

IMMEDIATE

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ASHTON-TATE REPORTS THIRD QUARTER LOSS

TORRANCE, CA, October 17, 1989 -- Ashton-Tate Corporation (NASDAQ:TATE) today reported a net loss of \$19.4 million (\$.74 per share) for its third quarter ended September 30, 1989 on net revenues of \$53.9 million. For the quarter ended October 31, 1988, the company reported net income of \$11.7 million (\$.45 per share) on net revenues of \$75.7 million.

For the nine months ended September 30, 1989, the company reported a net loss of \$27.6 million (\$1.05 per share) on net revenues of \$203.2 million. Net income for the nine months ended October 31, 1989 was \$34.3 million (\$1.32 per share) on net revenues of \$220.0 million.

The company also announced that it has begun a beta testing program for dBASE IV, Version 1.1. (See related release.)

The net loss for the third quarter was primarily attributable to reduced U.S. revenues, a provision of approximately \$4.9 million to upgrade dBASE IV inventories into Version 1.1 and approximately \$1.8 million in severance costs associated with the company's recent workforce reduction.

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The reduction in U.S. revenues resulted primarily from the continuation of the company's previously announced joint program with U.S. distributors and resellers to substantially reduce distribution channel inventories.

"During the quarter, we significantly reduced our workforce, reduced spending rates in other areas which should yield fourth quarter expense reductions, and made further progress on reducing distributor and reseller inventories," said Edward M. Esber, Jr. Ashton-Tate's chairman, president and chief executive officer. "We believe our third quarter U.S. product sell-through substantially exceeded our third quarter revenues. We also expect to ship new versions of key products during the next two quarters. Thus, our principal focus is now on delivering new versions dBASE IV 1.1 and new releases of other products, and returning to profitability. We believe the actions we have taken will contribute to the achievement of our near-term objective of attaining a break-even level of operations."

Esber added that the company has been encouraged by feedback on pre-beta test versions of dBASE IV Version 1.1. "We are very pleased with the insights and information we received prior to commencement of formal beta testing," he said. "The beta testing program represents the next step in our dBASE IV Version 1.1 quality program." Esber also added that he was pleased with recent progress on the dBASE Professional Compiler.

Ashton-Tate believes that dBASE IV and dBASE III PLUS continue to be the two best selling microcomputer database management products worldwide. Recently, dBASE IV Version 1.0

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received PC WORLD magazine's "World Class" award as the year's best microcomputer relational database based on the magazine's annual readership poll. Ashton-Tate database products also topped SOFTWARE MAGAZINE's 1989 survey of planned microcomputer database software purchases among large commercial and governmental organizations. A total of 51% of the survey respondents said they planned to purchase Ashton-Tate DBMS products.

Based in Torrance, California, Ashton-Tate markets microcomputer business applications software for the DOS, OS/2 and Macintosh operating systems. Products are available in five major categories: database management systems, word processing, integrated decision support, spreadsheets and graphics. Ashton-Tate also offers a comprehensive line of service and support programs for individuals, corporations and government agencies.

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COMPARATIVE RESULTS
(In thousands, except per share data)

	<u>THREE MONTHS ENDED</u>		
	<u>Sept. 30, 1989</u>	<u>Oct. 31, 1988</u>	<u>June 30, 1989</u>
Net Revenues	\$53,916	\$75,714	\$59,489
Pre-Tax Income (Loss)	(23,369)	\$18,139	(23,880)
Net Income (Loss)	(19,369)	\$11,739	(19,780)
Net Income (Loss) Per Share	(.74)	.45	(.75)
Average Shares Outstanding	26,148	26,163	26,441

	<u>NINE MONTHS ENDED</u>	
	<u>Sept. 30, 1989</u>	<u>Oct. 31, 1988</u>
Net Revenues	\$203,208	\$219,985
Pre-Tax Income (Loss)	(30,147)	54,511
Net Income (Loss)	(27,647)	34,311
Net Income (Loss) Per Share	(1.05)	1.32
Average Shares Outstanding	26,330	26,083

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Third Quarter Earnings Announcement
Executive Q & A

Third Quarter Results

1) What caused the third quarter loss?

A: The loss was caused by a combination of reduced U.S. revenues, a provision of approximately \$4.9 million to upgrade dBASE IV inventories into Version 1.1 and approximately \$1.8 million in severance costs associated with our recent workforce reduction.

The reduced revenues resulted primarily from the continuation of our previously announced joint program with U.S. distributors and resellers to substantially reduce distribution channel inventories.

2) Are you finished with your channel inventory reduction program?

A: Although we have met our inventory objectives with most of our dealer and distributor partners, we are still working with a few others. We are pleased with our progress and feel confident the channel program substantially completed by the end of 1989.

3) How did sell-through fare during the quarter?

A: Sell-through substantially exceeded revenue for the quarter.

4) Can you give us a number for sell-through? By how much did it exceed revenues?

A: I don't have specific numbers to give out.

5) Can you give us a feel for the fourth quarter?

A: We are not providing a forecast for the 4th quarter results.

6) When do you expect earnings to turn around?

A: We are taking the appropriate steps to get the company back on the road to profitability. However, we cannot make a specific projection.

7) Would you elaborate on the actions you are taking to improve results?

A: In addition to remaining committed to completing the channel inventory reduction program, we have already taken significant measures to reduce expenses through our workforce reduction program and we continue to reduce spending rates in other areas which should yield fourth quarter expense reductions. We believe the actions we have taken will contribute to the achievement of our near-term objective of attaining a break-even level of operations.

8) How much money did you save in reducing your workforce?

A: Although I don't have specific numbers, we were able to substantially reduce our breakeven point through our cost reduction program.

9) Is a stock buy-back in your plans?

A: Not currently. We don't believe it is prudent to implement a stock buy-back while we are in a cash-flow negative position.

10) Your third quarter loss announcement represents the latest in a series of negative announcements for your company. How is employee morale?

A: It's been a difficult time for Ashton-Tate and its employees -- as it would be for any company in our situation. However, our employees have stayed focused and determined throughout this period. We believe we have the right team to return Ashton-Tate to profitability.

Product Issues

- 1) We hear that a new version of MultiMate and a new graphics product are close to shipping. Is this true?

A: Although I don't have specific release dates for you, we are hoping to come to market soon with these new products.

- 2) The press would have people believe that dBASE IV Version 1.0 is a dead product. What is your reaction?

A: Comments like that never cease to amaze us. dBASE IV and dBASE III PLUS are the top two selling database products for the microcomputer worldwide. The nearest competitor has less than 20 percent of the sell-through of these two products. dBASE IV itself has won more awards than any recent microcomputer database product, including Infoworld's 1988 database product of the year and PC World magazine's 1989 "World Class" award -- both of which were decided by the publications' readers.

dBASE IV also received a top rated ranking among database software from Personal Computing magazine, a four-star rating (tops among dBASE-compatible products) from Software Digest magazine, and the best overall rating among dBASE-oriented applications programming packages from PC Week magazine.

And in a recent Software Magazine survey, 51% of the large commercial and governmental organizations polled said they planned to purchase Ashton-Tate database software products this year.

dBASE IV Beta Issues and the Compiler

See attached Q&A for the beta test program.

- 1) What is the status of the dBASE IV Professional Compiler?

A: Development work on the product continues and we are very pleased with the progress we have made thus far.

Employee Issues

- 1) I've heard that two members of your SQL Server team recently resigned. Who were they and what were their roles?
A: We have had two recent resignations in the SQL Server area.
(IF ASKED WHO: Jim Reilly, director of sales, and John Kish, group product manager. Jim and John left to pursue other career opportunities.)
- 2) Do you know what their plans are at this time?
A: (IF NO ANNOUNCEMENT HAS BEEN MADE) We are not aware of their plans.
(IF AN ANNOUNCEMENT HAS BEEN MADE) We understand that Jim and John have taken positions at (Company).
- 3) Are you worried about these two managers leaking proprietary information to your competitors?
A: There is always a concern when an employee leaves the company. However, these two managers are covered by our normal non-disclosure agreement.
- 4) Won't this hinder your SQL Server efforts?
A: Although it poses a short term staffing problem, The SQL Server group is a team effort. The rest of this team will keep us running business as usual until we can fill the vacant positions.
- 5) A number of resellers have expressed concern over these departures. They equate SQL Server and the success of this program with these two managers. How could you have let them go?
A: We are aware that both Jim and John had forged close ties with some of the SQL Server resellers and we are sensitive to these concerns. We, too, were surprised and disappointed with the managers' decisions to leave, but both made their own decisions to leave Ashton-Tate.
We have reassured SQL Server resellers that Ashton-Tate remains firmly committed to SQL Server.

6) Do you plan to replace Reilly and Kish soon?

A: We are working on it now.

7) I've also heard rumors that Microsoft is fed up with Ashton-Tate and plans to cancel the SQL Server agreement and handle the marketing itself.

A: That is pure conjecture. We are committed to Microsoft and the SQL Server agreement, and Microsoft knows that.

8) I've also heard that Wes Richards is on sick leave. What is the problem and when do you expect him back?

A: Wes has decided to take a leave of absence to address family concerns. There is no specific time frame, but we hope to have Wes back with us soon.

9) Who is overseeing sales in his absence?

A: Bill Lyons, vice president and general manager of Ashton-Tate's Applications Group will temporarily assume Wes' U.S. sales responsibilities until he returns.

Bill has had extensive experience with sales organizations during his 19 years with IBM, including sales and marketing positions with IBM's Entry Systems Division and National Distribution Division. Bill also has a strong familiarity with the microcomputer hardware and software distribution channel community.

10) Is it true you have split up your UCAN division? This seems like more than a coincidence with Wes' announcement. Are you purposefully reducing his responsibilities?

A: In a permanent organizational change, the Canadian sales region will become the responsibility of our International Division under the direction of Peter Boot, vice president of international.

The International Division under the direction of Peter Boot has always overseen South America, Asia, Australia and New Zealand. Canada is a logical addition to these regions, which make up Ashton-Tate's entire international focus outside of Europe and the Middle East.

11) Did you announce an internal reorganization last week (week of 10/9)?

A: We did assign Eric Kim to oversee the remainder of the dBASE IV Version 1.1 development and test project, reporting directly to Ed Esber, who will assume direct responsibility for the database marketing activities.

Moshe Zloof, Mike Benson and Bill Stow will focus on the design of future generations of our database products -- reporting directly to Ed Esber.

Competitive Issues

1) What is your reaction to the unveiling of FoxPro?

A: It will take several weeks of examination for people to get a firm handle on the product's true strengths and weaknesses. We reserve comment on the product until we have an accurate picture.

2) The product is being characterized as a quantum leap in dBASE technology. What is there to keep Fox from taking over your market?

A: It is very common for developers conferences to generate a great deal of marketing excitement. One needs to get past the marketing messages to analyze the product itself before a true and realistic assessment of the product can be made. We are confident in our future and our ability to remain the central player in the dBASE market worldwide.

3) What is your reaction to the Lotus/Sybase agreement?

A: The details of their agreement and intentions have not been adequately disclosed for us to comment.

(Alternative, per Ed: We are very pleased with the Lotus announcement. This marks Lotus' official support of the SQL server platform. Ashton-Tate, Microsoft and Sybase have worked hard to get Lotus' endorsement of SQL Server.)

DBASE IV VERSION 1.1 BETA TESTING PROGRAM
Q&A

What is the dBASE Quality Program?

It is a program that Ashton-Tate is instituting to ensure a highly functional, high quality release of dBASE IV, Version 1.1. It will include exposure to a broad range of users from corporations, government and independent application developers.

What type of Beta program is planned for dBASE IV 1.1?

We have organized a phased program, which we plan to bring to approximately 1000 sites for product evaluation and feedback. This program is specifically designed to make sure that information is properly utilized by our development teams and feedback is also given to the customer on what decisions are made based on their suggestions.

How will this beta program be supported? Do you have enough technical resources to do it right?

Superior technical support is critical to the success of this program and we have plans to offer extensive direct support, complemented by bulletin board and telephone support. The goal of the program is to solicit regular feedback from these beta users, so it is in our best interest to keep in close contact with them as they work with the product.

How does this differ from the beta testing program for dBASE IV, 1.0? How many beta sites did you have prior to shipping 1.0?

We worked on a long-term basis with a limited number of non-disclosure test and development sites with Version 1.0. These sites were highly experienced in developing applications in the dBASE language.

The program that we announced today will let us work with a greater number of customers who will use the product in diverse ways. We have also established a more formalized feedback system so that we can address beta user comments when developing subsequent versions of the software to be introduced in the various phases.

How many sites will receive the software in the first phase? What is the timing and number of sites for each phase? Can you give us names of beta test sites?

We are not releasing the specifics of the program. All of our sites are under non-disclosure so we are unable to release that information. When we ship the final version of the product, we plan to release the names of several beta users who will be willing to discuss their experiences at that time.

Who will participate in the beta program?

Developers, corporate customers, channel partners, and strategic alliances.

How long will dBASE IV Version 1.1 be in this beta program? When will you ship a stable production version of the product?

Beta will continue until our customers find that Version 1.1 is ready to ship

What will be the parameters for the Server Edition beta testing program. Will dLAB be involved?

The Server Edition Beta testing program will include SQL Server gold resellers as well as other key developers and corporate customers. As with our dBASE IV 1.1 Beta Testing program the key is to gain user feedback and respond to give customers a quality product that meets their needs. dLAB members interested in SQL Server will of course be included.