Today, Harbinger™ Corporation is one of the world's leading providers of Electronic Commerce (EC) software and solutions, with over 34,000 active, revenue-generating customers. The company seeks to expand the use of EC worldwide, with a complete suite of industry leading products and services.

Harbinger's competitive differentiators are five-fold: a complete, cross-platform suite of Electronic Data Interchange (EDI) translation software; EC mass deployment expertise for small and medium-sized companies; comprehensive trading partner relationship management; network and trusted third-party services; and expertise across multiple industries in major markets throughout the world.

Revenues at Harbinger have grown at a compounded annual growth rate of more than 50% per year for the last seven years, with growth in 1996 of 80%.

Harbinger's business customers give the company high marks for its service as indicated by a 93% customer retention rate from year to year with approximately 90% of these customers responding that they would recommend Harbinger products to a friend.

On January 3, 1997, SupplyTech, Inc. and affiliates merged with Harbinger adding customers in four important industries — automotive, retail, aerospace and heavy manufacturing — to Harbinger's existing seven — electronics, financial services, food and beverage, government, healthcare, petroleum/chemicals and utilities.

Today, Harbinger has the industry's most complete array of EC solutions and a growing global presence — the technology and talent to reach ahead.

Active, Revenue-Generating Customers
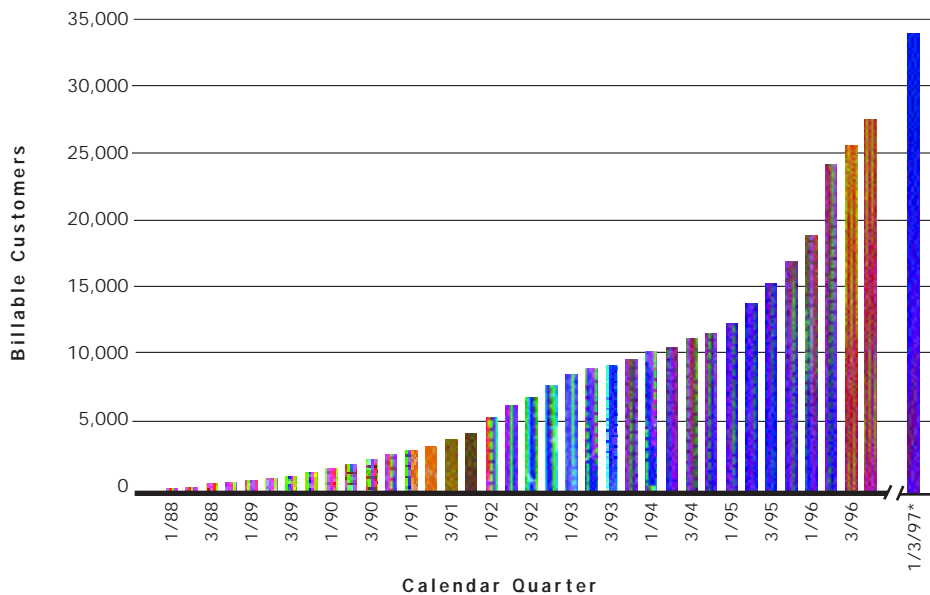
*Includes customers of SupplyTech, Inc. and affiliates.

Selected Financial Data

Statement of Operations Data

(in thousands, except per share data)   Year Ended December 31,

	1996	1995	1994	1993	1992
Revenues	$ 41,725	$ 23,117	$ 13,652	$ 10,536	$ 6,717
Direct costs	10,784	5,672	3,700	2,752	1,811
Gross margin	$ 30,941	$ 17,445	$ 9,952	$ 7,784	$ 4,906
Operating income (loss)	$ (1,186)	$ 3,135	$ (2,698)	$ 1,142	$ 166
Net income (loss) applicable to common shareholders	$ (8,277)	$ 1,048	$ (2,111)	$ 3,242	$ (353)
Net income (loss) per common share	$ (0.52)	$ 0.08	$ (0.21)	$ 0.32	$ (0.04)
Weighted average common and common equivalent shares outstanding	16,065	13,398	10,293	10,116	8,467
Operating income* (Excluding charge for purchased in-process product development and acquisition-related charge.)	$ 7,589	$ 3,135	$ 1,619	$ 1,142	$ 166
Net income applicable to common shareholders (Excludes effect of HNS and acquisition charges.)**	$ 4,654	$ 1,563	$ 626	$ 3,242	$ (353)
Net income per common share (Excludes effect of HNS and acquisition charges.)**	$ 0.27	$ 0.12	$ 0.06	$ 0.32	$ (0.04)

* Excludes $8.8 million and $4.3 million charges for 1996 and 1994, respectively, for purchased in-process product development and acquisition-related charges.

**Excludes equity in loss of HNS of $7.0 million and $954,000 for 1996 and 1995, respectively, and $8.8 million and $4.3 million charges for 1996 and 1994, respectively, for purchased in-process product development and acquisition-related charges.

Balance Sheet Data:

(in thousands)   At December 31,

	1996	1995	1994	1993	1992
Working capital	11,352	14,320	2,726	3,790	150
Total assets	42,457	40,260	15,661	12,201	4,832
Long-term obligations, redeemable preferred stock and puttable common stock	-	4,675	2,943	4,944	7,138
Shareholders' equity	31,293	29,133	5,399	4,337	(4,457)

Note: All share, per share and shareholders' equity amounts have been retroactively restated to reflect a three-for-two stock split effected in the form of a 150% stock dividend paid on January 31, 1997.

Total Revenues in millions

Operating Income* in millions
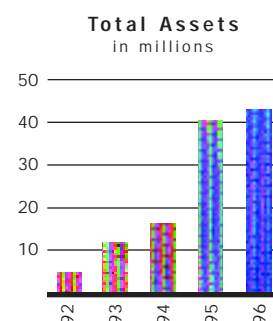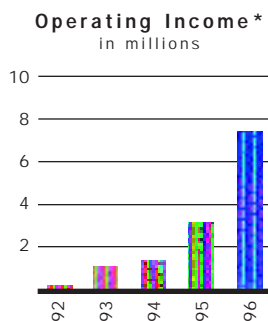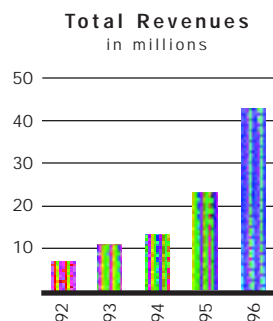
Total Assets in millions

We are pleased to present our 1996 Annual Report. We view the year as one of great achievement, and we are proud of what we were able to accomplish. But the year was also, more than most years, a period of building and preparation for the future. In this letter we will discuss both the achievements of 1996 and the activities we undertook that we believe position us well for the future.

We once again achieved record financial performance.

We are pleased to report that revenues increased 80% to $41.7 million compared to $23.1 million in 1995, making this the seventh consecutive year that our compounded annual growth rate has exceeded 50%. Excluding acquisition-related charges, operating income increased 142% to $7.6 million compared to 1995's $3.1 million. Excluding acquisition-related charges and the equity losses in our investment in Harbinger's NET Services, LLC (HNS), net income rose to $4.7 million as compared to $1.6 million in the prior year.

Earnings per share, excluding the acquisition-related charges and the equity losses in our investment in HNS, rose 125% from $.12 for 1995 to $.27 for 1996. These earnings exceeded consensus Wall Street estimates during each quarter of 1996, as has been the case for each quarter since we became a publicly traded company in August of 1995.

As noted above, in addition to outstanding performance, 1996 was also a year of building and preparation for the future. The most significant areas of building included: 1) the breadth of our software and service solutions; 2) our global presence; 3) our industry expertise; 4) the strength and breadth of our team; and 5) the infrastructure needed to manage our growth. Each of these areas are discussed in the following paragraphs.

We extended our software and service solutions.

Harbinger is a worldwide leader in the use of computer and telecommunications technology to enable companies to do business electronically. No software and services provider has done more to make EC technology available to companies of all sizes than Harbinger. However, we are a long way from finished. Less than 2% of U.S. businesses (and even less worldwide) exchange routine business documents in electronic format, and those companies exchange only a small subset of the documents they could exchange electronically. So during 1996, we focused on building several new solutions that will make EC easier and more valuable. This, we believe, will result in increased penetration within the trading communities Harbinger serves.

Examples of such innovations include new releases of our Windows translation products, our Enterprise level products such as TrustedLink Enterprise for Microsoft Windows NT Server 4.0, and our Internet offerings.

In fact, the leading area of investment during 1996 was our Internet-related products and services. This area represented approximately 36% of all R&D investment during the year, and an amount equivalent to 19% of the entire company's sales in 1995.

We believe that this was an appropriate level of investment because we see the Internet as the technology most likely to accelerate the adoption of EC. Internet-related products introduced during 1996 include TrustedLink INP (Web site builder), TrustedLink Guardian (secure Internet EDI), Harbinger Express (Web EDI), and our IVAS (Internet Value-Added Server) suite.

We increased our global presence.

Electronic commerce does not stop at national boundaries. During 1996, we extended our ability to deliver EC products and services across those boundaries. With the acquisitions of Netherlands-based NTEX Holding B.V. and Germany-based INOVIS GmbH & Co., along with the addition of SupplyTech, Inc. and its affiliate offices in Australia, Italy, the United Kingdom and Mexico, we enhanced our ability to provide solutions on a worldwide basis.

We further extended our reach through our international network of distributors, alliances, resellers and referral agents. Agreements with Brazil-based Teledata Informacoes & Technologia, S.A., and Commercio Electronico Ltd., a Teledata affiliate, broaden the South American presence achieved by our SupplyTech division's distributors. Additionally, partners such as SSA, Oracle, Unisys, SAP AG, and several PC application vendors recommend, sell, or refer to us their customers needing EC solutions, strengthening our presence both domestically and abroad.

We enhanced our industry expertise.

Increasingly, EC demands vertical market expertise to succeed. We strengthened our position in our seven established industries by adding new capabilities as evidenced by our acquisition of Comtech Management Systems, a provider of sophisticated government procurement software, and our merger with SupplyTech.

Acquisitions and mergers not only strengthened us in existing industries, but also added expertise in several new industries as well, including cable and inland waterway transportation from NTEX, book and record retailing from INOVIS, and aerospace, automotive, heavy manufacturing and retailing from SupplyTech. As we began 1997, the number of active, revenue-gener-

ating customers spanning our primary 11 industries more than doubled to over 34,000 companies, compared to one year earlier.

We increased the strength and breadth of our team.

Harbinger's most valuable assets go home at night. We are continually reminded of that fact, especially when the demands of growth and marketplace opportunities exceed the capacity of existing team members. So it is not surprising that the 1990's have been a period of continuous searching for new team members. During 1996, through internal growth and merger and acquisition activity, we made considerable progress on this front. From January 1996 to January 1997, we grew our team member count from 210 to 676. The vast majority of these additions brought with them several years of experience in our industry. Also noteworthy is the fact that 21% of our teammates are located in Europe and provide a substantial foothold for us in that important market.

Employee Growth
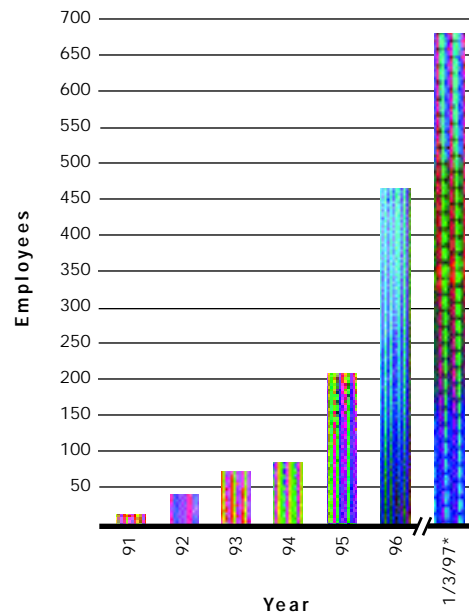
*Includes SupplyTech merger

James C. Davis, C. Tycho Howle, and David T. Leach

We invested in the infrastructure needed to manage our growth.

Investment in several new and improved systems will help support Harbinger's future growth. For example, our Intranet is now used as a repository of shared information. Our Web site is an efficient communications vehicle for providing information to prospects, customers, employees and shareholders. We invested $1 million (the single largest capital purchase we have ever made) for a new telephone system which, among other benefits, significantly improves our efficiency in handling support calls. Worldwide, all divisions are e-mail enabled and all offices are tied together by a wide area network. MIS staffing has more than doubled. Plus, we built a European Customer Support Center capable of providing the same high quality customer support throughout Europe that we deliver to the U.S. market through our North American Customer Support Center.

Moreover, we have improved and implemented several management control systems in the planning, budgeting, and financial reporting area, in human resource management, and in business opportunity assessment. These controls and reporting procedures help us meet our overall perfor-

mance targets, develop our people, and insure that we spend our investment dollars on the initiatives that have the highest probability of success.

• • • • •

We have to like our prospects. We are in a great market that in itself is growing 20-30% a year. We have an outstanding team. We have world-class customers who are willing to contribute to our ability to serve them by guiding us in our future plans. We have an experienced and knowledgeable group of advisors both at the Board level as well as outside the company. And we have made some significant technology investments that show signs of great promise.

To take advantage of all of these factors, we must execute—day in and day out. We must continue to do a good job for our customers and manage our assets well.

Each day we are struck by the scale of the opportunity we see and we will do our very best to capitalize upon it.

In closing, let us thank you once again for the encouragement and support you have provided us.

Sincerely,

C. Tycho Howle
Chairman and Chief Executive Officer

David T. Leach
President and Chief Operating Officer

James C. Davis
*President and General Manager*

Harbinger's solutions expand EC worldwide for all members of a trading community. Harbinger continues to be the number one EDI solution provider for small to medium-sized businesses and our newest technologies protect this position.

Today, smaller companies find their way into EC through e-mail and the Internet. Harbinger's TrustedLink™ INP gives them a way to display their products on a Web site, communicate with customers, and take orders online.

Evolution of Electronic Commerce for Small and Mid-Sized Companies
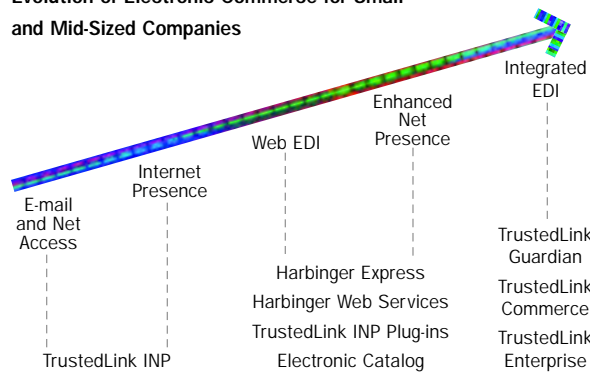
Beyond basic EC, companies explore EDI as a way to reduce transaction costs. Harbinger Express, a Web EDI solution, empowers low transaction volume companies to securely exchange routine business documents such as purchase orders and invoices with their trading partners. It eliminates the two common barriers to entry-level EDI proliferation: complexity and insufficient value for the money. Lowering these barriers will also increase the value of a large corporation's EDI initiatives by attracting more of its trading partners to electronic data interchange.

For the medium transaction volume marketplace, Harbinger released TrustedLink Commerce for Windows®, a traditional, integrated EDI translation software product. Later, it was paired with TrustedLink Guardian yielding TrustedLink

Commerce Internet. TrustedLink Guardian enables users to move documents over the Internet, an Intranet, or the Harbinger IVAS or VAN.

The release of TrustedLink Enterprise for Windows NT® fortifies Harbinger's lineup of cross-platform solutions and solidifies its presence in the Enterprise segment of the marketplace. Including MVS® and UNIX®, TrustedLink Enterprise presents a clear migration path for IT departments that want to re-engineer their EDI environment while maintaining a common graphical user interface. Combined with TrustedLink Guardian, TrustedLink Enterprise enables corporations to link their trading partners over the Internet. TrustedLink Enterprise also supports a library of integration packages to easily integrate with the world's most popular application systems including SAP's R/3®, Oracle® applications and SSA's BPCS.

Harbinger solutions expand EC worldwide for all members of a trading community.

Heading up a new product category, Harbinger's Internet Value-Added Server (IVAS) technology is marketed to large corporations and public service providers as a server-based gateway. IVAS includes secure EDI mail-boxing, on-network EDI translation, secure Web site management, electronic catalogs, billing and online support—enabling enterprises to deploy EC capabilities to their trading communities.

By staying close to customers and reaching ahead in technologies, Harbinger is continuing on its mission to make Electronic Commerce pervasive.

In 1996, Harbinger successfully delivered on its goals of broadening its global presence and penetrating new industries.
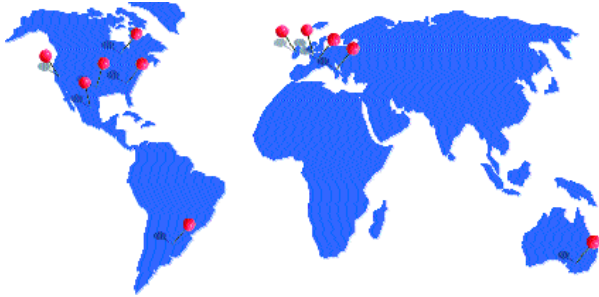
Acquisitions, mergers and other cooperative activities contributed to Harbinger's increased worldwide presence.

The acquisition of Netherlands-based NTEX Holding B.V. and INOVIS GmbH & Co. of Germany boosted the number of network subscribers in the Benelux, German and Austrian markets. The SupplyTech merger further extended Harbinger's direct sales presence into the United Kingdom, Italy, Mexico and Australia.

Harbinger's arrangement with Brazil's largest check verification and guaranty service, Teledata Informacoes & Technologia, is its first South American foray and first official public IVAS installation. Harbinger licensed Teledata to distribute products to its established customer base in Brazil including the 100,000 members of the Brazilian Merchants Association. Teledata's Commercia Electronico Ltd. affiliate is licensed to distribute Harbinger offerings throughout the rest of South America. SupplyTech's South American distribution network also extends Harbinger's reach in Latin America.

Regardless of geography, EC users require tailored technologies to meet their trading community's unique requirements. Harbinger creates preconfigured Trading Partner Packs that work with TrustedLink Commerce and develops vertical market applications to answer the specific needs of trading communities.

The acquisition of Comtech Management Systems, Inc., strengthens Harbinger's government EC efforts. Comtech's powerful profiling engine works with TrustedLink Commerce for government EDI to identify the government bids which suppliers are best-suited to win.

Industries prefer to have technologies tailored to meet their trading community's unique requirements.

Harbinger continues to fortify its financial service market position with the release of TrustedLink Banker for Windows. In 1996, five new banking clients, including giants Fleet and Firstar, chose this software for their small business customers.

NTEX brings Harbinger expertise in the healthcare, agriculture, cable and inland waterway transportation industries in the Benelux countries. INOVIS adds electronic catalog expertise in the German bookseller and recorded music markets. SupplyTech's STX line provides mapping, bar coding and electronic forms capabilities used extensively in automotive, aerospace, retail and heavy manufacturing markets.

Along with Harbinger's demonstrated abilities to assimilate people, companies, ideas and technologies worldwide, it is positioned to move full steam ahead on its goal of making Electronic Commerce pervasive.

A tightly woven and delicately balanced community of industry councils, suppliers, resellers, partners and investors play a significant role in Harbinger's plan to make Electronic Commerce pervasive.

In 1996, Harbinger became a founding partner of CommerceNet Southeast, a council which evangelizes the benefits of Internet EC technologies and a member of Microsoft's Value Chain Initiative, formed to enhance supply chain application integration.

Leading edge suppliers are critical in moving best-of-breed EC solutions from the drawing board to the marketplace. By incorporating Netscape Navigator™ and UUNET® Internet access in TrustedLink INP and Harbinger Express, customers get easier and more complete software solutions.

UUNET and Netscape help make Harbinger Express the easy way for low volume trading partners to conduct EDI.

Harbinger's secure EDI-encapsulated e-mail on the IVAS was facilitated by incorporating Control Data Systems' Internet/X.400 messaging mail hub product, significantly shortening development time. A pact with Nortel provides digital security and public key/private key encryption technology for TrustedLink Guardian and the Harbinger IVAS.

Some alliances enhance sales and distribution channels. Harbinger's ongoing strategic alliance with SSA makes SSA's 8,000 BPCS customers a continuing revenue source for Harbinger's EDI services worldwide. Unisys® Corporation selected

TrustedLink Enterprise for UNIX and Windows NT as "best of breed" EC applications and markets them with its hardware family. As a member of Hewlett-Packard's® Partnership Program, Harbinger cooperates with HP on sales and marketing efforts for its TrustedLink Enterprise and Internet solutions.

Partners play a significant role in Harbinger's plan to make EC pervasive.

ADP's Peachtree® Software unit chose TrustedLink INP to enhance its Peachtree Business Internet Suite, a retail accounting program for small businesses. The combination earned top ratings in *Windows Magazine* and in *PC Magazine*.

Another form of alliance, product compatibility certification, assures customers of seamless performance between critical applications. TrustedLink Enterprise is certified to integrate with SAP AG's R/3 and Oracle Corporation's applications. TrustedLink Enterprise for Windows NT Server 4.0 is the first EDI software in the U.S. to achieve Microsoft® BackOffice™ certification.

Harbinger's two-year alliance with BellSouth, brought about through joint ownership of HNS, yielded TrustedLink INP, TrustedLink Guardian, IVAS, Harbinger Express and the Web Services Group. This operation was integrated into Harbinger Corporation in early 1997 and is expected to be integral to the company's future plans.

By leveraging the talents of key partners, Harbinger stays ahead of the curve in its quest to make Electronic Commerce pervasive..

har•bin•ger (här´-bin-jər)

> One who pioneers or initiates change.
> Something that foreshadows what is to come.
> A look ahead.

With innovative Internet solutions, first-out-of-the-chute enterprise software, proactive alliances, market dominance in multiple industries, and a growing presence in more countries than ever, Harbinger Corporation is poised to reach ahead in 1997.

Left to right: Benn R. Konsynski, Ph.D., David T. Leach, C. Tycho Howle, William D. Savoy and William B. King.
Not pictured: Stuart L. Bell.

Directors

C. Tycho Howle
*Chairman of the Board and
Chief Executive Officer*

Stuart L. Bell (1) (2)
Director since April 1995

William B. King (1) (2)
Director since January 1993

Benn R. Konsynski, Ph.D.
Director since December 1996

David T. Leach
President and Chief Operating Officer

William D. Savoy (2)
Director since May 1993

(1) Member of the Audit Committee
(2) Member of the Compensation Committee

Executive Officers

C. Tycho Howle
Chief Executive Officer

David T. Leach
President and Chief Operating Officer

James C. Davis
President, Harbinger Group Operations

James M. Travers
President, Harbinger Enterprise Solutions

Ted C. Annis
President, Harbinger SupplyTech

A. Gail Jackson
Senior Vice President, Harbinger SupplyTech

George S. Hart
Senior Vice President, Licensee Relationships

David A. Meeker
Senior Vice President, North American Sales

Joel G. Katz
Chief Financial Officer and Secretary

Harbinger

Your one source for electronic commerce.

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