

Borland Forms CodeGear FAQ

Q: Why is Borland forming a separate business out of its Developer Tools Group (DTG)?

A: Borland is separating the Developer Tools Group into a separate subsidiary for two reasons. First, it gives Borland the ability to focus on leading the growing Application Lifecycle Management (ALM) market. Second, it provides DTG with the structure it needs to continue addressing developer productivity and to ensure the future of products like JBuilder, Delphi, Interbase and Turbo. As a subsidiary of Borland, CodeGear will have a separate brand, management team, R&D organization, sales and marketing strategy, and global operating infrastructure. Creating two separate businesses will allow both CodeGear and Borland to be successful in two important, but very different markets.

Q: What is the new subsidiary's name? What product lines will be part of the new operations?

A: CodeGear will be focused on delivering innovative, individual productivity tools for a wide spectrum of software developers. The newly formed subsidiary will be responsible for advancing the four primary product lines formerly associated with Borland's Integrated Development Environment (IDE) business, which will now be delivered under the CodeGear brand. These include Developer Studio (Delphi®, C++Builder® and C#Builder®), JBuilder® (including the upcoming "Peloton" offering, which brings JBuilder to the Eclipse ecosystem), Turbo® and Interbase.

Q: Why did Borland decide not to sell CodeGear?

A: After a lengthy and complex due diligence process with several serious bidders, we determined this model would best maximize the value of CodeGear and ensure the brightest future for the product lines, customers, the developer community and Borland shareholders. When we first announced our intent to sell the IDE business we made it clear we were looking for three things in a home for this group: someone who was committed to serving the developer community, who would continue innovation in the products, and who would offer a sum that matched the value of the business. The challenge came when we went about separating two operations that have been interlinked for over 23 years. We found we were not able to adequately separate the financials in a way that could demonstrate what we believe to be the true value of this business.

Q: Who will be the leaders of this new company?

A: The new company will be led by Ben Smith, CodeGear's new Chief Executive Officer, who will work closely with CodeGear's existing leadership team to deliver on the business plan and product roadmaps created throughout the divestiture process. Smith is a seasoned technology executive who has been advising Borland and the Developer Tools Group for the past 12 months.

Q: What kind of market opportunity is there for CodeGear?

A: Evans Data recently published a report predicting the global developer population to grow 46% by 2009, creating a market of over 17 million developers globally. There is a rich opportunity for CodeGear to develop products that can make these developers more productive. The emergence of web services and new development capabilities from Ruby to Python to Ajax provide an opportunity for even more substantial innovation.

Q: Why is Borland focusing on Application Lifecycle Management?

A: Borland is betting on ALM because it is a high-growth market and we feel that software delivery is the last area of IT that continues to be a chaotic, unmanaged business process. Forrester Research expects ALM to be a \$3.3 billion by 2009 with a 9.2% Compound Annual Growth Rate (CAGR). We feel Borland's singular focus in this area, our rich history serving software teams and our powerful ALM products make us better positioned than anyone to lead this market.

Q: What kind of success is Borland seeing in the ALM market?

A: Our ALM revenue growth is a great indicator of the success we're already having in ALM. In Q3 2006 our ALM revenue was \$53 million dollars, a 90% annual increase from Q3 last year. In addition, we've seen strong sequential double digit growth in ALM license revenue each of the past 3 quarters. We've also expanded our ALM portfolio to help customers master the most critical processes in software delivery, and are seeing large investments from new customers who are standardizing on those products.

Q: Will this separation impact the planned integrations between Borland's ALM and CodeGear's IDE products?

A: That is not our expectation. The integrations between Borland's ALM products and CodeGear's IDE products add value to both product lines and we don't intend to lose that value. As such, we fully expect to continue maintaining and advancing these integrations, while at the same time seeking other relevant integrations that can offer customers the choice and value they expect.

Q: Will CodeGear maintain its existing product roadmaps?

A: Absolutely. CodeGear is committed to executing on the existing 3-year roadmaps that have been previously communicated to customers.

Forward-Looking Statements

Statements made in this document that are not historical facts are "forward-looking statements" and accordingly involve risk and uncertainties that could cause actual results to differ materially from those described in this release. Forward-looking statements include, for example, all statements relating to projected financial performance (including statements involving projection of revenues, income, earnings, capital expenditures, dividends, capital structure, or other financial items), the plans and objectives of management for future operations, products or services; and future performance in economic terms or other any other measures.

Forward-looking statements in this release involve potential risks and uncertainties that could cause results to differ materially including, among others, our ability to successfully re-focus the company on the development and sales of enterprise software development solutions and to become a global leader in ALM, our ability to predict revenue growth from our ALM products, our ability to efficiently separate part of our business relating to our IDE assets and deliver on the business plan for these products. These and other risks may be detailed from time to time in Borland's periodic reports filed with the Securities and Exchange Commission, including, but not limited to its latest Annual Report on Form 10-K, and its latest quarterly report on Form 10-Q, copies of which may be obtained from <http://www.sec.gov>. The forward-looking statements in this document are based on information available to Borland today and Borland assumes no obligation to update such forward-looking statements.