

**Novell, Inc.**  
**Consolidated Unaudited Condensed Statements of Operations**  
**(In thousands, except per share data)**

	Fiscal Quarter Ended		Year-to-Date	
	Jul 31, 2003	Jul 31, 2002	Jul 31, 2003	Jul 31, 2002
Net revenue				
New software licenses	\$ 69,255	\$ 82,894	\$ 194,758	\$ 224,980
Maintenance and services	213,554	199,379	623,989	609,005
<b>Total net revenue</b>	<b>282,809</b>	<b>282,273</b>	<b>818,747</b>	<b>833,985</b>
Cost of revenue				
New software licenses	5,886	8,098	17,070	21,711
Maintenance and services	101,591	101,724	296,742	318,508
Total cost of revenue	107,477	109,822	313,812	340,219
<b>Gross profit</b>	<b>175,332</b>	<b>172,451</b>	<b>504,935</b>	<b>493,766</b>
Operating expenses				
Sales and marketing	92,470	87,487	292,512	255,108
Product development	48,178	44,130	139,454	129,528
General and administrative	28,379	29,566	86,663	90,946
Restructuring	26,350	-	35,025	19,100
Purchased in process R&D	-	3,000	-	3,000
Total operating expenses	195,377	164,183	553,654	497,682
<b>Income (loss) from operations</b>	<b>(20,045)</b>	<b>8,268</b>	<b>(48,719)</b>	<b>(3,916)</b>
Other income (expense), net	(3,717)	7,230	(22,381)	(698)
Income (loss) before taxes	(23,762)	15,498	(71,100)	(4,614)
Income tax expense (benefit)	(11,362)	5,549	(18,200)	6,835
Income (loss) before accounting change	(12,400)	9,949	(52,900)	(11,449)
Cumulative effect of accounting change	-	-	-	(143,702)
<b>NET INCOME (LOSS)</b>	<b>\$ (12,400)</b>	<b>\$ 9,949</b>	<b>\$ (52,900)</b>	<b>\$ (155,151)</b>
<b>Net income (loss) per share:</b>				
Basic	\$ (0.03)	\$ 0.03	\$ (0.14)	\$ (0.43)
Diluted	\$ (0.03)	\$ 0.03	\$ (0.14)	\$ (0.43)
<b>Weighted average shares:</b>				
Basic	371,484	364,211	369,435	363,131
Diluted	371,484	364,247	369,435	363,131

Certain reclassifications, none of which affect net income, have been made to the prior period amounts in order to conform to the current year's presentation.

**Novell, Inc.**  
**Consolidated Unaudited Condensed Balance Sheets**  
**(In thousands)**

<b>ASSETS</b>	<u><b>Jul 31, 2003</b></u>	<u><b>Oct 31, 2002</b></u>
Current assets		
Cash and short-term investments	\$ 738,777	\$ 635,858
Receivables, net	217,230	214,827
Prepaid expenses	27,596	24,077
Deferred income taxes	19,677	21,204
Other current assets	<u>22,820</u>	<u>23,572</u>
Total current assets	1,026,100	919,538
Property, plant and equipment, net	258,908	369,189
Goodwill	178,297	179,534
Intangible assets	4,360	36,351
Long-term investments	51,039	73,452
Deferred income taxes	96,245	74,323
Other assets	<u>7,792</u>	<u>12,678</u>
Total assets	<u><u>\$ 1,622,741</u></u>	<u><u>\$ 1,665,065</u></u>
 <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 48,263	\$ 57,241
Accrued compensation	96,233	87,778
Other accrued liabilities	121,678	134,850
Income taxes payable	24,980	36,294
Deferred revenue	<u>295,786</u>	<u>275,344</u>
Total current liabilities	586,940	591,507
Minority interests	8,016	8,016
Stockholders' equity	<u>1,027,785</u>	<u>1,065,542</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,622,741</u></u>	<u><u>\$ 1,665,065</u></u>

Novell, Inc.  
Statement of Cash Flows  
(Amounts in thousands)

	Fiscal Quarter Ended		Year-to-Date	
	Jul 31, 2003	Jul 31, 2002	Jul 31, 2003	Jul 31, 2002
Cash flows from operating activities				
Net income	\$ (12,400)	\$ 9,949	\$ (52,900)	\$ (155,151)
Adjustments to reconcile net income to net cash provided (used) by operating activities				
Gain on Sale of Fixed Assets	(24,934)	-	(25,299)	(8,762)
Depreciation and amortization	14,190	15,680	49,174	49,175
Loss on impaired goodwill and intangibles, net of tax	13,935	-	13,935	143,702
Loss on impaired investments and fixed assets	8,040	-	32,563	29,839
Non-cash restructuring charges	14,551	-	23,226	16,426
In-Process R&D expense	-	3,000	-	3,000
Changes in assets and liabilities	(7,885)	7,528	(38,689)	(59,627)
<b>Net cash (used)/provided by operating activities</b>	<b>5,497</b>	<b>36,157</b>	<b>2,010</b>	<b>18,602</b>
Cash flows from financing activities				
Issuance of common stock, net	807	(315)	7,805	6,861
<b>Net cash provided/(used) by financing activities</b>	<b>807</b>	<b>(315)</b>	<b>7,805</b>	<b>6,861</b>
Cash flows from investing activities				
Expenditures for property, plant and equipment	(8,828)	(5,515)	(30,605)	(18,676)
Proceeds from the sale of property, plant and equipment	124,215	-	125,000	16,050
Short-term investment activity	(44,438)	153,604	(117,240)	141,484
SilverStream acquisition	-	(102,561)	-	(102,561)
Other	(1,100)	(2,382)	(280)	(10,837)
<b>Net cash (used)/provided by investing activities</b>	<b>69,849</b>	<b>43,146</b>	<b>(23,125)</b>	<b>25,460</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>76,153</b>	<b>78,988</b>	<b>(13,310)</b>	<b>50,923</b>
Cash and cash equivalents - beginning of period	374,524	309,862	463,987	337,927
<b>Cash and cash equivalents - end of period</b>	<b>450,677</b>	<b>388,850</b>	<b>450,677</b>	<b>388,850</b>
Short-term investments- end of period	288,100	218,460	288,100	218,460
<b>Cash and short-term investments - end of period</b>	<b>\$ 738,777</b>	<b>\$ 607,310</b>	<b>\$ 738,777</b>	<b>\$ 607,310</b>

**Novell, Inc.**  
**Non-GAAP Adjusted Earnings Information**  
(In thousands, except per share data)

	<u>GAAP</u> <u>As Reported</u>	<u>Adjustments</u>	<u>Non-GAAP</u> <u>Adjusted</u>
<b><u>Fiscal quarter ended July 31, 2003</u></b>			
Net revenue	\$ 282,809	\$ -	\$ 282,809
Gross profit	175,332	-	175,332
Income (loss) from operations	(20,045)	26,850 (a)	6,805
Income (loss) before taxes	(23,762)	33,526 (b)	9,764
Net income (loss)	(12,400)	19,235 (c)	6,835
Diluted net income (loss) per share	\$ (0.03)	\$ 0.05 (c)	\$ 0.02
<b><u>Fiscal quarter ended April 30, 2003</u></b>			
Net revenue	\$ 275,967	\$ -	\$ 275,967
Gross profit	167,196	-	167,196
Income (loss) from operations	(22,509)	10,792 (d)	(11,717)
Income (loss) before taxes	(34,984)	25,265 (e)	(9,719)
Net income (loss)	(28,612)	21,809 (f)	(6,803)
Diluted net income (loss) per share	\$ (0.08)	\$ 0.06 (f)	\$ (0.02)
<b><u>Fiscal quarter ended July 31, 2002</u></b>			
Net revenue	\$ 282,273	\$ -	\$ 282,273
Gross profit	172,451	-	172,451
Income (loss) from operations	8,268	3,000 (g)	11,268
Income (loss) before taxes	15,498	3,000 (g)	18,498
Net income (loss)	9,949	3,000 (g)	12,949
Diluted net income (loss) per share	\$ 0.03	\$ 0.01 (g)	\$ 0.04

**Footnotes related to adjustments:**

- (a) Reflects restructuring reserves of \$26.4 million and an adjustment to prior merger reserves of \$0.5 million.
- (b) Reflects impairment loss on intangible assets of \$23.6 million, gain on sale of facilities in San Jose, CA of \$24.9 million, and investment write downs of \$8.0 million, in addition to the items in footnote (a).
- (c) Reflects the items in footnotes (a) and (b), and the necessary related tax adjustments.
- (d) Reflects adjustments to prior restructuring reserves of \$8.7 million and merger reserves of \$2.1 million.
- (e) Reflects investment write downs of \$13.7 million and a loss from the acquisition of minority interest shares of \$0.8 million, in addition to the items in footnote (a).
- (f) Reflects the items in footnotes (d) and (e), and the necessary related tax adjustments.
- (g) Reflects a charge for in-process R&D related to the SilverStream acquisition.

**Novell, Inc.**  
**Consolidated Unaudited Condensed Statements of Operations**  
**(In thousands, except per share data)**

	<u>Q3 2003</u>	<u>%</u>	<u>Q3 2002</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Net revenue						
New software licenses	\$ 69,255	24.5	\$ 82,894	29.4	\$ (13,639)	(16.5)
Maintenance and services	213,554	75.5	199,379	70.6	14,175	7.1
<b>Total net revenue</b>	<b><u>282,809</u></b>	<b><u>100.0</u></b>	<b><u>282,273</u></b>	<b><u>100.0</u></b>	<b><u>536</u></b>	<b><u>0.2</u></b>
Cost of revenue						
New software licenses	5,886	2.1	8,098	2.9	(2,212)	(27.3)
Maintenance and services	101,591	35.9	101,724	36.0	(133)	(0.1)
Total cost of revenue	<u>107,477</u>	<u>38.0</u>	<u>109,822</u>	<u>38.9</u>	<u>(2,345)</u>	<u>(2.1)</u>
<b>Gross profit</b>	<b><u>175,332</u></b>	<b><u>62.0</u></b>	<b><u>172,451</u></b>	<b><u>61.1</u></b>	<b><u>2,881</u></b>	<b><u>1.7</u></b>
Operating expenses						
Sales and marketing	92,470	32.7	87,487	31.0	4,983	5.7
Product development	48,178	17.0	44,130	15.6	4,048	9.2
General and administrative	28,379	10.0	29,566	10.5	(1,187)	(4.0)
Restructuring	26,350	9.3	-	-	26,350	-
Purchased in process R&D	-	-	3,000	1.1	(3,000)	(100.0)
Total operating expenses	<u>195,377</u>	<u>69.1</u>	<u>164,183</u>	<u>58.2</u>	<u>31,194</u>	<u>19.0</u>
<b>Income (loss) from operations</b>	<b><u>(20,045)</u></b>	<b><u>(7.1)</u></b>	<b><u>8,268</u></b>	<b><u>2.9</u></b>	<b><u>(28,313)</u></b>	<b><u>(342.4)</u></b>
Other income (expense), net	<u>(3,717)</u>	<u>(1.3)</u>	<u>7,230</u>	<u>2.6</u>	<u>(10,947)</u>	<u>(151.4)</u>
Income (loss) before taxes	(23,762)	(8.4)	15,498	5.5	(39,260)	(253.3)
Income tax expense (benefit)	<u>(11,362)</u>	<u>(4.0)</u>	<u>5,549</u>	<u>2.0</u>	<u>(16,911)</u>	<u>(304.8)</u>
<b>NET INCOME (LOSS)</b>	<b><u>\$ (12,400)</u></b>	<b><u>(4.4)</u></b>	<b><u>\$ 9,949</u></b>	<b><u>3.5</u></b>	<b><u>\$ (22,349)</u></b>	<b><u>(224.6)</u></b>
<b>Net income (loss) per share:</b>						
Basic	\$ (0.03)		\$ 0.03		\$ (0.06)	(222.2)
Diluted	\$ (0.03)		\$ 0.03		\$ (0.06)	(222.2)
<b>Weighted average shares:</b>						
Basic	371,484		364,211			
Diluted	<b>371,484</b>		<b>364,247</b>			

Certain reclassifications, none of which affect net income, have been made to the prior period amounts in order to conform to the current year's presentation.

**Novell, Inc.**  
**Consolidated Unaudited Condensed Statements of Operations**  
**(In thousands, except per share data)**

	<u>Q3 2003</u>	<u>%</u>	<u>Q2 2003</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Net revenue						
New software licenses	\$ 69,255	24.5	\$ 64,465	23.4	\$ 4,790	7.4
Maintenance and services	213,554	75.5	211,502	76.6	2,052	1.0
<b>Total net revenue</b>	<b><u>282,809</u></b>	<b><u>100.0</u></b>	<b><u>275,967</u></b>	<b><u>100.0</u></b>	<b><u>6,842</u></b>	<b><u>2.5</u></b>
Cost of revenue						
New software licenses	5,886	2.1	5,962	2.2	(76)	(1.3)
Maintenance and services	101,591	35.9	102,809	37.3	(1,218)	(1.2)
Total cost of revenue	<u>107,477</u>	<u>38.0</u>	<u>108,771</u>	<u>39.4</u>	<u>(1,294)</u>	<u>(1.2)</u>
<b>Gross profit</b>	<b><u>175,332</u></b>	<b><u>62.0</u></b>	<b><u>167,196</u></b>	<b><u>60.6</u></b>	<b><u>8,136</u></b>	<b><u>4.9</u></b>
Operating expenses						
Sales and marketing	92,470	32.7	101,737	36.9	(9,267)	(9.1)
Product development	48,178	17.0	48,354	17.5	(176)	(0.4)
General and administrative	28,379	10.0	30,939	11.2	(2,560)	(8.3)
Restructuring	26,350	9.3	8,675	3.1	17,675	203.7
Total operating expenses	<u>195,377</u>	<u>69.1</u>	<u>189,705</u>	<u>68.7</u>	<u>5,672</u>	<u>3.0</u>
<b>Income (loss) from operations</b>	<b><u>(20,045)</u></b>	<b><u>(7.1)</u></b>	<b><u>(22,509)</u></b>	<b><u>(8.2)</u></b>	<b><u>2,464</u></b>	<b><u>10.9</u></b>
Other income (expense), net	<u>(3,717)</u>	<u>(1.3)</u>	<u>(12,475)</u>	<u>(4.5)</u>	<u>8,758</u>	<u>70.2</u>
Income (loss) before taxes	(23,762)	(8.4)	(34,984)	(12.7)	11,222	32.1
Income tax expense (benefit)	<u>(11,362)</u>	<u>(4.0)</u>	<u>(6,372)</u>	<u>(2.3)</u>	<u>(4,990)</u>	<u>(78.3)</u>
<b>NET INCOME (LOSS)</b>	<b><u>\$ (12,400)</u></b>	<b><u>(4.4)</u></b>	<b><u>\$ (28,612)</u></b>	<b><u>(10.4)</u></b>	<b><u>\$ 16,212</u></b>	<b><u>56.7</u></b>
<b>Net income (loss) per share:</b>						
Basic	\$ (0.03)		\$ (0.08)		\$ 0.04	57.0
Diluted	\$ (0.03)		\$ (0.08)		\$ 0.04	57.0
<b>Weighted average shares:</b>						
Basic	371,484		368,746			
Diluted	<b>371,484</b>		<b>368,746</b>			

Certain reclassifications, none of which affect net income, have been made to the prior period amounts in order to conform to the current year's presentation.

**Novell, Inc.**  
**Consolidated Unaudited Condensed Statements of Operations**  
**(In thousands, except per share data)**

	<u>Year-to-date</u> <u>2003</u>	<u>%</u>	<u>Year-to-date</u> <u>2002</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Net revenue						
New software licenses	\$ 194,758	23.8	\$ 224,980	27.0	\$ (30,222)	(13.4)
Maintenance and services	623,989	76.2	609,005	73.0	14,984	2.5
<b>Total net revenue</b>	<b>818,747</b>	<b>100.0</b>	<b>833,985</b>	<b>100.0</b>	<b>(15,238)</b>	<b>(1.8)</b>
Cost of revenue						
New software licenses	17,070	2.1	21,711	2.6	(4,641)	(21.4)
Maintenance and services	296,742	36.2	318,508	38.2	(21,766)	(6.8)
Total cost of revenue	313,812	38.3	340,219	40.8	(26,407)	(7.8)
<b>Gross profit</b>	<b>504,935</b>	<b>61.7</b>	<b>493,766</b>	<b>59.2</b>	<b>11,169</b>	<b>2.3</b>
Operating expenses						
Sales and marketing	292,512	35.7	255,108	30.6	37,404	14.7
Product development	139,454	17.0	129,528	15.5	9,926	7.7
General and administrative	86,663	10.6	90,946	10.9	(4,283)	(4.7)
Restructuring	35,025	4.3	19,100	2.3	15,925	83.4
Purchased in process R&D	-	-	3,000	0.4	(3,000)	(100.0)
Total operating expenses	553,654	67.6	497,682	59.7	55,972	11.2
<b>Income from operations</b>	<b>(48,719)</b>	<b>(6.0)</b>	<b>(3,916)</b>	<b>(0.5)</b>	<b>(44,803)</b>	<b>(1,144.1)</b>
Other income (expense), net	(22,381)	(2.7)	(698)	(0.1)	(21,683)	(3,106.4)
Income (loss) before taxes	(71,100)	(8.7)	(4,614)	(0.6)	(66,486)	(1,441.0)
Income tax expense (benefit)	(18,200)	(2.2)	6,835	0.8	(25,035)	(366.3)
Income (loss) before accounting change	(52,900)	(6.5)	(11,449)	(1.4)	(41,451)	(362.0)
Cumulative effect of accounting change, net of tax	-	-	(143,702)	(17.2)	143,702	(100.0)
<b>NET INCOME (LOSS)</b>	<b>\$ (52,900)</b>	<b>(6.5)</b>	<b>\$ (155,151)</b>	<b>(18.6)</b>	<b>\$ 102,251</b>	<b>65.9</b>
<b>Net income (loss) per share:</b>						
Basic						
Before cumulative effect of accounting change	\$ (0.14)		\$ (0.03)		\$ (0.11)	(354.2)
Cumulative effect of accounting change	-		(0.40)		0.40	100.0
	<u>\$ (0.14)</u>		<u>\$ (0.43)</u>		<u>\$ 0.28</u>	<u>66.5</u>
Diluted						
Before cumulative effect of accounting change	\$ (0.14)		\$ (0.03)		\$ (0.11)	(354.2)
Cumulative effect of accounting change	-		(0.40)		0.40	100.0
	<u>\$ (0.14)</u>		<u>\$ (0.43)</u>		<u>\$ 0.28</u>	<u>66.5</u>
<b>Weighted average shares:</b>						
Basic	369,435		363,131			
Diluted	<b>369,435</b>		<b>363,131</b>			

Certain reclassifications, none of which affect net income, have been made to the prior period amounts in order to conform to the current year's presentation.

**NOVELL, INC.**  
**Consolidated Unaudited Condensed Statements of Operations**  
**Trailing Four Quarters**  
**(in thousands, except per share data)**

	<u>Q4 2002</u>	<u>%</u>	<u>Q1 2003</u>	<u>%</u>	<u>Q2 2003</u>	<u>%</u>	<u>Q3 2003</u>	<u>%</u>	<u>Last Four Quarters</u>	<u>%</u>
Net revenue										
New software licenses	\$ 94,301	31.4	\$ 61,038	23.5	\$ 64,465	23.4	\$ 69,255	24.5	\$ 289,059	25.8
Maintenance and services	206,034	68.6	198,933	76.5	211,502	76.6	213,554	75.5	830,023	74.2
<b>Total net revenue</b>	<b>300,335</b>	<b>100.0</b>	<b>259,971</b>	<b>100.0</b>	<b>275,967</b>	<b>100.0</b>	<b>282,809</b>	<b>100.0</b>	<b>1,119,082</b>	<b>100.0</b>
Cost of revenue										
New software licenses	9,464	3.2	5,222	2.0	5,962	2.2	5,886	2.1	26,534	2.4
Maintenance and services	99,735	33.2	92,342	35.5	102,809	37.3	101,591	35.9	396,477	35.4
<b>Total cost of revenue</b>	<b>109,199</b>	<b>36.4</b>	<b>97,564</b>	<b>37.5</b>	<b>108,771</b>	<b>39.4</b>	<b>107,477</b>	<b>38.0</b>	<b>423,011</b>	<b>37.8</b>
<b>Gross profit</b>	<b>191,136</b>	<b>63.6</b>	<b>162,407</b>	<b>62.5</b>	<b>167,196</b>	<b>60.6</b>	<b>175,332</b>	<b>62.0</b>	<b>696,071</b>	<b>62.2</b>
Operating expenses										
Sales and marketing	94,552	31.5	98,305	37.8	101,737	36.9	92,470	32.7	387,064	34.6
Product development	48,801	16.2	42,922	16.5	48,354	17.5	48,178	17.0	188,255	16.8
General and administrative	31,642	10.5	27,345	10.5	30,939	11.2	28,379	10.0	118,305	10.6
Restructuring	-	-	-	-	8,675	3.1	26,350	9.3	35,025	3.1
Impairments	80,350	26.8	-	-	-	-	-	-	80,350	7.2
Total operating expenses	255,345	85.0	168,572	64.8	189,705	68.7	195,377	69.1	808,999	72.3
<b>Income (loss) from operations</b>	<b>(64,209)</b>	<b>(21.4)</b>	<b>(6,165)</b>	<b>(2.4)</b>	<b>(22,509)</b>	<b>(8.2)</b>	<b>(20,045)</b>	<b>(7.1)</b>	<b>(112,928)</b>	<b>(10.1)</b>
Other income (expense)										
Investment income	(23,595)	(7.9)	(7,140)	(2.7)	(10,459)	(3.8)	(5,016)	(1.8)	(46,210)	(4.1)
Other, net	193	0.1	951	0.4	(2,016)	(0.7)	1,299	0.5	427	0.0
Other income (expense), net	(23,402)	(7.8)	(6,189)	(2.4)	(12,475)	(4.5)	(3,717)	(1.3)	(45,783)	(4.1)
Income (loss) before taxes	(87,611)	(29.2)	(12,354)	(4.8)	(34,984)	(12.7)	(23,762)	(8.4)	(158,711)	(14.2)
Income tax expense (benefit)	4,061	1.4	(466)	(0.2)	(6,372)	(2.3)	(11,362)	(4.0)	(14,139)	(1.3)
<b>NET INCOME (LOSS)</b>	<b>\$ (91,672)</b>	<b>(30.5)</b>	<b>\$ (11,888)</b>	<b>(4.6)</b>	<b>\$ (28,612)</b>	<b>(10.4)</b>	<b>\$ (12,400)</b>	<b>(4.4)</b>	<b>\$ (144,572)</b>	<b>(12.9)</b>
<b>Net income (loss) per share:</b>										
Basic	\$ (0.25)		\$ (0.03)		\$ (0.08)		\$ (0.03)		\$ (0.39)	
Diluted	<u>\$ (0.25)</u>		<u>\$ (0.03)</u>		<u>\$ (0.08)</u>		<u>\$ (0.03)</u>		<u>\$ (0.39)</u>	
<b>Weighted average shares:</b>										
Basic	364,884		368,075		368,746		371,484		368,297	
Diluted	364,884		368,075		368,746		371,484		368,297	

Certain reclassifications, none of which affect net income, have been made to the prior period amounts in order to conform to the current year's presentation.

**Novell, Inc.**  
**Consolidated Income Statements**  
**Fiscal Year Ended October 31, 2002**  
**(in thousands)**

	<u>Q1 2002</u>	<u>%</u>	<u>Q2 2002</u>	<u>%</u>	<u>Q3 2002</u>	<u>%</u>	<u>Q1 2002</u>	<u>%</u>	<u>Fiscal 2002</u>	<u>%</u>
Net Revenue										
New software licenses	\$ 71,638	25.8	\$ 70,448	25.7	\$ 82,894	29.4	\$ 71,638	25.8	\$ 319,281	28.1
Maintenance and services	206,221	74.2	203,405	74.3	199,379	70.6	206,221	74.2	815,039	71.9
<b>Net revenue</b>	<b>277,859</b>	<b>100.0</b>	<b>273,853</b>	<b>100.0</b>	<b>282,273</b>	<b>100.0</b>	<b>277,859</b>	<b>100.0</b>	<b>1,134,320</b>	<b>100.0</b>
Cost of revenue										
New software licenses	6,632	2.4	6,981	2.5	8,098	2.9	6,632	2.4	31,175	2.7
Maintenance and services	110,937	39.9	105,847	38.7	101,724	36.0	110,937	39.9	418,243	36.9
<b>Cost of revenue</b>	<b>117,569</b>	<b>42.3</b>	<b>112,828</b>	<b>41.2</b>	<b>109,822</b>	<b>38.9</b>	<b>117,569</b>	<b>42.3</b>	<b>449,418</b>	<b>39.6</b>
<b>Gross Profit</b>	<b>160,290</b>	<b>57.7</b>	<b>161,025</b>	<b>58.8</b>	<b>172,451</b>	<b>61.1</b>	<b>160,290</b>	<b>57.7</b>	<b>684,902</b>	<b>60.4</b>
Operating expenses										
Sales and marketing	85,476	30.8	82,145	30.0	87,487	31.0	85,476	30.8	340,584	30.0
Product development	43,013	15.5	42,385	15.5	44,130	15.6	43,013	15.5	172,541	15.2
General and administrative	30,325	10.9	31,055	11.3	29,566	10.5	30,325	10.9	121,271	10.7
Restructuring charges	-	-	19,100	7.0	-	-	-	-	19,100	1.7
Purchased in process R&D	-	-	-	-	3,000	1.1	-	-	3,000	0.3
Impairments	-	-	-	-	-	-	-	-	-	-
Total operating expenses	158,814	57.2	174,685	63.8	164,183	58.2	158,814	57.2	656,496	57.9
<b>Income (loss) from operations</b>	<b>1,476</b>	<b>0.5</b>	<b>(13,660)</b>	<b>(5.0)</b>	<b>8,268</b>	<b>2.9</b>	<b>1,476</b>	<b>0.5</b>	<b>(2,440)</b>	<b>(0.2)</b>
Other income (expense)										
Investment income (loss)	2,608	0.9	(17,199)	(6.3)	5,268	1.9	2,608	0.9	(6,715)	(0.6)
Other, net	7,846	2.8	(1,183)	(0.4)	1,962	0.7	7,846	2.8	16,471	1.5
Other income (expense)	10,454	3.8	(18,382)	(6.7)	7,230	2.6	10,454	3.8	9,756	0.9
Income (loss) before taxes	11,930	4.3	(32,042)	(11.7)	15,498	5.5	11,930	4.3	7,316	0.6
Income taxes	3,579	1.3	(2,293)	(0.8)	5,549	2.0	3,579	1.3	10,414	0.9
Net Income (Loss) before acctg change	8,351	3.0	(29,749)	(10.9)	9,949	3.5	8,351	3.0	(3,098)	(0.3)
Cumulative effect of acctg change, net of tax	-	-	(143,702)	(52.5)	-	-	-	-	(143,702)	(12.7)
<b>NET INCOME (LOSS)</b>	<b>\$ 8,351</b>	<b>3.0</b>	<b>\$ (173,451)</b>	<b>(63.3)</b>	<b>\$ 9,949</b>	<b>3.5</b>	<b>\$ 8,351</b>	<b>3.0</b>	<b>\$ (146,800)</b>	<b>(12.9)</b>
<b>Weighted average shares O/S</b>										
Basic	362,428		362,754		364,211		362,428		362,955	
Diluted	362,970		362,754		364,247		362,970		362,955	
Net income (loss) per share										
Basic	\$ 0.02		\$ (0.48)		\$ 0.03		\$ 0.02		\$ (0.40)	
Diluted	\$ 0.02		\$ (0.48)		\$ 0.03		\$ 0.02		\$ (0.40)	

Certain reclassifications, none of which affect net income, have been made to the prior period amounts in order to conform to the current year's presentation.

**Novell, Inc.**  
**Solution Category, Business Category & Geography Revenue**  
**(In thousands)**

Revenue by Solution	<u>Q3 2003</u>	<u>%</u>	<u>Q3 2002</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
<b>IT Software and Solutions</b>						
Identity Management & Secure Web Services	\$ 26,318	9.3	\$ 19,576	6.9	\$ 6,742	34.4
Cross Platform Services						
Management & Collaboration	65,707	23.2	64,121	22.7	1,586	2.5
Services Platforms & Storage	<u>78,669</u>	<u>27.8</u>	<u>89,086</u>	<u>31.6</u>	<u>(10,417)</u>	<u>(11.7)</u>
Total Cross Platform Services	<u>144,376</u>	<u>51.0</u>	<u>153,207</u>	<u>54.3</u>	<u>(8,831)</u>	<u>(5.8)</u>
Total Software Licenses & Maintenance	170,694	60.3	172,783	61.2	(2,089)	(1.2)
Worldwide Services *	<u>75,576</u>	<u>26.8</u>	<u>77,949</u>	<u>27.6</u>	<u>(2,373)</u>	<u>(3.0)</u>
<b>Total IT Software and Solutions</b>	<b><u>246,270</u></b>	<b><u>87.1</u></b>	<b><u>250,732</u></b>	<b><u>88.8</u></b>	<b><u>(4,462)</u></b>	<b><u>(1.8)</u></b>
<b>Celerant Management Consulting</b>	<b><u>36,539</u></b>	<b><u>12.9</u></b>	<b><u>31,541</u></b>	<b><u>11.2</u></b>	<b><u>4,998</u></b>	<b><u>15.8</u></b>
<b>Total Net Revenue</b>	<b><u>\$ 282,809</u></b>	<b><u>100.0</u></b>	<b><u>\$ 282,273</u></b>	<b><u>100.0</u></b>	<b><u>\$ 536</u></b>	<b><u>0.2</u></b>

\* includes consulting, technical services, and training

Revenue by Business Category	<u>Q3 2003</u>	<u>%</u>	<u>Q3 2002</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
New Software Licenses	\$ 69,255	24.5	\$ 82,894	29.4	\$ (13,639)	(16.5)
Maintenance and Services	<u>213,554</u>	<u>75.5</u>	<u>199,379</u>	<u>70.6</u>	<u>14,175</u>	<u>7.1</u>
<b>Total Net Revenue</b>	<b><u>\$ 282,809</u></b>	<b><u>100.0</u></b>	<b><u>\$ 282,273</u></b>	<b><u>100.0</u></b>	<b><u>\$ 536</u></b>	<b><u>0.2</u></b>

Revenue by Geography	<u>Q3 2003</u>	<u>%</u>	<u>Q3 2002</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
U.S.	\$ 129,261	45.7	\$ 143,268	50.8	\$ (14,007)	(9.8)
Europe, Middle East & Africa	113,495	40.1	102,278	36.2	11,217	11.0
Asia Pacific	23,235	8.2	20,241	7.2	2,994	14.8
Canada & Latin America	<u>16,818</u>	<u>6.0</u>	<u>16,486</u>	<u>5.8</u>	<u>332</u>	<u>2.0</u>
<b>Total Net Revenue</b>	<b><u>\$ 282,809</u></b>	<b><u>100.0</u></b>	<b><u>\$ 282,273</u></b>	<b><u>100.0</u></b>	<b><u>\$ 536</u></b>	<b><u>0.2</u></b>

**Novell, Inc.**  
**Solution Category, Business Category & Geography Revenue**  
**(In thousands)**

Revenue by Solution	<u>Q3 2003</u>	<u>%</u>	<u>Q2 2003</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
<b>IT Software and Solutions</b>						
Identity Management & Secure Web Services	\$ 26,318	9.3	\$ 22,669	8.2	\$ 3,649	16.1
Cross Platform Services						
Management & Collaboration	65,707	23.2	62,884	22.8	2,823	4.5
Services Platforms & Storage	<u>78,669</u>	<u>27.8</u>	<u>79,130</u>	<u>28.6</u>	<u>(461)</u>	<u>(0.6)</u>
Total Cross Platform Services	<u>144,376</u>	<u>51.0</u>	<u>142,014</u>	<u>51.4</u>	<u>2,362</u>	<u>1.7</u>
Total Software Licenses & Maintenance	170,694	60.3	164,683	59.6	6,011	3.7
Worldwide Services *	<u>75,576</u>	<u>26.8</u>	<u>74,401</u>	<u>27.0</u>	<u>1,175</u>	<u>1.6</u>
<b>Total IT Software and Solutions</b>	<b><u>246,270</u></b>	<b><u>87.1</u></b>	<b><u>239,084</u></b>	<b><u>86.6</u></b>	<b><u>7,186</u></b>	<b><u>3.0</u></b>
<b>Celerant Management Consulting</b>	<b><u>36,539</u></b>	<b><u>12.9</u></b>	<b><u>36,883</u></b>	<b><u>13.4</u></b>	<b><u>(344)</u></b>	<b><u>(0.9)</u></b>
<b>Total Net Revenue</b>	<b><u>\$ 282,809</u></b>	<b><u>100.0</u></b>	<b><u>\$ 275,967</u></b>	<b><u>100.0</u></b>	<b><u>\$ 6,842</u></b>	<b><u>2.5</u></b>

\* includes consulting, technical services, and training

Revenue by Business Category	<u>Q3 2003</u>	<u>%</u>	<u>Q2 2003</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
New Software Licenses	\$ 69,255	24.5	\$ 64,465	23.4	\$ 4,790	7.4
Maintenance and Services	<u>213,554</u>	<u>75.5</u>	<u>211,502</u>	<u>76.6</u>	<u>2,052</u>	<u>1.0</u>
<b>Total Net Revenue</b>	<b><u>\$ 282,809</u></b>	<b><u>100.0</u></b>	<b><u>\$ 275,967</u></b>	<b><u>100.0</u></b>	<b><u>\$ 6,842</u></b>	<b><u>2.5</u></b>

Revenue by Geography	<u>Q3 2003</u>	<u>%</u>	<u>Q2 2003</u>	<u>%</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
U.S.	\$ 129,261	45.7	\$ 125,844	45.6	\$ 3,417	2.7
Europe, Middle East & Africa	113,495	40.1	112,318	40.7	1,177	1.0
Asia Pacific	23,235	8.2	20,908	7.6	2,327	11.1
Canada & Latin America	<u>16,818</u>	<u>6.0</u>	<u>16,897</u>	<u>6.1</u>	<u>(79)</u>	<u>(0.5)</u>
<b>Total Net Revenue</b>	<b><u>\$ 282,809</u></b>	<b><u>100.0</u></b>	<b><u>\$ 275,967</u></b>	<b><u>100.0</u></b>	<b><u>\$ 6,842</u></b>	<b><u>2.5</u></b>

**Novell, Inc.**  
**Solution Category, Business Category & Geography Revenue**  
**(In thousands)**

Revenue by Solution	Year-to-date 2003	%	Year-to-date 2002	%	\$ Change	% Change
<b>IT Software and Solutions</b>						
Identity Management & Secure Web Services	\$ 72,132	8.8	\$ 53,055	6.4	\$ 19,077	36.0
Cross Platform Services						
Management & Collaboration	185,135	22.6	181,356	21.7	3,779	2.1
Services Platforms & Storage	<u>237,107</u>	<u>29.0</u>	<u>268,908</u>	<u>32.3</u>	<u>(31,801)</u>	<u>(11.8)</u>
Total Cross Platform Services	<u>422,242</u>	<u>51.6</u>	<u>450,264</u>	<u>54.0</u>	<u>(28,022)</u>	<u>(6.2)</u>
Total Software Licenses & Maintenance	494,374	60.4	503,319	60.4	(8,945)	(1.8)
Worldwide Services *	<u>222,405</u>	<u>27.2</u>	<u>237,943</u>	<u>28.5</u>	<u>(15,538)</u>	<u>(6.5)</u>
<b>Total IT Software and Solutions</b>	<b>716,779</b>	<b>87.6</b>	<b>741,262</b>	<b>88.9</b>	<b>(24,483)</b>	<b>(3.3)</b>
<b>Celerant Management Consulting</b>	<b>101,968</b>	<b>12.4</b>	<b>92,723</b>	<b>11.1</b>	<b>9,245</b>	<b>10.0</b>
<b>Total Net Revenue</b>	<b><u>\$ 818,747</u></b>	<b><u>100.0</u></b>	<b><u>\$ 833,985</u></b>	<b><u>100.0</u></b>	<b><u>\$ (15,238)</u></b>	<b><u>(1.8)</u></b>

\* includes consulting, technical services, and training

Revenue by Business Category	Year-to-date 2003	%	Year-to-date 2002	%	\$ Change	% Change
New Software Licenses	\$ 194,758	23.8	\$ 224,980	27.0	\$ (30,222)	(13.4)
Maintenance and Services	<u>623,989</u>	<u>76.2</u>	<u>609,005</u>	<u>73.0</u>	<u>14,984</u>	<u>2.5</u>
<b>Total Net Revenue</b>	<b><u>\$ 818,747</u></b>	<b><u>100.0</u></b>	<b><u>\$ 833,985</u></b>	<b><u>100.0</u></b>	<b><u>\$ (15,238)</u></b>	<b><u>(1.8)</u></b>

Revenue by Geography	Year-to-date 2003	%	Year-to-date 2002	%	\$ Change	% Change
U.S.	\$ 378,835	46.3	\$ 433,756	52.0	\$ (54,921)	(12.7)
Europe, Middle East & Africa	329,158	40.2	292,000	35.0	37,158	12.7
Asia Pacific	62,000	7.6	59,210	7.1	2,790	4.7
Canada & Latin America	<u>48,754</u>	<u>5.9</u>	<u>48,819</u>	<u>5.9</u>	<u>(65)</u>	<u>(0.1)</u>
<b>Total Net Revenue</b>	<b><u>\$ 818,747</u></b>	<b><u>100.0</u></b>	<b><u>\$ 833,785</u></b>	<b><u>100.0</u></b>	<b><u>\$ (15,038)</u></b>	<b><u>(1.8)</u></b>

Novell, Inc.  
Solutions Category, Business Category & Geography Revenue  
Trailing Four Quarters  
(In thousands)

Revenue by Solution	Q4 2002	%	Q1 2003	%	Q2 2003	%	Q3 2003	%	Last Four Quarters	%
<b>IT Software and Solutions</b>										
Identity Management & Secure Web Services	\$ 31,865	10.6	\$ 23,145	8.9	\$ 22,669	8.2	\$ 26,318	9.3	\$ 103,997	9.3
Cross Platform Services										
Management & Collaboration	66,003	22.0	56,544	21.7	62,884	22.8	65,707	23.2	251,138	22.4
Services Platforms & Storage	91,935	30.6	79,308	30.5	79,130	28.6	78,669	27.8	329,042	29.4
Total Cross Platform Services	157,938	52.6	135,852	52.2	142,014	51.4	144,376	51.0	580,180	51.8
Total Software Licenses & Maintenance	189,803	63.2	158,997	61.1	164,683	59.6	170,694	60.3	684,177	61.1
Worldwide Services *	78,023	26.0	72,428	27.9	74,401	27.0	75,576	26.8	300,428	26.8
<b>Total IT Software and Solutions</b>	<b>267,826</b>	<b>89.2</b>	<b>231,425</b>	<b>89.0</b>	<b>239,084</b>	<b>86.6</b>	<b>246,270</b>	<b>87.1</b>	<b>984,605</b>	<b>88.0</b>
<b>Celerant Management Consulting</b>	<b>32,509</b>	<b>10.8</b>	<b>28,546</b>	<b>11.0</b>	<b>36,883</b>	<b>13.4</b>	<b>36,539</b>	<b>12.9</b>	<b>134,477</b>	<b>12.0</b>
<b>Total Net Revenue</b>	<b>\$ 300,335</b>	<b>100.0</b>	<b>\$ 259,971</b>	<b>100.0</b>	<b>\$ 275,967</b>	<b>100.0</b>	<b>\$ 282,809</b>	<b>100.0</b>	<b>\$ 1,119,082</b>	<b>100.0</b>

\* includes consulting, technical services, and training

Revenue by Business Category	Q4 2002	%	Q1 2003	%	Q2 2003	%	Q3 2003	%	Last Four Quarters	%
New Software Licenses	\$ 94,301	31.4	\$ 61,038	23.5	\$ 64,465	23.4	\$ 69,255	24.5	\$ 289,059	25.8
Maintenance and Services	206,034	68.6	198,933	76.5	211,502	76.6	213,554	75.5	830,023	74.2
<b>Total Net Revenue</b>	<b>\$ 300,335</b>	<b>100.0</b>	<b>\$ 259,971</b>	<b>100.0</b>	<b>\$ 275,967</b>	<b>100.0</b>	<b>\$ 282,809</b>	<b>100.0</b>	<b>\$ 1,119,082</b>	<b>100.0</b>

Revenue by Geography	Q4 2002	%	Q1 2003	%	Q2 2003	%	Q3 2003	%	Last Four Quarters	%
U.S.	\$ 148,817	49.6	\$ 123,729	47.6	\$ 125,844	45.6	\$ 129,261	45.7	\$ 527,651	47.2
Europe, Middle East & Africa	110,863	36.9	103,345	39.7	112,318	40.7	113,495	40.1	440,021	39.3
Asia Pacific	22,629	7.5	17,857	6.9	20,908	7.6	23,235	8.2	84,629	7.6
Canada & Latin America	18,026	6.0	15,040	5.8	16,897	6.1	16,818	6.0	66,781	6.0
<b>Total Net Revenue</b>	<b>\$ 300,335</b>	<b>100.0</b>	<b>\$ 259,971</b>	<b>100.0</b>	<b>\$ 275,967</b>	<b>100.0</b>	<b>\$ 282,809</b>	<b>100.0</b>	<b>\$ 1,119,082</b>	<b>100.0</b>

**Novell, Inc.**  
**Solutions Category, Business Category & Geography Revenue**  
**Fiscal 2002**  
**(In thousands)**

<b>Revenue by Solution</b>	<b>Q1 2002</b>	<b>%</b>	<b>Q2 2002</b>	<b>%</b>	<b>Q3 2002</b>	<b>%</b>	<b>Q4 2002</b>	<b>%</b>	<b>Fiscal 2002</b>	<b>%</b>
<b>IT Software and Solutions</b>										
Identity Management & Secure Web Services	\$ 16,849	6.1	\$ 16,630	6.1	\$ 19,576	6.9	\$ 31,866	10.6	\$ 84,921	7.5
Cross Platform Services										
Management & Collaboration	57,143	20.6	60,094	21.9	64,121	22.7	66,003	22.0	247,361	21.8
Services Platforms & Storage	92,862	33.4	86,959	31.8	89,086	31.6	91,935	30.6	360,842	31.8
<b>Total Cross Platform Services</b>	<b>150,005</b>	<b>54.0</b>	<b>147,053</b>	<b>53.7</b>	<b>153,207</b>	<b>54.3</b>	<b>157,938</b>	<b>52.6</b>	<b>608,203</b>	<b>53.6</b>
Total Software Licenses & Maintenance	166,854	60.0	163,683	59.8	172,783	61.2	189,804	63.2	693,124	61.1
Worldwide Services *	82,002	29.5	77,991	28.5	77,949	27.6	78,022	26.0	315,964	27.9
<b>Total IT Software and Solutions</b>	<b>248,856</b>	<b>89.6</b>	<b>241,674</b>	<b>88.2</b>	<b>250,732</b>	<b>88.8</b>	<b>267,826</b>	<b>89.2</b>	<b>1,009,088</b>	<b>89.0</b>
<b>Celerant Management Consulting</b>	<b>29,003</b>	<b>10.4</b>	<b>32,179</b>	<b>11.8</b>	<b>31,541</b>	<b>11.2</b>	<b>32,509</b>	<b>10.8</b>	<b>125,232</b>	<b>11.0</b>
<b>Total Net Revenue</b>	<b>\$ 277,859</b>	<b>100.0</b>	<b>\$ 273,853</b>	<b>100.0</b>	<b>\$ 282,273</b>	<b>100.0</b>	<b>\$ 300,335</b>	<b>100.0</b>	<b>\$ 1,134,320</b>	<b>100.0</b>

\* includes consulting, technical services, and training

<b>Revenue by Business Category</b>	<b>Q1 2002</b>	<b>%</b>	<b>Q2 2002</b>	<b>%</b>	<b>Q3 2002</b>	<b>%</b>	<b>Q4 2002</b>	<b>%</b>	<b>Fiscal 2002</b>	<b>%</b>
New Software Licenses	\$ 71,638	26.0	\$ 70,448	26.0	\$ 82,894	29.0	\$ 94,301	31.0	\$ 319,281	28.0
Maintenance and Services	206,221	74.0	203,405	74.0	199,379	71.0	206,034	69.0	815,039	72.0
<b>Total Net Revenue</b>	<b>\$ 277,859</b>	<b>100.0</b>	<b>\$ 273,853</b>	<b>100.0</b>	<b>\$ 282,273</b>	<b>100.0</b>	<b>\$ 300,335</b>	<b>100.0</b>	<b>\$ 1,134,320</b>	<b>100.0</b>

<b>Revenue by Geography</b>	<b>Q1 2002</b>	<b>%</b>	<b>Q2 2002</b>	<b>%</b>	<b>Q3 2002</b>	<b>%</b>	<b>Q4 2002</b>	<b>%</b>	<b>Fiscal 2002</b>	<b>%</b>
U.S.	\$ 147,428	53.1	\$ 143,061	52.2	\$ 143,268	50.8	\$ 148,817	49.6	\$ 582,574	51.5
Europe, Middle East & Africa	97,678	35.2	92,244	33.7	102,278	36.2	110,863	36.9	403,063	35.5
Asia Pacific	19,050	6.9	19,920	7.3	20,241	7.2	22,629	7.5	81,840	7.2
Canada & Latin America	13,703	4.8	18,628	6.8	16,486	5.8	18,026	6.0	66,843	5.8
<b>Total Net Revenue</b>	<b>\$ 277,859</b>	<b>100.0</b>	<b>\$ 273,853</b>	<b>100.0</b>	<b>\$ 282,273</b>	<b>100.0</b>	<b>\$ 300,335</b>	<b>100.0</b>	<b>\$ 1,134,320</b>	<b>100.0</b>



