

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**  
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### FILER

#### NOVELL INC

CIK: **758004** | IRS No.: **870393339** | State of Incorpor.: **DE** | Fiscal Year End: **1031**  
Type: **10-Q** | Act: **34** | File No.: **000-13351** | Film No.: **95546710**  
SIC: **7373** Computer integrated systems design

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
For the Fiscal Quarter Ended April 29, 1995

or

Transition Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
For the transition period from -----  
to -----

Commission File Number: 0-13351

NOVELL, INC.

(Exact name of registrant as specified in its charter)

Delaware 87-0393339  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1555 N. Technology Way  
Orem, Utah 84057  
(Address of principal executive offices and zip code)

(801) 429-7000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO \_\_\_\_

As of May 27, 1995 there were 369,087,692 shares of the registrant's common stock outstanding.

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Part I. Financial Information, Item 1. Financial Statements

NOVELL, INC.  
CONSOLIDATED UNAUDITED CONDENSED BALANCE SHEETS

<TABLE>

<CAPTION>

<S>

	<C>	<C>
	Apr. 29, 1995	Oct. 29, 1994

Dollars in thousands, except per share data

ASSETS

Current assets

Cash and short-term investments	\$1,118,887	\$ 861,809
Receivables, less allowances (\$95,548 - April; \$82,934 - October)	399,353	391,342
Inventories	29,542	32,221
Prepaid expenses	57,912	69,324
Deferred income taxes	96,145	98,435

Total current assets	1,701,839	1,453,131
Property, plant and equipment, net	383,700	394,682
Other assets	120,865	115,668
-----		
Total assets	\$2,206,404	\$1,963,481
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 88,297	\$ 67,176
Accrued compensation	87,918	81,639
Accrued marketing liabilities	73,606	66,800
Other accrued liabilities	97,168	121,165
Income taxes payable	66,372	78,139
Deferred revenue	49,598	47,801
-----		
Total current liabilities	462,959	462,720
Minority interests	16,925	13,774
Shareholders' equity		
Common stock, par value \$.10 a share		
Authorized - 600,000,000 shares		
Issued - 368,580,439 shares-April		
364,354,887 shares-October	36,858	36,436
Additional paid-in capital	699,176	645,419
Retained earnings	990,486	805,132
-----		
Total shareholders' equity	1,726,520	1,486,987
-----		
Total liabilities and shareholders' equity	\$2,206,404	\$1,963,481
=====		

</TABLE>

See notes to consolidated unaudited condensed financial statements.

</PAGE>

<TABLE>

NOVELL, INC.  
CONSOLIDATED UNAUDITED CONDENSED STATEMENTS OF INCOME

<CAPTION>

	Fiscal Quarter Ended		Six Months Ended	
	Apr. 29, 1995	Apr. 30, 1994	Apr. 29, 1995	Apr. 30, 1994
Net sales	\$529,508	\$534,930	\$1,022,733	\$1,023,208
Cost of sales	124,455	145,397	241,330	249,174
Gross profit	405,053	389,533	781,403	774,034
Operating expenses				
Sales and marketing	148,374	126,661	288,177	252,881
Product development	93,000	82,917	182,817	166,460
General and administrative	35,794	42,364	69,764	86,391
Nonrecurring charges	--	--	--	14,969
Total operating expenses	277,168	251,942	540,758	520,701
Income from operations	127,885	137,591	240,645	253,333
Other income (expense)				
Investment income	15,037	7,912	24,604	18,861
Other, net	1,240	(692)	1,498	(939)

Other income, net	16,277	7,220	26,102	17,922
Income before taxes	144,162	144,811	266,747	271,255
Income taxes	48,294	48,447	89,360	80,431
Net income	\$ 95,868	\$96,364	\$177,387	\$190,824
Weighted average shares outstanding	374,383	368,482	373,205	368,279
Net income per share	\$ 0.26	\$ 0.26	\$0.48	\$0.52

See notes to consolidated unaudited condensed financial statements.

</TABLE>

<TABLE>

NOVELL, INC.  
CONSOLIDATED UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

<CAPTION>

Amounts in thousands	Six Months Ended	
	Apr. 29, 1995	Apr. 30, 1994
Cash flows from operating activities		
Net income	\$ 177,387	\$ 190,824
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Write-off of purchased research and development	--	14,969
Depreciation and amortization	46,211	40,898
WordPerfect fiscal year conversion	--	(39,856)
Stock plans income tax benefits	15,409	14,278
(Increase) decrease in receivables	(8,011)	48,479
Decrease (increase) in inventories	2,679	(2,303)
Decrease (increase) in prepaid expenses	11,412	(1,841)
Decrease (increase) in deferred income taxes	3,523	(19,004)
Increase in current liabilities	239	11,404
Net cash provided from operating activities	248,849	257,848
Cash flows from financing activities		
Issuance of common stock, net	35,909	17,473
Borrowings	--	24,531
Net cash provided from financing activities	35,909	42,004
Cash flows from investing activities		
Expenditures for property, plant and equipment	(32,532)	(41,417)
(Increase) in short-term investments	(145,429)	(166,557)
Other	4,852	3,116
Net cash used by investing activities	(173,109)	(204,858)
Total increase in cash and cash equivalents	\$ 111,649	\$94,994
Cash and cash equivalents - beginning of period	228,426	383,596
Cash and cash equivalents - end of period	340,075	478,590
Short-term investments - end of period	778,812	502,158

Cash and short-term investments - end of period      \$1,118,887      \$980,748  
=====

See notes to consolidated unaudited condensed financial statements.

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NOVELL, INC.  
NOTES TO CONSOLIDATED UNAUDITED CONDENSED FINANCIAL STATEMENTS

A. Quarterly Financial Statements

The accompanying consolidated unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q but do not include all of the information and footnotes required by generally accepted accounting principles and should therefore, be read in conjunction with the Company's fiscal 1994 Annual Report to Shareholders. These statements do include all normal recurring adjustments which the Company believes necessary for a fair presentation of the statements. The interim operating results are not necessarily indicative of the results for a full year.

B. Mergers, Acquisitions, and Strategic Investments

In June 1994, the Company completed a merger with WordPerfect Corporation (WordPerfect) whereby WordPerfect was merged directly into Novell. Approximately 51 million shares of Novell common stock were exchanged for all of the outstanding common stock of WordPerfect. In addition, outstanding employee stock options to purchase WordPerfect common stock were converted into options to purchase approximately 8 million shares of Novell common stock. The transaction was accounted for as a pooling of interests and therefore, all prior period financial statements presented have been restated as if the merger took place at the beginning of such periods.

In order to conform WordPerfect's year end to Novell's fiscal year end, the consolidated statement of income for fiscal 1994 includes two months (November and December 1993) for WordPerfect which are also included in the consolidated statement of income for the fiscal year ended October 30, 1993. Accordingly, an adjustment has been made in fiscal 1994 to retained earnings for the duplication of net income of \$40 million for such two month period. Other results of operations for such two month period of WordPerfect include net sales of \$137 million, income before taxes of \$35 million, and income tax benefits of \$5 million.

Additionally, in June 1994, the Company acquired from Borland International, Inc. its Quattro Pro spreadsheet product line for \$110 million of cash and assumed liabilities of \$10 million, and purchased a three year license to reproduce and distribute up to one million copies of current and future versions of Borland's

Paradox relational database product for \$35 million of cash. The transaction was accounted for as a purchase and, on this basis, resulted in a one-time write-off of \$114 million for purchased research and development.

C. Cash and Short-term Investments

The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities in the first quarter of fiscal 1995.

All marketable debt and equity securities are included in cash and short-term investments and are considered available-for-sale and carried at fair market value. Such securities are anticipated to be used for current operations and are therefore classified as current assets, even though some maturities may extend beyond one year.

## &lt;TABLE&gt;

The following is a summary of cash and short-term investments, all of which are considered available-for-sale.

## &lt;CAPTION&gt;

(Dollars in thousands)	Cost at Apr. 29, 1995	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value at Apr. 29, 1995	Cost at Oct. 29, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents					
Cash	\$ 106,289	\$ --	\$--	\$ 106,289	\$101,331
Repurchase agreements	18,904	--	--	18,904	19,309
Tax exempt money market fund	61,989	--	--	61,989	29,394
Taxable money market investments	56,818	--	--	56,818	13,357
Municipal securities	96,075	--	--	96,075	65,035
Cash and cash equivalents	\$ 340,075	\$ --	\$--	\$ 340,075	\$228,426
Short-term investments					
Municipal securities	\$ 178,155	\$ 295	\$--	\$ 178,450	\$201,491
Money market mutual funds	45,291	--	--	45,291	104,388
Money market preferreds	446,000	67	--	446,067	306,700
Mutual funds	78,658	--	32	78,626	13,017
Equity securities	14,039	16,339	--	30,378	7,787
Short-term investments	\$ 762,143	\$16,701	\$32	\$ 778,812	\$633,383
Cash and short-term investments	\$1,102,218	\$16,701	\$32	\$1,118,887	\$861,809

## &lt;/TABLE&gt;

During the first six months of fiscal 1995 the Company had realized gains of \$3 million on the sale of securities compared to realized gains in the first six months of fiscal 1994 of \$7 million.

## D. Income Taxes

The Company's estimated effective tax rate for the first six months of fiscal 1995 was 33.5%. Excluding non-tax deductible one-time charges related to the write-off of purchased research and development of \$15 million in fiscal 1994 and adjusting fiscal 1994 to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations, the Company's effective tax rate would have been 34% in fiscal 1994. The Company paid cash amounts for income taxes of \$76 million and \$66 million, in the first six months of fiscal 1995 and 1994, respectively.

## E. Commitments and Contingencies

The Company currently has a \$10 million unsecured revolving bank line of credit, with interest at the prime rate. The line can be used for either letter of credit or working capital purposes. The line is subject to the terms of a loan agreement containing financial covenants and restrictions, none of which are expected to significantly affect the Company's operations. At April 29, 1995 there were no borrowings, letter of credit acceptances or commitments under such line.

The Company has an additional \$10 million credit facility with another bank which is not subject to a loan agreement. At April 29, 1995 standby letters of credit of approximately \$100,000 were outstanding under this agreement.

On November 10, 1993, a suit was filed against Novell and certain of its officers and directors alleging violation of federal securities laws. Another lawsuit alleging similar claims was filed August 26, 1994. Both lawsuits were brought as purported class actions on behalf of purchasers of Novell common stock. On February 22, 1995 the plaintiffs amended November 10, 1993 lawsuit was dismissed with prejudice and the plaintiffs have appealed that ruling. Novell does not believe that the

resolution of the either lawsuit will have a material adverse effect on its financial position or results of operations.

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The Company is a party to a number of additional legal proceedings arising in the ordinary course of business. The Company believes the ultimate resolution of the claims will not have a material adverse effect on its financial position or results of operations.

F. International Sales

The Company markets internationally through distributors who sell to dealers and end users. For the six months ended April 29, 1995 and April 30, 1994, sales to international customers were approximately \$470 million and \$439 million, respectively. In the first six months of fiscal 1995 and fiscal 1994, 56% and 61%, respectively, of international sales were to European countries. No one foreign country accounted for 10% or more of total sales in either period. Except for one multi-national distributor, which accounted for 18% of revenue in the first six months of 1995 and 11% of revenue in the first six months of fiscal 1994, no customer accounted for more than 10% of revenue in any period.

G. Net Income Per Share

Net income per share is computed using the weighted average number of common shares outstanding during the periods, including common stock equivalents (unless antidilutive). Common stock equivalents consist of outstanding stock options.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Novell's business is connecting people with other people and the information they need, enabling them to act on it anytime, anyplace. Novell is a leading provider of networking and application software. The Company's software products provide the distributed infrastructure, network services, advanced network access and network applications required to make networked information and computing an integral part of everyone's daily life.

Over the past several years, the Company has issued common stock or paid cash to acquire technology companies, invested cash in other technology companies, and formed strategic alliances with still other technology companies. Novell undertook all of these transactions to promote a pervasive computing environment, and in many cases to also broaden the Company's business as a system and application software supplier.

In June 1994, the Company completed a merger with WordPerfect Corporation (WordPerfect), whereby WordPerfect was merged directly into Novell. Approximately 51 million shares of Novell common stock were exchanged for all of the outstanding common stock of WordPerfect. In addition, the outstanding employee stock options to purchase WordPerfect common stock were converted into options to purchase approximately 8 million shares of Novell common stock. The transaction was accounted for as a pooling of interests and therefore, all prior financial statements presented herein have been restated as if the merger took place at the beginning of such periods.

Additionally, in June 1994, the Company acquired from Borland International, Inc. its Quattro Pro spreadsheet product line for \$110 million of cash and assumed liabilities of \$10 million, and purchased a three year license to reproduce and distribute up to one million copies of current and future versions of Borland's Paradox relational database product for \$35 million of cash. The transaction was accounted for as a purchase and, on this basis, resulted in a one-time write-off of \$114 million for purchased research and development.

The Company will continue to look for similar acquisitions, investments or strategic alliances which it believes complement its

overall business strategy.  
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<TABLE>

Results of Operations

Net Sales

<CAPTION>

	Q2 1995	Change	Q2 1994	YTD 1995	Change	YTD 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
-----						
Net sales (millions)	\$530	-1%	\$535	\$1,023	--	\$1,023
=====						

</TABLE>

During the second quarter of fiscal 1994, the Company sold a one time fully paid license for UNIX technology to Sun Microsystems for \$81 million. Excluding this transaction, net sales grew by 17% in the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 and by 8% in the first six months of fiscal 1995 compared to the first six months of fiscal 1994.

With the acquisition of WordPerfect in fiscal 1994, Novell redefined itself into four product groups, all within the software industry. They are the NetWare Systems Group (NSG), the Novell Applications Group (NAG), the UNIX Systems Group (USG), and the Information Access and Management Group (IAMG). While revenue decreased slightly from the second quarter of fiscal 1994 to the second quarter of fiscal 1995 and remained flat in the first six months of fiscal 1995 compared to the first six months of fiscal 1994, analysis of the individual product groups characterizes the changes that have occurred.

NSG revenues grew by 7% in the second quarter of fiscal 1995 compared to the like period in fiscal 1994 and by 12% in the first six months of fiscal 1995 compared to the first six months of fiscal 1994. Most of the growth was in the NetWare 4 product family, partially offset by a decrease in the NetWare 3 product family.

NAG revenues increased by 25% in the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 and remained flat during the first six months of fiscal 1995 compared to the first six months of fiscal 1994. The increase in the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 is the result of revenue increases in the PerfectOffice suite as well as GroupWare applications, partially offset by a decrease in standalone WordPerfect products. Even though NAG revenue remained flat for the first six months of fiscal 1995 compared to the first six months of fiscal 1994, the first six months of fiscal 1995 had higher PerfectOffice suite and GroupWare applications revenues, offset by lower standalone WordPerfect product revenues compared to the first six months of fiscal 1994.

USG revenues decreased by 74% in the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 and decreased by 64% in the first six months of fiscal 1995 compared to the first six months of fiscal 1994. The decreases were attributable to a one time fully paid license for UNIX technology to Sun Microsystems for \$81 million during the second quarter of fiscal 1994. Excluding this one-time license in fiscal 1994, USG revenues grew by 8% in the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 and decreased by 2% in the first six months of fiscal 1995 compared to the first six months of fiscal 1994.

IAMG revenues increased by 26% in the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994. The increase was a result of increases across all IAMG product lines. IAMG revenues also increased by 6% in the first six months of fiscal 1995 compared to the first six months of fiscal 1994. The increase is a result of higher shipments of network management products.

Excluding the one-time license fee in fiscal 1994, international sales represented 46% of total sales in the first six months of fiscal 1995 compared to 47% in the first six months of fiscal 1994.

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<TABLE>

Gross Profit

<CAPTION>

	Q2 1995	Change	Q2 1994	YTD 1995	Change	YTD 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Gross profit (millions)	\$405	4%	\$390	\$781	1%	\$774
Percentage of net sales	76%		73%	76%		76%

</TABLE>

In connection with the Sun Microsystems transaction described above, the Company revalued the software and other intangibles remaining on the balance sheet related to the USL acquisition in fiscal 1993. Accordingly, \$35 million of costs associated with the sale of the license to Sun Microsystems were charged to cost of sales during the second quarter of fiscal 1994.

Excluding the Sun Microsystems revenue and the related costs, the gross profit percentage would have been 76% in the second quarter of fiscal 1994 and 77% in the first six months of fiscal 1994.

Excluding the Sun Microsystems revenue and related costs impact in fiscal 1994, the gross profit margin is flat for the second quarters of fiscal 1995 and fiscal 1994 and slightly down for the first six months of fiscal 1995 compared to the first six months in fiscal 1994. Future fluctuations in the gross profit margin will be primarily attributable to price changes, changes in sales mix by product or distribution channel, and special product promotions. The Company expects the gross profit margin in fiscal 1995 to not vary significantly from the gross profit margin in fiscal 1994.

Operating Expenses

<TABLE>

<CAPTION>

	Q2 1995	Change	Q2 1994	YTD 1995	Change	YTD 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales and marketing (millions)	\$ 148	17%	\$127	\$288	14%	\$ 253
Percentage of net sale	28%		24%	28%		25%
Product development (millions)	\$93	12%	\$ 83	\$183	10%	\$ 166
Percentage of net sales	18%		16%	18%		16%
General and administrative (millions)	\$ 36	-16%	\$ 42	\$ 70	-19%	\$ 86
Percentage of net sales	7%		8%	7%		8%
Nonrecurring charges (millions)	--	--	--	--	--	\$ 15
Percentage of net sales	--		--	--		1%
Total operating expenses (millions)	\$277	10%	\$252	\$541	4%	\$521
Percentage of net sales	52%		47%	53%		51%

</TABLE>

Excluding the Sun Microsystems revenues in fiscal 1994, sales and marketing expenses were flat at 28% of net sales in the second quarter of both fiscal 1994 and 1995. On the same basis, sales and marketing expenses increased from 27% of net sales in the first six months of fiscal 1994 to 28% of net sales in the first six months of fiscal 1995. This increase is attributable to relatively higher corporate and product marketing expenses, partially offset by lower domestic and international selling expenses. Sales and marketing expenses fluctuate as a percentage of net sales in any given period due to product promotions, advertising or other discretionary expenses.

Excluding the Sun Microsystems revenue in fiscal 1994, product development expenses remained flat at 18% of net sales in both the second quarter of fiscal 1995 compared to the second quarter of fiscal 1994 as well as in the first six months of fiscal 1995 compared to the first six months of fiscal 1994.

Excluding the Sun Microsystems revenue in fiscal 1994, general and administrative expenses decreased from 9% to 7% of net sales in both the second quarter of fiscal 1995 compared to the second quarter in fiscal 1994 as well as in the first six months of fiscal 1995 compared to the first six months of fiscal 1994. The decrease is attributable to lower legal expenses and a reduction in headcount since the merger with WordPerfect.

During the first quarter of 1994, the Company wrote off \$15 million of non-tax deductible purchased research and development in connection with the acquisition of SoftSolutions.

Excluding the Sun Microsystems revenue in fiscal 1994, total operating expenses, excluding nonrecurring charges, have grown less rapidly than revenues in both the second quarter of fiscal 1995 compared to the second quarter in fiscal 1994 as well as in the first six months of fiscal 1995 compared to the first six months of fiscal 1994 due primarily to headcount reductions.

	YTD 1995	Change	YTD 1994
Employees	7,572	-19%	9,350
Annualized revenue per employee (000's)	\$255	34%	\$191

Early in fiscal 1994 WordPerfect reduced its workforce by approximately 1,000 employees. Subsequent to the merger between Novell and WordPerfect, there was an additional reduction in force of approximately 1,100. In the first quarter of 1995 an additional 650 employees functions were outsourced as part of the restructuring. As a result of these reductions, annualized revenue per employee increased 34% in the first six months of fiscal 1995 compared to the same period in fiscal 1994.

<TABLE>

Other Income (Expense)

<CAPTION>

	Q2 1995	Change	Q2 1994	YTD 1995	Change	YTD 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Other income (expense), net (millions)	\$16	129%	\$7	\$26	44%	\$18
Percentage of net sales	3%		\$1%	3%		2%

</TABLE>

The primary component of other income (expense) is investment income, which was \$15 million in the second quarter of fiscal 1995 compared to \$8 million the second quarter of fiscal 1994. During first six months of fiscal 1995, investment income was \$25 million compared to \$19 million in the first six months of fiscal 1994. The increase is the result of higher average yields on the Company's higher cash balances as well as increased capital gains on its investment portfolio. In order to achieve potentially higher returns, a limited portion of the Company's investment portfolio is invested in mutual funds which incur some market risk. The Company believes that the market risk has been limited by diversification and by use of a funds management timing service which switches funds out of mutual funds and into money market funds when preset signals occur.

<TABLE>

Income Taxes

<CAPTION>

	Q2 1995	Change	Q2 1994	YTD 1995	Change	YTD 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income taxes (millions)	\$48	--	\$48	\$89	11%	\$80
Percentage of net sales	9%		9%	9%		8%
Effective tax rate	34%		34%	33%		30%

</TABLE>

The Company's estimated tax rate for fiscal 1995 is 33.5%, which is down slightly from the fiscal 1994 rate of 34%, excluding the effect of the non-tax deductible one-time charges related to the write-off of purchased research and development of \$15 million in the first quarter of fiscal 1994 and adjusting to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations. The higher effective rate in fiscal 1994 was attributable to non-tax deductible merger expenses.

<TABLE>

#### Net Income and Net Income Per Share

<CAPTION>

	Q2 1995	Change	Q2 1994	YTD 1995	Change	YTD 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (millions)	\$96	--	\$96	\$177	-7%	\$191
Percentage of net sales	18%		18%	17%		19%
Net income per share	\$.26	--	\$.26	\$.48	-8%	\$.52

</TABLE>

Excluding the impact of nonrecurring items and normalizing income taxes, net income for the second quarter of fiscal 1995 would remain at \$96 million or 18% of net sales compared to \$66 million or 15% of net sales in the second quarter of fiscal 1994. In the first six months of fiscal 1995, net income would remain at \$177 million or 17% of net sales while in the first six months of fiscal 1994 net income would have been \$160 million or 17% of net sales.

<TABLE>

#### Liquidity and Capital Resources

<CAPTION>

	YTD 1995	Change	Q4 1994
<S>	<C>	<C>	<C>
Cash and short-term investments (millions)	\$1,119	30%	\$862
Percentage of total assets	51%		44%

</TABLE>

Cash and short-term investments increased to \$1,119 million from April 29, 1995 from \$862 million at October 29, 1994. The major reasons for this increase were the \$249 million of cash provided by operating activities, the \$36 million provided by financing activities and the \$5 million provided from other investing activities, partially offset by the \$33 million used for capital asset purchases. The Company's principal source of liquidity has been from operations. At April 29, 1995, the Company's principal unused sources of liquidity consisted of cash and short-term investments and available borrowing capacity of approximately \$20 million under its credit facilities. The investment portfolio is diversified among security types, industry groups, and individual issuers. The Company's liquidity needs are principally for the Company's financing of accounts receivable, capital assets, acquisitions and strategic investments and to have flexibility in a dynamic and competitive operating environment.

During fiscal 1995 the Company has continued to generate cash from operations. The Company anticipates being able to fund its current operations and capital expenditures planned for the foreseeable future with existing cash and short-term investments together with internally generated funds. Borrowings under the Company's credit facilities, or public offerings of equity or debt securities are available if the need arises. As the Company grows, investments will continue in product development in new and existing areas of technology. Cash may also be used to acquire technology through purchases and strategic acquisitions. Capital expenditures in fiscal 1995 are anticipated to be approximately \$80 million, but could be reduced if the growth of the Company is less than

Part II. Other Information

Except as listed below, all information required by items in Part II is omitted because the items are inapplicable or the answer is negative.

Item 1. Legal Proceedings.

The information required by this item is incorporated herein by reference to Footnote E of the Company's financial statements contained in Part I, Item 1 of this Form 10-Q.

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

The Company held its Annual Meeting of Shareholders on April 12, 1995 for the following purposes:

1. To elect nine directors;
2. To approve the adoption of an amendment to the Company's Restated Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue to 600,000,000 from 400,000,000; and
3. To approve and ratify the adoption of an amendment to the Novell, Inc. 1989 Employee Stock Purchase Plan to increase the shares reserved for issuance thereunder from 4,000,000 to 8,000,000.

<TABLE>

The following tables set forth the outcome of the matters voted upon at the meeting and the number of votes cast for, against or withheld.

<CAPTION>

Proposal 1	Votes For	Votes Withheld
<S>	<S>	<S>
Election of Directors		
Robert J. Frankenberg	283,958,049	23,052,974
Alan C. Ashton	284,321,454	22,689,569
Bruce W. Bastian	284,150,865	22,866,158
Elaine R. Bond	283,638,514	23,372,709
Jack L. Messman	284,720,973	22,290,050
Kanwal S. Rekhi	282,308,421	24,702,602
Larry W. Sonsini	282,624,166	24,386,857
Ian R. Wilson	276,391,515	30,619,508
John A. Young	284,432,981	22,578,042

</TABLE>

<TABLE>

<CAPTION>

Proposal 2	Votes For	Votes Against	Votes Withheld/Abstained
<S>	<C>	<C>	<C>
Approval of the Adoption of an Amendment to the Company's Certificate of Incorporation			
	286,599,869	12,838,687	3,051,272

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Proposal 3	Votes For	Votes Against	Votes Withheld/Abstained
<S>	<C>	<C>	<C>
Approval and Ratification of the Adoption of an Amendment to the Company's 1989 Employee Stock Purchase Plan			
	284,334,591	15,802,100	3,296,193

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Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit Number	Description
27*	Financial Data Schedule

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Registrant during the quarter ended April 29, 1995.

-----  
\*Filed herewith

/PAGE

SIGNATURES

Pursuant to the requirements of the Securities and 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 9, 1995

/s/ Robert J. Frankenberg  
-----  
Robert J. Frankenberg  
Chairman of the Board,  
President, Chief Executive  
Officer and Director  
(Principal Executive Officer)

Date: June 9, 1995

/s/ James R. Tolonen  
-----  
James R. Tolonen  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: June 9, 1995

/s/ Stephen C. Wise  
-----  
Stephen C. Wise  
Senior Vice President, Finance  
(Principal Accounting Officer)

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