

## **Novell Reports Financial Results for Second Fiscal Quarter 2010**

**WALTHAM, Mass. – May 27, 2010** - Novell, Inc. (NASDAQ: NOVL) today announced financial results for its second fiscal quarter ended April 30, 2010. For the quarter, Novell reported net revenue of \$204 million. This compares to net revenue of \$216 million for the second fiscal quarter of 2009. GAAP income from operations for the second fiscal quarter of 2010 was \$20 million. This compares to GAAP income from operations of \$18 million for the second fiscal quarter of 2009. GAAP net income in the second fiscal quarter of 2010 was \$20 million, or \$0.06 per share. This compares to GAAP net income of \$16 million, or \$0.05 per share, for the second fiscal quarter of 2009. Foreign currency exchange rates favorably impacted net revenue by \$2 million and negatively impacted operating expenses by \$6 million and income from operations by \$4 million compared to the same period last year.

On a non-GAAP basis, income from operations for the second fiscal quarter of 2010 was \$30 million. This compares to non-GAAP income from operations of \$35 million in the same period last year. Non-GAAP net income for the second fiscal quarter of 2010 was \$24 million, or \$0.07 per share. This compares to non-GAAP net income of \$29 million, or \$0.08 per share, for the second fiscal quarter of 2009. A reconciliation of GAAP to non-GAAP results is provided in the financial schedules as part of this press release. An explanation of these measures is also included below under the heading “Non-GAAP Financial Measures.”

“We are experiencing good strategic momentum with the execution of our intelligent workload management strategy,” said Ron Hovsepian, President and CEO of Novell.

“As customers increasingly adopt virtualization and cloud computing models, they need tools to help them securely manage and optimize their computing resources. Since announcing our strategy, we have shipped several products to help customers build, secure, manage and measure workloads. In addition, we are very excited about the new partnerships we have forged with several service providers to extend Novell's reach into the market.”

Cash, cash equivalents and short-term investments were \$980 million at April 30, 2010, down from \$991 million last quarter. Days sales outstanding in accounts receivable was 56 days at the end of the second fiscal quarter of 2010, up from 55 days at the end of the year-ago quarter. Total deferred revenue was \$615 million at the end of the second fiscal quarter of 2010, down from \$659 million at the end of the year-ago quarter due to the recognition of deferred revenue from our agreement with Microsoft. Total deferred revenue was up from the prior year,

excluding the impact of Microsoft. For the second fiscal quarter of 2010, cash flow from operations was negative \$7 million. This compares to cash flow from operations of negative \$26 million for the second fiscal quarter of 2009.

Further details on Novell's reported results are included in the financial schedules that are a part of this release.

### **Financial Outlook**

Novell management issues the following guidance for the third fiscal quarter of 2010:

- Net revenue is expected to be between \$205 million and \$210 million

- Non-GAAP operating margin is expected to be similar to second fiscal quarter of 2010 non-GAAP operating margin levels

### **Conference Call Notification and Web Access Detail**

A one-hour conference call with Novell management to discuss the quarter will be broadcast at 5:00PM ET on May 27, 2010. The conference call will be available live as a listen-only webcast from Novell's Investor Relations web page at: [www.novell.com/company/ir/qresults](http://www.novell.com/company/ir/qresults). The domestic toll-free dial-in number is 866-335-5255, password "Novell." The international dial-in number is +1-706-679-2263, password "Novell."

Following the live event, an archived version of the webcast will be available for twelve months on the Novell® Investor Relations web page at: [www.novell.com/company/ir/qresults](http://www.novell.com/company/ir/qresults).

A copy of this press release is posted on the Novell Investor Relations web page at: [www.novell.com/company/ir/qresults](http://www.novell.com/company/ir/qresults).

### **Non-GAAP Financial Measures**

We supplement our consolidated unaudited condensed financial statements presented in accordance with GAAP with certain non-GAAP financial measures. These non-GAAP measures include adjusted income from operations, adjusted operating margin, adjusted income from continuing operations, adjusted net income, adjusted income per share from continuing operations and adjusted net income per share. We provide non-GAAP financial measures to enhance an overall understanding of our current financial performance and prospects for the future and to enable investors to evaluate our performance in the same way

that management does. Management uses these same non-GAAP financial measures to evaluate performance, allocate resources, and determine compensation. The non-GAAP financial measures do not replace the presentation of our GAAP financial results, but they eliminate expenses and gains that are excluded from most analysts' consensus estimates, that are unusual, and/or that arise

outside of the ordinary course of business, such as, but not limited to, those related to stock-based compensation, acquisition-related

intangible asset amortization, restructuring, asset impairments, litigation judgments and settlements, strategic alternatives review, and the sale of business operations, long-term investments, and property, plant and equipment.

We also present a projection of our non-GAAP operating margin. This projection is a forward-looking, non-

GAAP financial measure. The corresponding GAAP financial measure of operating margin is not available

and cannot be provided without undue effort because we are unable to accurately forecast information regarding expenses or gains such as, but not limited to, those listed above. We believe that the corresponding GAAP financial measure is not likely to be significant to an understanding of our business because there is likely to be substantial variability between projected and actual realization of the expenses and gains described above and/or that such expenses or gains are likely to arise outside of the ordinary course of business.

### **Legal Notice Regarding Forward-Looking Statements**

This press release may include statements that are not historical in nature and that may be characterized as “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act, including those related to future financial and operating results, targets, and prospects; future opportunities; market leadership and positioning; short-term and long-term trends; the macroeconomic environment; customer priorities; timing of realization of projections; functionality, characteristics, quality and performance capabilities of Novell's products and technology; and results achievable and benefits attainable through deployment of Novell's products and provision of services. Forward-looking statements forecasting growth in financial metrics are predicated on assumptions regarding improvements in the overall economy and the markets served by the Company

and in which the Company operates, the timing of which are impossible to accurately predict. Actual results may differ materially from the results discussed in or implied by such forward-looking statements, which are based upon information that is currently available to us and/or management's current expectations and speak only as of the date hereof. We are subject to a number of risks, including, among others, risks relating to: uncertainty introduced by the review of various alternatives to enhance stockholder

value authorized by our Board, indirect sales, growth rates of our business units, renewal of SUSE Linux Enterprise Server™ subscriptions with customers who have received certificates from Microsoft, decline rates of Open Enterprise Server and NetWare® revenue, development of products and services, the Intelligent Workload Management market, software vulnerabilities, delays in product

releases, reliance on open source software, adequacy of renewal rates, uncertain economic conditions,

competition, rapid technological changes, failure to expand brand awareness, adequacy of technical

support, pricing pressures, system failures, integration of acquisitions, industry consolidation, challenges resulting from a global business, foreign research and development operations, loss of key employees, intellectual property infringement, litigation matters, unpredictable financial results, impairments, the timing of revenue recognition, our investments and effective use of our cash.

A detailed discussion of these and other factors that could affect our results is included in our SEC filings, including, but not limited to, our Annual Report on Form 10-K for the Fiscal Year Ended October 31, 2009 filed with the SEC on December 22, 2009, which may be obtained by calling (800) 317- 3195, or at our Investor Relations web page at: [www.novell.com/company/ir](http://www.novell.com/company/ir).

We expressly disclaim any obligation, except as required by law, or undertaking to update or revise any forward-looking statements contained in this press release to reflect any

change of expectations with regard thereto or to reflect any change in events, conditions, or circumstances on which any such forward-looking statement is based, in whole or in part.

### **About Novell**

Novell, Inc. (NASDAQ: NOVL) delivers an interoperable Linux\* platform and a portfolio of integrated IT management software designed to help customers around the world reduce cost, complexity and risk. With our infrastructure software and ecosystem of partnerships, Novell harmoniously integrates mixed IT environments, allowing people and technology to work as one. For more information, visit [www.novell.com](http://www.novell.com).