equipment manufacturers (“OEMs”), systems integrators and distributors. Most of these agreements require ECD to indemnify the other party against third-party claims alleging that an ECD product infringes a patent and/or copyright. Certain agreements in which ECD grants limited licenses to specific ECD-trademarks require ECD to indemnify the other party against third-party claims alleging that the use of the licensed trademark infringes a third-party trademark. Certain of these agreements require ECD to indemnify the other party against certain claims relating to the loss or processing of data, to real or tangible personal property damage, personal injury or the acts or omissions of ECD, its employees, agents or representatives. In addition, from time to time, ECD has made certain guarantees regarding the performance of its systems. ECD also made certain guarantees for obligations of its subsidiaries.

ECD has agreements with certain vendors, financial institutions, lessors and service providers pursuant to which it has agreed to indemnify the other party for specified matters, such as acts and omissions of ECD, its employees, agents or representatives.

ECD has procurement or license agreements with respect to technology that is used in its products and agreements in which ECD obtained rights to a product from an OEM. Under some of these agreements, ECD has agreed to indemnify the supplier for certain claims that may be brought against such party with respect to ECD's acts or omissions relating to the supplied products or technologies.

Based upon ECD's historical experience and information known as of December 31, 2016, any liability on the above guarantees and indemnities at December 31, 2016 is not material.

***Litigation***

From time to time and in the normal course of business, various claims could be made against ECD. At this time and in the opinion of management, there are no pending claims for which the outcome is expected to result in a material adverse effect on the financial position or results of operations of ECD.

**J. Restructuring Charges**

During the years ended December 31, 2016 and 2015, ECD incurred restructuring charges of \$1.7 million and \$16.7 million, respectively.

During 2016 and 2015, ECD implemented restructuring programs to create further operational efficiencies which resulted in workforce reductions of 15 and 145 positions, respectively. The actions impacted positions around the globe and all of these actions are expected to be completed or were completed within a year of the start of each program. The charge in fiscal 2016 of \$1.9 million was offset by a benefit of \$0.2 million.

During 2016 and 2015, ECD recognized \$1.9 million and \$5.0 million, respectively, of lease termination costs for facilities vacated in the period in accordance with its plan as part of all of its restructuring programs and for costs associated with terminating other contractual obligations.

The activity for the restructuring programs is presented below (tables in thousands):

***Year Ended, December 31, 2016:***

<b>Category</b>	<b>Balance as of December 31, 2015</b>	<b>2016 Charges</b>	<b>Utilization</b>	<b>Balance as of December 31, 2016</b>
Workforce reductions	\$ 9,571	\$ (160)	\$ (8,326)	\$ 1,085
Consolidation of excess facilities and other contractual obligations	4,999	1,909	(1,565)	5,343
Total	<u>\$ 14,570</u>	<u>\$ 1,749</u>	<u>\$ (9,891)</u>	<u>\$ 6,428</u>

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*Year Ended, December 31, 2015:*

<u>Category</u>	<u>Balance as of December 31, 2014</u>	<u>2015 Charges</u>	<u>Utilization</u>	<u>Balance as of December 31, 2015</u>
Workforce reductions	\$ 6,404	\$ 11,596	\$ (8,429)	\$ 9,571
Consolidation of excess facilities and other contractual obligations	1,595	5,055	(1,651)	4,999
Total	<u>\$ 7,999</u>	<u>\$ 16,651</u>	<u>\$ (10,080)</u>	<u>\$ 14,570</u>

**K. Related Party**

*Distributions to Parent*

Net distributions to Parent for the years ended December 31, 2016 and 2015 were as follows (tables in thousands):

	<u>2016</u>	<u>2015</u>
Gross Distribution	\$ 159,768	\$ 164,015
Stock-based compensation expense contributed by Parent	(14,666)	(23,141)
Stock-based compensation accelerated due to Merger	(27,039)	—
Retention and incentive compensation from Parent	(24,605)	—
Corporate costs contributed by Parent	(8,505)	(8,936)
Distribution to Parent, net	<u>\$ 84,953</u>	<u>\$ 131,938</u>

*Corporate Allocations*

The statements of operations include the allocation of the following corporate costs (table in thousands):

<u>Category</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
HR and employee-related	\$ 1,786	\$ 1,745
Legal	2,462	2,895
Finance	1,207	1,249
Allocated IT expenses	870	958
External communications	1,133	572
Executive management and governance	596	816
Other	451	701
Total corporate allocations	<u>\$ 8,505</u>	<u>\$ 8,936</u>

All allocations above were determined based on a percentage of ECD revenues to EMC's total revenues, or as a percentage of ECD headcount to EMC's total headcount, based on the nature of the corporate cost.

**L. Subsequent Events**

These financial statements reflect management's evaluation of subsequent events, through March 31, 2017, the date the financial statements were available to be issued.



## Unaudited Pro Forma Condensed Consolidated Financial Statements

On September 12, 2016, Open Text Corporation (OpenText or the Company) entered into a Master Acquisition Agreement (the Master Acquisition Agreement) with EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries (collectively referred to as Dell-EMC), pursuant to which the Company has agreed to acquire (the Acquisition) certain assets and assume certain liabilities of the enterprise content division of Dell-EMC (the ECD Business). The Acquisition closed on January 23, 2017 and the purchase price for the Acquisition was approximately \$1.62 billion.

No valuation opinions required by securities legislation or an exchange or market were used to support the consideration payable by OpenText in respect of the Acquisition.

OpenText has no plans or proposals for material changes in its business affairs or the affairs of the ECD Business, which may have a significant effect on the results of operations and financial position of OpenText.

Prior to the completion of the Acquisition, the Company raised net proceeds of approximately \$585 million through the issuance of its Common Shares (the Equity Offering) and net proceeds of approximately \$253 million through the reopening of its existing 5.875% senior notes due 2026 for an aggregate principal amount of \$250 million, issued at a price of 102.75% (the Notes Offering); and borrowed \$225 million under its existing credit facilities (the Additional Debt Financing and, together with the Notes Offering, the Debt Financing). The Equity Offering and the Debt Financing are together referred to as the Financing Transactions. The Company financed the Acquisition and paid related fees and expenses with the net proceeds from the Financing Transactions and with cash on hand.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2016 is presented as if both the Acquisition and the Financing Transactions occurred on September 30, 2016. The Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended June 30, 2016 and the three months ended September 30, 2016 are presented as if both the Acquisition and the Financing Transactions occurred on July 1, 2015. These Unaudited Pro Forma Condensed Consolidated Financial Statements have been updated from those which were previously filed with the SEC under a Current Report on Form 8-K on December 12, 2016, solely to reflect the ultimate Financing Transactions that were secured by the Company. No other updates have been made to the Unaudited Pro Forma Condensed Consolidated Financial Statements since that date, including those relating to the fair value assessment of assets acquired and liabilities assumed, as these assessments are still on-going.

### Details and Assumptions about the Transaction

The Unaudited Pro Forma Condensed Consolidated Financial Statements give pro forma effect to the Acquisition and the Financing Transactions as follows:

- Total purchase price of \$1.62 billion;
- The Acquisition was financed through
  - \$585 million of net proceeds raised through the Equity Offering;
  - \$253 million of net proceeds raised through the Notes Offering at an interest rate of 5.875% due 2026;
  - \$225 million borrowed under the Additional Debt Financing at an assumed interest rate of 2.5%; and
  - \$557 million of cash on hand for the remainder of the purchase price.

Significant assumptions and estimates were made in determining the preliminary allocation of the purchase price in the Unaudited Pro Forma Condensed Consolidated Financial Statements. These preliminary estimates and assumptions are subject to change during the measurement period (up to one year from the actual acquisition date) as the Company finalizes the fair valuations of the net tangible assets, intangible assets, tax-related assets and liabilities and the resultant goodwill. In particular, the final valuations of identifiable intangible and net tangible assets may change significantly from preliminary estimates. These changes could result in material variances between the Company's future financial results and the amounts presented in the Unaudited Pro Forma Condensed Consolidated Financial Statements, including variances in fair values recorded, as well as expenses and cash flows associated with them.

### Presentation

The Unaudited Pro Forma Condensed Consolidated Financial Statements were prepared using the most recently made available financial statements of OpenText and the ECD Business at the time of closing of the Acquisition. For OpenText, the most recently available financial statements at the time of closing of the Acquisition included:

- a condensed consolidated balance sheet as of September 30, 2016;
- a consolidated statement of income for the year ended June 30, 2016; and
- a condensed consolidated statement of income for the three months ended September 30, 2016.

For the ECD Business , the most recently available financial statements at the time of closing of the Acquisition included:

- a consolidated balance sheet as of September 30, 2016;
- a consolidated statement of operations for the twelve months ended June 30, 2016; and
- a consolidated statement of operations for the three months ended September 30, 2016.

OpenText's fiscal year ends on June 30 and historically, prior to the acquisition by Dell Technologies on September 7, 2016, EMC's fiscal year ended on December 31. To comply with the rules and regulations of the Securities and Exchange Commission (the SEC) and Canadian securities regulatory authorities for companies with different fiscal year ends, the Unaudited Pro Forma Condensed Consolidated Financial Statements have been prepared utilizing periods that differ by less than 93 days. The Unaudited Pro Forma Condensed Consolidated Statement of Income for the three months ended September 30, 2016 was prepared by combining the historical statement of income of OpenText for the three months ended September 30, 2016 and the historical statement of operations of the ECD Business for the three months ended September 30, 2016. The Unaudited Pro forma Consolidated Statement of Income for the year ended June 30, 2016 was prepared by combining the historical statement of income of OpenText for the year ended June 30, 2016 and the historical statement of operations of the ECD Business for the twelve months ended June 30, 2016, which was calculated by taking the audited statement of operations of the ECD Business for the year ended December 31, 2015, subtracting the unaudited statement of operations for the six months ended June 30, 2015, and adding the unaudited statement of operations for the six months ended June 30, 2016 (see Note 4). The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2016 was prepared by combining the historical balance sheet of OpenText as of September 30, 2016 and the historical balance sheet of the ECD Business as of September 30, 2016.

The Unaudited Pro Forma Condensed Consolidated Financial Statements are provided for illustrative purposes only and are not intended to represent or be indicative of the consolidated results of operations or financial position of OpenText that would have been recorded had the acquisition of the ECD Business been completed as of the dates presented, and should not be taken as representative of future results of operations or financial position of the combined company. For instance, the Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended June 30, 2016 does not reflect the fact that the Company subsequently implemented a worldwide reorganization of its subsidiaries in July 2016, which had a material impact to the Company's results of operations in that quarter. The Unaudited Pro Forma Condensed Consolidated Financial Statements also do not reflect the impacts of any potential operational efficiencies, cost savings or economies of scale that the Company may achieve with respect to the combined operations of OpenText and the ECD Business (although no assurance can be given that any can be achieved) and do not include all costs that are expected to be directly attributed to the Acquisition , such as, but not limited to, costs necessary to integrate the operations of the ECD Business with OpenText and restructuring costs that may be necessary to achieve cost savings and operating synergies. Additionally, the Unaudited Pro Forma Condensed Consolidated Financial Statements do not include any non-recurring charges or credits directly attributable to the Acquisition .

On December 21, 2016, the Company announced that its board of directors (the Board) approved a two-for-one share split of its outstanding Common Shares, implemented by way of a share sub-division whereby shareholders of record as of 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. As a result, all per share data and number of Common Shares outstanding in these Unaudited Pro Forma Condensed Consolidated Financial Statements and notes hereto are presented on a post share split basis.

**Open Text Corporation**  
**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**As of September 30, 2016**  
**(In thousands of U.S. Dollars)**

	OpenText	ECD	Reclassifications	Pro Forma Adjustments	Reclassifications and Pro Forma Adjustments Combined
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 834,944	\$ —	\$ —	\$ (557,159) (A)	\$ 277,785
Short-term investments	2,726	—	—	—	2,726
Accounts receivable trade, net of allowance for doubtful accounts	297,537	89,626	—	(89,626) (B)	297,537
Income taxes recoverable	19,954	—	—	—	19,954
Prepaid expenses and other current assets	70,643	6,416	—	(1,925) (C)	75,134
Total current assets	1,225,804	96,042	—	(648,710)	673,136
Property and equipment	181,728	9,863	—	(4,066) (D)	187,525
Goodwill	2,595,614	1,807,859	—	(1,047,479) (E)	3,355,994
Acquired intangible assets	831,197	4,883	—	851,817 (F)	1,687,897
Deferred tax assets	1,100,897	21,009	—	131,420 (G)	1,253,326
Other assets	65,533	22,991	—	(22,166) (H)	66,358
Deferred charges	62,512	—	—	—	62,512
Long-term income taxes recoverable	9,025	—	—	—	9,025
Total assets	\$ 6,072,310	\$ 1,962,647	\$ —	\$ (739,184)	\$ 7,295,773
<b>LIABILITIES, NET INVESTMENT OF PARENT, AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 233,536	\$ 50,186	\$ —	\$ (42,432) (I)	\$ 241,290
Current portion of long-term debt	8,000	—	—	225,000 (M)	233,000
Deferred revenues	389,890	160,135	—	(35,041) (J)	514,984
Income taxes payable	39,203	16,320	—	(16,320) (K)	39,203
Total current liabilities	670,629	226,641	—	131,207	1,028,477
Long-term liabilities:					
Accrued liabilities	31,481	4,518	—	(4,230) (L)	31,769
Deferred credits	7,589	—	—	—	7,589
Pension liability	63,691	—	—	—	63,691
Long-term debt	2,137,276	—	—	253,219 (M)	2,390,495
Deferred revenues	46,247	18,952	—	(8,633) (J)	56,566
Long-term income taxes payable	145,787	3,027	—	(3,027) (K)	145,787
Deferred tax liabilities	90,381	—	—	12,090 (G)	102,471
Total long-term liabilities	2,522,452	26,497	—	249,419	2,798,368
Net investment of Parent	—	1,709,509	—	(1,709,509) (N)	—
Shareholders' equity:					
Share capital	822,135	—	—	589,699 (O)	1,411,834
Additional paid-in capital	155,323	—	—	—	155,323
Accumulated other comprehensive income	48,730	—	—	—	48,730
Retained earnings	1,877,639	—	—	—	1,877,639
Treasury stock	(25,166)	—	—	—	(25,166)
Non-controlling interest	568	—	—	—	568
Total shareholders' equity	2,879,229	—	—	589,699	3,468,928
Total liabilities, net investment of Parent, and shareholders' equity	\$ 6,072,310	\$ 1,962,647	\$ —	\$ (739,184)	\$ 7,295,773

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements



**Open Text Corporation**  
**Unaudited Pro Forma Condensed Consolidated Statement of Income**  
**For the Three Months Ended September 30, 2016**  
(In thousands of U.S. Dollars, except per share data)

	OpenText	ECD	Reclassifications	Pro Forma Adjustments	Reclassifications and Pro Forma Adjustments Combined
<b>Revenues:</b>					
License	\$ 60,656	\$ 30,870	\$ (2,567) (Q)	\$ —	\$ 88,959
Cloud services and subscriptions	169,687	—	7,966 (Q)	—	177,653
Customer support	210,206	—	74,887 (Q)	—	285,093
Professional service and other	51,115	104,040	(80,286) (Q)	—	74,869
Total revenues	491,664	134,910	—	—	626,574
<b>Cost of revenues:</b>					
License	3,845	7,303	(3,594) (R)	—	7,554
Cloud services and subscriptions	70,292	—	4,323 (R)	—	74,615
Customer support	25,738	—	11,756 (R)	—	37,494
Professional service and other	41,343	42,425	(16,602) (R)	—	67,166
Amortization of acquired technology-based intangible assets	23,135	—	3,495 (R)	13,551 (S)	40,181
Total cost of revenues	164,353	49,728	(622)	13,551	227,010
Gross profit	327,311	85,182	622	(13,551)	399,564
<b>Operating expenses:</b>					
Research and development	58,572	28,479	(536) (R)	—	86,515
Sales and marketing	95,148	54,337	(11,868) (R)	—	137,617
General and administrative	38,197	—	11,485 (R)	252 (T)	49,934
Depreciation	15,270	—	1,259 (R)	(203) (U)	16,326
Amortization of acquired customer-based intangible assets	33,608	—	282 (R)	11,187 (S)	45,077
Special charges	12,454	448	—	(3,720) (V)	9,182
Total operating expenses	253,249	83,264	622	7,516	344,651
Income from operations	74,062	1,918 (P)	—	(21,067)	54,913
Other income (expense), net	6,699	—	—	—	6,699
Interest and other related expense, net	(27,275)	—	—	(5,006) (W)	(32,281)
Income before income taxes	53,486	1,918	—	(26,073)	29,331
Provision for (recovery of) income taxes	(859,425)	(506)	—	(7,049) (X)	(866,980)
Net income (loss) for the period	912,911	2,424	—	(19,024)	896,311
Less: Net (income) attributable to non-controlling interest	(27)	—	—	—	(27)
Net income (loss), attributable to controlling interest	\$ 912,884	\$ 2,424	\$ —	\$ (19,024)	\$ 896,284
Earnings per share, attributable to OpenText—basic	\$ 3.76				\$ 3.41
Earnings per share, attributable to OpenText—diluted	\$ 3.73				\$ 3.39
Weighted average number of Common Shares outstanding—basic	242,910			19,811 (Y)	262,721
Weighted average number of Common Shares outstanding—diluted	244,742			19,811 (Y)	264,553
Dividends declared per Common Share	\$ 0.1150				\$ 0.1150

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

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 Unaudited Pro Forma Condensed Consolidated Financial Statements and Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements are presented on a post share split basis.

**Open Text Corporation**  
**Unaudited Pro Forma Consolidated Statement of Income**  
**For the Twelve Months Ended June 30, 2016**  
(In thousands of U.S. Dollars, except per share data)

	OpenText	ECD	Reclassifications	Pro Forma Adjustments	Reclassifications and Pro Forma Adjustments Combined
<b>Revenues:</b>					
License	\$ 283,710	\$ 157,049	\$ (8,270) (Q)	\$ —	\$ 432,489
Cloud services and subscriptions	601,018	—	27,610 (Q)	—	628,628
Customer support	746,409	—	304,575 (Q)	—	1,050,984
Professional service and other	193,091	423,002	(323,915) (Q)	—	292,178
Total revenues	1,824,228	580,051	—	—	2,404,279
<b>Cost of revenues:</b>					
License	10,296	42,550	(24,536) (R)	—	28,310
Cloud services and subscriptions	244,021	—	16,075 (R)	—	260,096
Customer support	89,861	—	37,017 (R)	—	126,878
Professional service and other	155,584	145,103	(54,600) (R)	—	246,087
Amortization of acquired technology-based intangible assets	74,238	—	24,141 (R)	44,043 (S)	142,422
Total cost of revenues	574,000	187,653	(1,903)	44,043	803,793
Gross profit	1,250,228	392,398	1,903	(44,043)	1,600,486
<b>Operating expenses:</b>					
Research and development	194,057	73,598	(2,125) (R)	—	265,530
Sales and marketing	344,235	159,220	(32,743) (R)	—	470,712
General and administrative	140,397	—	29,224 (R)	1,009 (T)	170,630
Depreciation	54,929	—	4,540 (R)	(317) (U)	59,152
Amortization of acquired customer-based intangible assets	113,201	—	3,007 (R)	42,869 (S)	159,077
Special charges	34,846	304	—	—	35,150
Total operating expenses	881,665	233,122	1,903	43,561	1,160,251
Income from operations	368,563	159,276	—	(87,604)	440,235
Other income (expense), net	(1,423)	—	—	—	(1,423)
Interest and other related expense, net	(76,363)	—	—	(20,020) (W)	(96,383)
Income before income taxes	290,777	159,276	—	(107,624)	342,429
Provision for (recovery of) income taxes	6,282	31,704	—	(17,858) (X)	20,128
Net income (loss) for the period	284,495	127,572	—	(89,766)	322,301
Net (income) attributable to non-controlling interest	(18)	—	—	—	(18)
Net income (loss), attributable to controlling interest	\$ 284,477	\$ 127,572	\$ —	\$ (89,766)	\$ 322,283
Earnings per share, attributable to OpenText—basic	\$ 1.17				\$ 1.23
Earnings per share, attributable to OpenText—diluted	\$ 1.17				\$ 1.22
Weighted average number of Common Shares outstanding—basic	242,926			19,811 (Y)	262,737
Weighted average number of Common Shares outstanding—diluted	244,076			19,811 (Y)	263,887
Dividends declared per Common Share	\$ 0.4150				\$ 0.4150

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

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 Unaudited Pro Forma Condensed Consolidated Financial Statements and Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements are presented on a post share split basis.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

**Note 1: Basis of Pro Forma Presentation**

Prior to the Acquisition, historical financial statements of the ECD Business were included in the consolidated financial statements of Dell-EMC. The ECD Business is not a legal entity and did not exist as a legal entity during the periods presented in the accompanying Unaudited Pro Forma Condensed Consolidated Financial Statements.

The Unaudited Pro Forma Condensed Consolidated Financial Statements were prepared using the most recently made available financial statements of OpenText and the ECD Business at the time of closing of the Acquisition. For OpenText, the most recently available financial statements at the time of closing of the Acquisition included:

- a condensed consolidated balance sheet as of September 30, 2016;
- a consolidated statement of income for the year ended June 30, 2016; and
- a condensed consolidated statement of income for the three months ended September 30, 2016.

For the ECD Business, the most recently available financial statements at the time of closing of the Acquisition included:

- a consolidated balance sheet as of September 30, 2016;
- a consolidated statement of operations for the twelve months ended June 30, 2016; and
- a consolidated statement of operations for the three months ended September 30, 2016.

OpenText's fiscal year ends on June 30 and historically, prior to the acquisition by Dell Technologies on September 7, 2016, EMC's fiscal year ended on December 31. To comply with the rules and regulations of the SEC and Canadian securities regulatory authorities for companies with different fiscal year ends, the Unaudited Pro Forma Condensed Consolidated Financial Statements have been prepared utilizing periods that differ by less than 93 days. The Unaudited Pro forma Condensed Consolidated Statement of Income for the three months ended September 30, 2016 was prepared using the historical statement of income of OpenText for the three months ended September 30, 2016 and the historical statement of operations of the ECD Business for the three months ended September 30, 2016. The Unaudited Pro forma Consolidated Statement of Income for the year ended June 30, 2016 was prepared using the historical statement of income of OpenText for the year ended June 30, 2016 and the historical statement of operations of the ECD Business for the twelve months ended June 30, 2016, which was calculated by taking the audited statement of operations of the ECD Business for the year ended December 31, 2015, subtracting the unaudited statement of operations for the six months ended June 30, 2015, and adding the unaudited statement of operations for the six months ended June 30, 2016 (see Note 4). The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2016 was prepared using the historical balance sheet of OpenText as of September 30, 2016 and the historical balance sheet of the ECD Business as of September 30, 2016.

The Unaudited Pro Forma Condensed Consolidated Financial Statements are based upon the historical financial statements of OpenText and the ECD Business after giving effect to the Acquisition and the Financing Transactions. The Acquisition is accounted for as a business combination pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805 "Business Combinations" (Topic 805). In accordance with Topic 805, the Company recognizes separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value as defined by ASC Topic 820 "Fair Value Measurements and Disclosures". Goodwill, as of the acquisition date is measured as the excess of consideration transferred, which is also measured at fair value, and the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2016 is presented as if both the Acquisition and the Financing Transactions occurred on September 30, 2016. The Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended June 30, 2016 and the three months ended September 30, 2016 are presented as if both the Acquisition and the Financing Transactions occurred on July 1, 2015. These Unaudited Pro Forma Condensed Consolidated Financial Statements have been updated from those which were previously filed with the SEC under a Current Report on Form 8-K on December 12, 2016, solely to reflect the ultimate Financing Transactions that were secured by the Company. No other updates have been made to the Unaudited Pro Forma Condensed Consolidated Financial Statements since that date, including those relating to the fair value assessment of assets acquired and liabilities assumed, as these assessments are still on-going.

The Unaudited Pro Forma Condensed Consolidated Statements of Income exclude any non-recurring charges or credits directly attributable to the Acquisition.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

**Details and Assumptions about the Transaction**

The Unaudited Pro Forma Condensed Consolidated Financial Statements give pro forma effect to the Acquisition and the Financing Transactions as follows:

- Total purchase price of \$1.62 billion ;
- The Acquisition was financed through
  - \$585 million of net proceeds raised through the Equity Offering;
  - \$253 million of net proceeds raised through the Notes Offering at an interest rate of 5.875% due 2026;
  - \$225 million borrowed under the Additional Debt Financing at an assumed interest rate of 2.5% ; and
  - \$557 million of cash on hand for the remainder of the purchase price.

Significant assumptions and estimates were made in determining the preliminary allocation of the purchase price in the Unaudited Pro Forma Condensed Consolidated Financial Statements. These preliminary estimates and assumptions are subject to change during the measurement period (up to one year from the actual acquisition date) as the Company finalizes the fair valuations of the net tangible assets, intangible assets, tax-related assets and liabilities and the resultant goodwill. In particular, the final valuations of identifiable intangible and net tangible assets may change significantly from the Company's preliminary estimates. These changes could result in material variances between its future financial results and the amounts presented in the Unaudited Pro Forma Condensed Consolidated Financial Statements, including variances in fair values recorded, as well as expenses and cash flows associated with them.

The Company continues to review, in detail, the ECD Business accounting policies. As a result of the review it may identify differences in accounting policies between the two companies, that when conformed, could have a material impact on the financial results of the combined company. Based on information available at the time of the filing of this Current Report on Form 8-K/A, the Company is not aware of any differences in accounting policies that would have a material impact on the financial results of the combined company other than those reflected in the Unaudited Pro Forma Condensed Consolidated Financial Statements described in Note 3.

The Unaudited Pro Forma Condensed Consolidated Financial Statements are provided for illustrative purposes only and are not intended to represent or be indicative of the consolidated results of operations or financial position of OpenText that would have been recorded had the Acquisition and the Financing Transactions been completed as of the dates presented, and should not be taken as representative of future results of operations or financial position of the combined company. For instance, the Pro Forma Condensed Consolidated Statement of Income for the year ended June 30, 2016 does not reflect the fact that the Company subsequently implemented a worldwide reorganization of its subsidiaries in July 2016, which had a material impact to the Company's results of operations in that quarter. The Unaudited Pro Forma Condensed Consolidated Financial Statements also do not reflect the impacts of any potential operational efficiencies, cost savings or economies of scale that the Company may achieve with respect to the combined operations of OpenText and the ECD Business (although no assurance can be given that any can be achieved) and do not include all costs that are expected to be directly attributed to the Acquisition , such as, but not limited to, costs necessary to integrate the operations of the ECD Business with OpenText and restructuring costs that may be necessary to achieve cost savings and operating synergies. Additionally, the Unaudited Pro Forma Condensed Consolidated Financial Statements do not include any non-recurring charges or credits directly attributable to the Acquisition .

The Unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the historical consolidated financial statements of OpenText and accompanying notes contained in OpenText's Annual Report on Form 10-K and Quarterly Report on Form 10-Q for its fiscal year ended June 30, 2016 and three months ended September 30, 2016, respectively, and the historical audited consolidated financial statements for the years ended December 31, 2016 and 2015 of the ECD Business and the unaudited consolidated financial statements for the nine months ended September 30, 2016 of the ECD Business and accompanying notes contained in this Current Report on Form 8-K/A.

On December 21, 2016, the Company announced that the Board approved a two-for-one share split of its outstanding Common Shares, 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. As a result, all per share data and number of Common Shares outstanding in these Unaudited Pro Forma Condensed Consolidated Financial Statements and notes hereto are presented on a post share split basis.

Unless otherwise indicated all dollar amounts included herein are expressed in thousands of U.S. dollars.



**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
(in thousands of U.S. Dollars, except share and per share amounts)

**Note 2: Preliminary Purchase Price Allocation**

**Description of the Acquisition of the ECD Business**

The Company acquired the ECD Business in an all-cash transaction for a purchase price of approximately \$1.62 billion on January 23, 2017. For the purpose of the Unaudited Pro Forma Condensed Consolidated Financial Statements, the purchase price of the ECD Business has been allocated to the ECD Business' tangible and identifiable intangible assets acquired and liabilities assumed, based on their estimated fair values as though the Acquisition occurred on September 30, 2016. For certain assets and liabilities, the book values as of the balance sheet date have been determined to reflect fair values. The excess of the purchase price over the net tangible and identifiable intangible assets will be recorded as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation undertaken by the Company and the Company's estimates and assumptions are subject to change during the measurement period (up to one year from the actual acquisition date). The Company expects to continue to obtain information to assist it in determining the fair value of the net assets acquired at the acquisition date and during the measurement period.

The Company's preliminary purchase price allocation for the ECD Business based on the estimated fair values as though the Acquisition occurred on September 30, 2016 is as follows:

Current assets	\$	4,491
Non-current assets		153,974
Intangible assets		856,700
Goodwill		760,380
<b>Total assets acquired</b>		<b>1,775,545</b>
Current liabilities assumed		(132,848)
Non-current liabilities assumed		(22,697)
<b>Net assets acquired</b>	<b>\$</b>	<b>1,620,000</b>

*Preliminary Pre-Acquisition Contingencies Assumed*

Currently, the Company has not recorded any pre-acquisition contingencies relating to the ECD Business as of acquisition date; however, the Company continues to gather information and to evaluate whether any pre-acquisition contingencies have been assumed. If identified, such amounts will be included in the purchase price allocation at their fair value and will result in additional goodwill.

**Note 3: Reclassifications and Pro Forma Adjustments Notes**

The following adjustments have been reflected in the Unaudited Pro Forma Condensed Consolidated Financial Statements:

A. Represents, as of September 30, 2016, the impact on OpenText's cash as of the closing of the Acquisition as set forth below:

Gross Proceeds from the Notes Offering (see Note 1)	\$	256,875
Gross Proceeds from the Additional Debt Financing (see Note 1)		225,000
Gross Proceeds from the Equity Offering (see Note 1)		604,223
Less:		
Total cash consideration paid for the Acquisition		(1,620,000)
Debt issuance costs relating to the Debt Financing <sup>(1)</sup>		(3,656)
Share issuance costs relating to the Equity Offering <sup>(1)</sup>		(19,601)
<b>Net decrease in OpenText cash and cash equivalents</b>	<b>\$</b>	<b>(557,159)</b>

<sup>(1)</sup> Represents fees and expenses related to the respective offerings, including discounts and commissions, legal, accounting and advisory fees and other transaction costs.

B. To eliminate the historical Accounts Receivable of the ECD Business not acquired as part of the Acquisition.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

C. To record the following estimated fair value adjustments:

Exclude prepaid expense not acquired as part of the Acquisition	\$	(2,934)
Estimated leasehold fair value adjustment to prepaid expense and other current assets		1,009
Net preliminary adjustment to prepaid expense and other current assets	\$	<u>(1,925)</u>

D. To record the estimated fair value adjustments to property and equipment.

E. To eliminate the historical goodwill of the ECD Business and to record the preliminary valuation of goodwill related to the Acquisition :

Elimination of the ECD Business' historical goodwill	\$	(1,807,859)
Preliminary goodwill from the Acquisition		760,380
Net preliminary adjustment to goodwill	\$	<u>(1,047,479)</u>

F. To eliminate the historical intangible assets of the ECD Business and to record the preliminary valuation of intangible assets related to the Acquisition :

Elimination of the ECD Business' historical intangible assets	\$	(4,883)
Preliminary valuation of technology intangible assets acquired from the Acquisition		375,000
Preliminary valuation of customer intangible assets acquired from the Acquisition		481,700
Net preliminary adjustment to intangible assets	\$	<u>851,817</u>

G. To record the following estimated fair value adjustments:

**Deferred Tax Assets:**

Elimination of the ECD Business' historical deferred tax assets	\$	(21,009)
Preliminary deferred tax asset associated with the preliminary valuation of intangible assets acquired		147,352
Deferred tax assets associated with equity issuance costs arising from the Equity Offering		5,077
Net preliminary adjustment to deferred tax assets	\$	<u>131,420</u>

**Deferred Tax Liabilities:**

Preliminary deferred tax liabilities associated with the preliminary valuation of deferred revenues acquired		12,090
Net preliminary adjustment to deferred tax liabilities	\$	<u>12,090</u>

H. To record the following estimated fair value adjustments:

Elimination of the ECD Business' historical capitalized software	\$	(20,897)
Exclude other assets not acquired as part of the Acquisition		(2,025)
Estimated fair value adjustment of leased assets		756
Net preliminary adjustment to other assets	\$	<u>(22,166)</u>

I. To eliminate accounts payable and accrued liabilities of the ECD Business that are not acquired as part of the Acquisition .

J. To record the preliminary fair value adjustment to deferred revenues acquired. The fair value represents an amount equivalent to estimated cost plus an appropriate profit margin to perform the services related to open contracts based on deferred revenue balances of the ECD Business as of September 30, 2016 . The preliminary deferred revenue fair value adjustment is not reflected on the Unaudited Pro Forma Condensed Consolidated Statements of Income as it primarily relates to the current portion and is a non-recurring charge.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
(in thousands of U.S. Dollars, except share and per share amounts)

	Current Deferred Revenue	Long-term Deferred Revenue
Elimination of the ECD Business' historical deferred revenue	\$ (160,135)	\$ (18,952)
Estimated fair value of deferred revenue acquired	125,094	10,319
Net preliminary adjustment to deferred revenue	<u>\$ (35,041)</u>	<u>\$ (8,633)</u>

K. To exclude income taxes payable of the ECD Business that are not acquired as part of the Acquisition .

L. To record the following estimated fair value adjustments:

Exclude long-term liabilities of the ECD Business not acquired as part of the Acquisition	\$ (4,518)
Estimated fair value adjustment of asset retirement obligations	288
Net preliminary adjustment to long-term liabilities	<u>\$ (4,230)</u>

M. To record borrowings from the Debt Financing :

<b>Total debt</b>	
New debt from the Notes Offering	\$ 250,000
New debt from the Additional Debt Financing	225,000
Total principal payments due	475,000
Premium on the Notes Offering	6,875
Debt issuance costs from the Notes Offering <sup>(1)</sup>	(3,656)
Total debt outstanding from the Debt Financing	478,219
Net adjustment to current portion of total debt	<u>\$ 225,000</u>
Net adjustment to non-current portion of total debt	<u>\$ 253,219</u>

<sup>(1)</sup>The Company early adopted accounting standards update no. 2015-03 "Simplifying the Presentation of Debt Issuance Costs" in its fourth quarter of Fiscal 2016. As a result, the Company presents debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability.

N. To eliminate the ECD Business ' historical net investment of Parent.

O. To record the following adjustments to the respective components of share capital:

<b>Share capital</b>	
To record the issuance of OpenText shares from the Equity Offering	\$ 604,223
New equity issuance costs from the Equity Offering	(19,601)
Tax effect on new equity issuance costs from the Equity Offering	5,077
Net adjustment to share capital	<u>\$ 589,699</u>

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

- P. Included in the ECD Business ' income from operations is a one-time, non-recurring charge of approximately \$27 million relating to accelerated stock awards that vested upon ECD being acquired by Dell Technologies and approximately \$4 million of compensation costs related to merger-related retention bonuses with ECD employees participating in Dell Technologies' cash-based long term incentive plan. For more information see Note H to the ECD Business ' financial statements for the nine months ended September 30, 2016, which was filed as exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on December 12, 2016 and incorporated herein by reference. These charges have not been adjusted on a pro forma basis as they were not a direct result of the Acquisition.

The following illustrates the impact of these non-recurring charges on the ECD Business ' results of operations for the three months ended September 30, 2016:

Cost of revenues: customer support	\$	1,574
Cost of revenues: professional services		6,688
Research and development expense		8,851
Sales and marketing expense		9,035
General and administrative expense		4,697
Total	\$	<u>30,845</u>

- Q. To reclassify the ECD Business ' revenue presentation to conform to OpenText's presentation:

	<b>Three Months Ended September 30, 2016</b>	<b>Year Ended June 30, 2016</b>
Cloud services and subscriptions	\$ 7,966	\$ 27,610
Customer support	74,887	304,575
Reclassification from the ECD Business' license revenue	(2,567)	(8,270)
Reclassification from the ECD Business' service revenue	(80,286)	(323,915)
Net impact to total revenue	\$ —	\$ —

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

R. To reclassify the ECD Business ' presentation of operating expenses to conform to OpenText's presentation:

**For the three months ended September 30, 2016 :**

	Reclassify Customer support cost of revenues	Reclassify Cloud services and subscriptions cost of revenues	Reclassify amortization of acquired technology to cost of revenues	Reclassify amortization of customer relationships as a separate line within operating expenses	Reclassify depreciation as a separate line within operating expenses	Reclassify general & administrative from Selling, general and administrative expenses	Reclassify amortization of capitalized software	Total reclassifications
<b>Cost of revenues:</b>								
License	\$ —	\$ (99)	\$ (25)	\$ —	\$ —	\$ —	\$ (3,470)	\$ (3,594)
Cloud services	—	4,323	—	—	—	—	—	4,323
Customer support	11,790	—	—	—	(34)	—	—	11,756
Professional service and other	(11,790)	(4,224)	—	—	(588)	—	—	(16,602)
Amortization of acquired technology-based intangible assets	—	—	25	—	—	—	3,470	3,495
<b>Operating expenses:</b>								
Research and development	—	—	—	—	(536)	—	—	(536)
Sales and marketing	—	—	—	(277)	(76)	(11,515)	—	(11,868)
General and administrative	—	—	—	(5)	(25)	11,515	—	11,485
Depreciation	—	—	—	—	1,259	—	—	1,259
Amortization of acquired customer-based intangible assets	—	—	—	282	—	—	—	282
<b>Total impact to statement of income</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
(in thousands of U.S. Dollars, except share and per share amounts)

For the twelve months ended June 30, 2016 :

	Reclassify Customer support cost of revenues	Reclassify Cloud services and subscriptions cost of revenues	Reclassify amortization of acquired technology to cost of revenues	Reclassify amortization of customer relationships as a separate line within operating expenses	Reclassify depreciation as a separate line within operating expenses	Reclassify general & administrative from Selling, general and administrative expenses	Reclassify amortization of capitalized software	Total reclassifications
<b>Cost of revenues:</b>								
License	\$ —	\$ (395)	\$ (28)	\$ —	\$ —	\$ —	\$ (24,113)	\$ (24,536)
Cloud services	—	16,075	—	—	—	—	—	16,075
Customer support	37,174	—	—	—	(157)	—	—	37,017
Professional service and other	(37,174)	(15,680)	—	—	(1,746)	—	—	(54,600)
Amortization of acquired technology-based intangible assets	—	—	28	—	—	—	24,113	24,141
<b>Operating expenses:</b>								
Research and development	—	—	—	—	(2,125)	—	—	(2,125)
Sales and marketing	—	—	—	(2,970)	(386)	(29,387)	—	(32,743)
General and administrative	—	—	—	(37)	(126)	29,387	—	29,224
Depreciation	—	—	—	—	4,540	—	—	4,540
Amortization of acquired customer-based intangible assets	—	—	—	3,007	—	—	—	3,007
Total impact to statement of income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

- S. To record amortization relating to the estimated identifiable intangible assets acquired from the ECD Business and to eliminate the ECD Business' historical amortization of intangible assets:

	Three Months Ended September 30, 2016	Year Ended June 30, 2016
<b>Amortization of acquired technology assets</b>		
Amortization of acquired intangible assets relating to the Acquisition	\$ 17,046	\$ 68,184
Elimination of the ECD Business' historical intangible asset amortization	(3,495)	(24,141)
Net adjustment	<u>\$ 13,551</u>	<u>\$ 44,043</u>
<b>Amortization of acquired customer assets</b>		
Amortization of acquired intangible assets relating to the Acquisition	\$ 11,469	\$ 45,876
Elimination of the ECD Business' historical intangible asset amortization	(282)	(3,007)
Net adjustment	<u>\$ 11,187</u>	<u>\$ 42,869</u>

The Company has estimated the useful lives of acquired technology and customer intangible assets to be approximately 6 years and 11 years, respectively, which are being amortized on a straight-line basis.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
(in thousands of U.S. Dollars, except share and per share amounts)

- T. To record the additional rent expense relating to lease fair value adjustment.
- U. To adjust depreciation expense on account of the adjustment to the fair value of property and equipment and to eliminate the ECD Business ' historical depreciation.
- V. To eliminate acquisition-related transaction costs incurred by OpenText in connection with the Acquisition as these costs are directly attributable to the Acquisition and do not have a continuing impact on the combined company's financial results.
- W. To record the interest expense and the amortization of debt issuance costs and premiums resulting from the Debt Financing :

	<b>Three Months Ended September 30, 2016</b>	<b>Year Ended June 30, 2016</b>
Interest expense associated with the Notes Offering	\$ 3,672	\$ 14,688
Interest expense associated with the Additional Debt Financing	\$ 1,406	\$ 5,625
Amortization of premium on the Notes Offering	(139)	(563)
Amortization of debt issuance costs associated with the Notes Offering	67	270
Net adjustment to interest and other related expense, net	<u>\$ 5,006</u>	<u>\$ 20,020</u>

As discussed in Note 1, the interest rate on the Notes Offering is 5.875% . The interest rate on the Additional Debt Financing is a floating rate of LIBOR plus a fixed rate that is dependent on our consolidated net leverage ratio. For the purposes of these Unaudited Pro Forma Condensed Consolidated Financial Statements, the interest rate on the Additional Debt Financing is assumed to be 2.5% for all periods presented. However, the actual interest expense incurred as a result of the the Additional Debt Financing could fluctuate and be materially different from what is presented above.

For more details relating to the Company's Senior Notes due 2026 and our existing credit facilities, see the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 under Note 10 "Long Term Debt". The debt issuance costs and premiums incurred as part of the Notes Offering are being amortized over 10 years using the effective interest method.

- X. To record the pro forma tax impact at the weighted average estimated income tax rates applicable to the jurisdictions in which the pro forma adjustments are expected to be recorded. Additionally, the pro forma tax provision for the three months ended September 30, 2016 includes the impact of a \$876.1 million tax benefit that OpenText recognized in its first quarter of the fiscal year ending June 30, 2017 associated primarily with the recognition of a net deferred tax asset arising from the entry of intellectual property (IP) in Canada. For more details relating to this tax benefit, please see OpenText's quarterly report on Form 10-Q for the quarter ended September 30, 2016. The effective tax rate of the combined company in future periods will be significantly different than the pro forma rate for the three months ended September 30, 2016 as the \$876.1 million tax benefit is specific to the IP reorganization that occurred in that period.
- Y. To record the issuance of OpenText common shares in connection with the Equity Offering, on a post share split basis.

**Note 4: Basis of the ECD Business Financial Statement Presentation within the Unaudited Pro Forma Condensed Consolidated Financial Statements.**

The ECD Business Unaudited Consolidated Statement of Operations for the twelve months ended June 30, 2016

For the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Statements, information for the ECD Business has been obtained from the audited consolidated financial statements of the ECD Business for the years ended December 31, 2015 and 2014, the unaudited condensed consolidated financial statements for the six months ended June 30, 2016 and 2015, and the unaudited condensed consolidated financial statements for the nine months ended September 30, 2016 and 2015, respectively.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
(in thousands of U.S. Dollars, except share and per share amounts)

The ECD Business' unaudited consolidated statement of operations for the twelve months ended June 30, 2016 has been constructed as follows:

	Year ended December 31, 2015	Six months ended June 30, 2015	Six months ended December 31, 2015	Six months ended June 30, 2016	Twelve months ended June 30, 2016
	(see Exhibit 99.1)				
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)
<b>Revenues:</b>					
License	\$ 151,510	\$ 66,933	\$ 84,577	\$ 72,472	\$ 157,049
Services	429,418	217,696	211,722	211,280	423,002
<b>Total revenue</b>	<b>580,928</b>	<b>284,629</b>	<b>296,299</b>	<b>283,752</b>	<b>580,051</b>
<b>Costs and expenses:</b>					
Cost of license	44,753	19,460	25,293	17,257	42,550
Cost of services	152,384	78,839	73,545	71,558	145,103
Research and development	70,395	34,165	36,230	37,368	73,598
Selling, general and administrative	164,935	84,106	80,829	78,391	159,220
Restructuring	16,651	14,995	1,656	(1,352)	304
<b>Total operating expenses</b>	<b>449,118</b>	<b>231,565</b>	<b>217,553</b>	<b>203,222</b>	<b>420,775</b>
Operating income	131,810	53,064	78,746	80,530	159,276 *
income tax provision	25,973	10,700	15,273	16,431	31,704
<b>Net income</b>	<b>\$ 105,837</b>	<b>\$ 42,364</b>	<b>\$ 63,473</b>	<b>\$ 64,099</b>	<b>\$ 127,572</b>

\*Included in operating income for the twelve months ended June 30, 2016 is stock compensation expense of \$22.8 million and a recovery of \$13.9 million relating to capitalized software costs.

The ECD Business' unaudited condensed consolidated statement of operations for the three months ended September 30, 2016 has been constructed as follows:

	Nine months ended September 30, 2016	Six months ended June 30, 2016	Three months ended September 30, 2016
	(a)	(b)	(c) = (a) - (b)
<b>Revenues:</b>			
License	\$ 103,342	\$ 72,472	\$ 30,870
Services	315,320	211,280	104,040
<b>Total revenue</b>	<b>418,662</b>	<b>283,752</b>	<b>134,910</b>
<b>Costs and expenses:</b>			
Cost of license	24,560	17,257	7,303
Cost of services	113,983	71,558	42,425
Research and development	65,847	37,368	28,479
Selling, general and administrative	132,728	78,391	54,337
Restructuring	(904)	(1,352)	448
<b>Total operating expenses</b>	<b>336,214</b>	<b>203,222</b>	<b>132,992</b>
Operating income	82,448	80,530	1,918 *
income tax provision	15,925	16,431	(506)
<b>Net income</b>	<b>\$ 66,523</b>	<b>\$ 64,099</b>	<b>\$ 2,424</b>



**Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements**  
**(in thousands of U.S. Dollars, except share and per share amounts)**

\*Included in operating income for the three months ended September 30, 2016 is stock compensation expense of \$30.6 million, of which approximately \$27.0 million is relating to accelerated stock awards that vested upon EMC being acquired by Dell Technologies. For more information see Note H to the ECD Business' financial statements for the nine months ended September 30, 2016, which has been filed as exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on December 12, 2016 and incorporated herein by reference. Additionally, included in operating income for the three months ended September 30, 2016 is a recovery of \$1.4 million relating to capitalized software costs.

## Forward-Looking Statements

This document contains forward-looking statements concerning the future performance of OpenText's business, its operations and its financial results and condition, including with respect to the anticipated integration of the ECD Business. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms. These statements reflect beliefs and assumptions which are based on OpenText's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. In making these statements, OpenText has made assumptions with respect to: the ability of OpenText and the ECD Business to integrate effectively; the ability of OpenText to predict and adapt to changing customer requirements, preferences and spending patterns; the ability of OpenText to protect its intellectual property; future capital expenditures, including the amount and nature thereof; trends and developments in the information technology and financial sectors and other sectors of the economy; which are related to these sectors; business strategy and outlook; expansion and growth of business and operations; credit risks; anticipated acquisitions; future results being similar to historical results; the historical dividend being maintained; expectations related to future general economic and market conditions; and other matters. OpenText's beliefs and assumptions are inherently subject to significant political, business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. OpenText's beliefs and assumptions may prove to be inaccurate and consequently the Company's actual results could differ materially from the expectations set out herein. If any of these risks or uncertainties materialize or any of these assumptions prove incorrect, the actual results or performance of OpenText and its consolidated subsidiaries could differ materially from those expressed or implied by forward-looking statements.

Actual results or events could differ materially from those contemplated in such forward-looking statements as a result of risks and uncertainties referred to above, including: the challenges of integration associated with the Acquisition or other planned acquisitions; the possibility that certain assumptions with respect to the ECD Business or the Acquisition could prove to be inaccurate; the costs associated with the Acquisition and any potential restructuring costs that may be necessary to achieve cost savings and operating synergies; the inability to achieve anticipated synergies with the ECD Business or other acquired businesses; the increased indebtedness of OpenText after the closing of the Acquisition and the potential for the incurrence of or assumption of debt in connection with future acquisitions and the impact on the ratings or outlooks of rating agencies on OpenText's outstanding debt securities; the inability to maintain revenues on a combined company basis; downward pressure on the Company's share price and dilutive effect of future sales or issuances of equity securities (including in connection with the Acquisition and/or other future acquisitions); employee management issues; the timely development, production and acceptance of products and services; the challenge of managing asset levels and expenses; and other risks that are described from time to time in OpenText's filings with the SEC, including, but not limited to OpenText's Annual Report on Form 10-K for the fiscal year ended June 30, 2016 and Quarterly Reports on Form 10-Q for the quarters ended September 30, 2016 and December 31, 2016, as well as documents filed with securities regulatory authorities in Canada.

Any forward-looking statement the Company makes in this document speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or how they may affect the Company. In any event, these and other important factors may cause actual results to differ materially from those indicated by the Company's forward-looking statements. The Company has no duty, and does not intend, to update or revise the forward-looking statements made in this document, except as may be required by law. In light of these risks and uncertainties, future events or circumstances described in any forward-looking statement in this document might not occur.