On May 24, 2006, we completed the sale of our majority-owned management consultancy subsidiary, Celerant, for $77.0 million in cash to a group comprised of Celerant management and Caledonia Investments plc. We acquired Celerant as part of our purchase of Cambridge Technology Partners in 2001. The sale was the result of our previously announced plan to explore strategic alternatives for Celerant. There will be no further shareholding or operational relationship between us and Celerant going forward. With the sale of our interest in Celerant, we will focus on our core businesses of Linux and open source; systems, security and identity management; and workgroup computing. The Celerant divestiture has no impact on our existing IT consulting business. We will continue to offer IT consulting services around its core businesses.

Results of Operations

Critical Accounting Policies

Share-based Payment

On November 1, 2005, we adopted SFAS No. 123(R), "Share-Based Payment," which requires us to account for share-based payment transactions using a fair value-based method and recognize the related expense in the results of operations. Prior to our adoption of SFAS No. 123(R), as permitted by SFAS No. 123, we accounted for share-based payments to employees using the APB No. 25, "Accounting for Stock Issued to Employees," intrinsic value method and, therefore, we generally recognized compensation expense for restricted stock awards and did not recognize compensation cost for employee stock options. SFAS No. 123(R) allows companies to choose one of two transition methods: the modified prospective transition method or the modified retrospective transition method. We chose to use the modified prospective transition methodology, and, accordingly, we have not restated the results of prior periods.

Under the fair value recognition provisions of SFAS No. 123(R), stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The fair value of restricted stock awards is determined by reference to the fair market value of our common stock on the date of grant. Consistent with the valuation method we used for disclosure-only purposes under the provisions of SFAS No. 123, we use the Black-Scholes model to value service condition and performance condition option awards under SFAS No. 123(R). For awards with market conditions granted subsequent to our adoption of SFAS No. 123(R), we use a lattice valuation model to estimate fair value. For awards with only service conditions and graded-vesting features, we recognize compensation cost on a straight-line basis over the requisite service period. For awards with performance or market conditions granted subsequent to our adoption of SFAS No. 123(R), we recognize compensation cost based on the graded-vesting method.

Determining the appropriate fair value model and related assumptions requires judgment, including estimating stock price volatility, forfeiture rates, and expected terms. The expected volatility rates are estimated based on historical and implied volatilities of our common stock. The expected term represents the average time that options that vest are expected to be outstanding based on the vesting provisions and our historical exercise, cancellation and expiration patterns. We estimate pre-vesting forfeitures when recognizing compensation expense based on historical rates and forward-looking factors. We will update these assumptions at least on an annual basis and on an interim basis if significant changes to the assumptions are warranted.

We issue performance-based equity awards, typically to certain senior executives, which vest upon the achievement of contingent upon meeting certain financial performance goals, including revenue and income targets. Determining the appropriate amount to expense based on the anticipated achievement of the stated goals requires judgment, including forecasting future financial results. The estimated expense is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revision is reflected in the period of change. If the financial performance goals are not met, the award does not vest, so no compensation cost is recognized and any previously recognized compensation cost is reversed.

In the past, we have issued market condition equity awards, typically granted to certain senior executives, the vesting of which is accelerated or contingent upon the price of Novell common stock meeting specified pre-established stock price targets. For awards granted prior to our adoption of SFAS No. 123(R), the fair value of each market condition award was estimated as of the grant date using the same option valuation model used for time-based options without regard to the market condition criteria. As a result of our adoption of SFAS No. 123(R), compensation cost is recognized over the estimated requisite service period and is not reversed if the market condition target is not met. If the pre-established stock price targets are achieved, any remaining expense on the date the target is achieved is recognized either immediately or, in situations where there is a remaining minimum time vesting period, ratably over that period.

Acquisitions and Equity Investments

e-Security

On April 19, 2006, we acquired 100% of the outstanding stock of e-Security, Inc., a privately held company headquartered in Vienna, Virginia. e-Security provides security information, event management and compliance software. e-Security's products are now part of our identity and access management sub-category. The purchase price was approximately $71.7 million in cash, plus transaction costs of $1.1 million. e-Security's results of operations have been included in our consolidated financial statements beginning on the acquisition date.

Open Invention Network, LLC

In November 2005, OIN was established by us, IBM, Philips, Red Hat and Sony. OIN is a privately held company that has and will acquire patents to promote Linux and open source by offering its patents on a royalty-free basis to any company, institution or individual that agrees not to assert its patents against the Linux operating system or certain Linux-related applications. In addition, OIN, in its discretion, will enforce its patents to the extent it believes such action will serve to further protect and promote Linux and open source. Each party contributed capital with a fair value of $20.0 million to OIN. We account for our 20% ownership interest using the equity method of accounting. Our $20.0 million contribution consisted of patents with a fair value of $15.8 million, including $0.3 million of prepaid acquisition costs, and cash of $4.2 million. At the time of the contribution, the patents had a book value of $14.4 million, including $0.3 million of prepaid acquisition costs. The $1.4 million difference between the fair value and book value of the patents will be amortized to our investment in OIN account and equity income over the remaining estimated useful life of the patents, which is approximately nine years. Our investment in OIN of $18.7 million is classified as other assets in the consolidated balance sheet.

Onward Novell

In December 2005, we acquired the remaining 50% ownership of our sales and marketing joint venture in India from our joint venture partner for approximately $7.5 million in cash and other consideration. At October 31, 2005, $7.5 million of our cash was held in an escrow account for the acquisition and classified as other assets in the consolidated balance sheet. The cash was paid out of the escrow account during the first quarter of fiscal 2006. At the time of the acquisition, the net book value of the minority interest was $5.3 million. The $2.0 million difference between the net book value of the minority interest and the amount we paid for the remaining 50% ownership was recorded as goodwill.

Revenue

We sell our products, services, and solutions primarily to corporations, government entities, educational institutions, resellers and distributors both domestically and internationally. In the consolidated statements of operations, we categorize revenue as software licenses or maintenance and services. Software licenses revenue includes sales of proprietary licenses, upgrade licenses and certain royalties. Maintenance and services revenue includes all other revenue, including Linux subscriptions and upgrade protection contracts.

	Three Months Ended			Six Months Ended		
(dollars in thousands)	April 30, 2006	April 30, 2005	Change	April 30, 2006	April 30, 2005	Change
Software licenses	$ 40,063	$ 45,768	(12)%	$ 82,165	$ 90,064	(9)%
Maintenance and services ...	238,253	251,283	(5)%	470,559	497,115	(5)%
Total net revenue	$ 278,316	$ 297,051	(6)%	$ 552,724	$ 587,179	(6)%

Software licenses revenue decreased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005 primarily due to more of our customers purchasing under multiple product, multiple year subscriptions, which we record as maintenance and services revenue, as well as declines in our installed base mainly due to NetWare.

The decrease in maintenance and services revenue during the second quarter of fiscal 2006 compared to the same period of fiscal 2005 is primarily due to a decrease in IT consulting and services revenue of $10.1 million that was expected as a result of the restructuring plan we established in the fourth quarter of fiscal 2005 and a $4.3 million decrease in Celerant revenue. The decrease in maintenance and services revenue during the first six months of fiscal 2006 compared to the same period of fiscal 2005 is primarily due to a $16.3 million decrease in Celerant revenue due to poor performance and effect of foreign exchange rates and a $15.6 million decrease in IT consulting and services revenue that was expected as a result of the restructuring plan we established in the fourth quarter of fiscal 2005. The decreases in the second quarter and first six months of fiscal 2006 were offset somewhat by increased maintenance revenue, including subscriptions. The change in the mix of our revenue towards more maintenance and subscription contracts has also driven an increase in revenue in the maintenance and services category compared to the software licenses category.

Overall, foreign currency exchange rates decreased revenue in the second quarter and first six months of fiscal 2006 by approximately $6.2 million and $13.0 million, respectively, compared to the same period in fiscal 2005 due to a stronger U.S. dollar.

We also analyze revenue by solution categories. These solution categories are:

- Systems, security, and identity management (formerly Identity-driven computing solutions). Sub-categories include:
  - Resource management— major products include ZENworks
  - Identity and access management— major products include Identity Manager, Secure Login, iChain and Sentinel
  - Other systems, security, and identity management products — major products include eDirectory and web services
- Open platform solutions. Sub-categories include:
  - Open Enterprise Server ("OES")
  - Linux platform products — major products include SUSE LINUX Enterprise Server and Novell Linux Desktop
  - Other open platform products — major products include SUSE LINUX Professional
- Workspace solutions. Sub-categories include:
  - NetWare and other NetWare-related — major products include NetWare and Cluster Services
  - Collaboration — major products include GroupWise
  - Other workspace — major products include BorderManager and Novell iFolder
- Global services and support — comprehensive IT consulting, training, and technical support services that apply business solutions to our customers' business situations, providing the business knowledge and technical expertise to help our customers implement our technology.
- Celerant consulting — operational strategy and implementation consulting services offered to a wide range of customers across various sectors, worldwide.

Prior to fiscal 2006, Open platform solutions and Workspace solutions were combined in a category called Linux and platform services solutions.

	Three Months Ended			Six Months Ended		
(dollars in thousands)	April 30, 2006	April 30, 2005	Change	April 30, 2006	April 30, 2005	Change
Resource management	$ 33,799	$ 31,329		$ 66,957	$ 61,298	
Identity and access management	22,347	16,256		47,895	34,110	
Other systems, security, and identity management products	5,061	5,170		9,358	10,005	
Systems, security and identity management	61,207	52,755	16 %	124,210	105,413	18 %
Open Enterprise Server	45,719	7,827		88,831	7,827	
Linux platform products	10,307	8,606		20,689	17,099	
Other open platform products	1,101	3,541		3,846	9,080	
Open platform solutions	57,127	19,974	186 %	113,366	34,006	233 %
NetWare and other NetWare-related	11,566	60,463		29,822	129,210	
Collaboration	22,830	23,656		46,507	47,996	
Other workspace products	7,210	8,879		12,621	14,785	
Workspace solutions	41,606	92,998	(55)%	88,950	191,991	(54)%
Total software licenses and maintenance	159,940	165,727		326,526	331,410	
Global services and support	78,786	87,417	(10)%	154,494	167,813	(8)%
Total IT software and solutions	238,726	253,144		481,020	499,223	
Celerant consulting	39,590	43,907	(10)%	71,704	87,956	(18)%
Total net revenue	$ 278,316	$ 297,051	(6)%	$ 552,724	$ 587,179	(6)%

Systems, security and identity management increased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005 primarily due to strong sales growth in our identity and access management products, which increased $6.1 million and $13.8 million, respectively, and increases in our resource management products of $2.5 million and $5.7 million, respectively.

Open platform solutions increased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005, primarily as a result of the release of OES in the middle of the second quarter of fiscal 2005. Additionally, our Linux platform product revenue increased $1.7 million and $3.6 million in the second quarter and first six months of fiscal 2006 compared to the same period of fiscal 2005, primarily from additional sales of SUSE Linux Enterprise Server and Novell Linux Desktop. These increases were offset somewhat by a decrease in other open platform product revenue of $2.4 million and $5.2 million in the second quarter and first six months of fiscal 2006 compared to the same period of fiscal 2005, primarily due to planned reductions in sales of our consumer product, SUSE Linux (formerly SUSE Professional).

Workspace solutions decreased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005 by $48.9 million and $99.4 million, respectively, primarily due to a decrease in our NetWare-related revenue, resulting from NetWare customers migrating to our OES product and declines in our installed base. NetWare and OES revenue combined decreased $10.1 million or 16% and $16.6 million or 13% in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005.

Global services and support decreased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005 primarily due to expected decreases in IT consulting revenue in the EMEA and Asia Pacific segments as a result of our decision to focus on Novell product-related consulting, thereby reducing revenue from general IT consulting projects. These decreases were offset somewhat by an increase in consulting in the Americas.

Celerant revenue decreased primarily due to poor performance in the U.S. and Europe as well as the effect of foreign exchange rates.

We further analyze revenue by solution categories within each geographic segment.

Net revenue by reporting segment was as follows:

	Three Months Ended			Six Months Ended		
(dollars in thousands)	April 30, 2006	April 30, 2005	Change	April 30, 2006	April 30, 2005	Change
Americas	$ 129,344	$ 130,565	(1)%	$ 263,121	$ 259,548	1%
EMEA	86,580	99,044	(13)%	175,416	194,595	(10)%
Asia Pacific	22,802	23,535	(3)%	42,483	45,080	(6)%
Celerant	39,590	43,907	(10)%	71,704	87,956	(18)%
Total net revenue	$ 278,316	$ 297,051	(6)%	$ 552,724	$ 587,179	(6)%

Net revenue by solution category in the Americas segment was as follows:

	Three Months Ended			Six Months Ended		
(dollars in thousands)	April 30, 2006	April 30, 2005	Change	April 30, 2006	April 30, 2005	Change
Resource management	$ 19,601	$ 17,747		$ 37,945	$ 34,678	
Identity and access management	10,356	8,208		26,268	17,579	
Other systems, security, and identity management products	3,308	3,486		5,492	6,182	
Systems, security and identity management	33,265	29,441	13%	69,705	58,439	19%
Open Enterprise Server	25,853	4,071		51,706	4,071	
Linux platform products	4,629	3,996		9,495	8,053	
Other open platform products	629	1,169		2,273	2,497	
Open platform solutions	31,111	9,236	237%	63,474	14,621	334%
NetWare and other NetWare-related	5,769	32,966		13,072	70,566	
Collaboration	14,482	14,684		28,710	29,799	
Other workspace products	2,764	2,751		5,587	5,436	
Workspace solutions	23,015	50,401	(54)%	47,369	105,801	(55)%
Global services and support	41,953	41,487	1%	82,573	80,687	2%
Total net revenue	$ 129,344	$ 130,565	(1)%	$ 263,121	$ 259,548	1%

Revenue from the Americas decreased in the second quarter of fiscal 2006 compared to the same quarter in fiscal 2005 due primarily to decreased NetWare revenue of $29.3 million, offset somewhat by increased revenue from OES of $21.8 million, increased identity and access management revenue of $2.1 million and increased resource management revenue of $1.9 million. Revenue from the Americas increased in the first six months of fiscal 2006 compared to the same period in fiscal 2005 due to increased revenue from resource management products of $3.3 million and identity and access management products of $8.7 million. In addition, we had revenue from OES for the entire period in fiscal 2006 compared to only one and a half months in fiscal 2005. These increases were offset somewhat by decreased NetWare revenue of $59.7 million.

Net revenue by solution category in the EMEA segment was as follows:

(dollars in thousands)	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005	Change	Six Months Ended April 30, 2006	Six Months Ended April 30, 2005	Change
Resource management	$ 11,884	$ 11,741		$ 24,908	$ 23,101	
Identity and access management	9,407	6,467		16,387	13,045	
Other systems, security, and identity management products	1,436	1,583		3,116	3,058	
Systems, security and identity management	22,727	19,791	15%	44,411	39,204	13%
Open Enterprise Server	15,323	3,547		30,211	3,547	
Linux platform products	4,675	4,133		9,224	8,146	
Other open platform products	435	2,387		1,143	6,541	
Open platform solutions	20,433	10,067	103%	40,578	18,234	123%
NetWare and other NetWare-related	4,839	21,749		12,724	46,413	
Collaboration	7,317	7,800		15,768	15,870	
Other workspace products	1,316	2,751		2,875	5,017	
Workspace solutions	13,472	32,300	(58)%	31,367	67,300	(53)%
Global services and support	29,948	36,886	(19)%	59,060	69,857	(15)%
Total net revenue	$ 86,580	$ 99,044	(13)%	$ 175,416	$ 194,595	(10)%

Revenue from EMEA decreased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005, primarily due to a decrease in NetWare revenue of $16.5 million and $32.9 million, respectively, a decrease in IT consulting revenue of $6.9 million and $10.8 million, respectively, and a decrease in other open platform product revenue of $1.9 million and $5.4 million, respectively. Consulting revenue decreases were expected and primarily the result of our planned move to focus on Novell product-related consulting. The decreases in other open platform revenue were also expected and were primarily the result of planned reductions of our consumer product, SUSE Linux (formerly SUSE Professional). These decreases were offset somewhat by a full quarter and full six months of revenue during fiscal 2006 from OES and by increased revenue from identity and access management products of $2.9 million in the second quarter of fiscal 2006 and $3.3 million in the first six months of fiscal 2006. Overall, foreign currency exchange rates decreased revenue in the EMEA segment by approximately $3.5 million and $7.3 million during the second quarter and first six months of fiscal 2006, respectively. Following a period of sluggish growth, the EMEA market is showing signs of recovery. Also, government spending appears to be increasing in EMEA.

Net revenue by solution category in the Asia Pacific segment was as follows:

(dollars in thousands)	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005	Change	Six Months Ended April 30, 2006	Six Months Ended April 30, 2005	Change
Resource management	$ 2,314	$ 1,841		$ 4,105	$ 3,519	
Identity and access management	2,515	1,581		5,171	3,486	
Other systems, security, and identity management products	318	101		750	765	
Systems, security and identity management	5,147	3,523	46%	10,026	7,770	29%
Open Enterprise Server	2,372	209		4,742	209	
Linux platform products	1,003	478		1,970	900	
Other open platform products	104	(17)		498	42	
Open platform solutions	3,479	670	419%	7,210	1,151	526%
NetWare and other NetWare-related	3,131	5,748		6,199	12,231	
Collaboration	1,032	1,172		2,029	2,327	
Other workspace products	3,129	3,378		4,158	4,332	
Workspace solutions	7,292	10,298	(29)%	12,386	18,890	(34)%
Global services and support	6,884	9,044	(24)%	12,861	17,269	(26)%
Total net revenue	$ 22,802	$ 23,535	(3)%	$ 42,483	$ 45,080	(6)%

The overall decrease in Asia Pacific segment revenue for the second quarter of fiscal 2006 compared to the same quarter of fiscal 2005 is primarily due to a $2.6 million decrease in IT consulting revenue as a result of our move to focus on Novell product-related consulting and a $2.2 million decrease in NetWare revenue, offset somewhat by approximately $2.2 million of new revenue from OES, a $0.9 million increase in identity and access management revenue and a $0.5 million increase in resource management revenue.

The overall decrease in Asia Pacific segment revenue for the first six months of fiscal 2006 compared to the same period of fiscal 2005 is primarily due to a $5.0 million decrease in IT consulting revenue and a $5.0 million decrease in NetWare revenue, offset somewhat by approximately $4.6 million of new revenue from OES, a $0.9 million increase in SUSE Linux revenue, a $1.7 million increase in identity and access management revenue and a $0.6 million increase in resource management revenue.

Forward-looking revenue trends

As discussed in our fiscal 2005 Form 10-K, we expect our newer product offerings of our Open platform solutions and Systems, security and identity management categories to grow during fiscal 2006. We expect revenue in the third fiscal quarter of 2006, without Celerant results, to be in the range of $239 to $247 million.

Deferred revenue

Deferred revenue represents revenue that is expected to be recognized in future periods. The majority of deferred revenue relates to maintenance contracts and subscriptions and is recognized ratably over the related service periods, typically one to three years. The decrease in deferred revenue at April 30, 2006 compared to October 31, 2005 of $60.0 million is primarily attributable to seasonably lower invoicing during the first six months of fiscal 2006 offset by some increases in advanced invoicing. As more of our revenue contracts shift to multiple product, multiple year subscription arrangements, we expect that a greater proportion of our revenue will initially be deferred and recognized over the contractual service term as maintenance and subscription revenue.

Gross profit

(dollars in thousands)	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005	Change	Six Months Ended April 30, 2006	Six Months Ended April 30, 2005	Change
Software licenses gross profit	$ 36,022	$ 40,905	(12)%	$ 73,828	$ 80,569	(8)%
percentage of related revenue	*90%*	*89%*		*90%*	*89%*	
Maintenance and services gross profit	$ 137,845	$ 138,805	(1)%	$ 273,185	$ 277,218	(1)%
percentage of related revenue	*58%*	*55%*		*58%*	*56%*	
Total gross profit	$ 173,867	$ 179,710	(3)%	$ 347,013	$ 357,787	(3)%
percentage of revenue	*62%*	*60%*		*63%*	*61%*	

The decrease in gross profit from software licenses for the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005 is primarily due to decreased sales of software licenses.

The increase in gross profit from maintenance and services as a percentage of related revenue for the second quarter and first six months of fiscal 2006 was primarily a result of the consulting headcount reductions that took place in fiscal 2005 and a shift in the mix of revenue to more product-related revenue compared to consulting revenue, which carries higher costs of goods. These improvements were offset somewhat by additional expense from the adoption of SFAS No. 123(R), which added approximately $0.9 million of expense in the second quarter of fiscal 2006 and $2.0 million in the first six months of fiscal 2006. The decrease in maintenance and services gross profit dollars for the second quarter of fiscal 2006 compared to the same period of fiscal 2005 was primarily due to decreased maintenance and services revenue, offset somewhat by the factors discussed previously.

Operating expenses

	Three Months Ended			Six Months Ended		
(dollars in thousands)	**April 30, 2006**	**April 30, 2005**	**Change**	**April 30, 2006**	**April 30, 2005**	**Change**
Sales and marketing	$ 96,003	$ 98,479	(3)%	$ 189,212	$ 192,488	(2)%
percentage of revenue	*34%*	*33%*		*34%*	*33%*	
Product development	$ 48,328	$ 51,652	(6)%	$ 93,389	$ 100,645	(7)%
percentage of revenue	*17%*	*17%*		*17%*	*17%*	
General and administrative	$ 33,377	$ 30,140	11%	$ 68,831	$ 58,380	18%
percentage of revenue	*12%*	*10%*		*12%*	*10%*	
Restructuring expenses	$ —	$ 5,361	—%	$ (1,064)	$ 11,780	(109)%
percentage of revenue	*—%*	*2%*		*—%*	*2%*	
Purchased in-process research and development	$ 2,110	$ 480	340%	$ 2,110	$ 480	340%
percentage of revenue	*1%*	*—%*		*—%*	*—%*	
Gain on sale of property, plant and equipment	$ (2,190)	$ —	—%	$ (2,190)	$ (1,589)	38%
percentage of revenue	*(1)%*	*—%*		*—%*	*—%*	
Gain on legal settlement	$ (1,225)	$ —	—%	$ (1,225)	$ (447,560)	(100)%
percentage of revenue	*—%*	*—%*		*—%*	*(76)%*	
Total operating expenses	$ 176,403	$ 186,112	(5)%	$ 349,063	$ (85,376)	(509)%
percentage of revenue	*63%*	*63%*		*63%*	*(15)%*	

Sales and marketing expenses decreased in the second quarter and first six months of fiscal 2006 compared to the same periods of fiscal 2005 due primarily to planned reductions as a result of the fiscal 2005 headcount reductions, offset somewhat by additional expense from the adoption of SFAS No. 123(R), which added approximately $2.8 million and $6.2 million of additional expense in the second quarter and first six months of fiscal 2006, respectively. Sales and marketing headcount was approximately 98 employees, or 8%, lower at the end of the second quarter of fiscal 2006 compared to the same period of fiscal 2005.

Product development expenses in the second quarter and first six months of fiscal 2006 decreased compared to the same periods of fiscal 2005 due primarily to planned reductions as a result of the fiscal 2005 headcount reductions, offset somewhat by additional expense from the adoption of SFAS No. 123(R), which added approximately $1.4 million and $3.7 million of additional expense in the second quarter and first six months of fiscal 2006, respectively. Product development headcount was approximately 220 employees, or 14%, lower at the end of the second quarter of fiscal 2006 compared to the same period of fiscal 2005.

General and administrative expenses increased in the second quarter and first six months of fiscal 2006 compared to the same quarter of fiscal 2005 due primarily to additional expense of approximately $1.6 million and $8.1 million, respectively, resulting from the adoption of SFAS No. 123(R) and favorable one-time adjustments that reduced general and administrative expenses in fiscal 2005. These increases were offset somewhat by headcount reductions and lower facilities expenses. General and administrative headcount was lower by approximately 52 employees, or 7%, at the end of the second quarter of fiscal 2006 compared to the same period of fiscal 2005.

During the first six months of fiscal 2006, we recorded adjustments to the restructuring reserves of $1.1 million related to changes in estimates, of which $0.4 million was related to Asia Pacific, $0.3 million was related to the Americas, $0.3 million was related to EMEA, and $0.1 million was related to Celerant.

Purchased in-process research and development in the second quarter of fiscal 2006 related to the acquisition of e-Security. Purchased in-process research and development in the second quarter of fiscal 2005 related to the acquisition of Immunix.

The gain on sale of property, plant and equipment during the second quarter of fiscal 2006 relates to the sale of one of our corporate aviation assets. During the first six months of fiscal 2005, we recognized a gain of $1.6 million on the sale of our facility in Lindon, Utah.

The gain on legal settlement in the second quarter of fiscal 2006 related to a settlement we received from one of our insurance companies for past legal expenses that were covered under our insurance policies. The gain on legal settlement in fiscal 2005 relates to the settlement with Microsoft concerning potential anti-trust litigation related to our NetWare operating system.

Other income (expense)

(dollars in thousands)	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005	Change	Six Months Ended April 30, 2006	Six Months Ended April 30, 2005	Change
Investment income	$ 15,816	$ 10,240	54%	$ 30,805	$ 19,693	56%
percentage of revenue	*6%*	*3%*		*6%*	*3%*	
Impairment of investments	$ (226)	$ (917)	(75)%	$ (623)	$ (1,930)	(68)%
percentage of revenue	*—%*	*—%*		*—%*	*—%*	
Interest expense and other, net	$ (2,213)	$ (1,868)	(18)%	$ (4,103)	$ (5,273)	(22)%
percentage of revenue	*(1)%*	*(1)%*		*(1)%*	*1%*	
Total other income	$ 13,377	$ 7,455	79%	$ 26,079	$ 12,490	109%
percentage of revenue	*5%*	*3%*		*5%*	*2%*	

Novell's long-term investments consist primarily of investments in venture capital partnerships. Investment income includes income from short-term and long-term investments. Investment income for the second quarter and first six months of fiscal 2006 increased compared to the same periods in fiscal 2005 due to higher interest rates.

To assess impairment, we analyze forecasted financial performance of the investees and our estimate of the potential for investment recovery based on the financial performance factors. When an impairment is deemed to be "other than temporary" we record an impairment expense.

Interest expense and other, net for the second quarter of fiscal 2006 increased compared to the same period of fiscal 2005 due primarily to decreased miscellaneous income. Interest expense and other, net for the first six months of fiscal 2006 decreased compared to the same period of fiscal 2005 primarily due to lower foreign currency transaction losses.

Income tax expense

(dollars in thousands)	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005	Change	Six Months Ended April 30, 2006	Six Months Ended April 30, 2005	Change
Income tax expense	$ 7,499	$ 16,680	(55)%	$ 18,822	$ 76,119	(75)%
percentage of related revenue	*3%*	*6%*		*3%*	*13%*	
Effective tax rate	69%	1584%		78%	17%	

We are subject to income taxes in numerous jurisdictions and the use of estimates is required in determining our provision for income taxes. For the second quarter and first six months of fiscal 2006, we provided income taxes of $7.5 million and $18.8 million, respectively, based on the estimated annual effective tax rate for the year applied to "ordinary" income (pre-tax income excluding unusual or infrequently occurring discrete items). Due to the utilization of a significant amount of our net operating loss carryforwards during fiscal 2005, substantially all of the future benefit received from our remaining net operating loss carryforwards used to offset U.S. taxable income will be credited to additional paid-in capital or goodwill and not income tax expense. In addition, the windfall tax benefits associated with stock-based compensation will be credited to additional paid-in capital. In connection with our adoption of SFAS No. 123(R), we elected to follow the tax ordering laws to determine the sequence in which deductions and net operating loss carryforwards are utilized. Accordingly, during the second quarter and first six months of fiscal 2006, a tax benefit relating to stock options of $1.2 million and $5.2 million, respectively, was credited to additional paid-in capital and a benefit of $3.0 million and $3.5 million, respectively, was credited to goodwill.

The effective tax rate differs from the federal statutory rate of 35% primarily due to the effects of stock-based compensation plans, differences between book and tax items and foreign taxes. The effective tax rate for the second quarter of fiscal 2006 was 69% compared to the effective tax rate of 1,584% for the same period in 2005. The effective tax rate for the first six months of fiscal 2006 was 78% compared to the effective tax rate of 17% for the same period in 2005. The effective tax rates for the second quarter and the first six months of fiscal 2006 differ from the effective tax rates for the second quarter and the first six months of fiscal 2005 due to the use of net operating losses in the first quarter of fiscal 2005, which offset income tax expense associated primarily with the income generated from a settlement we reached with Microsoft in the first quarter of fiscal 2005. The effective tax rate for fiscal 2006 will be higher than the rate for fiscal 2005 primarily because the fiscal 2005 rate reflected a benefit recorded to income tax expense from the use of a significant amount of our net operating loss carryforwards.

In accordance with determinations made pursuant to the applicable accounting standards, we continue to believe that it is more likely than not that our remaining U.S. net deferred tax assets will not be realized based on the weight of all available evidence. As a result, we have provided a full valuation allowance on our U.S. net deferred tax assets. As deferred tax assets or liabilities increase or decrease in the future, or if a portion or all of the valuation allowance is no longer deemed to be necessary, the adjustments to the valuation allowance will increase or decrease future income tax provisions, goodwill or additional paid-in capital. It is reasonably possible that an adjustment to our valuation allowance will be required in the near term and the amount could be material.

We paid cash for income taxes of $6.0 million in the second quarter of fiscal 2006 and $9.5 million during the same period of fiscal 2005. We paid cash for income taxes of $10.5 million in the first six months of fiscal 2006 and $12.9 million during the same period of fiscal 2005. We continue to evaluate our tax reserves under SFAS No. 5, "Accounting for Contingencies," which requires us to accrue for losses we believe are probable and can be reasonably estimated. The amount reflected in the consolidated balance sheet at April 30, 2006 is considered adequate based on our assessment of many factors including, results of tax audits, past experience and interpretations of tax law applied to the facts of each matter. It is reasonably possible that our tax reserves could be increased or decreased in the near term based on these factors.

Net income (loss) available to common stockholders

	Three Months Ended			Six Months Ended		
(dollars in thousands)	**April 30, 2006**	**April 30, 2005**	**Change**	**April 30, 2006**	**April 30, 2005**	**Change**
Net income (loss)	$ 3,342	$ (15,627)	121%	$ 5,207	$ 379,534	(99)%
Net income (loss) available to common stockholders — basic	$ 3,282	$ (15,752)	121%	$ 5,093	$ 375,310	(99)%
Net income (loss) available to common stockholders — diluted	$ 3,178	$ (15,752)	120%	$ 5,021	$ 378,296	(99)%

Additional expense from the adoption of SFAS No. 123(R) in the first quarter of fiscal 2006 decreased net income by approximately $6.8 million during the second quarter of fiscal 2006 and $20.0 million during the first six months of fiscal 2006. Net income was favorably impacted by foreign exchange rate fluctuations in the second quarter and first six months of fiscal 2006 by approximately $0.5 million and $1.6 million, respectively.

Net income (loss) available to common stockholders — basic for the second quarter and first six months of fiscal 2006 and fiscal 2005 differs from net income (loss) for the same periods as a result of the deduction of Series B Preferred Stock dividends and earnings allocated to the holders of Series B Preferred Stock, which are required to be deducted from net income to arrive at net income available to common stockholders — basic.

Net income (loss) available to common stockholders — diluted for the second quarter and first six months of fiscal 2006 differs from net income available to common stockholders — basic for the same periods due to the deduction of additional Celerant minority interest that is required to be deducted from net income to arrive at net income available to common stockholders — diluted.

Net income available to common stockholders — diluted for the first six months of fiscal 2005 differs from net income available to common stockholders — basic for the same period of fiscal 2005 due to the interest expense and amortization of issuance costs attributable to the Debentures that are added back to net income.

Forward-looking net income trends

We expect diluted net income per share for the third quarter of fiscal 2006 to be approximately $0.00 per share.

Liquidity and Capital Resources

(dollars in thousands)	April 30, 2006	October 31, 2005	Change
Cash, cash equivalents and short-term investments....	$ 1,339,041	$ 1,654,904	(19)%
Percent of total assets..	*55%*	*60%*	

An overview of the significant cash flow activities for the six months ended April 30, 2006 and 2005 is as follows:

	Six Months Ended	
(in thousands)	April 30, 2006	April 30, 2005
Cash provided by operating activities, including litigation settlement	$ 1,177	$ 426,663
Issuance of common stock, net	18,082	12,979
Repurchases of common stock — retired	(267,479)	—
Purchases of property, plant and equipment	(14,554)	(11,684)
Proceeds from the sale of property, plant and equipment	7,258	10,421
Proceeds from payoff of note receivable	9,092	—
Cash paid for acquisitions, net of cash acquired	(71,550)	(33,829)
Purchase of intangible assets	—	(15,500)
Cash paid for equity investment in OIN	(4,225)	—
Other long-term investing activities..	(3,014)	(3,018)

Cash provided by operating activities in the first six months of fiscal 2005 included the receipt of $447.6 million in cash net of legal fees in connection with the Microsoft settlement (included in cash provided by operating activities).

As of April 30, 2006, we had cash, cash equivalents and other short-term investments of approximately $340.1 million held in accounts outside the United States. Our short-term investment portfolio is diversified among security types, industry groups, and individual issuers, and consists primarily of investment grade securities. To achieve potentially higher returns, a portion of our investment portfolio is invested in equity securities and mutual funds, both of which are subject to market risk. Approximately $7.0 million of our short-term investments are designated for deferred compensation payments, which are paid out as requested by the plan participants. Our short-term investment portfolio includes gross unrealized gains and losses of $0.8 million and $8.9 million, respectively, as of April 30, 2006. We monitor our investments and record losses when a decline in the investment's market value is determined to be other than temporary.

Our $25.0 million bank line of credit, which is used for letter of credit purposes, expires on April 1, 2007. At April 30, 2006, we had a corporate aviation asset with a net book value of approximately $13.8 million classified as held for sale. We anticipate selling this asset during fiscal 2006 for at least net book value.

As of April 30, 2006, we had a carrying value of $55.4 million related to investments in various venture capital funds and had commitments to contribute an additional $14.5 million to these funds, of which we estimate approximately $9.5 million could be contributed during the remainder of fiscal 2006, approximately $4.4 million in fiscal 2007, and approximately $0.6 million thereafter as requested by the fund managers. We intend to fund these investments with cash from operations and cash on hand.

Our $20.0 million, 20% ownership interest in OIN consisted of patents with a fair value of $15.8 million, including $0.3 million of prepaid acquisition costs, and cash of $4.2 million. At the time of the contribution, the patents had a book value of $14.4 million, including $0.3 million of prepaid acquisition costs. According to the terms of the LLC agreement, we could be required to make future cash contributions which we would fund with cash from operations and cash on hand.

As of April 30, 2006, we have various operating leases related to our facilities. These leases have minimum annual lease commitments of $14.2 million for the remainder of fiscal 2006, $25.3 million in fiscal 2007, $22.4 million in fiscal 2008, $14.8 million in fiscal 2009, $9.2 million in fiscal 2010, and $36.2 million thereafter. Furthermore, we have $27.4 million of minimum rentals to be received in the future from subleases.

On July 2, 2004, we issued and sold $600.0 million aggregate principal amount of our Debentures due 2024. The Debentures pay interest at 0.50% per annum, payable semi-annually on January 15 and July 15 of each year until maturity, commencing January 15, 2005. We paid $1.5 million in interest during the first six months of fiscal 2006.

As of April 30, 2006, we also have 187 shares of Series B Preferred Stock outstanding with a carrying value of $9.4 million. The Series B Preferred Stock is redeemable at our option and by the holder under certain change in control circumstances.

On September 22, 2005, our board of directors approved a share repurchase program for up to $200.0 million of our common stock through September 21, 2006. On April 4, 2006, our board of directors approved an amendment to the share repurchase program increasing the limit on repurchase from $200.0 million to $400.0 million and extending the program through April 3, 2007. As of April 30, 2006, 35.2 million shares of common stock had been repurchased under this program at an average price of $7.59 per share. The total amount paid for the repurchase of our common stock was $267.5 million. Subsequent to April 30, 2006, we completed the share repurchase program by purchasing 16.3 million additional shares at a total cost of $132.5 million.

There have been no significant changes to our contractual obligations as disclosed in our fiscal 2005 Form 10-K.

Our principal sources of liquidity continue to be from operations, cash on hand, and short-term investments. At April 30, 2006, our principal unused sources of liquidity consisted of cash and cash equivalents of $542.1 million and short-term investments in the amount of $797.0 million. During the first six months of fiscal 2006, we generated $1.2 million of cash flow from operations. Our specific liquidity needs for the next twelve months are principally for financing of fixed assets, commitments to our venture capital funds and product development. Our general liquidity needs relate to our need to maintain flexibility in a dynamic and competitive operating environment, including the ability to pursue potential acquisition and investment opportunities. We expect our liquidity needs beyond the next twelve months would include those mentioned previously as well as to the possible redemption of our Debentures, which the holders can first require us to repurchase on July 15, 2009.

We anticipate generating positive cash flows from operations in addition to investment income in fiscal 2006 sufficient to fund operations. We anticipate being able to fund our current operations, future potential acquisitions, any further integration, restructuring or additional merger-related costs, and planned capital expenditures for the next twelve months with existing cash and short-term investments together with cash generated from operations and investment income. We believe that borrowings under our credit facilities or offerings of equity or debt securities are possible for expenditures beyond the next twelve months, if the need arises, although such offerings may not be available to us on acceptable terms and would be dependent on market conditions at such time. Investments will continue in product development and in new and existing areas of technology. Cash may also be used to acquire technology through purchases and strategic acquisitions.

On May 24, 2006, we sold our shares in Celerant consulting to a group comprised of Celerant management and Caledonia Investments plc for $77.0 million in cash. There will be no further shareholding or operational relationship between us and Celerant going forward. The sale of Celerant consulting does not have an impact on our IT consulting business. We anticipate recording a gain of approximately $12.0 to $14.0 million on the sale of Celerant. We will begin classifying Celerant's results of operations and cash flows as discontinued operations in our consolidated statement of operations beginning in our third quarter of fiscal 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risks, including changes in interest rates, foreign currency exchange rates, and market prices of equity securities. To mitigate some of our foreign currency exchange risks, we utilize currency forward contracts and currency options. We do not use derivative financial instruments for speculative or trading purposes, and no significant derivative financial instruments were outstanding at April 30, 2006.

Interest Rate Risk

The primary objective of our short-term investment activities is to preserve principal while maximizing yields without significantly increasing risk. Our strategy is to invest in widely diversified short-term investments, consisting primarily of investment grade securities, substantially all of which either mature within the next twelve months or have characteristics of short-term investments. A hypothetical 50 basis point increase in interest rates would result in an approximately $4.2 million decrease (less than 0.5%) in the fair value of our available-for-sale securities.

Market Risk

We also hold available-for-sale equity securities in our short-term investment portfolio. As of April 30, 2006, gross unrealized gains, before tax effect on the short-term public equity securities totaled $0.8 million. A reduction in prices of 10% of these short-term equity securities would result in an approximately $0.7 million decrease (less than 0.5%) in the fair value of our short-term investments.

In addition, we invest in equity securities issued by privately-held companies that are included in our long-term portfolio of investments, primarily for the promotion of business and strategic objectives. These investments are generally in thinly capitalized companies in the high-technology industry sector or venture capital funds. Because of the nature of these investments, we are exposed to equity price risks. We typically do not attempt to reduce or eliminate our market exposure on these securities. A 10% adverse change in equity prices of long-term equity securities would result in an approximate $5.6 million decrease in the fair value of our long-term securities.

Foreign Currency Risk

We use derivatives to hedge those net assets and liabilities that, when re-measured or settled according to accounting principles generally accepted in the United States, impact our consolidated statement of operations. Currency forward contracts are utilized in these hedging programs. All forward contracts entered into by us are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure, not for speculation or trading purposes. Gains and losses on these currency forward contracts would generally be offset by corresponding gains and losses on the net foreign currency assets and liabilities that they hedge, resulting in negligible net gain or loss overall on the hedged exposures. When hedging balance sheet exposures, all gains and losses on forward contracts are recognized in other income (expense) in the same period as when the gains and losses on re-measurement of the foreign currency denominated assets and liabilities occur. All gains and losses related to foreign exchange contracts are included in cash flows from operating activities in the consolidated statements of cash flows. Our hedging programs reduce, but do not always entirely eliminate, the impact of foreign currency exchange rate movements. If we do not hedge against foreign currency exchange rate movement, an increase or decrease of 10% in exchange rates would result in an increase or decrease in income before taxes of approximately $0.2 million. This number represents the exposure related to balance sheet re-measurement only and assumes that all currencies move in the same direction at the same time relative to the U.S. dollar.

All of the potential changes noted above are based on sensitivity analyses performed on our financial position at April 30, 2006. Actual results may differ materially.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Novell's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Novell's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Novell's disclosure controls and procedures as of the end of the period covered by this report were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by Novell in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to Novell's management, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure.

(b) Change in Internal Control over Financial Reporting

Other than the implementation of a new financial information system, discussed below, no change in Novell's internal control over financial reporting occurred during the second quarter of fiscal 2006 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

In March 2006, we implemented a significant upgrade to our financial information systems, which affected a majority of our financial transactions. This initiative further strengthened the overall design and operating effectiveness of our financial reporting controls. This initiative was not in response to any identified deficiency or weakness in our internal control over financial reporting.

Part II. Other Information

Except as listed below, other items in Part II are omitted because the items are inapplicable or require no response.

Item 1. Legal Proceedings

The information required by this item is incorporated herein by reference to Note N of our financial statements contained in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part 1, Item 1A of our Form 10-K for the fiscal year ended October 31, 2005.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table presents information regarding purchases of shares of Novell common stock made by Novell pursuant to its share repurchase program during the three months ended April 30, 2006.

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
(in thousands, except per share amounts)				
February 1, 2006 through February 28, 2006	—	$ —	—	$ 400,000
March 1, 2006 through March 31, 2006	14,747	$ 7.52	14,686	$ 289,486
April 1, 2006 through April 30, 2006	20,550	$ 7.64	20,550	$ 132,521
Total	35,297	$ 7.59	35,236	$ 132,521

(1) The total number of shares purchased includes: (i) shares purchased pursuant to the share repurchase program described in footnote (2) below; (ii) shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees, totaling 32,000 shares in the month of March, and (iii) shares repurchased from terminated employees in accordance with the terms of a restricted stock agreement, totaling 29,000 shares in the month of March.

(2) On September 22, 2005, Novell announced that its board of directors has approved a share repurchase program for up to $200 million of Novell common stock over the next 12 months. On April 4, 2006, Novell announced that its board of directors amended the share repurchase program to increase the amount of Novell common stock that may be repurchased under the program from $200 million to $400 million and to extend the program through April 3, 2007.

Item 4. Submission of Matters To a Vote of Security Holders

2006 Annual Meeting of Stockholders

Novell's 2006 Annual Meeting of Stockholders was held at 404 Wyman Street, Waltham, Massachusetts, on April 6, 2006 at 10:00 a.m. Out of the 389,062,596 shares of Common Stock and 187 shares of Series B Convertible Preferred Stock that were outstanding and entitled to vote at the meeting as of February 15, 2006 (the record date), a total of 354,017,481 shares of Common Stock and 187 shares of Series B Convertible Preferred Stock were present in person or represented by proxy at the meeting, representing 91.03% of the percent of the total voting power of Novell.

The following are the voting results for the items considered by stockholders:

I. Election of Directors

Nominees:	*Votes For*	*Votes Withheld*
Albert Aiello	346,337,124	9,176,357
Fred Corrado	346,269,681	9,243,800
Richard L. Crandall	346,347,878	9,165,603
Claudine B. Malone	344,875,783	10,637,698
Jack L. Messman	338,117,432	17,396,049
Richard L. Nolan	346,275,638	9,237,843
Thomas G. Plaskett	346,333,784	9,179,697
John W. Poduska, Sr.	346,275,275	9,238,206
James D. Robinson, III	337,793,694	17,719,787
Kathy Brittain White	346,334,399	9,179,082

II. Ratification of Independent Public Accounting Firm

Ratification of PricewaterhouseCoopers LLP as Novell's independent registered public accounting firm for the fiscal year ending October 31, 2006 passed.

		% of Votes Voting on the Matter
Votes For..	351,808,965	98.96%
Votes Against..	1,499,930	0.42%
Votes Abstaining...	2,204,586	0.62%

III. Majority Voting for Directors

A stockholder proposal that the Board of Directors initiate the appropriate process to amend Novell's charter or bylaws to provide that director nominees shall be elected by a majority of votes cast passed.

		% of Votes Voting on the Matter
Votes For..	165,366,148	61.14%
Votes Against..	101,498,559	37.53%
Votes Abstaining...	3,607,244	1.33%
Broker Non-Votes...	85,041,530	n/a

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description
12.1	Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a-14(a) Certification
31.2	Rule 13a-14(a) Certification
32.1	18 U.S.C. Section 1350 Certification
32.2	18 U.S.C. Section 1350 Certification

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, thereunto duly authorized.

Novell, Inc. (Registrant)

Date: June 8, 2006

By: /s/ JOSEPH S. TIBBETTS, JR.
Joseph S. Tibbetts, Jr.
Sr. Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 12.1

Ratio of Earnings to Fixed Charges
(unaudited)

(in thousands, except ratios)	Year Ended October 31, 2001	2002	2003	2004	2005	Three months ended April 30, 2006	Six months ended April 30, 2006
Consolidated pretax earnings (loss) from continuing operations before minority interest	$ (270,355)	$ (95,722)	$ (54,597)	$ 75,518	$ 466,016	$ 10,925	$ 24,083
Interest expense	—	—	—	992	3,000	750	1,500
Amortization of debt issuance costs	—	—	—	982	2,972	743	1,486
Interest portion of rental expense	10,500	8,700	7,200	6,440	6,990	1,456	2,866
Earnings (loss)	$ (259,855)	$ (87,022)	$ (47,397)	$ 83,932	$ 478,978	$ 13,874	$ 29,935
Interest expense	$ —	$ —	$ —	$ 992	$ 3,000	$ 750	$ 1,500
Amortization of debt issuance costs	—	—	—	982	2,972	743	1,486
Interest portion of rental expense	10,500	8,700	7,200	6,440	6,990	1,456	2,866
Fixed charges	$ 10,500	$ 8,700	$ 7,200	$ 8,414	$ 12,962	$ 2,949	$ 5,852
Ratio of earnings to fixed charges	(a)	(a)	(a)	10.0	37.0	4.7	5.1

(a) Due to the loss in fiscal 2001, 2002, and 2003, the ratio of earnings to fixed charges was less than 1:1 in each of those periods. The Company would have had to generate additional earnings of $270.4 million, $95.7 million, and $54.6 million in fiscal 2001, 2002, and 2003, respectively, to achieve a ratio of 1:1.

EXHIBIT 31.1

CERTIFICATIONS

I, Jack L. Messman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novell, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2006

/s/ JACK L. MESSMAN
Jack L. Messman
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

I, Joseph S. Tibbetts, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novell, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2006

/s/ JOSEPH S. TIBBETTS, JR.
Joseph S. Tibbetts, Jr.
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

SECTION 906 CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Jack L. Messman, Chief Executive Officer of Novell, Inc., a Delaware corporation (the "Company"), hereby certify that, to my knowledge:

(1) The Company's periodic report on Form 10-Q for the period ended April 30, 2006 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER

/s/ JACK L. MESSMAN
Jack L. Messman

Date: June 8, 2006

EXHIBIT 32.2

SECTION 906 CERTIFICATION BY THE CHIEF FINANCIAL OFFICER

I, Joseph S. Tibbetts, Jr., Chief Financial Officer of Novell, Inc., a Delaware corporation (the "Company"), hereby certify that, to my knowledge:

(1) The Company's periodic report on Form 10-Q for the period ended April 30, 2006 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF FINANCIAL OFFICER

/s/ JOSEPH S. TIBBETTS, JR.
Joseph S. Tibbetts, Jr.

Date: June 8, 2006