

The Novell® Report

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THIRD QUARTER 2003

Quarterly review of strategic direction, one Net solutions, key customer wins and the latest news from Novell



Novell®

Novell | **Vision**

one Net—A world without information boundaries.

Novell | **Mission**

Novell helps customers profit from the opportunities of the information economy. We enable them to realize the value of their information and deliver it securely and economically to any stakeholder, anytime, anywhere, through any device and across any platform.

What You Should Know About Novell®

If you are determined to eliminate business obstacles and leverage your information assets, and you want to do it now by integrating your information, applications, processes and systems, Novell can help.

Novell at a Glance

Strong Financial Base

- Fiscal Year 2002 Total Revenue was \$1.134 billion with net sales up 8%
- Novell has \$651 million in cash and short-term investments
- Novell has no debt and a total asset value of \$1.6 billion

Global Presence

Novell has more than 100 offices around the world with corporate headquarters in Provo, Utah and executive offices in Waltham, Massachusetts. Regional offices or development offices are located in San Jose, California; Bracknell, UK; Paris, France; Sydney, Australia; Sao Paulo, Brazil; Tokyo, Japan and Bangalore, India.

Industry Leader

- Novell is listed in the Leader Quadrant of Gartner, Inc.'s Desktop Software Distribution Magic Quadrant (Source: Gartner, "2003 Desktop Software Distribution Magic Quadrant," Ronni Colville, 15 April 2003)
- Gartner's John Enck published a *FirstTake* Report on Novell's stated direction for NetWare® and our emerging Linux* offering. (Source: Gartner, "Novell's Linux Option Gives Reason to Reconsider NetWare," John Enck, 22 April 2003)

Novell Customers

Novell serves customers in varied market segments that value highly interactive business solutions. Acer, American Honda, Bank One, Blue Cross Blue Shield, British Airways CitiExpress, British Telecom, Canon Business Solutions, Cathay Pacific, City of Los Angeles, Lufthansa, Michelin, Nissan, Southwest Airlines, State of California, Sumitomo Bank, UK Ministry of Defence, University of Minnesota and *The Washington Post* are representative customers of Novell.

Award-winning Solutions

- *Network Magazine* selected **Novell NetWare 6** and **Novell eDirectory**™ as 2002 Products of the Year for

Best Server Operating System and Best Directory Service, respectively.

- **Novell exteNd™** won *Network Computing's* Editor's Choice award for its visual environment, easy-to-follow Web services development and management, and broad range of features.

The Bottom Line

These customers are leveraging the power of Novell Nterprise™ to enable and manage the constant interaction of their people with their business systems:

- **Canon Business Solutions** expects a decrease in the number of its employee workstations needing work each week by 80 percent, along with a 30 to 40 percent gain in overall administrative efficiency and a 200 percent return on investment in the first year.
- **IDACORP Energy** enabled 100-percent availability and granted users secure, anytime, anywhere access to the data and tools needed to make business-critical decisions.
- **Reader's Digest Association** sped up new PC deployments, reduced overall support costs and simplified network printing to the point that even its roaming users can easily print from any location to any printer.

Recent Announcements

Novell Helps Star Alliance Manage Information Around—and Above—the Globe—Star Alliance, the world's largest and most integrated airline alliance, has tapped Novell to protect its network while providing anytime, anywhere access to key information for the Alliance's vast global workforce of 270,000 employees across its 14 member airlines.

Novell Listed in "Leader" Quadrant in Analyst Firm's Desktop Software Distribution Magic Quadrant—Novell is listed in the Leader Quadrant of Gartner, Inc.'s Desktop Software Distribution Magic Quadrant based on the strength of Novell ZENworks®, a complete and integrated resource management tool set that reduces costs and increases efficiency by automating IT management processes for desktops, laptops, servers and handhelds.

Novell Nterprise™

Enabling and Managing the Constant Interaction of People with Business Systems



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“We don’t go to CIOs trying to sell them on our Nterprise solution. Instead, we talk about their business problems and the benefits of working with Novell to solve them.”

—Tracy Thayne,
Director of
Solutions Marketing,
Novell, Inc.

How do you deliver the business solutions that people in your company say they need to stay ahead of the competition and still stay within a tight budget? How do you make sure all your employees—including those on the road, at branch offices or working from home—have safe, reliable access to all the information resources and communication tools they need to stay productive?

Your business success often relies on your ability to cost-effectively and securely enable your people to leverage the traditional network and collaboration services running within your enterprise. Novell Nterprise offers you an effective, innovative and open approach to traditional network and collaboration services, including file, print, messaging, calendaring, workspace, address book and more. It gives you the power to enable and manage the constant interaction of people with your business systems—regardless of who they are, where they are or what time of day they are working.

Solving Real Business Problems

Novell Nterprise goes way beyond solving an assortment of business problems that you might face. It’s about Novell working with you to bring together a unified, secure, cross-platform and highly available information environment that addresses your unique business challenges. “We don’t go to CIOs trying to sell them on our Nterprise solution,” says Tracy Thayne, Director of Solutions Marketing at Novell. “Instead, we talk about their business problems and the benefits of working with Novell to solve them.”

Novell Nterprise helps address some of the common challenges faced by businesses such as keeping business systems running around the clock, ensuring that users have secure access to the information resources they need no matter the time or location and maximizing return on IT investments.

Business Continuity

Novell has earned a reputation for delivering rock solid, high performance and highly available network and collaboration services for business enterprises. Built on this tradition, Novell Nterprise provides organizations with a business environment that is always accessible, giving the right information to the right people when they need it.

The robust services of Novell Nterprise, combined with several levels of system redundancy, provide the peace of mind that comes from knowing your enterprise won’t go down and your business will never be at risk.

Secure Resource Access Anytime, Anywhere

“Novell Nterprise keeps users productive no matter where they happen to be,” says Thayne. “It



Customers Speak

gives organizations managed mobility so people on the go can still be efficient and do their jobs.”

Novell Nterprise makes it easy to push out all the applications and services your users need at branch offices and remote locations, while simplifying and centralizing the management of those resources. It gives your users a secure virtual office environment no matter where they go or what computer they use to access your business services. Their files and work environment follow them whether at their office desktop, a home computer, a colleague’s workstation at a branch location or on a laptop in a hotel room. And users can easily print to any printer at any corporate or branch office without helpdesk intervention.

Cost-effective Intelligent Consolidation

Every dollar counts with the difficult business decisions you make every day. Novell Nterprise enables you to get the most out of limited IT budgets by delivering low-maintenance reliability and opportunities to consolidate your business services.

“Novell Nterprise gives you the ability to consolidate information services in ways that make sense for your individual business,” says Thayne. “Whether consolidating servers, storage, management, collaboration, or other core networking services, you can lower your overall total cost of ownership and find true ROI.”

Improving Your Bottom Line

Intelligent consolidation, business continuance and anytime-anywhere access provide just a small glimpse of what Novell Nterprise offers. Novell also opens the door to delivering services in the areas of collaboration, resource management and open source. You can deliver secure non-stop access to the enterprise information and resources the people in your business need—no matter where they’re located or what kind of device they’re using. Novell Nterprise offers proven, industry-leading capabilities, tools and services that combine to strengthen all aspects of your business IT environment and improve your bottom line.

Mesaba Airlines

“With Novell, we experience optimal network performance and access. Since our implementation, we have saved a significant amount of time and money, while improving employee efficiency and most important, customer service and satisfaction.”

—Scott Ficek,
Director of
Information Technology

Packaging Corporation of America

“Everyone at the company is overwhelmingly pleased with our Novell solutions. We have an increased IT efficiency that helps us keep costs under control—one of the major reasons why we haven’t had to increase our IT budget in the past four years.”

—Dustin Sanders,
Director of
Networking Services

Star Alliance



STAR ALLIANCE

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“We are confident that the Star Alliance/Novell partnership is a win-win approach. The directory and security project will help us to achieve our vision of a global airline alliance—one which in fact is very similar to Novell’s ‘one Net’ vision.”

—Frank Schuemann,
Project Manager,
Star Alliance

Alliance of leading global airlines taps Novell secure identity management solution to help its network fly more efficiently

Overview

Star Alliance was formed in 1997 as the first truly global airline alliance to provide customers global reach and a smooth travel experience. Star Alliance is the world’s largest and most integrated airline alliance, whose members include Air Canada, Air New Zealand, ANA All Nippon Airways, Asiana Airlines, Austrian Airlines Group, bmi, Lufthansa German Airlines, Mexicana, SAS Scandinavian Airlines, Singapore Airlines, Spanair, Thai Airways International, United and VARIG Brazilian Airlines.

Collectively, the Star Alliance airlines carry some 300 million passengers a year, on a network that serves 700 airports in 128 countries. More than 270,000 employees are affiliated with the alliance.

Challenge

The goal of Star Alliance is to offer passengers seamless, worldwide service. While important strides have been made, the Alliance is constantly striving to do more to harmonize processes and systems in order to make the travel experience easier and more comfortable for its customers. Since its membership entails diverse companies with multiple nationalities and global geographic distribution, it faced a daunting challenge in figuring out how to create a common network environment for employees. Seeking to enhance and improve its common infrastructure, Star Alliance turned to Novell.

“Serving our global customers effectively requires instant access to accurate and secure information,” said Jaan Albrecht, CEO of Star Alliance. “Getting the right information to the right people at the right time is critical. Our industry is also inherently disbursed, and our employees, by definition, are very mobile. Our challenge was to come up with an approach that would give our members’ employees—whether in Seoul, Chicago or Frankfurt—the ability to get onto the network and get what they need easily, quickly and securely.”

“Common procurement is another focus area for Star Alliance,” Albrecht said. “Now more than ever, as all airlines are looking for every possible way to reduce their costs, common procurement efforts within the alliance offer a huge and largely untapped potential for cost savings. With Novell, we saw the potential to develop a common relationship that benefits not only Novell and Star Alliance as a whole, but also all the carriers individually as well.”

Solution

“Over time, we’ve looked at a number of vendors, but in the end selected Novell’s solution because it gives us the power to provide secure IT integration across the alliance, while allowing each of the member airlines to continue leveraging the technology and investments they already have in place,” Albrecht said. “Novell will provide us with



Customers Speak

a cost-effective solution that will allow controlled access to network information across multiple platforms without compromising security.”

Developing a comprehensive identity management solution for Star Alliance required both a good understanding of the business and technical challenges in the airline industry and products that could address the security, mobility and scalability needs of the group. Leveraging the identity management expertise of Novell consulting and the power of Novell technologies, combined with additional security technologies from Cryptovision, Star Alliance developed a multi-phase project to establish a common network access framework for all employees.

Beyond contracting with Novell consulting for the development and implementation of this project, Star Alliance is licensing a range of Novell technologies, including Novell eDirectory®, Novell iChain®, a specially developed Novell DirXML® Airline Integration Driver and the Novell exteNd® Enterprise Server.

Results

In the initial phase, the Alliance will create the Star Alliance Global Directory, which will centrally store and administer key user and resource information contributed by member airlines and the Star Alliance organization. This phase also includes establishing an authentication framework to ensure control of access to the network, as well as encryption of key data. In the second phase of the project, the Global Directory will expand to

include nearly all users and resources on the Star Alliance network.

“Novell has understood our business needs very well and is really committed to the success of this project,” said Frank Schuemann, Star Alliance Project Manager. “We are confident that the Star Alliance/Novell partnership is a win-win approach. The directory and security project will help us to achieve our vision of a global airline alliance—one which in fact is very similar to Novell’s ‘one Net’ vision.”

The potential for savings is considerable. Instead of all the Star Alliance member airlines setting up their own directory and security infrastructure, they can now benefit from the central solution created by Star Alliance and Novell. This could easily amount to savings in the range of millions of dollars for the carriers.

Solving Real Business Problems

“This deal—one of the largest in Novell’s history—clearly illustrates how secure identity management has become a key business challenge for large organizations,” said Jack Messman, chairman and CEO of Novell. “While few companies have the large employee base of an entity like Star Alliance, organizations trying to manage identities for employees, customers, partners and suppliers quickly are dealing with very large numbers. Novell can meet the security and scalability requirements that companies need to handle complex identity management challenges.”

Canon Business Solutions

“Our IT team can do more with less. Our savings in manpower can be reinvested in new equipment. We also aren’t preoccupied with as many day-to-day issues, therefore allowing us to concentrate on our plans for the future.”

—John Grabowski,
IT Manager

Wells Fargo

“This Novell solution has been a substantial benefit to our users and infrastructure administrators. Our biggest return has been the ability to offer more services and resources without increasing our IT staff by even one headcount.”

—Rowdy Van Cleave,
Vice President of
Network Operations

BusinessShareSM: We Speak Your Language

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Each spring more than 5,000 of the greatest minds in the business and technology sectors converge on Salt Lake City, Utah to find and share solutions to the unique problems in their businesses. From April 13–18, top industry analysts, business executives, technology experts, media members and channel partners from around the world participated in the 18th anniversary of this annual event known as BrainShare®. With several keynote addresses and more than 300 different breakout sessions, there was something for everyone.

While some view BrainShare as a gathering just for the techno-elite, the event also includes an intimate gathering of the industry's brightest business minds. BusinessShare (formerly Novell BrainShare Executive Forum) took place the weekend before BrainShare, bringing together top decision-makers from across the business spectrum to explore new strategies for growing their business, lowering operating expenses and equipping their enterprise to respond to market forces.

Up Close and Personal

Novell BusinessShare gives CEOs and other senior level business leaders from around the world an opportunity to participate in executive roundtables with top Novell executives, such as Jack Messman and Chris Stone. This business-focused event gives business leaders from a variety of industries a chance to benefit from lively give-and-take discussions on the challenges of their individual businesses and markets. The relaxed and intimate setting creates the perfect atmosphere for establishing personal relationships

with Novell executives and networking with business peers.

"BusinessShare gives executive business leaders an opportunity to network with their peers and get the industry overview of what's happening in terms of the big issues," says Troy Monney, VP of Corporate Marketing at Novell. "It's not just Novell talking to them. We bring in some of the best minds in the industry. And the messages that they do receive from our executives come not only during keynote sessions, but also in more personal sessions."

Industry Insights

Novell BusinessShare offers insights into what Novell is doing to solve the problems that keep business executives concerned, as well as what the industry is doing as a whole. "BusinessShare is more than just hearing the Novell story," says Monney. "It's a time for executives to get together to share their insights and the struggles that they're facing."

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Novell, Inc.



Novell Announces Enterprise Services on Linux

At the Sunday evening kickoff dinner of the 2003 Spring BusinessShare, participants heard from Dean Kamen, President of DEKA Research and Development Corporation and Chairman of Segway LLC. As an inventor, physicist and entrepreneur, Dean has dedicated his life to developing technologies that help people lead better lives. On Monday, Mike Vizard, Editor-in-Chief of *Computer Reseller News*, discussed technology trends and their effects on business. The CIO of Imperial Sugar presented a case study on how Novell eXtreme helped create the first real-time customer extranet in his industry, making customer service a true competitive advantage.

BusinessShare attendees also had the chance to visit the one Net Lab that showcased not only one Net business solutions from Novell, but also solutions from Novell partners such as IBM, HP, Dell and more. Unlike a typical tradeshow, booths at the one Net Lab are hosted by the developers and product managers actually responsible for building the solutions, giving attendees the ability to get thorough answers to business and technical questions.

Although BusinessShare ended on a Monday, that didn't mean all the participants headed for home. Some stayed the entire week of BrainShare, attending an assortment of breakout sessions

and more keynote addresses. From sessions on achieving return on investment to improving business processes, BrainShare offers about 40 business case study presentations from a variety of customers. Other executives took advantage of the opportunity to go to breakout sessions that provide technology introductions and overviews, as well as a look into future technology and business solutions.

Next Stop, Barcelona

Whether they're concerned with return on investment capital, productivity, enterprise security or keeping their business running at peak performance, BusinessShare offers executives a chance to find answers to critical business problems. From keynote addresses to executive roundtables, executives gain insights from some of the top business leaders in the world and rub shoulders with true peers that share their business worries.

And for those business leaders that aren't able to take advantage of Spring BusinessShare and BrainShare in Salt Lake City, Utah, there is another opportunity later in the year. The spring BusinessShare and BrainShare cast does a repeat performance in Barcelona, Spain, in the fall. Contact your Novell sales representative for more information.

At the 2003 Spring BrainShare, Novell announced that all of the great Novell Enterprise services that run on NetWare will in the future also be available on the Linux platform.

"It's all about choice. Customers do not have to abandon NetWare to move to Linux; if they want to go to Linux, we'll help get them there quickly and easily, and without a lot of aggravation and pain in terms of the migration issues."

—Jack Messman,
Chairman of the Board and
Chief Executive Officer,
Novell, Inc.

"Customers today are concerned about reducing the costs of administration and security. Some of them asked if we could bring our in-depth knowledge in these areas to Linux."

—Debra Bergevine,
Chief Marketing Officer,
Novell, Inc.

Meet Jack Messman

Chairman of the Board and Chief Executive Officer



Jack Messman,
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Jack Messman leads a customer-focused Novell

Although brought in as Novell CEO and Chairman of the Board in 2002, Jack Messman is not new to Novell. Messman was involved with Novell back in 1983 when NetWare was just a cool piece of software built by the “superset” engineers that let them play a game called “Snipes” with each other on different computers. “They had written this fantastic networking software,” says Messman. “Thinking about its application in the business world, I realized it could allow CIOs to hook all their disparate systems together and give them control of their IT systems again.”

After presenting his business plan to Novell Data Systems’ investors, Messman put the “superset” team under contract, gave NetWare its name, brought Ray Noorda in as president, renamed the company Novell, Inc. and became its first Chairman.

New Focus

From these early beginnings, Novell experienced tremendous growth and rapidly became a pioneer in the networking industry. Over the past 20 years as the leading provider of one Net information solutions, the company has undergone several changes. Perhaps the most significant of these occurred since Messman regained the company’s reins last year.

“Today, we’re less entrepreneurial, we’re more professional, we have a better management team, our products are proven, and we’re much more credible,” says Messman. “But our biggest change from yesterday’s Novell to today’s Novell is that we are becoming a customer-focused company rather than an engineering-focused company.”

New Leadership

As he leads Novell toward understanding and solving its customers’ business problems, Messman adheres to three personal leadership principles as his guide. “The first is to set an example. Hard work prevents lots of mistakes,” he says. “Second, performance counts every day. You have to work hard every day and deliver every day. Third, if you can’t measure it, you can’t talk about it. The benefits of measuring are that you know how you are performing.”

New Success

Even though Messman sees Novell as a solutions company, he acknowledges that you can’t build solutions unless you have great products. Messman affirms that Novell has always had great products, but the fundamental philosophy of how it creates those products has changed. “In the past, Novell has been accused of being a company that invented products and threw them over the wall to marketing,” Messman says. “Now we work from the customer back, creating technical business solutions that our customers tell us they want and need.”

To make sure that Novell stays true to course as a customer-focused company, Messman has launched a global customer council that acts as an advisory board to him and his management team. “Our customers on the council provide input on what they need and what’s going on in the marketplace,” says Messman. “Customers tell us their problems and headaches so we can create solutions to help them. It’s a partnership—if they win, we win.”

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