Informix Corporation 2000 Annual Report

FINANCIAL SUMMARY

Year ended December 31, (in thousands, except per share data)	2000	1999	1998
Net revenues	**$ 929,319**	$1,039,111	$ 854,520
Net income (loss)	**(98,315)**	(2,988)	52,452
Net income, excluding charges[1]	**28,513**	111,173	59,692
Net income (loss) per common share:			
Basic	**(0.34)**	(0.02)	0.21
Diluted	**(0.34)**	(0.02)	0.19
Cash, cash equivalents & short-term investments	**216,961**	272,587	250,719
Total assets	**655,881**	793,337	695,802
Total stockholders' equity	**318,121**	426,219	249,802

[1] Charges consist of merger, realignment & other charges, litigation settlement expense and write-off of acquired research & development.

TO OUR STOCKHOLDERS, CUSTOMERS, BUSINESS PARTNERS AND EMPLOYEES:

Informix Corporation came a long way in 2000. By the end of the year, we had become an organization transformed. A restructuring begun in the third quarter created two separate companies, each moving in a clear direction. Both were equipped with the assets they need to succeed — an unyielding focus, outstanding products, great people, clear strategies and significant opportunities in dynamic markets.

The substantially improved financial performance of Informix in the fourth quarter of 2000 gives us confidence that we have embarked upon the right strategy to build on our position in our markets, to generate profitability and growth and to create value for our stockholders. As a result of the restructuring, Informix Corporation today is comprised of two operating companies, Informix Software and Ascential Software, each taking a different road.

Our database business, Informix Software, is focused on being a technology leader and global provider of database management systems for data warehousing, transaction processing and eBusiness applications. The company has more than 100,000 customers around the world in markets such as retail, financial services, government, health care, manufacturing, media and publishing and telecommunications. The company's portfolio of products is engineered to better enable businesses to efficiently manage data and information, an essential capability in the new economy. This is an established business with a solid revenue stream and substantial cash-generating potential.

Our new eBusiness solutions company, which was branded Ascential Software in January 2001, is focused on providing Information Asset Management solutions to the Global 2000. The framework Ascential Software has built enables customers to turn vast, disparate, unrefined data into information that can be used and reused to realize more value from their enterprise information. Ascential Software's core includes products acquired in the Ardent Software, Inc. transaction, which was completed in March 2000, as well as solutions, infrastructure and a global presence originating from Informix. As a result, this is a new company with a running start and what we believe is an extraordinary leg up in terms of its technology and market leadership.

TWO COMPANIES, TWO SEPARATE PATHS

Our new corporate structure recognizes that, for this company at this time, two parts operating independently are greater than the sum operating together. The need for change had become clear by the middle of 2000 and, in July, the Board of Directors asked me to serve as Chief Executive Officer.

In the 2000 third quarter, as we assessed the situation to determine how to fix our underperforming business, our customers consistently told us that we had terrific products. But we were also hearing that there was confusion in the marketplace. The combination of Informix and Ardent had created an organization with impressive capabilities. But the message we were delivering to our customers was not clear.

Since the Ardent acquisition, Informix Corporation had emphasized the tremendous potential of our eBusiness solutions, such as DataStage® and Media360™. While our database customers were receptive to these products, they wanted to see a more clear commitment that we would continue to support and develop our database products for the long term. Conversely, on the Ascential side, we ran the risk that customers would view our solutions as only for those using the Informix database. In fact, Ascential Software's Information Asset Management products are intended to be platform independent.

Two companies, with two strategies, represented the solution. We set out to divide the company in a way that would address our customers' concerns and give each entity the right technology, products, people and other resources to succeed in their respective markets. We moved expeditiously to create an infrastructure to support both companies. Functions such as engineering and marketing were quickly separated. One of the final — and most critical — steps in the reorganization was the successful division of the sales force.

FINANCIAL TURNAROUND

The challenges Informix faced in 2000 are reflected in the company's financial results. For the year, sales were

$929 million compared to $1,039 million a year earlier. Net profit before charges in 2000 was $28.3 million, or $0.09 per diluted share, compared to $110.2 million, or $0.40 per diluted share, in 1999. Including charges of $126.8 million primarily related to the Ardent merger and to our restructurings, Informix reported a net loss of $98.3 million, or $0.34 per diluted share, in 2000.

We have said that 2000 was a year of rebuilding and repositioning the company for sustained revenue and earnings growth. Importantly, in the fourth quarter, we saw evidence that we were beginning to regain Informix's stature and momentum.

Fourth quarter revenue was $226.8 million, up from $211.1 million in the third quarter of 2000. Over the same sequential period, we reduced total costs from $229.6 million to $211.9 million, excluding charges of $62.1 million and $14.7 million, respectively. As a result, net profit for the last quarter of the year was $14.9 million, or $0.05 per diluted share, before charges. This reverses a loss, before charges, of $18.5 million, or $0.06 per diluted share, in the previous quarter. This improvement in performance in sequential quarters was evident on both sides of the business. Revenue of Ascential Software rose 16% from the third to the fourth quarters on the strength of a 22% increase in software license revenue. Revenue for the database business started growing again, rising 6% from the third to the fourth quarters of 2000, driven by a 23% sequential increase in license revenue.

This transformation in such a brief period of time is a credit to the people throughout both of our businesses. To effect change is never easy. To get results this resounding, this rapidly, is remarkable. I am honored to work with the many fine people at both Informix Software and Ascential Software who have been working tirelessly to put their business back on a growth track. This extends through the ranks of senior management where we have in place individuals who understand the business and are committed to maximizing the potential of each. Pete Fiore, who had been Senior Vice President of the Solutions Business Operation, was appointed President of Ascential Software. James D. Foy, previously Senior Vice President of the Database Business Operation, was named President of Informix Software.

INFORMIX SOFTWARE

Information is the capital that drives our modern economy, and Informix Software is a leader in helping companies make the most of their information. In 2000, thousands of customers around the world chose Informix Software to provide the reliable, scalable, high-performance database management systems they need to manage information and maintain their competitive edge. Over the past year, we also re-energized our relationships with key partners like SAP, BroadVision and PeopleSoft to continue to enhance the strength and visibility of our products.

The company also expanded its enterprise product portfolio, which now includes:

Informix Dynamic Server™ (IDS) 9.20, the company's flagship database server and core component of Informix Internet Foundation. Highly extensible and scalable with the power to support the largest transaction processing systems, IDS reliably supports mission-critical applications while providing an easy upgrade path to the Internet.

Extended Parallel Server™ (XPS) 8.31, our high-end database server equipped with advanced data warehousing features that enable Internet and large enterprises to make more effective decisions. XPS set a world record for the industry standard TPC-H benchmark test, which measures performance of high capacity databases.

Red Brick Decision Server™ 6.10, our high performance data warehouse that offers sophisticated data querying and analysis to support demanding business intelligence and decision-making activities.

In 2000, Informix Software announced its Arrowhead program, which will deliver a multi-purpose database management system in a single integrated framework to meet the converging data demands of the new economy. Slated for initial release in the fourth quarter of 2001, Arrowhead will offer near-infinite scalability and support the next generation of integrated Web, OLTP and decision-support applications.

While Arrowhead will provide our customers with innovative solutions to meet their evolving business needs, Informix Software remains firmly committed to providing enhancements and support for its existing product offerings.

Informix Software continues to deliver advanced technical assistance through its extensive network of support centers worldwide, and offers consulting and custom education services that enable customers to make the most of our products and related technologies.

ASCENTIAL SOFTWARE

Today, Ascential Software offers a formidable roster of products that enables customers to turn information into competitive economic advantage. To maximize the potential market for its products, Ascential Software solutions are intended to be platform independent.

In 2000, Ascential Software introduced a host of new solutions to address the growing need among information-sensitive companies worldwide to integrate and convert large volumes of unrefined raw data and content into valuable, reliable and reusable information assets. The products introduced included:

DataStage XE 2.0, a platform consisting of a comprehensive set of software components that allows for the collection, validation, organization and administration of all types of data. We believe DataStage XE is the only data and meta data integration solution that offers support across mainframe, Unix and NT platforms and provides companies with advanced meta data management services as well as built-in data quality assurance capability.

Media360, which meets the rapidly growing need for media asset management, a market that is expected to expand significantly in the year ahead. Media360 is a complete solution for the collection, organization, administration and delivery of all types of media assets, such as video, audio, images, documents, desktop and web publishing assets. Media360 provides an enterprise content management solution which enables customers to realize significant operational efficiencies.

iDecide™, a family of component-based solutions that address specific customer-centric business problems relating to their need to analyze operational data including Website traffic. These solutions reduce a customer's "time-to-deploy" analytic applications and provide them the capacity to assess their overall business whether it is from "clicks" or "mortar."

Axielle™, our next-generation enterprise information portal for information asset management. This product manages the flow of critical business information by providing customers with a single point of access to all relevant information assets dispersed across their enterprise. Axielle incorporates a sophisticated XML-based business information directory and the ability to integrate data warehousing and business intelligence environments. This product also extends the company's market opportunity from its established leadership position in data integration with the DataStage family of products to personalized and secure information delivery and access through enterprise portals.

Ascential Software's customer base is already 1,700 strong, and includes companies in a broad range of industries including financial services, media and entertainment, health care, retail and telecommunications. We also have partnerships with more than 200 leading systems integrators and leading solutions vendors — such as SAP, Siebel, Business Objects, Accenture, EDS, Avid and Virage — which allow us to extend the reach of our products and solutions.

Our strategy is clear: grow revenue by offering high value to our customers through differentiated products and services, expand our worldwide distribution through key strategic alliances, and leverage our current strengths as an advanced stage start up with a running start. We are executing this strategy at a time of tremendous market growth. Leading industry researchers expect the market for data integration and media asset management to grow significantly respectively, over the next year.

Ascential Software's products and solutions are supported by a broad range of services including product maintenance, consulting, education and customer support. These services are administered by the company's growing network of highly trained professionals world-wide and support centers located in North America, Europe and Asia/Pacific.

ON THE WAY TOWARD THE FUTURE

We've entered a new year optimistic about our future. With our new corporate structure, we have much flexibility to take strategic actions to unlock shareholder value, such as creating a separate publicly traded company for our Ascential Software business as market conditions warrant. We also have substantial financial resources to pursue our strategies, including a balance sheet with no long-term debt and a business mix that is positioned to generate significant cash in the coming year.

In short, we believe that we have the right strategy, a clear product road map, exceptional talent and strong customer and partner relationships. We have come far in the past year, and we appreciate the support of everyone — stockholders, customers, partners and employees — who has supported us along the way. On behalf of our management team and our board of directors, I thank you very much for your continued support. Please be assured that we are committed to continue earning it through our unwavering focus on generating sustainable, profitable growth, as well as on creating value for each of our constituencies.

Peter Gyenes
Chairman, President and Chief Executive Officer
Informix Corporation

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FINANCIAL OVERVIEW - FIVE YEAR SUMMARY

Year ended December 31,	**2000[1]**	1999[2]	1998[3]	1997[4]	1996
(in thousands except per share data)					
Net revenues	**$ 929,319**	$1,039,111	$ 854,520	$ 766,620	$ 845,039
Net income (loss)	**(98,315)**	(2,988)	52,452	(369,309)	(84,012)
Preferred stock dividend	**(191)**	(995)	(3,478)	(301)	—
Value assigned to warrants	**—**	—	(1,982)	(1,601)	—
Net income (loss) applicable to common stockholders	**(98,506)**	(3,983)	46,992	(371,211)	(84,012)
Net income (loss) per common share:					
Basic	**(0.34)**	(0.02)	0.21	(1.85)	(0.43)
Diluted	**(0.34)**	(0.02)	0.19	(1.85)	(0.43)
Total assets	**655,881**	793,337	695,802	653,342	971,112
Long-term obligations	**787**	1,420	3,759	27,734	24,098
Retained earnings (accumulated deficit)	**(359,132)**	(260,817)	(259,849)	(312,301)	57,556

[1] In 2000, we recorded merger, realignment and other charges of $126.8 million.

[2] In 1999, we recorded restructuring-related adjustments that increased operating income by $0.6 million and, in connection with our acquisition of Cloudscape, Inc. in October 1999, recorded a charge of $2.8 million for merger related expenses. In addition, we recorded a charge of $97.0 million related to the settlement of private securities and related litigation against us. Also in connection with Ardent Software, Inc.'s acquisition of Prism Solutions, Inc., we recorded a charge of $9.9 million for merger and restructuring charges as well as a $5.1 million charge for in-process research and development which had not yet reached technological feasibility and had no alternative future uses.

[3] In 1998, we recorded restructuring-related adjustments that increased operating income by $10.3 million and, in connection with our acquisition of Red Brick Systems, Inc. in December 1998, recorded a charge of $2.6 million for in-process research and development which had not yet reached technological feasibility and had no alternative future uses. In addition, we recorded a charge of $14.9 million for merger and restructuring charges related to Ardent's merger with Unidata.

[4] In 1997, we recorded a restructuring charge of $108.2 million, a write-down of certain assets in Japan of $30.5 million and a charge to operations of $7.0 million for in-process research and development which had not yet reached technological feasibility and had no alternative future uses in connection with our acquisition of CenterView. We also recorded a charge of $3.0 million in connection with Ardent's acquisition of O2 Technologies for in-process research and development which had not yet reached technological feasibility and had no alternative future uses.

THE FOLLOWING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTAINS FORWARD-LOOKING STATEMENTS RELATING TO FUTURE EVENTS OR THE COMPANY'S FUTURE FINANCIAL PERFORMANCE, WHICH INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "FACTORS THAT MAY AFFECT FUTURE RESULTS," AND ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K.

OVERVIEW

Informix Corporation is a global provider of information management software through its two operating businesses, Informix Software and Ascential Software. Informix Software, the database company, develops, markets and supports object-relational and relational database management systems for data warehousing, transaction processing and e-business applications. Ascential Software is a supplier of information asset management software and solutions to enterprises and government organizations worldwide.

During the second half of 2000, Informix Corporation undertook a strategic realignment to transition from five former business units into the two operating businesses. By December 31, 2000, we defined and allocated personnel among the management, selling, marketing, research and development and service organizations for the two operating businesses. However, the core infrastructure groups of Informix Corporation (operations, finance and administration) have been retained by Informix Software and these groups will continue to provide services to both operating businesses through much of 2001. Our intent continues to be to create two separate publicly traded companies when market conditions permit.

We have not achieved sufficient separation of the employees and infrastructure of the two operating businesses to properly measure the results of the operations on a stand-alone basis. Accordingly, although we present the separate revenue information for the two operating businesses on a historical basis, we do not present separate historical operating income information. We intend to disclose the results of operations based on the two operating businesses on a prospective basis.

On March 1, 2000, we acquired Ardent Software, Inc. ("Ardent"), a leading provider of data integration infrastructure software for data warehouse, business intelligence, and e-business applications. In the acquisition, the former shareholders of Ardent received 3.5 shares of our common stock in exchange for each outstanding Ardent share and we assumed all outstanding Ardent options and warrants. The transaction has been accounted for as a pooling of interests and, therefore, all historical financial information has been restated to include Ardent.

As more fully described in Note 13 to the Consolidated Financial Statements, we recorded merger, realignment and other charges of $126.8 million, during 2000 of which $43.8 million related to non-cash charges. As of December 31, 2000, we had made cash payments of $58.2 million related to the $126.8 million charge and expect to make additional cash payments of approximately $24.8 million during the first half of 2001. In addition to the $126.8 million charge, we expect to incur further realignment charges during the first half of 2001 of approximately $6.0 million for primarily employee compensation related costs.

We expect to realize total quarterly expense reduction of approximately $19.7 million as a result of this realignment and approximately 86% of this expected amount represents cash savings with the balance attributable to reductions in non-cash depreciation and amortization. The expected quarterly expense reduction began during the quarter ended December 31, 2000 but the full effect will not be realized until the quarter ended June 30, 2001. The expected quarterly expense reduction is estimated to reduce specific quarterly expense components as follows: cost of software distribution, $2.0 million; cost of services, $2.2 million; sales and marketing, $7.2 million; research and development, $5.0 million; general and administrative, $3.3 million.

These realignment and other charges are subject to continuing review and adjustment as we implement the realignment.

RESULTS OF OPERATIONS

The following table and discussion compares the results of operations for the years ended December 31, 2000, 1999 and 1998.

Years ended December 31,	**2000**	1999	1998
Percent of net revenues			
NET REVENUES:			
Licenses	**44%**	52%	53%
Services	**56**	48	47
Total net revenues	**100**	100	100
COST AND EXPENSES:			
Cost of software distribution	**5**	5	5
Cost of services	**20**	20	21
Sales and marketing	**43**	36	37
Research and development	**18**	18	20
General and administrative	**11**	9	10
Write-off of acquired research and development	**—**	—	—
Merger and restructuring charges	**14**	1	—
Total expenses	**111**	89	93
OPERATING INCOME (LOSS)	**(11)**	11	7
NET INCOME (LOSS)	**(11)%**	–%	6%

REVENUES

We derive revenues from licensing software and providing post-license technical product support and updates to customers and from consulting and education services. Our revenue recognition policy is described in Note 1 to our Consolidated Financial Statements.

LICENSE REVENUES. License revenues may involve the shipment of product by us or the granting of a license to a customer to manufacture products. Our products are sold directly to end-user customers or through resellers, including OEMs, distributors and value added resellers ("VARs"). Revenue from license agreements with resellers is recognized as earned by us, generally, when the licenses are resold or utilized by the reseller and all of our related obligations have been satisfied. Accordingly, amounts received from customers in advance of revenue being recognized are recorded as a liability in "advances from customers" in our financial statements. Advances in the amount of $10.5 million and $34.3 million had not been recognized as earned revenue as of December 31, 2000 and December 31, 1999, respectively. During the year ended December 31, 2000, we received $10.7 million in customer advances and recognized revenue from resellers with previously recorded customer advances of $34.5 million. Included in the $34.5 million recognized were $21.4 million of licenses that were resold or utilized by the reseller, $11.1 million related to contractual reductions in customer advances and $2.0 million related to previously deferred revenue for solution sales, which has now been recognized as services have been completed. During 1999 and 1998, we recognized revenue of $11.4 million and $4.4 million, respectively, as a result of contractual reductions in customer advances. Contractual reductions result from settlements between us and resellers in which the customer advance contractually expires or a settlement is structured wherein the rights to resell our products terminate without sell through or deployment of the software.

Our license transactions can be relatively large in size and difficult to forecast both in timing and dollar value. As a result, license transactions have caused fluctuations in net revenues and net income (loss) because of the relatively high gross margin on such revenues. As is common in the industry, a disproportionate amount of our license revenue is derived from transactions that close in the last weeks or last few days of a quarter. The timing of closing large license agreements also increases the risk of quarter-to-quarter fluctuations. We expect that these types of transactions and the resulting fluctuations in revenue will continue.

SERVICE REVENUES. Service revenues are comprised of maintenance, consulting and education revenues. Maintenance contracts generally call for us to provide technical support and software updates to customers.

The following table and discussion compares the revenues for the businesses of Informix Software and Ascential Software for the years ended December 31, 2000, 1999 and 1998 (in millions):

For the years ended December 31, (in millions of dollars)	2000	1999	1998
INFORMIX SOFTWARE			
License revenues	**$ 337.7**	$ 481.9	$ 439.6
Service revenues			
Maintenance revenues	**392.4**	361.3	285.7
Consulting and education revenues	**77.5**	111.8	111.7
Total service revenues	**469.9**	473.1	397.4
Total revenues—Informix Software	**$ 807.6**	$ 955.0	$ 837.0
License revenues as a percent of total revenues	**42%**	50%	53%
Service revenues as a percent of total revenues	**58%**	50%	47%
ASCENTIAL SOFTWARE			
License revenues	**$ 66.7**	$ 54.0	$ 14.3
Service revenues			
Maintenance revenues	**20.1**	6.9	0.9
Consulting and education revenues	**34.9**	23.2	2.3
Total service revenues	**55.0**	30.1	3.2
Total revenues—Ascential Software	**$121.7**	$ 84.1	$ 17.5
License revenues as a percent of total revenues	**55%**	64%	82%
Service revenues as a percent of total revenues	**45%**	36%	18%
INFORMIX CORPORATION *(COMBINED TOTAL OF INFORMIX SOFTWARE AND ASCENTIAL SOFTWARE)*			
License revenues	**$404.4**	$ 535.9	$453.9
Service revenues			
Maintenance revenues	**412.5**	368.2	286.6
Consulting and education revenues	**112.4**	135.0	114.0
Total service revenues	**524.9**	503.2	400.6
Total revenues—Informix Corporation	**$929.3**	$1,039.1	$854.5
License revenues as a percent of total revenues	**44%**	52%	53%
Service revenues as a percent of total revenues	**56%**	48%	47%

INFORMIX SOFTWARE—REVENUES

LICENSE REVENUES. License revenues for 2000 decreased 30% to $337.7 million from $481.9 million in 1999. The decrease in license revenues was due in large part to a significant decline in revenues from our traditional client-server and tools products (which we refer to as “Classic” products) and our Enterprise database servers. We believe that this decline is attributable to slower market demand for our Classic products in the post-Y2K environment and the failure of our sales and field marketing organizations to effectively market and sell our products due to a number of factors, including attrition and turnover in our sales and marketing organization, the announcement during the third quarter of our corporate restructuring and reorganization, and delays encountered in integrating certain of Ardent’s operations and products into our sales, product marketing and general operations. In addition to this decline in license revenue in absolute dollars, our license revenue is also declining as a percentage of our total revenue. Although we do not expect this latter trend to continue, we are unable to predict whether market demand for our products will rebound in future quarters or whether our license

revenues will continue to decline in absolute dollars. License revenues for 1999 increased 10% to $481.9 million from $439.6 million in 1998. This increase was primary a result of increased license revenues from our Enterprise database servers. This was driven by the introduction of several new products in the second half of 1999, including the first release of Informix Internet Foundation and a next generation release of Informix Dynamic Server.

SERVICE REVENUES. Service revenues decreased 1% to $469.9 million in 2000 and increased 19% to $473.1 million in 1999 from $397.4 million in 1998. Service revenues accounted for 58%, 50%, and 47% of total revenues in 2000, 1999 and 1998, respectively. Maintenance revenues increased 9% to $392.4 million in 2000 and increased 26% to $361.3 million in 1999 from $285.7 million in 1998. The increase in maintenance revenues, was attributable primarily to the renewal of maintenance contracts and our growing installed customer base. During 2000, consulting and education revenues decreased 31% to $77.5 million primarily due to the 30% decline in license revenues experienced in 2000 as consulting and education revenues are typically driven by engagements and projects associated with new license revenues. During 1999, consulting and education revenues remained flat at $111.8 million versus $111.7 million in 1998.

ASCENTIAL SOFTWARE—REVENUES

LICENSE REVENUES. License revenues increased 24% to $66.7 million in 2000 and increased 278% to $54.0 million in 1999 from $14.3 million in 1998. The increase in 2000 was due principally to increased sales of Ascential's content management product offerings; Media360 and i.Reach, as well as increased sales of i.Sell, all of which experienced growth as part of their early life stage. The increase during 1999 was driven primarily by increased sales of Ascential's Datastage product as well as the acquisition of Prism Solutions, Inc. ("Prism") by Ardent.

SERVICE REVENUES. Service revenues increased 83% to $55.0 million in 2000 and increased 841% to $30.1 million in 1999 from $3.2 million in 1998. Service revenues accounted for 45%, 36%, and 18% of total revenues in 2000, 1999 and 1998, respectively. Maintenance revenues increased 191% to $20.1 million in 2000 and increased 667% to $6.9 million in 1999 from $0.9 million in 1998. Maintenance revenues are increasing for Ascential Software as it continues to build its installed customer base. Consulting and education revenues increased 50% to $34.9 million in 2000 and increased 909% to $23.2 million in 1999 from $2.3 million in 1998. Consulting and education revenues are typically driven by engagements and projects associated with new license revenues.

COSTS AND EXPENSES

AS DISCUSSED ABOVE, OUR DISCUSSION AND ANALYSIS OF COSTS AND EXPENSES IS PRESENTED ON A COMBINED BASIS FOR THE TWO OPERATING BUSINESSES.

COST OF SOFTWARE DISTRIBUTION. Cost of software distribution consists primarily of: (1) manufacturing personnel costs, (2) third-party royalties, and (3) amortization of previously capitalized software development costs and any write-offs of previously capitalized software (except during the quarter ended September 30, 2000, when we wrote-off approximately $15.2 million of capitalized software to merger, realignment and other charges—for more information see Note 13 to the Consolidated Financial Statements). Cost of software distribution increased slightly to $50.4 million in 2000 from $50.2 million in 1999 even though license revenues decreased 25% during 2000. This increase was primarily due to an increase in third party royalties associated with increased license revenue from certain Ascential Software product offerings. This increase was partially offset by a decrease in capitalized software amortization as certain database products became fully amortized during 2000 and a decrease in manufacturing costs as we realized efficiencies due to the consolidation of our manufacturing operations. Cost of software distribution increased 19% during 1999 when compared to 1998, which is in line with the 18% increase in license revenues experienced during the same period, due to an increase in royalties and the write-off of capitalized software costs. During the third quarter of 1999, approximately $2.4 million of previously capitalized software costs were written down to the estimated net realizable value after it was determined that the projected sales of certain tools products and system management programs were not sufficient to realize the capitalized product development costs.

COST OF SERVICES. Cost of services consists primarily of maintenance, consulting and training personnel expenses. Cost of services decreased 11% to $184.6 million in 2000 from $208.0 million in 1999 and service margins increased to 65% in 2000 from 59% in 1999. The decrease in cost of services in absolute dollars and as a percentage of net service revenues is

primarily due to cost containment actions that included headcount reductions as a result of the realignment and synergies realized from the Ardent acquisition. The increase in service margins experienced during 2000 was also due to the mix of service offerings, as there was a lower proportion of consulting and training revenue in 2000, which generate significantly lower margins than maintenance. Cost of services increased 17% to $208.0 in 1999 from $178.5 million in 1998 due primarily to increased headcount related costs incurred to support the 26% increase in service revenues achieved during the period. Part of the increase in headcount resulted from the addition of Prism's and Red Brick Systems, Inc.'s ("Red Brick") consulting teams subsequent to the completion of the acquisitions in April 1999 and December 1998, respectively.

SALES AND MARKETING EXPENSES. Sales and marketing expenses consist primarily of salaries, commissions, marketing and communications programs and related overhead costs. Sales and marketing expenses increased 9% to $402.6 million in 2000 and 18% to $370.7 million in 1999 from $313.6 million in 1998. The increase in 2000 was due primarily to increased marketing costs for advertising and marketing programs focused on promoting our Internet-based electronic commerce and business intelligence products and solutions. The increase in sales and marketing expenses in 1999 as compared to 1998 was primarily the result of increased advertising and marketing efforts in connection with the introduction of new products and our new corporate identity in order to increase brand awareness. The increase in sales and marketing expenses experienced during 1999 was in line with the increase in revenues over the same period.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses consist primarily of salaries, project consulting and related overhead costs for product development. Research and development expenses decreased 12% to $166.1 million in 2000 from $188.1 million in 1999 but as a percentage of net revenues remained consistent at 18% for both 2000 and 1999 due to the realization of cost containment efforts employed during 2000, which included headcount reductions resulting from the realignment. During 1999, research and development expenses increased 13% due to increased headcount related costs as a result of the acquisitions of Prism and Red Brick in April 1999 and December 1998, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses consist primarily of finance, legal, information systems, human resources, bad debt expense and related overhead costs. During 2000, general and administrative expenses increased $10.6 million to $100.0 million from $89.4 million in 1999 and $88.2 million in 1998. As a percentage of net revenues, general and administrative expenses remained fairly consistent at 11%, 9% and 10% in 2000, 1999 and 1998 respectively. The increase in general and administrative expenses experienced during 2000 was caused by increased bad debt and legal expenses offset by a decrease in employee-related costs. Bad debt expense increased approximately $7.1 million as a result of increased reserves against defaults by technology start-up companies, write-offs of certain receivables acquired in the merger with Ardent and reserves related to several Eastern European government entities where recent political changes make collection no longer probable. The increase in legal expenses was related primarily to a $4.3 million reserve with respect to the Unidata lawsuit and $3.0 million paid to Cincom Systems, Inc. See Note 12 to the Consolidated Financial Statements.

WRITE-OFF OF ACQUIRED RESEARCH AND DEVELOPMENT. In-process research and development represents the estimated fair value of incomplete technologies acquired by us for our own development efforts. In connection with Ardent's acquisition of Prism in April 1999, Ardent recorded a charge of approximately $5.1 million, or 6.9% of the $74.2 million in total consideration and liabilities assumed, for in-process research and development expense that had not yet reached technological feasibility and had no alternative future uses. In connection with our acquisition of Red Brick in December 1998, we recorded a charge of $2.6 million, or 4.7% of the $55.8 million in total consideration and liabilities assumed, for in-process research and development expense that had not yet reached technological feasibility and had no alternative future uses. Actual results to date have been consistent, in all material respects, with the assumptions used at the time of the Prism and Red Brick acquisitions. The assumptions primarily consisted of an expected completion date for the in-process projects, estimated costs to complete the projects, and revenue and expense projections once the products had entered the market.

MERGER, REALIGNMENT AND OTHER CHARGES. During the second half of 2000, we recorded a charge of $76.8 million mostly to account for the actions taken to realign our operational structure into two separate companies and to refine our product strategy. Included in this

charge was $40.9 million for severance and employment related costs, $32.0 million for the write-off of goodwill and intangible assets, $7.5 million for the closure of facilities and equipment costs, $4.0 million for costs to exit various commitments and programs, $2.5 million of miscellaneous other charges and a credit of approximately $10.1 million for adjustments recorded in order to reduce previously accrued merger and restructuring charges primarily for a decrease in estimated facility costs related to the merger with Ardent. See Note 13 to the Consolidated Financial Statements.

During the quarter ended March 31, 2000, we recorded a charge of $50.0 million associated with the merger with Ardent. Of this amount, approximately $10.1 million related to integration and transition costs incurred during the quarter ended March 31, 2000. Also included in the $50.0 million was approximately $39.9 million of accrued merger and restructuring costs which consisted of the following components: $14.5 million for financial advisor, legal and accounting fees related to the merger; $13.0 million for severance and employment related costs; $8.9 million for the closure of facilities and equipment costs and $3.5 million for the write-off of redundant technology and other duplicate costs.

During the quarter ended December 31, 1999, we recorded a charge of $2.8 million associated with the merger with Cloudscape. This amount included $1.2 million for financial advisor, legal and accounting fees related to the merger and $1.6 million for costs associated with combining the operations of the two companies; including expenditures of $0.7 million for severance and related costs, $0.4 million for closure of facilities and $0.5 million for the write-off of redundant assets.

During the quarter ended June 30, 1999, Ardent adopted a formal plan to exit the operations of O2 Technologies, Inc., which had been acquired by Ardent in December 1997, and recorded a charge of $9.9 million for accrued restructuring charges. The charge was comprised of $5.9 million for asset impairment, $3.6 million for severance and related costs and $0.4 million for facility closings and other obligations.

During the quarter ended March 31, 1998, Ardent recorded a charge of $14.9 million associated with the merger with Unidata. The charge included $3.9 million for financial advisor, legal and accounting fees, $6.2 million for severance and related costs, $2.2 million for closure of facilities, and $2.6 million for the write-off of redundant assets.

During 1999 and 1998, adjustments of $0.6 million and $10.3 million, respectively, were recorded to the results of operations which appear as a credit to merger, realignment and other charges in our Consolidated Statement of Operations for the years ended December 31, 1999 and 1998, to adjust the estimated severance and facility components of the 1997 restructuring charge to actual costs incurred. See Note 13 to our Consolidated Financial Statements.

OTHER INCOME (EXPENSE)

INTEREST INCOME. Interest income for 2000 increased $1.9 million or 15% to $14.3 million from $12.4 million for both 1999 and 1998. This increase was due in part to the increase in interest rates experienced during 2000 as well as an increase in the average interest-bearing cash and short-term investment balances held during 2000 when compared to the same periods in 1999 and 1998. During the first nine months of 2000, we maintained higher short-term investment balances than in previous years as a result of increased operating cash flows.

INTEREST EXPENSE. Interest expense decreased to $0.5 million for 2000 from $4.5 million and $6.9 million for 1999 and 1998, respectively. Interest expense of $0.5 million incurred during 2000 related primarily to interest charges on capital lease payments. The decrease experienced during 2000 was due primarily to a decline in the interest charges related to the line of credit which was terminated effective December 31, 1999. The decrease during 1999 when compared to 1998 was due to a decrease in the financing of customer accounts receivable and a decrease in interest charges related to payments on capital leases. We did not enter into any accounts receivable financing transactions during 2000, and interest charges related to payments on capital leases have been declining each year as we have not been entering into new capital lease arrangements.

LITIGATION SETTLEMENT EXPENSE. During 1999, we incurred a charge of $97.0 million in connection with our entering into a memorandum of understanding regarding the settlement of the private securities and related litigation against us. The charge consisted of $3.2 million in cash and $91.0 million in common stock for settlement expenses plus approximately $2.8 million in legal fees required to obtain and complete the settlement. The charge excludes approximately $13.8 million of insurance proceeds which, according to the terms of the memorandum of understanding, were contributed directly by our insurance carriers.

OTHER INCOME (EXPENSE), NET. Other income (expense), net, increased $2.4 million to $5.0 million in 2000 from $2.6 million in 1999. For 2000, other income included approximately $2.9 million of net realized gains on the sale of long-term investments and approximately $1.3 million of VAT refunds received in China. Other income (expense), net, increased to $2.6 million for 1999 from a net other expense of $4.0 million for 1998. For 1999, other income included approximately $3.7 million of net realized gains on the sale of long-term investments, offset by a downward adjustment of $0.5 million to the carrying value of certain investments and approximately $0.3 million of net foreign currency transaction losses. During 1998, other income (expense) included $4.8 million of foreign currency transaction losses.

INCOME TAXES

Income tax expense of $16.0 million, $32.0 million and $6.9 million for 2000, 1999 and 1998, respectively, resulted primarily from foreign withholding taxes and taxable earnings in certain foreign jurisdictions.

QUARTERLY OPERATING RESULTS

(in thousands, except per share data)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
YEAR ENDED DECEMBER 31, 2000				
Net revenues	**$ 250,884**	**$ 240,494**	**$ 211,105**	**$ 226,836**
Gross profit	**189,567**	**178,964**	**151,616**	**174,169**
Net income (loss)	**(22,983)**	**5,018**	**(80,627)**	**277**
Preferred stock dividend	**(87)**	**(89)**	**(15)**	**—**
Net income (loss) applicable to common stockholders	**$ (23,070)**	**$ 4,929**	**$ (80,642)**	**$ 277**
Net income (loss) per common share:				
Basic	**$ (0.08)**	**$ 0.02**	**$ (0.28)**	**$ 0.00**
Diluted	**$ (0.08)**	**$ 0.02**	**$ (0.28)**	**$ 0.00**
YEAR ENDED DECEMBER 31, 1999				
Net revenues	$ 227,531	$ 250,623	$ 261,124	$ 299,833
Gross profit	165,425	186,844	194,917	233,789
Net income (loss)	8,779	(89,142)	27,480	49,895
Preferred stock dividend	(303)	(279)	(247)	(166)
Net income (loss) applicable to common stockholders	$ 8,476	$ (89,421)	$ 27,233	$ 49,729
Net income (loss) per common share:				
Basic	$ 0.03	$ (0.35)	$ 0.10	$ 0.18
Diluted	$ 0.03	$ (0.35)	$ 0.09	$ 0.17

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments totaled $217.0 million at December 31, 2000. The decrease of $55.6 million from $272.6 million at December 31, 1999, was primarily caused by the repurchase of 6.4 million shares of our common stock for approximately $33.7 million and the payment of approximately $58.2 million of costs in connection with merger, realignment and other charges, including the $126.8 million of charges recorded during 2000. Aside from these items, we continue to generate cash from operations.

We will continue to invest in research and development activities as well as sales and marketing and product support. Our investment in property and equipment will continue as we purchase computer systems for research and development, sales and marketing, support and administrative staff. During 2000, capital expenditures totaled $44.6 million.

As of December 31, 2000, we did not have any significant long-term debt or significant commitments for capital expenditures. We believe that our current cash, cash equivalents and short-term investments balances and cash generated from operations will be sufficient to meet our working capital requirements for at least the next 12 months.

DISCLOSURES ABOUT MARKET RATE RISK

MARKET RATE RISK. The following discussion about our market rate risk involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates, foreign currency exchange rates and equity security price risk. We do not use derivative financial instruments for speculative or trading purposes.

INTEREST RATE RISK. Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We maintain a short-term investment portfolio consisting mainly of debt securities with an average maturity of less than two years. We do not use derivative financial instruments in our investment portfolio and we place our investments with high quality issuers and, by policy, limit the amount of credit exposure to any one issuer. We are averse to principal loss and ensure the safety and preservation of our invested funds by limiting default, market and reinvestment risk. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. If market interest rates were to increase immediately and uniformly by 10 percent from levels at December 31, 2000 and 1999, the fair value of the portfolio would decline by an immaterial amount. We have the ability to hold our fixed income investments until maturity and believe that the effect, if any, of reasonably possible near-term changes in interest rates on our financial position, results of operations and cash flows would not be material.

EQUITY SECURITY PRICE RISK. We hold a small portfolio of marketable-equity traded securities that are subject to market price volatility. Equity price fluctuations of plus or minus 10% would have had a $0.4 million and $1.2 million impact on the value of these securities in 2000 and 1999, respectively.

FOREIGN CURRENCY EXCHANGE RATE RISK. We enter into foreign currency forward exchange contracts to reduce our exposure to foreign currency risk due to fluctuations in exchange rates underlying the value of intercompany accounts receivable and payable denominated in foreign currencies (primarily European and Asian currencies) until such receivables are collected and payables are disbursed. A foreign currency forward exchange contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange. These foreign currency forward exchange contracts are denominated in the same currency in which the underlying foreign currency receivables or payables are denominated and bear a contract value and maturity date which approximate the value and expected settlement date of the underlying transactions. As these contracts are not designated and effective as hedges, discounts or premiums (the difference between the spot exchange rate and the forward exchange rate at inception of the contract) are recorded in earnings to other income (expense), net at the time of purchase, and changes in market value of the underlying contract are recorded in earnings as foreign exchange gains or losses in the period in which they occur. We operate in certain countries in Latin America, Eastern Europe, and Asia/Pacific where there are limited forward foreign currency exchange markets and thus we have unhedged exposures in these currencies.

Most of our international revenue and expenses are denominated in local currencies. Due to the substantial volatility of currency exchange rates, among other factors, we cannot predict the effect of exchange rate fluctuations on our future operating results. Although we take into account changes in exchange rates over time in our pricing strategy, we do so only on an annual basis, resulting in substantial pricing exposure as a result of foreign exchange volatility during the period between annual pricing reviews. In addition, the sales cycle for our products is relatively long, depending on a number of factors including the level of competition and the size of the transaction. Notwithstanding our efforts to manage foreign exchange risk, there can be no assurances that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations.

The table below provides information about our foreign currency forward exchange contracts. The information is provided in U.S. dollar equivalents and presents the notional amount (contract amount), the weighted average contractual foreign currency exchange rates and fair value. Fair value represents the difference in value of the contracts at the spot rate at December 31, 2000 and the forward rate. All contracts mature within twelve months.

FORWARD CONTRACTS

At December 31, 2000	CONTRACT AMOUNT	WEIGHTED AVERAGE CONTRACT RATE	FAIR VALUE
	(IN THOUSANDS)		(IN THOUSANDS)
Forward currency to be sold under contract:			
Euro	$25,666	1.07	$ 49
Japanese Yen	8,491	112.67	95
Australian Dollar	7,546	1.79	25
Taiwan Dollar	4,319	34.50	(162)
Korean Won	3,937	1,270.10	(32)
Swiss Franc	2,797	1.63	10
German Deutschmark	2,490	2.09	7
Singapore Dollar	2,382	1.72	16
South African Rand	2,815	7.62	(33)
French Franc	2,151	7.03	5
Thailand Bhat	2,285	42.75	0
Czech Koruna	1,887	37.40	7
Other (individually less than $1 million)	1,549	*	(2)
Total	$68,315		$ (15)
Forward currency to be purchased under contract:			
British Pound	$10,843	0.67	$ (18)
Other (individually less than $1 million)	530	*	(2)
Total	$11,373		$ (20)
Grand Total	$79,688		$ (35)

* Not meaningful

EUROPEAN MONETARY CONVERSION

On January 1, 1999, eleven of the fifteen member countries of the European Economic Community entered into a three-year transition phase during which a common currency, the "Euro," was introduced. Between January 1, 1999 and January 1, 2002, governments, companies and individuals may conduct business in these countries in both the Euro and existing national currencies. On January 1, 2002, the Euro will become the sole currency in these countries.

During the transition phase, we will continue to evaluate the impact of conversion to the Euro on our business. In particular, we are reviewing:

– Whether our internal software systems can process transactions denominated either in current national currencies or in the Euro, including converting currencies using computation methods specified by the European Economic Community,

– The cost to us if we must modify or replace any of our internal software systems, and

– Whether we will have to change the terms of any financial instruments in connection with our hedging activities

Based on current information and our evaluation to date, we do not expect the cost of any necessary corrective action to have a material adverse effect on our business. We have reviewed the effect of the conversion to the Euro on the prices of our products in the affected countries. As a result, we have made some adjustments to our prices to attempt to eliminate differentials that were identified. However, we will continue to evaluate the impact of these and other possible effects of the conversion to the Euro on our business. We cannot guarantee that the costs associated with conversion to the Euro or price adjustments will not in the future have a material adverse effect on our business.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which establishes standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We adopted SFAS 133 in the first quarter of 2001. The initial adoption of SFAS 133 did not have a material effect on our operations or financial position.

FACTORS THAT MAY AFFECT FUTURE RESULTS

CURRENT AND POTENTIAL STOCKHOLDERS SHOULD CONSIDER CAREFULLY EACH OF THE FOLLOWING FACTORS IN MAKING THEIR INVESTMENT DECISIONS. THESE FACTORS SHOULD BE CONSIDERED TOGETHER WITH THE OTHER INFORMATION INCLUDED OR INCORPORATED BY REFERENCE IN THIS ANNUAL REPORT ON FORM 10-K.

RISK FACTORS

RECENT ORGANIZATIONAL CHANGES COULD DISRUPT OUR BUSINESS OPERATIONS, ADVERSELY AFFECT OUR ABILITY TO DEVELOP AND SELL OUR PRODUCTS AND MATERIALLY ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Beginning in August 2000, we began a comprehensive reorganization and restructuring of our company and business operations, including, among other things, consolidating our five operating business groups into two wholly owned operating subsidiaries. In addition, during the quarter ended September 30, 2000, we moved our corporate headquarters from Menlo Park, California to Westborough, Massachusetts and we formalized plans to reduce total headcount to approximately 3,400 and to consolidate certain physical locations in California and elsewhere.

We may not achieve the anticipated benefits of the reorganization and restructuring. Moreover, it has and may in the future cause significant disruptions of our daily business operations, including the loss of key personnel and other employees necessary for us to effectively operate at all levels. Disruptions or operational difficulties could result in delays in product development cycles and sales of our products. In addition, we may not be able to create two separate, publicly-traded companies as a result of financial market conditions, a decrease in demand for our product offerings and other conditions beyond our control. The occurrence of one or more of these factors could distract our management team and materially adversely affect our business and financial results.

WE MAY NOT BE ABLE TO RETAIN OUR KEY PERSONNEL DURING OUR ONGOING REORGANIZATION AND RESTRUCTURING AND ATTRACT AND RETAIN THE NEW PERSONNEL NECESSARY TO GROW THE TWO NEW OPERATING COMPANIES, WHICH COULD MATERIALLY ADVERSELY AFFECT OUR ABILITY TO DEVELOP AND SELL OUR PRODUCTS, SUPPORT OUR BUSINESS OPERATIONS AND GROW OUR BUSINESSES.

Our future success depends on retaining the services of key personnel in all functional areas of our company, including engineering, sales, marketing, consulting and corporate services. For instance, we may be unable to continue to develop and support technologically advanced products and services if we fail to retain and attract highly qualified engineers, and to market and sell those products and services if we fail to retain and attract well-qualified marketing and sales professionals. We may be unable to retain key individuals in all of these areas during our

reorganization and restructuring and we may not succeed in attracting new employees to one or both of the new operating companies after the completion of the restructuring.

The competition for experienced, well-qualified personnel in the software industry is intense, especially in the San Francisco and Boston metropolitan areas. Our ongoing reorganization and restructuring may make it difficult for us to compete effectively for the services of these individuals. If we fail to retain, attract and motivate key employees, we may be unable to complete the reorganization and restructuring, develop, market and sell new products, support the operations of the two new operating companies and sustain and grow the two businesses in the future, the occurrence of any of which could materially adversely affect our operating and financial results.

OUR QUARTERLY OPERATING RESULTS ARE SUBJECT TO FLUCTUATIONS CAUSED BY MANY FACTORS, WHICH COULD RESULT IN OUR FAILING TO ACHIEVE REVENUE OR PROFITABILITY EXPECTATIONS.

Our quarterly and annual results of operations have varied significantly in the past and are likely to continue to vary in the future due to a number of factors described below and elsewhere in this “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” section, many of which are beyond our control. Any one or more of the factors listed below or other factors could cause us to fail to achieve our revenue or profitability expectations. In particular, the failure to meet market expectations could cause a sharp drop in our stock price. These factors include:

- Changes in demand for our products and services, including changes in growth rates in the industry as a whole and in the traditional database market and the relatively new business intelligence and electronic commerce markets in particular,
- The size, timing and contractual terms of large orders for our software products,
- Adjustments of delivery schedules to accommodate customer or regulatory requirements,
- The budgeting cycles of our customers and potential customers,
- The reaction of our customers and potential customers to our ongoing reorganization and restructuring,
- Any downturn in our customers’ businesses, in the domestic economy or in international economies where our customers do substantial business,
- Changes in our pricing policies resulting from competitive pressures, such as aggressive price discounting by our competitors or other factors,
- Our ability to develop and introduce on a timely basis new or enhanced versions of our products and solutions,
- Changes in the mix of revenues attributable to domestic and international sales, and
- Seasonal buying patterns which tend to peak in the fourth quarter.

OUR COMMON STOCK HAS BEEN AND LIKELY WILL CONTINUE TO BE SUBJECT TO SUBSTANTIAL PRICE AND VOLUME FLUCTUATIONS WHICH MAY PREVENT STOCK-HOLDERS FROM RESELLING THEIR SHARES AT OR ABOVE THE PRICE AT WHICH THEY PURCHASED THEIR SHARES.

Fluctuations in the price and trading volume of our common stock may prevent stockholders from reselling their shares above the price at which they purchased their shares. Stock prices and trading volumes for many software companies fluctuate widely for a number of reasons, including some reasons which may be unrelated to their businesses or results of operations. This market volatility, as well as general domestic or international economic, market and political conditions could materially adversely affect the market price of our common stock without

regard to our operating performance. In addition, as occurred in the quarter ended September 30, 2000, our operating results may be below the expectations of public market analysts and investors. If this were to occur again, the market price of our common stock would likely decrease significantly again. The market price of our common stock has fluctuated significantly in the past and may continue to fluctuate significantly because of:

– Market uncertainty about the company's business prospects as a result of our ongoing reorganization and restructuring,

– Market uncertainty about the company's business prospects or the prospects for the relational database management systems ("RDBMS") and object-relational database management systems ("ORDBMS") markets, the business intelligence software market and the electronic commerce software solutions market,

– Revenues or results of operations that do not meet or exceed analysts' expectations,

– The introduction of new products or product enhancements by us or our competitors, and

– General business conditions in the software industry.

FLUCTUATIONS IN THE VALUE OF FOREIGN CURRENCIES COULD RESULT IN CURRENCY TRANSACTION LOSSES.

Despite efforts to manage foreign exchange risk, our hedging activities may not adequately protect us against the risks associated with foreign currency fluctuations. As a consequence, we may incur losses in connection with fluctuations in foreign currency exchange rates. Most of our international revenue and expenses are denominated in local currencies. Due to the substantial volatility of currency exchange rates, among other factors, it is not possible to predict the effect of exchange rate fluctuations on our future operating results. Although we take into account changes in exchange rates over time in our pricing strategy, we do so only on an annual basis, resulting in substantial pricing exposure as a result of foreign exchange volatility during the period between annual pricing reviews. In addition, as noted previously, the sales cycles for our products is relatively long. Foreign currency fluctuations could, therefore, result in substantial changes in the financial impact of a specific transaction between the time of initial customer contact and revenue recognition. We have implemented a foreign exchange hedging program consisting principally of the purchase of forward foreign exchange contracts in the primary European and Asian currencies. This program is intended to hedge the value of intercompany accounts receivable or intercompany accounts payable denominated in foreign currencies against fluctuations in exchange rates until such receivables are collected or payables are disbursed. Additionally, uncertainties related to the Euro conversion could adversely affect our hedging activities.

IF THE RDBMS AND THE ORDBMS MARKETS DECLINE OR DO NOT GROW, WE MAY SELL FEWER DATABASE PRODUCTS AND OUR SEPARATE DATABASE OPERATING BUSINESS MAY BE UNABLE TO SUSTAIN ITS CURRENT LEVEL OF OPERATIONS.

If the growth rates for RDBMS or ORDBMS, respectively, decline for any reason, there will be less demand for Informix Software products, which would have a negative impact on our business and financial results. In particular, we cannot predict whether the sharp decline in revenue derived from licenses of these products during the year ended December 31, 2000 will continue. If it does, our financial results will be materially adversely affected. Declining demand for such products could threaten Informix Software's ability to sustain its present level of operations or to meet our expectations for future growth.

Delays in market acceptance of our ORDBMS products could also result in fewer product sales. In recent years, the types and quantities of data required to be stored and managed has grown increasingly complex and includes, in addition to conventional character data, audio, video, text and three-dimensional graphics in a high-performance scaleable environment. We have invested substantial resources in developing our ORDBMS product line. The market for ORDBMS products is new and evolving, and its growth depends upon a growing need to store and manage complex data and upon broader market acceptance of our products as a solution for this need. Organizations may not choose to make the transition from conventional RDBMS products to ORDBMS products.

IF THE BUSINESS INTELLIGENCE AND DATA WAREHOUSE MARKETS DO NOT CONTINUE TO GROW, OR IF OUR PRODUCT OFFERINGS IN THESE MARKETS ARE NOT ACCEPTED, WE MAY NOT BE ABLE TO SELL OUR PRODUCTS OR GROW OUR OPERATING BUSINESSES.

The business intelligence and data warehouse markets may not continue to grow, or may not grow rapidly, and our customers may not expand their use of data warehouse and business intelligence products. In addition, we may not be able to market and sell our products in these markets or otherwise compete effectively and generate significant revenue. Although demand for data warehouse and business intelligence software has grown in recent years, the markets are still emerging. Our future financial performance in this area and the success of both of our operating businesses will depend to a large extent on:

- Continued growth in the number of organizations adopting data warehouses,
- Our success in developing partnering arrangements with developers of software tools and applications for the data warehouse and business intelligence markets,
- Existing customers expanding their use of data warehouses, and
- The success of Ascential Software in developing and selling solutions for the business intelligence market.

INTENSE COMPETITION COULD ADVERSELY AFFECT OUR ABILITY TO SELL OUR PRODUCTS AND SOLUTIONS OR GROW OUR TWO OPERATING BUSINESSES.

We may not be able to compete successfully against current and/or future competitors and such inability could impair our ability to sell our products. The market for our products and solutions is highly competitive, diverse and is subject to rapid change. In particular, we expect that the technology underlying database solutions and products for the Internet and business intelligence needs will continue to change rapidly. For example, as customers embrace the Internet, Ascential Software will need to develop and enhance software solutions to support Internet applications. It is possible that our products and solutions will be rendered obsolete by technological advances. In addition, it is possible that demand for our traditional database products may decline sharply as customers demand more comprehensive software solutions, thereby jeopardizing our ability to grow the business of Informix Software.

We currently face competition from a number of sources, including several large vendors that develop and market databases, applications, development tools, decision support products, consulting services and/ or complete database-driven solutions for the Internet. Our principal competitors for Informix Software include Computer Associates, IBM, Microsoft, NCR/Teradata, Oracle and Sybase. Our principal competitors for Ascential Software include IBM, Informatica, Bulldog, Hummingbird, Sagent, Cognos and Artesia and small, highly-focused companies offering single products or services that we include as part of an overall solution. A number of our competitors have significantly greater financial, technical, marketing and other resources than we have. As a result, these competitors may be able to respond more quickly to new or emerging technologies, evolving markets and changes in customer requirements or to devote greater resources to the development, promotion and sale of their products than we can.

IF THE INTERNET DOES NOT DEVELOP AS A MARKET FOR OUR SOLUTIONS OFFERINGS, WE MAY NOT BE ABLE TO GROW ASCENTIAL SOFTWARE INTO A VIABLE INDEPENDENT OPERATING BUSINESS.

The Internet is a rapidly evolving market. We are unable to predict whether and to what extent Internet computing and electronic commerce will be embraced by consumers and traditional businesses. Our successful introduction of database-driven products and solutions for the Internet market will depend in large measure on:

- The commitment by hardware and software vendors to manufacture, promote and distribute Internet access appliances,
- The lower cost of ownership of Internet computing relative to client/server architecture, and
- The ease of use and administration of the Internet relative to client/server architecture.

In addition, if a sufficient number of vendors do not undertake a commitment to the internet, the market may not accept Internet computing or Internet computing may not generate significant revenues for our business. Also, standards for network protocols, as well as other industry-adopted and de facto standards for the Internet, are evolving rapidly. There can be no assurance that standards we have chosen will position our products to compete effectively for business opportunities as they arise on the Internet. The widespread acceptance and adoption of the Internet by traditional businesses for conducting business and exchanging information is likely only if the Internet provides these businesses with greater efficiencies and improvements. The failure of the Internet to continue to develop as a commercial or business medium could materially adversely affect our business.

Even if the Internet and electronic commerce are widely accepted and adopted by consumers and businesses, our database-driven solutions for the Internet may not succeed. This market is new to our product development, marketing and sales organizations. We may not be able to market and sell products and solutions in this market successfully. In addition, our database-driven solutions for the Internet may not compete effectively with our competitors' products and solutions. Further, we may not generate significant revenue and/or margin in this market. Any of these events could materially, adversely affect our business, operating results and financial condition and our ability to create a separate, viable operating company.

COMPETITION MAY AFFECT THE PRICING OF OUR PRODUCTS OR SERVICES, AND CHANGES IN PRODUCT MIX MAY OCCUR, EITHER OF WHICH MAY REDUCE OUR MARGINS.

Existing and future competition or changes in our product or service pricing structure or product or service offerings could result in an immediate reduction in the prices of our products or services. Also, a significant change in the mix of software products and services that we sell, including the mix between higher margin software and maintenance products and lower margin consulting and training, could materially adversely affect our operating results for future quarters. In addition, the pricing strategies of competitors in the software database industry have historically been characterized by aggressive price discounting to encourage volume purchasing by customers. We may not be able to compete effectively against competitors who continue to aggressively discount the prices of their products.

IF WE DO NOT RESPOND ADEQUATELY TO OUR INDUSTRY'S EVOLVING TECHNOLOGY STANDARDS OR DO NOT CONTINUE TO MEET THE SOPHISTICATED NEEDS OF OUR CUSTOMERS, SALES OF OUR SOLUTIONS OR PRODUCTS MAY DECLINE.

Our future success will depend on our ability to address the increasingly sophisticated needs of our customers by supporting existing and emerging hardware, software, database and networking platforms. We will have to develop and introduce commercially viable enhancements to our existing products and solutions on a timely basis to keep pace with technological developments, evolving industry standards and changing customer requirements. If we do not enhance our products to meet these evolving needs, we will not sell as many products and solutions and our position in existing, emerging or potential markets could be eroded rapidly by product advances. In addition, commercial acceptance of our products and solutions could also be adversely affected by critical or negative statements or reports by brokerage firms, industry and financial analysts and industry periodicals about us, our products or business, or by the advertising or marketing efforts of competitors, or by other factors that could adversely affect consumer perception.

Our product development efforts will continue to require substantial financial and operational investment. We may not have sufficient resources to make the necessary investment or to attract and retain qualified software development engineers. In addition, we may not be able to internally develop new products or solutions quickly enough to respond to market forces. As a result, we may have to acquire technology or access to products or solutions through mergers and acquisitions, investments and partnering arrangements. We may not have sufficient cash, access to funding, or available equity to engage in such transactions. Moreover, we may not be able to forge partnering arrangements or strategic alliances on satisfactory terms, or at all, with the companies of our choice.

IF A LARGE NUMBER OF THE ORDERS THAT ARE TYPICALLY BOOKED AT THE END OF A QUARTER ARE NOT BOOKED, OUR NET INCOME FOR THAT QUARTER COULD BE SUBSTANTIALLY REDUCED.

Our software license revenue in any quarter often depends on orders booked and shipped in the last month, weeks or days of that quarter. At the end of each quarter, we typically have either minimal or no backlog of orders for the subsequent quarter. If a large number of orders or several large orders do not occur or are deferred, revenue in that quarter could be substantially reduced.

SEASONAL TRENDS IN SALES OF OUR SOFTWARE PRODUCTS COULD ADVERSELY AFFECT OUR QUARTERLY OPERATING RESULTS AND LENGTHY SALES CYCLES FOR PRODUCTS MAKES REVENUES SUSCEPTIBLE TO FLUCTUATIONS.

Our sales of software products have been affected by seasonal purchasing trends that materially affect our quarter-to-quarter operating results. We expect these seasonal trends to continue in the future. Revenue and operating results in our quarter ending December 31 are typically higher relative to other quarters because many customers make purchase decisions based on their calendar year-end budgeting requirements and because we measure our sales incentive plans for sales personnel on a calendar year basis. As a result, we have historically experienced a substantial decline in revenue in the first quarter of each fiscal year relative to the preceding quarter.

Our sales cycles typically take many months to complete and vary depending on the product, service or solution that is being sold. The length of the sales cycle may vary depending on a number of factors over which we have little or no control, including the size of a potential transaction and the level of competition that we encounter in our selling activities. The sales cycle can be further extended for sales made through third party distributors.

OUR FUTURE REVENUE AND OUR ABILITY TO MAKE INVESTMENTS IN DEVELOPING OUR PRODUCTS IS SUBSTANTIALLY DEPENDENT UPON OUR INSTALLED CUSTOMER BASE CONTINUING TO LICENSE OUR PRODUCTS AND RENEW OUR SERVICE AGREEMENTS.

We depend on our installed customer base for future revenue from services and licenses of additional products. If our customers fail to renew their maintenance agreements, our revenue will be harmed. The maintenance agreements are generally renewable annually at the option of the customers and there are no minimum payment obligations or obligations to license additional software. Therefore, current customers may not necessarily generate significant maintenance revenue in future periods. In addition, customers may not necessarily purchase additional products or services. Our services revenue and maintenance revenue also depend upon the continued use of these services by our installed customer base. Any downturn in software license revenue could result in lower services revenue in future quarters. Moreover, if either license revenue or revenue from services declines, we may not have sufficient cash to finance investments or acquire technology.

THE SUCCESS OF OUR INTERNATIONAL OPERATIONS IS DEPENDENT UPON MANY FACTORS WHICH COULD ADVERSELY AFFECT OUR ABILITY TO SELL OUR PRODUCTS INTERNATIONALLY AND COULD AFFECT OUR PROFITABILITY.

International sales represented approximately 50% of our total revenue during the year ended December 31, 2000. The international operations are, and any expanded international operations will be, subject to a variety of risks associated with conducting business internationally that could adversely affect our ability to sell our products internationally, and therefore, our profitability, including the following:

- Difficulties in staffing and managing international operations,
- Problems in collecting accounts receivable,
- Longer payment cycles,
- Fluctuations in currency exchange rates,
- Seasonal reductions in business activity during the summer months in Europe and certain other parts of the world,
- Uncertainties relative to regional, political and economic circumstances,
- Recessionary environments in foreign economies, and
- Increases in tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers imposed by foreign countries.

IF WE FAIL TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS, COMPETITORS MAY BE ABLE TO USE OUR TECHNOLOGY OR TRADEMARKS AND THIS WOULD WEAKEN OUR COMPETITIVE POSITION, REDUCE OUR REVENUE AND INCREASE COSTS.

Our success will continue to be heavily dependent upon proprietary technology. We rely primarily on a combination of patent, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. These means of protecting proprietary rights may not be adequate, and the inability to protect intellectual property rights may adversely affect our business and/or financial condition. We currently hold 18 United States patents and several pending applications. There can be no assurance that any other patents covering our inventions will be issued or that any patent, if issued, will provide sufficiently broad protection or will prove enforceable in actions against alleged infringes. Our ability to sell our products and prevent competitors from misappropriating our proprietary technology and trade names is dependent upon protecting our intellectual property. Our products are generally licensed to end-users on a “right-to-use” basis under a license that restricts the use of the products for the customer’s internal business purposes.

We also rely on “shrink-wrap” and “click-wrap” licenses, which include a notice informing the end-user that by opening the product packaging, or in the case of a click-on license by clicking on an acceptance icon and downloading the product, the end-user agrees to be bound by the license agreement. Despite such precautions, it may be possible for unauthorized third parties to copy aspects of our current or future products or to obtain and use information that is regarded as proprietary. In addition, we have licensed the source code of our products to certain customers under certain circumstances and for restricted uses. In addition, we have

also entered into source code escrow agreements with a number of our customers that generally require release of source code to the customer in the event the company enters bankruptcy or liquidation proceedings or otherwise ceases to conduct business. We may also be unable to protect our technology because:

– Competitors may independently develop similar or superior technology,

– Policing unauthorized use of software is difficult,

– The laws of some foreign countries do not protect proprietary rights insoftware to the same extent as do the laws of the United States,

– “Shrink-wrap” and/or “click-wrap” licenses may be wholly or partially unenforceable under the laws of certain jurisdictions, and

– Litigation to enforce intellectual property rights, to protect trade secrets, or to determine the validity and scope of the proprietary rights of others could result in substantial costs and diversion of resources.

IN THE FUTURE, THIRD PARTIES COULD, FOR COMPETITIVE OR OTHER REASONS, ASSERT THAT OUR PRODUCTS INFRINGE THEIR INTELLECTUAL PROPERTY RIGHTS.

As discussed in “Notes to the Consolidated Financial Statements—Note 12—Litigation,” in February 2000, IBM filed a lawsuit against us claiming that some of our products infringe certain of IBM’s patents (“IBM claim”). Although we dispute IBM’s claims and intend to vigorously defend against them, other third parties may claim that our current or future products infringe their proprietary rights. The IBM claim and these other claims, with or without merit, could harm our business by increasing costs and by adversely affecting our ability to sell our products. Any such claim, including the IBM claim, with or without merit, could be time consuming to defend, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or license agreements may not be available on acceptable terms or at all. It is expected that software product developers will increasingly be subject to infringement claims as the number of products and competitors in the software industry segment grows and the functionality of products in different industry segments overlaps.

OUR INABILITY TO RELY ON THE STATUTORY "SAFE HARBOR" AS A RESULT OF THE SETTLEMENT OF THE SEC INVESTIGATION COULD HARM OUR BUSINESS.

In July 1997, the SEC issued a formal order of private investigation against us and certain unidentified other entities and persons with respect to accounting matters, public disclosures and trading activity in our securities that were not described in the formal order. During the course of the investigation, we learned that the investigation concerned the events leading to the restatement of its financial statements, including fiscal years 1994, 1995 and 1996, that was publicly announced in November 1997.

Effective January 11, 2000, the SEC and we entered into a settlement of the investigation against us. Pursuant to the settlement, we consented to the entry by the SEC of an Order Instituting Public Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease and Desist Order. Pursuant to the order, we neither admitted nor denied the findings, except as to jurisdiction, contained in the order.

The order prohibits us from violating and causing any violation of the anti-fraud provisions of the federal securities laws, for example by making materially false and misleading statements concerning its financial performance. The order also prohibits us from violating or causing any violation of the provisions of the federal securities laws requiring us to: (1) file accurate quarterly and annual reports with the SEC; (2) maintain accurate accounting books and records; and (3) maintain adequate internal accounting controls. Pursuant to the order, we are also required to cooperate in the SEC's continuing investigation of other entities and persons. In the event that we violate the order, we could be subject to substantial monetary penalties.

As a consequence of the issuance of the January 2000 order, we will not, for a period of three years from the date of the issuance of the order, be able to rely on the "safe harbor" for forward-looking statements contained in the federal securities laws. The "safe harbor," among other things, limits potential legal actions against us in the event a forward-looking statement concerning our anticipated performance turns out to be inaccurate, unless it can be proved that, at the time the statement was made, we actually knew that the statement was false. If we become a defendant in any private securities litigation brought under the federal securities laws, our legal position in the litigation could be materially adversely affected by our inability to rely on the "safe harbor" provisions for forward-looking statements.

OTHER PROVISIONS IN OUR CHARTER DOCUMENTS MAY DISCOURAGE POTENTIAL ACQUISITION BIDS AND PREVENT CHANGES IN OUR MANAGEMENT THAT OUR STOCKHOLDERS MAY FAVOR.

Other provisions in our charter documents could discourage potential acquisition proposals and could delay or prevent a change in control transaction that our stockholders may favor. The provisions include:

- Elimination of the right of stockholders to act without holding a meeting,
- Certain procedures for nominating directors and submitting proposals for consideration at stockholder meetings, and
- A board of directors divided into three classes, with each class standing for election once every three years.

These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions involving an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and, accordingly, could discourage potential acquisition proposals and could delay or prevent a change in control. Such provisions are also intended to discourage certain tactics that may be used in proxy fights but could, however, have the effect of discouraging others from making tender offers for shares of our common stock, and consequently, may also inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. These provisions may also have the effect of preventing changes in our management.

In addition, we have adopted a rights agreement, commonly referred to as a "poison pill," that grants holders of our common stock preferential rights in the event of an unsolicited takeover attempt. These rights are denied to any stockholder involved in the takeover attempt and this has the effect of requiring cooperation with our board of directors. This may also prevent an increase in the market price of our common stock resulting from actual or rumored takeover attempts. The rights agreement could also discourage potential acquirers from making unsolicited acquisition bids.

DELAWARE LAW MAY INHIBIT POTENTIAL ACQUISITION BIDS, WHICH MAY ADVERSELY AFFECT THE MARKET PRICE FOR OUR COMMON STOCK AND PREVENT CHANGES IN ITS MANAGEMENT THAT OUR STOCKHOLDERS MAY FAVOR.

We are incorporated in Delaware and are subject to the anti-takeover provisions of the Delaware General Corporation Law, which regulates corporate acquisitions. Delaware law prevents certain Delaware corporations, including those corporations, such as Informix, whose securities are listed for trading on the Nasdaq National Market®, from engaging, under certain circumstances, in a "business combination" with any "interested stockholder" for three years following the date that the stockholder became an interested stockholder. For purposes of Delaware law, a "business combination" would include, among other things, a merger or consolidation involving Informix and an interested stockholder and the sale of more than 10% of our assets. In general, Delaware law defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of a corporation and any entity or person affiliated with or controlling or controlled by such entity or person. Under Delaware law, a Delaware corporation may "opt out" of the anti-takeover provisions. We do not intend to "opt out" of these anti-takeover provisions of Delaware law.

PROVISIONS IN OUR CHARTER DOCUMENTS WITH RESPECT TO UNDESIGNATED PREFERRED STOCK MAY DISCOURAGE POTENTIAL ACQUISITION BIDS FOR INFORMIX.

Our board of directors is authorized to issue up to approximately 4,000,000 shares of undesignated preferred stock in one or more series. Our board of directors can fix the price, rights, preferences, privileges and restrictions of such preferred stock without any further vote or action by its stockholders. However, the issuance of shares of preferred stock may delay or prevent a change in control transaction without further action by our stockholders. As a result, the market price of our common stock and the voting and other rights of the holders of our common stock may be adversely affected. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock, including the loss of voting control to others.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is set forth in the section of Management's Discussion and Analysis of Financial Condition and Results of Operations Captioned "Disclosures about Market Rate Risk."

BOARD OF DIRECTORS AND STOCKHOLDERS – INFORMIX CORPORATION

We have audited the accompanying consolidated balance sheets of Informix Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of Ardent Software, Inc., a company acquired by Informix Corporation in a business combination accounted for as a pooling-of-interests as described in Note 11 to the consolidated financial statements, which statements reflect total revenues constituting 16% and 14% in fiscal 1999 and 1998, respectively, of the consolidated totals. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ardent Software, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Informix Corporation and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Mountain View, California
January 24, 2001

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF INFORMIX CORPORATION:

We have audited the consolidated balance sheets of Ardent Software, Inc. and its subsidiaries as of December 31, 1999 (not included separately herein), and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss), and cash flows for each of the two years in the period ended December 31, 1999 (not included separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries at December 31, 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to those financial statements, on March 1, 2000, Ardent Software, Inc. and its subsidiaries merged into Informix Corporation. The consolidated financial statements do not include any adjustments that might result from such event.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
January 28, 2000
(March 1, 2000 as to Note 1, "Merger with Informix Corporation")

December 31, (In thousands, except share and per share data)	**2000**	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 128,420**	$ 170,118
Short-term investments	**88,541**	102,469
Accounts receivable, net	**235,429**	247,196
Deferred taxes	**—**	5,544
Other current assets	**17,330**	38,056
TOTAL CURRENT ASSETS	**469,720**	563,383
PROPERTY AND EQUIPMENT, net	**67,617**	68,581
SOFTWARE COSTS, net	**41,444**	45,722
LONG-TERM INVESTMENTS	**11,185**	17,272
INTANGIBLE ASSETS, net	**48,258**	81,843
OTHER ASSETS	**17,657**	16,536
TOTAL ASSETS	**$ 655,881**	$ 793,337
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable.	**$ 27,881**	$ 30,694
Accrued expenses	**38,922**	48,353
Accrued employee compensation	**66,167**	70,875
Income taxes payable	**23,139**	21,803
Deferred revenue	**141,735**	147,118
Advances from customers	**10,492**	34,302
Accrued merger, realignment and other charges	**28,210**	8,675
Other current liabilities	**427**	3,878
TOTAL CURRENT LIABILITIES	**336,973**	365,698
OTHER NON-CURRENT LIABILITIES	**787**	1,420
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01 per share—5,000,000 shares authorized	**—**	—
Series A-1 convertible preferred stock, 300,000 shares issued; none outstanding in 2000 and 1999	**—**	—
Series B convertible preferred stock—50,000 shares issued; none outstanding in 2000 and 7,000 outstanding in 1999	**—**	—
Common stock, par value $.01 per share—500,000,000 shares authorized; 280,363,000 and 275,594,000 shares issued and outstanding in 2000 and 1999, respectively	**2,804**	2,756
Shares to be issued for litigation settlement	**61,228**	61,228
Additional paid-in capital	**632,866**	632,536
Treasury stock	**—**	(2,956)
Accumulated deficit	**(359,132)**	(260,817)
Accumulated other comprehensive loss	**(19,645)**	(6,528)
TOTAL STOCKHOLDERS' EQUITY	**318,121**	426,219
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$ 655,881**	$ 793,337

See Notes to Consolidated Financial Statements.

Years ended December 31, (In thousands, except per share data)	**2000**	1999	1998
NET REVENUES			
Licenses	**$ 404,421**	$ 535,879	$ 453,943
Services	**524,898**	503,232	400,577
	929,319	1,039,111	854,520
COSTS AND EXPENSES			
Cost of software distribution	**50,422**	50,157	41,996
Cost of services	**184,581**	207,979	178,458
Sales and marketing	**402,569**	370,701	313,642
Research and development	**166,076**	188,105	167,167
General and administrative	**100,027**	89,445	88,153
Write-off of acquired research and development	**—**	5,052	2,600
Merger, realignment and other charges	**126,828**	12,093	4,640
	1,030,503	923,532	796,656
OPERATING INCOME (LOSS)	**(101,184)**	115,579	57,864
OTHER INCOME (EXPENSE)			
Interest income	**14,339**	12,362	12,424
Interest expense	**(454)**	(4,504)	(6,934)
Litigation settlement expense	**—**	(97,016)	—
Other, net	**5,002**	2,574	(4,002)
INCOME (LOSS) BEFORE INCOME TAXES	**(82,297)**	28,995	59,352
Income taxes	**16,018**	31,983	6,900
NET INCOME (LOSS)	**(98,315)**	(2,988)	52,452
Preferred stock dividend	**(191)**	(995)	(3,478)
Value assigned to warrants	**—**	—	(1,982)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	**$ (98,506)**	$ (3,983)	$ 46,992
NET INCOME (LOSS) PER COMMON SHARE			
Basic	**$ (0.34)**	$ (0.02)	$ 0.21
Diluted	**$ (0.34)**	$ (0.02)	$ 0.19
SHARES USED IN PER SHARE CALCULATIONS			
Basic	**286,138**	262,645	221,344
Diluted	**286,138**	262,645	241,187

See Notes to Consolidated Financial Statements.

Years ended December 31, (In thousands)	**2000**	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME (LOSS)	**$ (98,315)**	$ (2,988)	$ 52,452
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
License fees received in advance	**(34,506)**	(81,984)	(66,069)
Depreciation and amortization	**54,471**	59,687	54,013
Amortization of capitalized software	**21,692**	21,346	21,924
Write-off of capitalized software	**—**	2,371	771
Write-off of long term assets	**—**	5,894	—
Write-off of acquired research and development	**—**	5,052	2,600
Litigation settlement.	**—**	91,000	—
Foreign currency transaction losses (gains)	**1,012**	(1,900)	2,641
(Gain) loss on sales of equity securities	**(2,895)**	(2,953)	500
(Gain) loss on disposal of property and equipment	**4,848**	(66)	2,201
Deferred tax expense	**8,257**	9,653	2,976
Provisions for losses on accounts receivable	**8,338**	1,269	651
Merger, realignment and other charges	**126,828**	12,093	4,640
Stock-based employee compensation	**531**	209	943
Changes in operating assets and liabilities:			
Accounts receivable	**9,339**	(60,110)	(43,885)
Other current assets	**14,293**	(8,397)	53,913
Accounts payable, accrued expenses and other liabilities	**(88,541)**	(12,105)	(79,662)
DEFERRED MAINTENANCE REVENUE	**(10,873)**	2,642	29,622
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	**14,479**	40,713	40,231
CASH FLOWS FROM INVESTING ACTIVITIES			
INVESTMENTS OF EXCESS CASH:			
Purchases of available-for-sale securities	**(125,841)**	(124,304)	(53,054)
Maturities of available-for-sale securities	**87,145**	38,484	9,725
Sales of available-for-sale securities	**53,363**	31,930	24,300
PURCHASES OF NON-MARKETABLE EQUITY SECURITIES	**(5,500)**	—	(7,009)
PROCEEDS FROM SALES OF EQUITY SECURITIES	**5,130**	5,792	1,500
PURCHASES OF PROPERTY AND EQUIPMENT	**(44,616)**	(29,759)	(23,538)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	**166**	1,248	864
ADDITIONS TO SOFTWARE COSTS	**(32,782)**	(29,083)	(21,644)
BUSINESS COMBINATIONS, NET OF CASH ACQUIRED	**—**	(3,248)	1,834
OTHER	**668**	(1,522)	(1,143)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	**(62,267)**	(110,462)	(68,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
ADVANCES FROM CUSTOMERS	**10,733**	6,539	11,402
PROCEEDS FROM ISSUANCE OF COMMON STOCK, NET	**37,204**	35,635	25,145
ACQUISITION OF COMMON STOCK	**(33,722)**	—	—
PROCEEDS FROM ISSUANCE OF PREFERRED STOCK, NET	**—**	—	42,919
PAYMENTS FOR STRUCTURED SETTLEMENTS WITH RESELLERS	**(152)**	(4,135)	—
PRINCIPAL PAYMENTS ON CAPITAL LEASES.	**(1,853)**	(4,810)	(16,840)
NET BORROWINGS UNDER LINE OF CREDIT	**—**	935	(6,932)
NET CASH AND CASH EQUIVALENTS PROVIDED BY FINANCING ACTIVITIES	**12,210**	34,164	55,694
ADJUSTMENT TO CONFORM FISCAL YEAR OF POOLED COMPANY	**—**	(733)	—
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,120)**	(3,190)	16,152
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(41,698)**	(39,508)	43,912
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**170,118**	209,626	165,714
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$128,420**	$170,118	$209,626

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	PREFERRED STOCK SERIES A-1 SHARES	SERIES A-1 AMOUNT	SERIES B SHARES	SERIES B AMOUNT	CLOUDSCAPE SHARES	CLOUDSCAPE AMOUNT
BALANCES AT DECEMBER 31, 1997	160	$ 2	50	$ 1	3,535	$ 35
Comprehensive income						
Net income						
Other comprehensive income						
Unrealized gain on available-for-sale securities, net of reclassification adjustments[1]						
Foreign currency translation adjustments						
Other comprehensive income						
Comprehensive income						
Issuance of preferred stock of Cloudscape					2,808	28
Tax benefit arising from early disposition of stock options						
Common stock issued under employee stock purchase and option plans						
Issuance of common stock for services						
Stock-based compensation expense resulting from stock options						
Exercise of Series A-1 convertible preferred stock warrants, net	140	1				
Conversion of Series A-1 to common stock	(300)	(3)				
Conversion of Series B to common stock			(27)	(1)		
Accrual of 5% cumulative preferred dividends on Series B convertible preferred stock						
Additional Series B dividend						
Acquisition of Red Brick						
BALANCES AT DECEMBER 31, 1998	—	$ —	23	$ —	6,343	$ 63
Comprehensive income						
Net income						
Other comprehensive income						
Unrealized gain on available-for-sale securities, net of reclassification adjustments[1]						
Foreign currency translation adjustments						
Other comprehensive income						
Comprehensive income						
Acquisition of Prism Solutions, Inc						
Conversion of Cloudscape Preferred to common stock					(6,343)	(63)
Tax benefit arising from early disposition of stock options						
Common stock issued under employee stock purchase and option plans						
Repurchase and retirement of unvested Cloudscape options and founder's stock						
Stock-based compensation expense resulting from stock options						
Conversion of Series B to common stock			(16)	—		
Accrual of 5% cumulative preferred dividends on Series B convertible preferred stock						
Repayment of Cloudscape shareholder loans						
Value of stock to be issued in Litigation Settlement						
Shares issued in Litigation Settlement						
Adjustment to conform fiscal year of pooled company						
BALANCES AT DECEMBER 31, 1999	—	$ —	7	$ —	—	$ —
Comprehensive income						
Net loss						
Other comprehensive income						
Unrealized loss on available-for-sale securities, net of reclassification adjustments[1]						
Foreign currency translation adjustments						
Other comprehensive income						
Comprehensive income						
Retirement of Ardent treasury stock						
Exercise of stock options						
Common stock issued under employee stock purchase plans						
Reversal of tax benefit arising from early disposition of stock options						
Exercise of warrants to purchase common stock						
Stock-based compensation expense resulting from stock options						
Repurchase and retirement of common stock						
Repurchase and retirement of unvested Cloudscape options and founder's stock						
Repayment of Cloudscape shareholder loans						
Conversion of Series B to common stock			(7)	—		
Accrual of 5% cumulative preferred dividends on Series B						
BALANCES AT DECEMBER 31, 2000	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**

[1] Disclosure of reclassification amount for the years ended:	**2000**	1999	1998
Net unrealized gain (loss) on available-for-sale securities arising during period	**$(7,648)**	$5,189	$7,059
Tax (expense) or benefit on unrealized gain (loss) arising during period	**3,211**	(1,439)	(1,857)
Less: reclassification adjustment for net gains included in net income (loss)	**(2,895)**	(3,681)	—
Net unrealized gain (loss) on available-for-sale securities	**$(7,332)**	$ 69	$5,202

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

COMMON STOCK SHARES	COMMON STOCK AMOUNT	SHARES TO BE ISSUED FOR LITIGATION SETTLEMENT SHARES	SHARES TO BE ISSUED FOR LITIGATION SETTLEMENT AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK AMOUNT	ACCUMULATED DEFICIT	COMPREHENSIVE INCOME (LOSS)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTALS
203,871	$ 2,039	—	$ —	$ 411,416	$ (2,956)	$ (312,301)		$ (12,055)	**$ 86,181**
						52,452	52,452		**52,452**
							5,202		**5,202**
							3,259		**3,259**
							8,461	8,461	
							60,913		
				9,991					**10,019**
				1,244					**1,244**
10,069	100			25,052					**25,152**
46	1			14					**15**
				943					**943**
				32,899					**32,900**
17,413	174			(171)					**–**
6,471	65			(65)					**(1)**
				(2,178)					**(2,178)**
				(1,300)					**(1,300)**
7,591	76			35,838					**35,914**
245,461	$ 2,455	—	$ —	$ 513,683	$ (2,956)	$ (259,849)		$ (3,594)	**$ 249,802**
						(2,988)	(2,988)		**(2,988)**
							69		**69**
							(3,003)		**(3,003)**
							(2,934)	(2,934)	
							(5,922)		
8,720	86			48,098					**48,184**
6,343	63								**–**
				6,784					**6,784**
10,061	101			34,960					**35,061**
(157)	—			(28)					**(28)**
				209					**209**
2,223	22			(22)					**–**
				(995)					**(995)**
				104					**104**
			91,000						**91,000**
2,943	29		(29,772)	29,743					**–**
						2,020			**2,020**
275,594	$ 2,756	—	$ 61,228	$ 632,536	$ (2,956)	$ (260,817)		$ (6,528)	**$ 426,219**
						(98,315)	(98,315)		**(98,315)**
							(7,332)		**(7,332)**
							(5,785)		**(5,785)**
							(13,117)	(13,117)	
							(111,432)		
				(2,956)	2,956				**–**
7,222	72			26,265					**26,337**
2,043	21			9,692					**9,713**
				(488)					**(488)**
412	4			1,068					**1,072**
				531					**531**
(6,400)	(64)			(33,658)					**(33,722)**
(139)	(1)			(37)					**(38)**
				120					**120**
1,631	16			(16)					**–**
				(191)					**(191)**
280,363	**$2,804**	**—**	**$61,228**	**$632,866**	**$—**	**$(359,132)**		**$(19,645)**	**$318,121**

See Notes to Consolidated Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND OPERATIONS. The Company is a leading multinational supplier of information management software and solutions to governments and enterprises worldwide. The Company designs, develops, manufactures, markets and supports relational and object-relational database management systems, connectivity interfaces and gateways and graphical and character-based application development tools for building database applications that allow customers to access, retrieve and manipulate business data. The Company also offers complete solutions, which include its database management software, its own and third party software and consulting services to help customers design and rapidly deploy data warehousing (decision support), web-based enterprise repository and electronic commerce applications.

The principal geographic markets for the Company's products are North America, Europe, Asia/ Pacific, and Latin America. Customers include businesses ranging from small corporations to Fortune 1000 companies, principally in the manufacturing, financial services, telecommunications, media, retail/wholesale, hospitality, and government services sectors.

BASIS OF PRESENTATION. The consolidated financial statements have been prepared to give retroactive effect to the merger with Cloudscape, Inc. (“Cloudscape”) on October 8, 1999 and the merger with Ardent Software Inc. (“Ardent”) on March 1, 2000. The consolidated financial statements also reflect Ardent's merger with Unidata, Inc. (“Unidata”) in February 1998. The mergers were accounted for as poolings of interests and, accordingly, the consolidated financial statements have been restated for all periods presented as if Cloudscape, Ardent, Unidata and the Company had always been combined.

Prior to the Cloudscape merger, Cloudscape’s fiscal year ended March 31. In recording the pooling-of-interests combination, Informix’s statement of operations for the year ended December 31, 1998 has been combined with the Cloudscape statement of operations for the year ended March 31, 1999. As a consequence, the results of Cloudscape for the three-month period ended March 31, 1999 are included in the results of operations for both the year ended December 31, 1998 and the year ended December 31, 1999. Cloudscape revenues and net loss for the three-month period ended March 31, 1999 were $347,000 and $2,020,000, respectively. The consolidated balance sheet of Informix at December 31, 1998 has been combined with the balance sheet of Cloudscape as of March 31, 1999.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Informix Corporation and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

FOREIGN CURRENCY TRANSLATION. For foreign operations with the local currency as the functional currency, assets and liabilities are translated at year-end exchange rates, and statements of operations are translated at the exchange rates during the year. Exchange gains or losses arising from translation of such foreign entity financial statements are included as a component of other comprehensive income (loss).

For foreign operations with the U.S. dollar as the functional currency, monetary assets and liabilities are remeasured at the year-end exchange rates as appropriate and non-monetary assets and liabilities are remeasured at historical exchange rates. Statements of operations are remeasured at the exchange rates during the year. Foreign currency transaction gains and losses are included in other income (expense), net. The Company recorded net foreign currency transaction losses of $0.3 million, $0.3 million and $4.8 million for the years ended December 31, 2000, 1999 and 1998, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS. The Company enters into foreign currency forward exchange contracts to reduce its exposure to foreign currency risk due to fluctuations in exchange rates underlying the value of intercompany accounts receivable and payable denominated in foreign currencies (primarily European and Asian currencies) until such receivables are collected and payables are disbursed. A foreign currency forward exchange contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar

payment equal to the value of such exchange. These foreign currency forward exchange contracts are denominated in the same currency in which the underlying foreign currency receivables or payables are denominated and bear a contract value and maturity date which approximate the value and expected settlement date of the underlying transactions. As the Company's contracts are not designated and effective as hedges for financial reporting, discounts or premiums (the difference between the spot exchange rate and the forward exchange rate at inception of the contract) are recorded in earnings to other income (expense), net and changes in market value of the underlying contract are recorded in earnings as foreign exchange gains or losses. The Company operates in certain countries in Latin America, Eastern Europe, and Asia/Pacific where there are limited forward currency exchange markets and thus the Company has unhedged exposures in these currencies.

Most of the Company's international revenue and expenses are denominated in local currencies. Due to the substantial volatility of currency exchange rates, among other factors, the Company cannot predict the effect of exchange rate fluctuations on the Company's future operating results. Although the Company takes into account changes in exchange rates over time in its pricing strategy, it does so only on an annual basis, resulting in substantial pricing exposure as a result of foreign exchange volatility during the period between annual pricing reviews. In addition, the sales cycles for the Company's products is relatively long, depending on a number of factors including the level of competition and the size of the transaction. Notwithstanding the Company's efforts to manage foreign exchange risk, there can be no assurances that the Company's hedging activities will adequately protect the Company against the risks associated with foreign currency fluctuations.

REVENUE RECOGNITION. Revenue consists principally of fees for licenses of the Company's software products, maintenance, consulting, and training. The Company recognizes revenue using the residual method in accordance with Statement of Position 97-2 (SOP 97-2), "Software Revenue Recognition," as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions." Under the residual method, revenue is recognized in a multiple element arrangement in which Company-specific objective evidence of fair value exists for all of the undelivered elements in the arrangement, but does not exist for one or more of the delivered elements in the arrangement. Company-specific objective evidence of fair value of maintenance and other services is based on the Company's customary pricing for such maintenance and/or services when sold separately. At the outset of the arrangement with the customer, the Company defers revenue for the fair value of its undelivered elements (e.g., maintenance, consulting, and training) and recognizes revenue for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (i.e., software product) when the basic criteria in SOP 97-2 have been met. If such evidence of fair value for each element of the arrangement does not exist, all revenue from the arrangement is deferred until such time that evidence of fair value does exist or until all elements of the arrangement are delivered.

Under SOP 97-2, revenue attributable to an element in a customer arrangement is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectibility is probable, and the arrangement does not require services that are essential to the functionality of the software. If at the outset of the customer arrangement, the Company determines that the arrangement fee is not fixed or determinable or that collectibility is not probable, revenue is recognized when the arrangement fee becomes due and payable.

The Company's specific policies for recognition of license revenues and services revenues are as follows:

LICENSE REVENUE. The Company recognizes revenue from sales of software licenses to end users upon persuasive evidence of an arrangement, delivery of the software to a customer, determination that collection of a fixed or determinable license fee is considered probable, and determination that no undelivered services are essential to the functionality of the software.

If consulting services are essential to the functionality of the licensed software, then both the license revenue and the consulting service revenue are recognized under the completed contract method of contract accounting. The Company's arrangements generally do not include services that are essential to the functionality of the software.

Revenue for transactions with application vendors, OEMs, and distributors is generally recognized as earned when the licenses are resold or utilized by the reseller and all related obligations of the Company have been satisfied. The Company provides for sales allowances on an estimated basis. The Company accrues royalty revenue through the end of the reporting period based on reseller royalty reports or other forms of customer-specific historical

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information. In the absence of customer-specific historical information, royalty revenue is recognized when the customer-specific objective information becomes available. Any subsequent changes to previously recognized royalty revenues are reflected in the period when the updated information is received from the reseller.

SERVICE REVENUE. Maintenance contracts generally call for the Company to provide technical support and software updates and upgrades to customers. Maintenance revenue is recognized ratably over the term of the maintenance contract, generally on a straight-line basis where all revenue recognition requirements are met. Other service revenue, primarily training and consulting, is generally recognized at the time the service is performed and it is determined that the Company has fulfilled its obligations resulting from the services contract.

During the fourth quarter of 2000, the Company adopted Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," ("SAB No. 101"). The adoption of SAB No. 101 did not have a material effect on the Company's consolidated statement of financial position or results of operation.

ADVANCES FROM CUSTOMERS. Amounts received in advance of revenue being recognized are recorded as a liability on the accompanying financial statements. The Company's license arrangements with some of its customers provide contractually for a non-refundable fee payable by the customer in single or multiple installment(s) at the initiation or over the term of the license arrangement. If the Company fails to comply with certain contractual terms of a specific license agreement, the Company could be required to refund the amount(s) received to the customer.

RECEIVABLES FINANCING ARRANGEMENTS. Prior to 2000, the Company periodically sold certain accounts receivable to financial institutions. Such factoring arrangements are treated as sales, since the Company relinquishes control and all rights over the accounts that are transferred to the financial institution. Receivables sold under these arrangements totaled approximately $10.8 million in 1999 and $13.2 million in 1998. These sales were typically done on a limited recourse basis, and any potential losses were evaluated at the time the asset was sold. To date, no losses on factored receivables have been incurred and the fee charged to the Company by the factor has been recorded as interest expense.

SOFTWARE COSTS. The Company accounts for its software development expenses in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." This statement requires that, once technological feasibility of a developing product has been established, all subsequent costs incurred in developing that product to a commercially acceptable level be capitalized and amortized ratably over the revenue life of the product. The Company uses a detail program design approach in determining technological feasibility. Software costs also include amounts paid for purchased software and outside development on products which have reached technological feasibility. All software costs are amortized as a cost of software distribution either on a straight-line basis, or on the basis of each product's projected revenues, whichever results in greater amortization, over the remaining estimated economic life of the product, which is generally estimated to be three years. The Company recorded amortization of $21.7 million, $21.3 million and $21.9 million of software costs in 2000, 1999 and 1998, respectively, in cost of software distribution.

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which was effective for fiscal years beginning after December 15, 1998. This statement requires that certain costs incurred during a software development project be capitalized. During the years ended December 31, 2000 and 1999, the Company capitalized approximately $3.3 million and $2.8 million under SOP 98-1, which will be amortized over the estimated useful life of the software developed, which is generally three years. During 2000, $2.4 million of software costs previously capitalized under SOP 98-1 were written off to sales and marketing expense when the Company determined that it was no longer probable that the development of a project would be completed.

PROPERTY AND EQUIPMENT. Property and equipment are stated at cost less accumulated depreciation and amortization which is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of 36 to 48 months are used on computer equipment, and an estimated useful life of seven years is used for furniture and fixtures. Depreciation and amortization of leasehold improvements is computed using the

shorter of the remaining lease term or seven years. The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of property and equipment to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Property and equipment to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

BUSINESSES ACQUIRED. The purchase price of businesses acquired, accounted for as purchase business combinations, is allocated to the tangible and identifiable intangible assets acquired based on their estimated fair values with any amount in excess of such allocations being designated as goodwill. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which to date range from three to ten years. As of December 31, 2000, and 1999, the Company had $86.1 million and $115.0 million of intangible assets, with accumulated amortization of $37.8 million and $33.2 million, respectively, as a result of these acquisitions. Management periodically reviews intangible assets for impairment indicators. At the time management determines the existence of such indicators, the Company uses undiscounted cash flows of the acquired business over the remaining amortization period to initially determine whether impairment should be recognized. The Company then performs a subsequent calculation to measure the amount of the impairment loss based on the excess of the carrying value over the fair value of the impaired assets. If quoted market prices for the assets are not available, the fair value is calculated using the present value of estimated expected future cash flows. The cash flow calculation would be based on management's best estimates, using appropriate assumptions and projections at the time. The carrying-value of identifiable intangible assets are reviewed in a manner consistent with the policy for reviewing impairment of property and equipment, as described above.

STOCK-BASED COMPENSATION. The Company accounts for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees". Under APB 25, the Company generally recognizes no compensation expense with respect to such awards.

CONCENTRATION OF CREDIT RISK. The Company designs, develops, manufactures, markets, and supports computer software systems to customers in diversified industries and in diversified geographic locations. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral. No single customer accounted for 10% or more of the consolidated net revenues of the Company in 2000, 1999 or 1998.

CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS, AND LONG-TERM INVESTMENTS. The Company considers liquid investments purchased with an original remaining maturity of three months or less to be cash equivalents. Investments with an original remaining maturity of more than three months and which represent cash available for current operations are considered to be short-term investments. All other investments are considered long-term investments. Short-term and long-term investments are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of other comprehensive income (loss). The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income (expense), net. The cost of securities sold is based on the specific identification method. Interest on securities classified as available-for-sale is included in interest income. The Company realized gross gains of approximately $2.9 million and $3.7 million on the sale of available-for-sale marketable securities during 2000 and 1999, respectively. Realized losses during 2000 and 1999 were not significant and during 1998 realized gains and losses were not significant.

The Company invests its excess cash in accordance with its short-term and long-term investments policy, which is approved by the Board of Directors. The policy authorizes the investment of excess cash in government securities, municipal bonds, time deposits, certificates of deposit with approved financial institutions, commercial paper rated A-1/P-1, and other specific money market instruments of similar liquidity and credit quality. The Company has not experienced any significant losses related to these investments.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company invests in equity instruments of privately-held, information technology companies for business and strategic purposes. These investments are included in long-term investments and are accounted for under the cost method when ownership is less than 20% and the Company does not otherwise have significant influence over the investee. For these non-quoted investments, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. When the Company determines that a decline in fair value below the cost basis is other than temporary, the related investment is written down to fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS. Fair values of cash, cash equivalents, short and long term investments and foreign currency forward contracts are based on quoted market prices.

RECLASSIFICATIONS. Certain prior period amounts have been reclassified to conform to the current period presentation.

SUPPLEMENTAL CASH FLOW DATA. The Company paid income taxes in the net amount of $4.3 million and $10.3 million during 2000 and 1999, respectively, and received a refund in the net amount of $31.0 million during 1998.

NEW ACCOUNTING PRONOUNCEMENTS. In June 1998, the Financial Accounting Standards Board issued Statement No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," which establishes standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted SFAS 133 in the first quarter of 2001, and such adoption did not have a material effect on the Company's results of operations or financial position.

NOTE 2 — BALANCE SHEET COMPONENTS

December 31, (in thousands)	2000	1999
Accounts receivable, net:		
Receivables	**$ 249,663**	$ 264,077
Less: allowance for doubtful accounts	**(14,234)**	(16,881)
	$ 235,429	$ 247,196
Property and equipment, net:		
Computer equipment.	**$ 164,666**	$ 200,651
Furniture and fixtures	**33,323**	47,601
Leasehold improvements	**30,356**	30,500
Buildings and other	**2,772**	2,837
	231,117	281,589
Less: accumulated depreciation and amortization	**(163,500)**	(213,008)
	$ 67,617	$ 68,581
Software costs, net:		
Capitalized software development costs	**$ 67,949**	$ 75,230
Less: accumulated amortization	**(26,505)**	(29,508)
	$ 41,444	$ 45,722
Long-term investments:		
Marketable equity securities (Note 3)	**$ 3,874**	$ 12,466
Investments in privately-held companies	**7,311**	4,806
	$ 11,185	$ 17,272

NOTE 3 — FINANCIAL INSTRUMENTS

The following is a summary of available-for-sale debt and marketable equity securities:

	AVAILABLE-FOR-SALE SECURITIES			
(in thousands)	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
DECEMBER 31, 2000				
U.S. treasury securities	**$ 24,532**	**$ 69**	**$ (23)**	**$ 24,578**
Commercial paper, corporate bonds and medium-term notes	**69,855**	**539**	**(76)**	**70,318**
Municipal bonds	**16,352**	**6**	**—**	**16,358**
Total debt securities	**110,739**	**614**	**(99)**	**111,254**
Marketable equity securities	**7,217**	**1,487**	**(4,830)**	**3,874**
	$ 117,956	**$ 2,101**	**$ (4,929)**	**$ 115,128**
Amounts included in cash and cash equivalents	**$ 22,666**	**$ 48**	**$ (1)**	**$ 22,713**
Amounts included in short-term investments	**88,073**	**566**	**(98)**	**88,541**
Amounts included in long-term investments	**7,217**	**1,487**	**(4,830)**	**3,874**
	$ 117,956	**$ 2,101**	**$ (4,929)**	**$ 115,128**
DECEMBER 31, 1999				
U.S. treasury securities	$ 30,118	$ 4	$ (179)	$ 29,943
Commercial paper, corporate bonds and medium-term notes	104,229	336	(444)	104,121
Municipal bonds	11,733	—	(20)	11,713
Total debt securities	146,080	340	(643)	145,777
Marketable equity securities	4,448	8,018	—	12,466
	$ 150,528	$ 8,358	$ (643)	$ 158,243
Amounts included in cash and cash equivalents	$ 43,275	$ 33	$ —	$ 43,308
Amounts included in short-term investments	102,805	307	(643)	102,469
Amounts included in long-term investments	4,448	8,018	—	12,466
	$ 150,528	$ 8,358	$ (643)	$ 158,243

Maturities of debt securities at market value at December 31, 2000 are as follows (in thousands):

Mature in one year or less	$ 60,280
Mature after one year through five years	50,974
	$ 111,254

NOTE 4 — DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into foreign currency forward exchange contracts primarily to hedge the value of intercompany accounts receivable or accounts payable denominated in foreign currencies against fluctuations in exchange rates until such receivables are collected or payables are disbursed. The purpose of the Company's foreign exchange exposure management policy and practices is to attempt to minimize the impact of exchange rate fluctuations on the value of the foreign currency denominated assets and liabilities being hedged.

NOTE 4 — DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarizes by currency the contractual amounts of the Company's foreign currency forward exchange contracts at December 31, 2000 and December 31, 1999. The information is provided in U.S. dollar equivalents and presents the notional amount (contract amount) and the related fair value. As the Company's foreign currency forward contracts are not accounted for as hedges, they are carried at fair value. Fair value represents the prevailing financial market information as of December 31, 2000 and 1999. All contracts mature within twelve months.

FORWARD CONTRACTS

At December 31, 2000 (in thousands)	CONTRACT AMOUNT	FAIR VALUE
Forward currency to be sold under contract:		
Euro	$ 25,666	$ 49
Japanese Yen	8,491	95
Australian Dollar	7,546	25
Taiwan Dollar	4,319	(162)
Korean Won	3,937	(32)
Swiss Franc	2,797	10
German Deutschmark	2,490	7
Singapore Dollar	2,382	16
South African Rand	2,815	(33)
French Franc	2,151	5
Thailand Bhat	2,285	—
Czech Koruna	1,887	7
Other (individually less than $1 million)	1,549	(2)
Total	$ 68,315	$ (15)
Forward currency to be purchased under contract:		
British Pound	$ 10,843	$ (18)
Other (individually less than $1 million)	530	(2)
Total	$ 11,373	$ (20)
Grand Total	$ 79,688	$ (35)

At December 31, 1999 (in thousands)	CONTRACT AMOUNT	FAIR VALUE
Forward currency to be sold under contract:		
Euro	$ 33,352	$ 198
Korean Won	5,314	(23)
Australian Dollar	3,116	(7)
Czech Koruna	2,620	1
German Mark	2,013	122
Thai Bhat	1,852	(12)
Singapore Dollar	1,814	13
French Franc	1,749	104
Other (individually less than $1 million)	3,687	(35)
Total	$ 55,517	$ 361
Forward currency to be purchased under contract:		
British Pound	$ 34,445	$ (52)
Japanese Yen	2,484	(36)
Other (individually less than $1 million)	2,480	(57)
Total	$ 39,409	$ (145)
Grand Total	$ 94,926	$ 216

While the contract amounts provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amount of the Company's credit risk exposure (arising from the possible inabilities of counterparties to meet the terms of their contracts) is generally limited to the amounts, if any, by which the counterparties' obligations exceed the obligations of the Company as these contracts can be settled on a net basis at the option of the Company. The Company controls credit risk through credit approvals, limits and monitoring procedures.

As of December 31, 2000 and 1999, other than foreign currency forward exchange contracts discussed immediately above, the Company does not currently invest in or hold any other derivative financial instruments.

NOTE 5 — PREFERRED STOCK

In connection with the conversion of the Company's Series A Convertible Preferred Stock ("Series A Preferred") to Series A-1 Convertible Stock ("Series A-1 Preferred") in 1997, a warrant for 140,000 shares of Series A Preferred became a warrant for 140,000 shares of Series A-1 Preferred Stock. The aggregate purchase price is up to $35.0 million. The Series A-1 Preferred shares are generally not entitled to vote on corporate matters.

The Series A-1 Preferred shares are convertible into common shares at any time, at the holder's option, at a per share price equal to 101% of the average price of the Company's common stock for the 30 days ending five trading days prior to conversion, but not greater than the lesser of (i) 105% of the common stock's average price of the first five trading days of such thirty day period, or (ii) $12 per share. If not converted prior, the Series A-1 Preferred will automatically convert into common shares eighteen months after their issuance, subject to extension of the automatic conversion date in certain defined circumstances of default. However, if at the time of conversion, the aggregate number of shares of common stock already issued and to be issued as a result of the conversion of the shares of the Series A-1Convertible Preferred Stock were to exceed 19.9% of the total number of shares of then outstanding common stock, then such excess does not convert unless or until stockholder approval is obtained.

In 1998, the holders of the Series A-1 Preferred Stock exercised warrants to purchase 140,000 additional shares of Series A-1 Preferred at $250 per share, resulting in net proceeds to the Company of $32.9 million. In addition, the Series A-1 Preferred stockholders converted 300,000 shares of Series A-1 Preferred into 17,412,433 shares of the Company's Common Stock. As a result of these conversions, no Series A-1 Preferred Stock or Series A-1 Preferred Warrants were outstanding at December 31, 1998 or thereafter.

In November 1997, the Company sold 50,000 shares of newly authorized Series B Convertible Preferred Stock ("Series B Preferred"), face value $1,000 per share, for aggregate proceeds of $50.0 million. Such shares are generally not entitled to vote on corporate matters. In connection with this original offering, the Company also agreed to issue a warrant upon conversion of such Series B Preferred to purchase 20% of the shares of Common Stock into which the Series B Preferred is convertible, but no less than 1,500,000 shares at a per share exercise price which is presently indeterminable and will depend on the trading price of the Common Stock of the Company in the period prior to the conversion of the Series B Preferred. The Company also agreed to issue additional warrants to purchase up to an aggregate of 200,000 shares at a per share exercise price which is presently indeterminable and will depend on the trading price of the Common Stock of the Company in the period prior to the conversion of the Series B Preferred. The Series B Preferred is convertible at the election of the holder into shares of Common Stock beginning six months after issuance, and upon the occurrence of certain events, including a merger. The Series B Preferred will automatically convert into Common Stock three years following the date of its issuance. Each Series B Preferred share is convertible into the number of shares of Common Stock at a per share price equal to the lowest of (i) the average of the closing prices for the Common Stock for the 22 days immediately prior to the 180th day following the initial issuance date, (ii) 101% of the average closing price for the 22 trading days prior to the date of actual conversions, or (iii) 101% of the lowest closing price for the Common Stock during the five trading days immediately prior to the date of actual conversion. The conversion price of the Series B Preferred is subject to modification and adjustment upon the occurrence of certain events. The Company reserved 22.8 million shares of Common Stock for issuance upon conversion of the Series B Preferred and upon the exercise of the Series B Warrants. The Series B Preferred accrues cumulative dividends at an annual rate

NOTE 5 — PREFERRED STOCK (CONTINUED)

of 5% of per share face value. The dividend is generally payable upon the conversion or redemption of the Series B Preferred, and may be paid in cash or, at the holder's election, in shares of Common Stock.

During 1998, holders of the Series B Preferred Stock converted a total of 26,700 shares of Series B Preferred into 6,471,647 shares of the Company's Common Stock. In connection with such conversions, the Company also issued such Series B Preferred Stockholders warrants to purchase up to 1,494,319 shares of Common Stock at a purchase price of $7.84 per share and paid cash dividends in the amount of $1,170,068 to such stockholders. Also during 1998, the Company issued a warrant pursuant to the provisions of the Series B Preferred to purchase up to an additional 50,000 shares of Common Stock at a purchase price of $7.84 per share to a financial advisor of the Company in connection with services provided by such financial advisor related to the sale of shares of the Series B Preferred in November 1997.

During 1999, holders of the Series B Preferred Stock converted a total of 16,300 shares of Series B Preferred into 2,223,156 shares of the Company's Common Stock. In connection with such conversions, the Company also issued such Series B Preferred Stockholders warrants to purchase up to 444,628 shares of Common Stock at a purchase price of $7.84 per share and paid cash dividends in the amount of $1,528,699 to such stockholders.

During 2000, the sole remaining holder of the Company's Series B Preferred Stock converted all 7,000 shares of the Company's remaining Series B Preferred Stock into 1,630,751 shares of the Company's Common Stock. In connection with this conversion, the Company also issued this Series B Preferred Stockholder a warrant to purchase up to 326,150 shares of Common Stock at a purchase price of $7.84 per share and paid cash dividends, which were previously accrued, in the amount of $932,055 to this stockholder. As of December 31, 2000, no Series B Convertible Preferred Stock was outstanding and approximately 2,303,000 Series B Warrants were outstanding and exercisable through November 2002 at a per share exercise price of $7.84.

The fair value of the warrants issued in connection with the Series A-1 Preferred and Series B Preferred was deemed to be a discount to the conversion price of the respective equity instruments available to the preferred stockholders. The discounts were recognized as a return to the preferred stockholders (similar to a dividend) over the minimum period during which the preferred stockholders could realize this return, immediate for the Series A-1 Preferred and six months for the Series B Preferred. The discount has been accreted to additional paid in capital (accumulated deficit) in the Company's balance sheet and has been disclosed as a decrease in the amount available to common stockholders on the face of the Company's statements of operations and for purposes of computing net income (loss) per share. The fair value assigned to the warrants is based on an independent appraisal performed by a nationally recognized investment banking firm.

On June 9, 1998, the Company filed a Post-Effective Amendment to its Registration Statement on Form S-1 pertaining to the Company's sale of its Series B Preferred. The Securities and Exchange Commission ("SEC") reviewed the Post-Effective Amendment and declared it effective on August 13, 1998. The Series B Preferred stockholders claimed that during August 1998 they were prevented from selling shares of Series B Preferred stock until the SEC completed its review of the Post-Effective Amendment and, as a result, the Company had failed to comply with certain terms of a Registration Rights Agreement between the Series B Preferred stockholders and the Company. As a result, the Company recorded a $1.3 million dividend as of December 31, 1998, which was paid in cash to the Series B Preferred stockholders in the first quarter of 1999.

NOTE 6 — NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income (loss) per common share:

(in thousands except per share data)	**2000**	1999	1998
Numerator:			
Net income (loss)	**$ (98,315)**	$ (2,988)	$ 52,452
Preferred stock dividends	**(191)**	(995)	(3,478)
Value assigned to warrants	**—**	—	(1,982)
Numerator for basic and diluted net income (loss) per common share	**$ (98,506)**	$ (3,983)	$ 46,992
Denominator:			
Denominator for basic net income (loss) per common share--			
Weighted-average shares outstanding	**280,082**	257,220	221,344
Weighted-average shares to be issued for litigation settlement	**6,056**	5,425	—
	286,138	262,645	221,344
Effect of dilutive securities:			
Employee stock options and restricted common stock	**—**	—	11,047
Series A-1 convertible preferred stock and warrants	**—**	—	2,748
Cloudscape convertible preferred stock	**—**	—	5,794
Ardent warrants	**—**	—	254
Denominator for diluted net income (loss) per common share--adjusted weighted-average shares and assumed conversions	**286,138**	262,645	241,187
Basic net income (loss) per common share	**$ (0.34)**	$ (0.02)	$ 0.21
Diluted net income (loss) per common share	**$ (0.34)**	$ (0.02)	$ 0.19

The Company excluded potentially dilutive securities for each period presented from its diluted EPS computation because either the exercise price of the securities exceeded the average fair value of the Company's common stock or the Company had net losses, and, therefore, these securities were anti-dilutive. A summary of the excluded potentially dilutive securities and the related exercise/conversion features follows:

Year ended December 31, (in thousands)	**2000**	1999	1998
Potentially dilutive securities:			
Stock options	**47,121**	40,109	12,187
Contingently issuable shares for litigation settlement	**12,730**	—	—
Common Stock Warrants			
Series B	**2,303**	2,168	1,750
Ardent Warrants	**—**	400	—
Series B Convertible Preferred Stock			
Preferred Shares	**—**	7	23
Equivalent common shares upon assumed conversion	**887**	2,568	7,901
Cloudscape Restricted Common Stock	**36**	212	—

The stock options have per share exercise prices ranging from $0.05 to $28.10, $0.05 to $33.25, and $6.75 to $42.09, at December 31, 2000, 1999 and 1998, respectively.

NOTE 6 — NET INCOME (LOSS) PER COMMON SHARE (CONTINUED)

As part of the Company's settlement of various private securities and related litigation arising out of the restatement of its financial statements, the Company agreed to issue a minimum of nine million shares ("settlement shares") of the Company's Common Stock at a guaranteed value of $91 million ("stock price guarantee"). The stock price guarantee is satisfied with respect to any distribution of settlement shares if the closing price of the Company's Common Stock averages at least $10.11 per share for ten consecutive trading days during the six-month period subsequent to the distribution. The first distribution of settlement shares occurred in November and December 1999 when the Company issued approximately 2.9 million settlement shares to the plaintiff's counsel. The stock price guarantee was satisfied with respect to the first distribution of settlement shares. The Company will issue the remainder of the settlement shares after the claims administrator notifies the Company that it has processed all of the claims submitted by class members. Based on the average closing price of the Company's Common Stock for the twenty consecutive trading days prior to December 31, 2000, it is estimated that the Company would have been obligated to issue an additional 12.7 million shares to satisfy the stock price guarantee ("contingently issuable shares").

The warrants to purchase shares of Common Stock of the Company (the "Series B Warrants") were issued in connection with the conversion of certain shares of the Company's Series B Preferred into shares of Common Stock of the Company. Upon conversion of the Series B Preferred, the holders are eligible to receive Series B Warrants to purchase that number of shares of the Company's Common Stock equal to 20% of the shares of the Company's Common Stock into which the Series B Preferred is convertible. As of December 31, 2000, approximately 2,303,000 Series B Warrants were outstanding and exercisable through November 2002 at a per share exercise price of $7.84. As of December 31, 2000, there was no Series B Convertible Preferred Stock outstanding as all remaining shares were converted into shares of common stock in July 2000.

During 1996, Ardent issued warrants to existing stockholders to acquire approximately 400,000 shares of its common stock at an exercise price of $2.45. In February 2000, prior to the merger, all warrants were exercised.

Certain of the outstanding shares issued in exchange for Cloudscape common stock and held by employees are subject to repurchase upon termination of employment. The number of shares subject to this repurchase right decreases as the shares vest over time, generally for four years. As of December 31, 2000, 1999 and 1998, 36,000, 212,000, and 1,407,000, shares, respectively, were subject to repurchase at a weighted-average exercise price of $0.23, $0.24, and $0.13, respectively.

NOTE 7 — EMPLOYEE BENEFIT PLANS

OPTION PLANS In February 1989, the Company adopted the 1989 Outside Directors Stock Option Plan, whereby non-employee directors are automatically granted 15,000 non-qualified stock options upon election or re-election to the Board of Directors. One-third of the options vest and become exercisable in each full year of the Outside Director's continuous service as a director of the Company. A total of 1,600,000 shares have been authorized for issuance under the 1989 Plan, of which 515,000 shares are reserved for future issuance as of December 31, 2000.

In April 1994, the Company adopted the 1994 Stock Option and Award Plan (the "1994 Plan"). Incentive Stock Options, Nonqualified Stock Options, Performance Shares, or a combination thereof, can be granted to employees, at not less than the fair market value on the date of grant and generally vest in annual installments over two to four years. The Compensation Committee may grant awards, provided that during any fiscal year of the Company, no participant shall receive stock options covering more than 250,000 shares or Performance Shares covering more than 100,000 shares. However, the committee may grant up to 500,000 shares during any fiscal year of the Company in which the individual first becomes an employee and/or is promoted from a position as a non-executive officer employee to a position as an executive officer. In April 2000, the Company's Board of Directors approved an amendment to this Plan whereby the options are generally not exercisable until one year from the date of grant. A total of 24,000,000 shares have been authorized for issuance under the 1998 Plan, of which 1,770,000 shares are reserved for future issuance as of December 31, 2000.

In July 1997, the Company adopted the 1997 Non-Statutory Stock Option Plan ("the 1997 Stock Plan"), authorizing the grant of non-statutory stock options to employees and consultants. Terms of each option are determined by the Board or committee delegated such duties by the Board. A total of 1,015,000 shares have been authorized for issuance under the 1997 Stock Plan, none of which are reserved for future issuance as of December 31, 2000.

In December 1997, the Company's Board of Directors authorized the repricing of outstanding options to purchase Common Stock under the Company's stock option plans. Employees were eligible to participate only if they remained actively employed at the effective date of the repricing and were only permitted to exchange options granted and outstanding prior to May 1, 1997. The repricing/option exchange was effective January 9, 1998 (the "Repricing Effective Date"). The repricing program offered eligible employees the opportunity to exchange eligible outstanding options with exercise prices in excess of the closing sales price of the Company's Common Stock on the Repricing Effective Date for a new option with an exercise price equal to such price. Other than the exercise price, each new option issued upon exchange has terms substantially equivalent to the surrendered option, including the number of shares, vesting terms and expiration except that options issued in connection with the exchange may not be exercised for a period of one year from the Repricing Effective Date. In addition, Officers and Directors of the Company were not eligible to have their shares repriced. The exercise price for repriced options was $5.0938, the closing sales price of the Company's Common Stock on the Repricing Effective Date.

In July 1998, the Company adopted the 1998 Non-Statutory Stock Option Plan ("the 1998 Stock Option Plan"). Options can be granted to employees and consultants with terms which are determined by the Board or committee delegated such duties by the Board. A total of 15,500,000 shares have been authorized for issuance under the 1998 Stock Plan, of which 1,617,000 shares are reserved for future issuance as of December 31, 2000.

As a result of its acquisition of Red Brick Systems, Inc. ("Red Brick") in December 1998, the Company assumed all outstanding Red Brick stock options. Each Red Brick stock option so assumed is subject to the same terms and conditions as the original grant and generally vests over four years and expires ten years from the date of grant. Each option was adjusted at a ratio of 0.6 shares of Informix Common Stock for each one share of Red Brick Common Stock, and the exercise price was adjusted by dividing the exercise price by 0.6.

As a result of its acquisition of Ardent in March 2000, the Company assumed all outstanding Ardent stock options. Each Ardent stock option so assumed is subject to the same terms and conditions as the original grant and generally vests over four years and expires ten years from the date of grant. Each option was adjusted at a ratio of 3.5 shares of Informix Common Stock for each one share of Ardent Common Stock, and the exercise price was adjusted by dividing the exercise price by 3.5.

As a result of its acquisition of Cloudscape, Inc. ("Cloudscape") in October 1999, the Company assumed all outstanding Cloudscape stock options. Each Cloudscape stock option so assumed is subject to the same terms and conditions as the original grant and generally vests over four years and expires ten years from the date of grant. Each option was adjusted at a ratio of approximately 0.56 shares of Informix Common Stock for each one share of Cloudscape Common Stock, and the exercise price was adjusted by dividing the exercise price by approximately 0.56.

NOTE 7 — EMPLOYEE BENEFIT PLANS (CONTINUED)

Following is a summary of activity for all stock option plans for the three years ended December 31, 2000:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1997	33,922,370	$ 5.30
Options granted	21,900,385	4.45
Options assumed	2,466,727	5.40
Options exercised	(7,927,561)	2.06
Options canceled	(10,008,877)	8.41
Outstanding at December 31, 1998	40,353,044	4.71
Options granted	13,102,052	8.14
Options assumed	2,212,781	3.76
Options exercised	(8,441,804)	3.04
Options canceled	(7,117,793)	6.55
Outstanding at December 31, 1999	40,108,280	5.77
Options granted	24,801,805	6.71
Options exercised	(7,222,002)	3.64
Options canceled	(10,567,200)	7.50
Outstanding at December 31, 2000	**47,120,883**	**$ 6.20**

The following table summarizes information about options outstanding at December 31, 2000:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF DECEMBER 31, 2000	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF DECEMBER 31, 2000	WEIGHTED AVERAGE EXERCISE PRICE
$0.050 to $2.858	5,858,459	6.49	$ 2.287	5,119,198	$ 2.260
$2.929 to $4.590	4,355,193	7.95	3.760	1,461,486	3.698
$4.750 to $4.938	13,693,685	9.52	4.937	814,011	4.932
$5.063 to $6.750	7,299,159	7.48	5.467	4,473,613	5.459
$6.781 to $9.031	8,448,520	8.13	7.719	3,035,893	7.937
$9.126 to $12.500	5,404,861	8.20	10.425	1,967,501	10.627
$14.063 to $28.100	2,061,007	9.00	16.174	97,602	21.357
$0.050 to $28.100	47,120,884	8.26	6.201	16,969,304	5.451

At December 31, 1999 and 1998, respectively, 14,331,842 and 13,242,144 options were exercisable in connection with all stock option plans.

EMPLOYEE STOCK PURCHASE PLAN In May 1997, the Company's stockholders approved the 1997 Employee Stock Purchase Plan (the "1997 ESPP"). The Company has reserved 4,000,000 shares of Common Stock for issuance under the 1997 ESPP. The 1997 ESPP permits participants to purchase Common Stock through payroll deductions of up to 15 percent of an employee's compensation, including commissions, overtime, bonuses and other incentive compensation. The price of Common Stock purchased under the 1997 ESPP is equal to 85 percent of the lower of the fair market value of the Common Stock at the beginning or at the end of each calendar quarter in which an eligible employee participates. The Plan qualifies as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended. During 2000, 1999 and 1998, the Company issued approximately 2,043,000 shares, 1,187,000 shares and 1,613,000 shares, respectively, under the 1997 ESPP.

Ardent's Employee Stock Purchase Plan ("the Purchase Plan") provided for the purchase of common stock at six-month intervals at 85% of the lower of the fair market value on the first day or the last day of each six-month period. Ardent issued 432,000 and 528,000 shares in 1999 and 1998, respectively, under the Purchase Plan. This plan was terminated in April, 2000.

STOCK-BASED COMPENSATION Pro forma information regarding the net income (loss) and net income (loss) per share is required by Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," as if the Company had accounted for its stock based awards to employees under the fair value method of SFAS 123. The fair value of the Company's stock-based awards to employees was estimated using a Black-Scholes option pricing model.

The fair value of the Company's stock-based awards was estimated assuming no expected dividends and the following weighted-average assumptions:

	OPTIONS			ESPP		
	2000	1999	1998	**2000**	1999	1998
Expected life (years)	**4.5**	4.5	4.5	**.25**	.25	.25
Expected volatility	**90%**	70-73%	64-73%	**90%**	70-73%	56-95%
Risk-free interest rate	**5.8%**	5.7%	4.7%	**5.9%**	4.6-5.1%	4.7-5.3%

For pro forma purposes, the estimated fair value of the Company's stock-based awards is amortized over the award's vesting period (for options) and the three month purchase period (for stock purchases under the ESPP). The Company's pro forma information follows:

(in thousands, except per share data)		**2000**	1999	1998
Net income (loss) applicable to common stockholders	As reported	**$ (98,506)**	$ (3,983)	$ 46,992
	Pro forma	**(140,654)**	(45,289)	7,050
Net income (loss) per common share:				
Basic	As reported	**$ (0.34)**	$ (0.02)	$ 0.21
	Pro forma	**(0.49)**	(0.17)	0.03
Diluted	As reported	**(0.34)**	(0.02)	0.19
	Pro forma	**(0.49)**	(0.17)	0.03

The weighted-average fair value of the options granted during 2000, 1999 and 1998 was $4.70, $5.24 and $3.58 per share, respectively. The weighted-average fair value of employee stock purchase rights granted under the ESPP during 2000, 1999 and 1998 were $1.97, $2.27 and $1.72 per share, respectively.

401(k) PLAN The Company has a 401(k) plan covering substantially all of its U.S. employees. Under this plan, participating employees may defer up to 15 percent of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limits. The Company matches 50 percent of each employee's contribution up to a maximum of $2,500. The Company's matching contributions to this 401(k) plan for 2000, 1999 and 1998 were $4.9 million, $4.2 million and $3.5 million, respectively.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

In the past, the Company has leased certain computer and office equipment under capital leases having terms of three-to-five years. During 2000, the Company did not enter into any new capital lease arrangements and during 1999 and 1998, did not finance a significant amount of equipment purchases under capital lease arrangements. Amounts capitalized for such leases are included on the consolidated balance sheets as property and equipment and at December 31, 2000 the amount was not significant. As of December 31, 1999, computer and office equipment under capital leases included in property and equipment was $8.8 million and accumulated amortization was $7.1 million. Amortization of the cost of leased equipment is included in depreciation expense.

The Company leases certain of its office facilities and equipment under non-cancelable operating leases and total rent expense was $44.0 million, $42.4 million and $34.7 million in 2000, 1999 and 1998, respectively.

NOTE 8 — COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company had a twenty-year capital lease on one of its operating facilities, which commenced in November 1994. In March 1998, the Company renegotiated this lease. As part of the renegotiation, the term of the lease was modified and reduced from 20 years to 14 years. As a result, the lease no longer qualified as a capital lease and had been reclassified as an operating lease. In connection with this reclassification, the Company removed the asset and liability from the balance sheet and recorded a net gain of approximately $0.6 million as a component of other income (expense) in 1998.

In November 1996, the Company leased approximately 200,000 square feet of office space in Santa Clara, California. The lease term extends through March 2013 and the remaining minimum lease payments amount to approximately $68.6 million. In the fourth quarter of 1997, the Company assigned the lease to an unrelated third party. The Company remains contingently liable for minimum lease payments under this assignment.

Future minimum payments, by year and in the aggregate, under the capital and non-cancelable operating leases (excluding the assigned lease mentioned above) as of December 31, 2000, are as follows:

(in thousands)	CAPITAL LEASES	NON-CANCELABLE OPERATING LEASES
Year ending December 31		
2001	$ 51	$ 36,312
2002	2	26,880
2003	—	15,318
2004	—	6,091
2005	—	3,778
Thereafter	—	8,309
Total payments	$ 53	$ 96,688
Less: amount representing interest	2	
Present value of minimum lease payments	51	
Less current portion	49	
	$ 2	

The Company has several active software development and service provider contracts with third-party technology providers. These agreements contain financial commitments by the Company of $8.3 million and $4.7 million in fiscal 2001 and 2002, respectively. In addition, the Company makes annual payments of approximately $1.8 million to third-party technology providers, and will continue to do so for such period as the Company utilizes the related technology in its products.

NOTE 9 — BUSINESS SEGMENTS

In recent years, the Company has operated under four reportable operating segments which report to the Company's president and chief executive officer, (the "Chief Operating Decision Maker"). These reportable operating segments, North America, Europe, Asia/Pacific and Latin America, are organized, managed and analyzed geographically and operate in one industry segment: the development and marketing of information management software and related services. The Company has evaluated operating segment performance based primarily on net revenues and certain operating expenses. The Company's products are marketed internationally through the Company's subsidiaries and through application resellers, OEMs and distributors.

Financial information for the Company's North America, Europe, Asia/Pacific and Latin America operating segments is summarized below by year:

(in thousands)	NORTH AMERICA	EUROPE	ASIA/ PACIFIC	LATIN AMERICA	OTHER(3)	TOTAL
2000:						
Net revenues from unaffiliated customers	**$ 481,973**	**$ 278,534**	**$ 99,429**	**$ 69,383**	**$ —**	**$ 929,319**
Transfers between segments[1]	**(25,191)**	**9,808**	**8,866**	**6,517**	**—**	**—**
Total net revenues	**456,782**	**288,342**	**108,295**	**75,900**	**—**	**929,319**
Operating income (loss)[2]	**(149,647)**	**53,936**	**(7,219)**	**1,628**	**118**	**(101,184)**
Identifiable assets at December 31	**653,565**	**177,003**	**32,018**	**13,348**	**(220,053)**	**655,881**
Depreciation and amortization expense	**42,945**	**7,332**	**2,853**	**1,341**	**—**	**54,471**
Capital expenditures	**32,258**	**9,246**	**1,995**	**1,117**	**—**	**44,616**
1999:						
Net revenues from unaffiliated customers	$ 551,051	$ 320,040	$ 106,011	$ 62,009	$ —	$1,039,111
Transfers between segments[1]	(34,259)	19,738	7,776	6,745	—	—
Total net revenues	516,792	339,778	113,787	68,754	—	1,039,111
Operating income[2]	58,142	19,764	32,908	3,700	1,065	115,579
Identifiable assets at December 31	839,686	67,424	16,954	15,167	(145,894)	793,337
Depreciation and amortization expense	47,023	7,556	3,584	1,524	—	59,687
Capital expenditures	22,221	5,088	1,403	1,047	—	29,759
1998:						
Net revenues from unaffiliated customers	$ 438,539	$ 278,249	$ 87,754	$ 49,978	$ —	$ 854,520
Transfers between segments[1]	(11,256)	(52)	4,093	7,215	—	—
Total net revenues	427,283	278,197	91,847	57,193	—	854,520
Operating income (loss)[2]	1,573	61,116	1,645	(7,173)	703	57,864
Identifiable assets at December 31	747,074	156,949	79,754	40,328	(328,303)	695,802
Depreciation and amortization expense	37,702	10,779	4,047	1,485	—	54,013
Capital expenditures	16,611	5,047	1,086	794	—	23,538

[1] The Company makes allocations of revenue to operating segments depending on the location of the country where the order is placed, the location of the country where the license is installed or service is delivered, the type of revenue (license or service) and whether the sale was through a reseller or to an end user.

The accounting policies of the segments are the same as those described in Note 1 – Summary of Significant Accounting Policies.

[2] Operating income/(loss) excludes the effect of transfers between segments.

[3] Represents consolidating adjustments such as elimination of intercompany balances.

NOTE 9 — BUSINESS SEGMENTS (CONTINUED)

The reconciliation of the operating income (loss) of the Company's reportable operating segments to the Company's income (loss) before income taxes is as follows:

(in thousands)	**2000**	1999	1998
Operating income (loss) of reportable operating segments	**$ (101,302)**	$ 114,514	$ 57,161
Consolidating adjustments	**118**	1,065	703
Other income (expense)	**18,887**	(86,584)	1,488
Income (loss) before income taxes	**$ (82,297)**	$ 28,995	$ 59,352

On September 19, 2000, the Company announced organizational changes as part of its strategic realignment, which include the establishment of two operating businesses. The first, Informix Software, will focus on providing database management systems for data warehousing, transaction processing, and e-Business applications. The second, Ascential Software, is a newly established information asset management company being launched to provide content management, data integration infrastructure and enterprise portal software solutions to organizations worldwide. This follows the Company's announcement on August 9, 2000, of several strategic initiatives, amongst which was the consolidation of five business groups into two operations, Database Business Operations and Solutions Business Operations, which more effectively capture the Company's current operations and form the foundation for the two new operating companies, Informix Software and Ascential Software. Revenues from external customers for each group of similar products and services are summarized below by year (in millions):

	2000	1999	1998
INFORMIX SOFTWARE			
License revenues	**$337.7**	$ 481.9	$ 439.6
Service revenues			
Maintenance revenues	**392.4**	361.3	285.7
Consulting and education revenues	**77.5**	111.8	111.7
Total service revenues	**469.9**	473.1	397.4
Total revenues – Informix Software	**$ 807.6**	$ 955.0	$ 837.0
ASCENTIAL SOFTWARE			
License revenues	**$ 66.7**	$ 54.0	$ 14.3
Service revenues			
Maintenance revenues	**20.1**	6.9	0.9
Consulting and education revenues	**34.9**	23.2	2.3
Total service revenues	**55.0**	30.1	3.2
Total revenues — Ascential Software	**$ 121.7**	$ 84.1	$ 17.5
INFORMIX CORPORATION (COMBINED TOTAL OF INFORMIX SOFTWARE AND ASCENTIAL SOFTWARE)			
License revenues	**$ 404.4**	$ 535.9	$ 453.9
Service revenues			
Maintenance revenues	**412.5**	368.2	286.6
Consulting and education revenues	**112.4**	135.0	114.0
Total service revenues	**524.9**	503.2	400.6
Total revenues--Informix Corporation	**$ 929.3**	$ 1,039.1	$ 854.5

Information as to the Company's operations in different geographical areas is as follows:

(in millions)	**2000**	1999	1998
Revenues, net of transfers between segments:			
United States	**$ 456.8**	$ 516.8	$ 427.3
Total North America	**456.8**	516.8	427.3
United Kingdom	**79.4**	104.7	86.8
Germany	**65.4**	75.1	69.9
France	**31.0**	47.1	29.1
Italy	**16.4**	13.6	10.9
Spain	**13.9**	14.5	10.8
Other countries	**82.2**	84.8	70.7
Total Europe	**288.3**	339.8	278.2
Japan	**27.5**	32.3	26.2
Australia	**19.0**	24.3	17.1
China	**13.4**	15.7	9.7
Korea	**13.1**	8.6	5.6
Other countries	**35.3**	32.9	33.2
Total Asia/Pacific	**108.3**	113.8	91.8
Mexico	**34.8**	31.4	21.6
Brazil	**12.6**	9.6	11.3
Argentina	**8.9**	9.0	7.5
Other countries	**19.6**	18.7	16.8
Total Latin America	**75.9**	68.7	57.2
	$ 929.3	$ 1,039.1	$ 854.5
Property and equipment, net			
United States	**$ 51.8**	$ 52.7	
Other	**0.6**	0.2	
Total North America	**52.4**	52.9	
United Kingdom	**2.7**	2.7	
Ireland	**2.2**	1.7	
Germany	**1.4**	1.8	
France	**1.1**	1.4	
Other countries	**2.5**	2.5	
Total Europe	**9.9**	10.1	
Asia/Pacific	**2.8**	3.0	
Latin America	**2.5**	2.6	
Total Asia/Pacific and Latin America	**5.3**	5.6	
	$ 67.6	$ 68.6	

NOTE 10 — INCOME TAXES

The provision for income taxes applicable to income (loss) before income taxes consists of the following:

(in thousands)	**2000**	1999	1998
Currently payable:			
Federal	**$ —**	$ 5,929	$ 889
State	**50**	754	195
Foreign	**7,711**	15,647	2,840
	7,761	22,330	3,924
Deferred:			
Federal	**3,211**	187	(3,459)
State	**—**	(958)	(1,389)
Foreign	**5,046**	10,424	7,824
	8,257	9,653	2,976
	$ 16,018	$ 31,983	$ 6,900

Income (loss) before income taxes consists of the following:

(in thousands)	**2000**	1999	1998
Domestic	**$ (152,876)**	$ (20,705)	$ 5,278
Foreign	**70,579**	49,700	54,074
	$ (82,297)	$ 28,995	$ 59,352

The provision for income taxes differs from the amount computed by applying the federal statutory income tax rate to income (loss) before income taxes. The sources and tax effects of the differences are as follows:

(in thousands)	**2000**		1999		1998	
	AMOUNT	**PERCENT**	AMOUNT	PERCENT	AMOUNT	PERCENT
Computed tax (benefit) at federal statutory rate	**$ (28,804)**	**35.0%**	$ 10,148	35.0%	$ 20,773	35.0%
Valuation allowance	**46,854**	**(56.9)**	(11,940)	(41.2)	(11,396)	(19.2)
State income taxes, net of federal tax benefit	**50**	**(0.1)**	644	2.2	(1,229)	(2.1)
Foreign withholding taxes not currently creditable	**3,672**	**(4.5)**	8,957	30.9	2,690	4.5
Foreign taxes, net	**(20,078)**	**24.4**	18,686	64.5	(4,729)	(7.9)
Non-deductible charges	**15,750**	**(19.1)**	3,515	12.1	1,272	2.1
Other, net	**(1,426)**	**1.7**	1,973	6.8	(481)	(0.8)
	$ 16,018	**(19.5)%**	$ 31,983	110.3%	$ 6,900	11.6%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2000 and 1999 are as follows:

(in thousands)	**2000**	1999
Deferred Tax Assets:		
Reserves and accrued expenses	**$ 8,156**	$ 11,373
Deferred revenue	**4,039**	3,098
Foreign net operating loss carryforwards	**23,114**	21,025
Domestic net operating loss carryforwards	**128,464**	97,862
Lawsuit settlement	**23,085**	23,085
Foreign taxes credit	**14,257**	10,077
R&D and AMT credit carryforwards	**31,038**	28,474
Acquisition and restructuring reserve	**11,014**	—
Other	**17,743**	7,701
Total deferred tax assets	**260,910**	202,695
Valuation allowance for deferred tax assets	**(250,549)**	(176,830)
Deferred tax assets, net of valuation allowance	**10,361**	25,865
Deferred Tax Liabilities:		
Capitalized software	**10,361**	17,110
Valuation of investment portfolio FAS 115	**—**	3,211
Total deferred tax liabilities	**10,361**	20,321
Net deferred tax assets	**$ —**	$ 5,544

At December 31, 2000, the Company had approximately $73.1 million and $321.2 million of foreign and federal net operating loss carryforwards, respectively. The foreign net operating loss carryforwards expire at various dates beginning in 2001. The federal net operating loss carryforwards expire at various dates beginning in 2004. At December 31, 2000, the Company had approximately $45.3 million of various federal tax credit carryforwards that will expire at various dates beginning in 2001.

The valuation allowance was increased by $73.7 million in 2000 and was decreased by $0.7 million in 1999. At December 31, 2000 the Company has provided a valuation allowance against deferred tax assets in all jurisdictions as future income in each jurisdiction is uncertain. At December 31, 1999 the net deferred tax asset of $5.5 million represented the tax effect of net operating loss carryforwards existing in certain foreign jurisdictions that the Company believed were more likely than not to be realized, based on earnings in those jurisdictions.

Subsequently recognizable tax benefits relating to the valuation allowance for deferred tax assets at December 31, 2000 will be as follows:

Income tax benefit from continuing operations	$ 194,985
Goodwill and other noncurrent intangible assets	28,410
Additional paid-in capital	27,154
Total	$ 250,549

NOTE 11—BUSINESS COMBINATIONS

POOLING-OF-INTERESTS COMBINATIONS On March 1, 2000, the Company completed its acquisition of Ardent, a provider of data integration infrastructure software for data warehouse, business intelligence, and e-business applications. In the acquisition, the former shareholders of Ardent received 3.5 shares of the Company's common stock in exchange for each outstanding Ardent share (the "Ardent Merger"). An aggregate of 70,437,000 shares of Informix common stock were issued pursuant to the Ardent Merger, and an aggregate of 17,174,000 options to purchase Ardent common stock were assumed by Informix. The Ardent Merger was accounted for as a pooling-of-interests combination and, accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Ardent and all intercompany transactions have been eliminated.

On October 8, 1999, the Company completed its acquisition of Cloudscape, a privately-held provider of synchronized database solutions for the remote and occasionally connected workforce. In the acquisition, the former shareholders of Cloudscape received 0.56 shares of the Company's common stock in exchange for each outstanding Cloudscape share (the "Cloudscape Merger"). An aggregate of 9,583,000 shares of Informix common stock were issued pursuant to the Cloudscape Merger, and an aggregate of 417,000 options and warrants to purchase Cloudscape common stock were assumed by Informix. The acquisition of Cloudscape was accounted for as a pooling-of-interests combination and, accordingly, the consolidated financial statements for the periods prior to the combination have been restated to include the accounts and results of operations of Cloudscape.

In February 1998, Ardent merged with Unidata, Inc. ("Unidata") and issued 5,750,000 shares of Ardent common stock to Unidata shareholders for all their interest in Unidata. All outstanding Unidata options were assumed by Ardent. The merger was accounted for as a pooling-of-interests and, accordingly, the consolidated financial statements include the accounts and results of operations of Unidata for all periods prior to the merger.

The results of operations previously reported by the separate pooled enterprises and the combined amounts presented in the accompanying consolidated financial statements are summarized below (in thousands):

Years ended December 31,	1999	1998
Net revenues:		
Informix	$ 868,708	$ 734,737
Ardent	169,186	119,260
Cloudscape[1]	1,217	523
Combined	$1,039,111	$ 854,520
Net income (loss):		
Informix	$ (5,256)	$ 58,349
Ardent	8,597	1,637
Cloudscape[1]	(6,329)	(7,534)
Combined	$ (2,988)	$ 52,452

No adjustments were necessary to conform accounting policies of the combined entities.

[1] The amounts reported for Cloudscape for 1999 are for the nine months ended September 30, 1999 as the merger was completed on October 8, 1999.

PURCHASE COMBINATIONS On April 26, 1999, Ardent acquired Prism Solutions, Inc. (“Prism”), a provider of data warehouse management software that assists customers in developing, managing and maintaining data warehouses. Under terms of the acquisition, Ardent issued 2,492,000 shares of its common stock in exchange for all outstanding shares of Prism common stock. In addition, Ardent issued options to purchase 632,000 shares of Ardent’s common stock in exchange for outstanding options to purchase Prism common stock. The acquisition was accounted for using the purchase method of accounting, and a summary of the purchase price for the acquisition is as follows (in thousands):

Stock and stock options, net of issuance costs	$ 48,184
Liabilities assumed	16,332
Accrued merger and integration costs	9,724
Total	$ 74,240

The purchase price was allocated as follows:

Tangible assets acquired	$ 9,388
Intangible assets:	
Existing technology	10,296
Workforce	4,274
Customer list	1,645
Goodwill	43,585
Total intangible assets	59,800
In-process research and development	5,052
Total	$ 74,240

Ardent determined the amount of the purchase price to be allocated to in-process research and development based on an independent appraisal of Prism, which indicated that approximately $5,052,000 of the acquired intangibles consisted of in-process research and development that had not yet reached technological feasibility and had no alternative future uses. Accordingly, Ardent expensed this amount to operations upon closing of the acquisition. The remaining identified intangible assets acquired were assigned fair values based upon an independent appraisal and amounted to $11.9 million. The excess of the purchase price over the identified tangible and intangible assets was recorded as goodwill and amounted to approximately $38.7 million. Total intangible assets acquired of approximately $50.6 million were included in “Intangible Assets” in the accompanying consolidated balance sheets, and are being amortized over three to ten years.

On December 31, 1998, the Company acquired Red Brick Systems, Inc. (“Red Brick”), a provider of scalable decision support solutions for data warehousing, data marts, OLAP and data mining. Under terms of the acquisition, the Company issued approximately 7,600,000 shares of its common stock in exchange for all outstanding shares of Red Brick common stock. In addition, the Company issued options to purchase approximately 2.5 million shares of the Company’s common stock in exchange for outstanding unvested options to purchase Red Brick common stock. The acquisition was accounted for using the purchase method of accounting, and a summary of the purchase price for the acquisition is as follows (in thousands):

Stock and stock options, net of issuance costs	$35,914
Direct acquisition costs	1,042
Other liabilities assumed	5,892
Accrued merger and integration costs	7,850
Deferred revenue	5,149
Total	$55,847

NOTE 11—BUSINESS COMBINATIONS (CONTINUED)

The purchase price was allocated as follows:

Cash and short-term investments acquired	$ 7,763
Other tangible assets acquired	10,281
Intangible assets	
Capitalized software	7,400
Workforce	4,700
Goodwill	23,103
	35,203
In-process research and development	2,600
Total	$ 55,847

In-process research and development represents the fair value of technologies acquired for use in the Company's own development efforts. The Company determined the amount of the purchase price to be allocated to in-process research and development based on an independent appraisal of certain intangible assets which indicated that approximately $2.6 million of the acquired intangible assets consisted of in-process research and development that had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Company recorded a charge to operations of $2.6 million in the fourth quarter of fiscal 1998. The remaining intangible assets acquired, with an assigned value of approximately $35.2 million, were included in "Intangible Assets" in the accompanying consolidated balance sheets, and are being amortized over three to five years.

The following pro forma financial information presents the combined results of operations of Informix, Prism and Red Brick as if the acquisitions had occurred as of the beginning of 1999 and 1998, after giving effect to certain adjustments, including amortization of goodwill and excluding the write-off of acquired in-process research and development. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had these three companies constituted a single entity during such periods.

Year ended December 31, (in thousands, except for per share data)	1999	1998
Net revenues	$1,048,373	$ 935,934
Net income (loss)	(23,711)	986
Net income (loss) per share	$ (0.09)	$ (0.02)

NOTE 12 — LITIGATION

Commencing in April 1997, a series of class action lawsuits purportedly by or on behalf of stockholders and a separate but related stockholder action were filed in the United States District Court for the Northern District of California. These actions name as defendants the Company, certain of its present directors and former officers and directors and, in some cases, its former independent auditors. The complaints alleged various violations of the federal securities laws and sought unspecified but potentially significant damages. Similar actions were also filed in California state court and in Newfoundland, Canada.

Stockholder derivative actions, purportedly on behalf of the Company and naming virtually the same individual defendants and the Company's former independent auditors, were also filed, commencing in August 1997, in California state court. While these actions allege various violations of state law, any monetary judgments in these derivative actions would accrue to the benefit of the Company.

Pursuant to Delaware law and certain indemnification agreements between the Company and each of its current and former officers and directors, the Company is obligated to indemnify its current and former officers and directors for certain liabilities arising from their employment with or service to the Company. This includes the costs of defending against the claims asserted in the above-referenced actions and any amounts paid in settlement or other disposition of such actions on behalf of these individuals. The Company's obligations do not permit or require it to provide such indemnification to any such individual who is adjudicated to be liable for fraudulent or criminal conduct. Although the Company has purchased directors' and officers' liability

insurance to reimburse it for the costs of indemnification for its directors and officers, the coverage under its policies is limited. Moreover, although the directors' and officers' insurance coverage presumes that 100 percent of the costs incurred in defending claims asserted jointly against the Company and its current and former directors and officers are allocable to the individuals' defense, the Company does not have insurance to cover the costs of its own defense or to cover any liability for any claims asserted against it. The Company has not set aside any financial reserves relating to any of the above-referenced actions.

In October and November, 1999, state and federal courts granted final approval of a settlement agreed to by the Company and the other parties to the various private securities and related litigation against the Company (the "Settlement"). The Settlement resolved all material litigation arising out of the restatement of the Company's financial statements that was publicly announced in November 1997. In accordance with the terms of the Settlement, the Company paid approximately $3.2 million in cash during the second quarter of 1999 and an additional amount of approximately $13.8 million of insurance proceeds was contributed directly by certain insurance carriers on behalf of certain of the Company's current and former officers and directors. The Company will also contribute a minimum of 9.0 million shares of the Company's common stock, which will have a guaranteed value of $91.0 million for a maximum term of one year from the date of the final approval of the settlement by the courts. The first distribution of shares of the Company's common stock occurred in November and December 1999 when the Company issued approximately 2.9 million shares to the plaintiff's counsel. The Company will issue the remainder of the shares to be issued under the Settlement after the claims administrator notifies the Company that it has processed all of the claims submitted by class members. The Company's former independent auditors, Ernst & Young LLP, paid $34.0 million in cash. The total amount of the Settlement will be $142.0 million.

EXPO 2000 filed an action against Informix Software GmbH (the Company's German subsidiary) in the Hanover (Germany) district court in September 1998 seeking recovery of approximately $6.0 million, plus interest, for breach of a sponsorship contract signed in 1997. Informix Software GmbH filed a counterclaim for breach of contract and seeks recovery of approximately $3.1 million. In August 1999, the court entered a judgment against Informix Software GmbH in the amount of approximately $6.0 million, although approximately $2.1 million of judgment is conditioned upon the return by EXPO 2000 of certain software. The Company has reserved $3.1 million for the expected outcome of the appeal. The next court date is scheduled for March 27, 2001.

On February 3, 2000, International Business Machines Corporation ("IBM") filed an action against the Company in the United States District Court for the District of Delaware alleging infringement of six United States patents owned by IBM. In the complaints, IBM seeks against the Company, and the Company seeks against IBM, permanent injunctions against further alleged infringement, unspecified compensatory damages, unspecified treble damages, and interest, costs and attorney's fees. On March 28, 2000, the Company filed an answer and counterclaims in the United States District Court for the District of Delaware against IBM denying IBM's allegations of patent infringement and alleging infringement by IBM of four United States patents owned by the Company. In addition, on March 28, 2000, the Company filed a separate action against IBM in the United States District Court for the Northern District of California alleging infringement of four other United States patents owned by the Company. On June 22, 2000, that action was transferred to the United States District Court for the District of Delaware. The Company strongly believes that the allegations in IBM's complaint are without merit and intends to defend the action and prosecute the Company's claims vigorously.

Ardent is a defendant in actions filed against Unidata prior to its merger with Ardent, one in May 1996 in the U.S. District Court for the Western District of Washington, and one in September 1996 in the U.S. District Court for the District of Colorado. The plaintiff, a company controlled by a former stockholder of Unidata and a distributor of its products in certain parts of Asia, alleges in both actions the improper distribution of certain Unidata products in the plaintiff's exclusive territory and asserts damages of approximately $30.0 million under claims for fraud, breach of contract, unfair competition, racketeering and corruption, and a trademark and copyright infringement, among other relief. Unidata denied the allegations against it in its answers to the complaints. In the Colorado action, Unidata moved that the matter be resolved by arbitration in accordance with its distribution agreement with the plaintiff. In May 1999, the U.S. District Court for the District of Colorado issued an order compelling arbitration and in September 2000, the arbitrator issued an award against Ardent for $3.5 million plus attorneys'

NOTE 12 — LITIGATION (CONTINUED)

fees and expenses estimated to be approximately $0.8 million. The Company is seeking reconsideration of the award but, in the meantime, has reserved $4.3 million. Discovery has not commenced in the Washington action, pending the outcome of the Colorado arbitration. Ardent, as successor-in-interest to Unidata, has been joined as a party in an action in China filed by the same plaintiff in the U.S. actions and a related company against Unidata, its former distributor and a customer arising out of the same facts at issue in the U.S. actions. The plaintiffs have asserted claims against Ardent in the total amount of $26.0 million, and against the customer in the approximate amount of $4.0 million (in addition to the assertion that the customer is jointly liable for the $26.0 million). The customer is expected to assert indemnity claims against Ardent for any liability in the action in China, and also is expected to seek recovery of its fees from Ardent, which the customer has alleged are approximately $3.0 million. The Company believes that Ardent has defenses to the claims and intends to defend the action in China vigorously.

In July 2000, the Company agreed to pay Cincom Systems, Inc ("Cincom") $3.0 million to reimburse Cincom for operating expenses of CinMark, a joint venture entered into by Ardent and Cincom in 1996 to develop the Object Studio product, and $4.0 million as a fee to license the Object Studio technology. This agreement resolves all claims and counterclaims asserted by both Cincom and Ardent. During the period ended September 30, 2000, the Company discontinued use of the licensed technology as a result of the realignment and expensed the $4.0 million in the merger, realignment and other charge.

From time to time, in the ordinary course of business, the Company is involved in various legal proceedings and claims. The Company does not believe that any of these proceedings and claims will have a material adverse effect on the Company's business or financial condition.

NOTE 13—ACCRUED MERGER, REALIGNMENT AND OTHER CHARGES

During the year ended December 31, 2000, the Company approved plans to realign its operations by establishing two operating businesses. The strategic realignment included a refinement of the Company's product strategy, consolidation of facilities and operations to improve efficiency and a reduction in worldwide headcount of approximately 280 sales and marketing employees, 180 general and administrative employees, 200 research and development employees and 100 professional services and manufacturing employees. The Company recorded realignment and other charges of $86.9 million during the year ended December 31, 2000. The following analysis sets forth the significant components of this charge:

	REALIGNMENT AND OTHER CHARGES	PAYMENTS/ CHARGES	**ACCRUAL BALANCE AT DECEMBER 31, 2000**
Write-off of goodwill and other intangible assets	$ 32.0	$ (32.0)	**$ —**
Severance and employment related costs	40.9	(18.1)	**22.8**
Facility and equipment costs	7.5	(3.9)	**3.6**
Costs to exit various commitments and programs	4.0	(1.7)	**2.3**
Other charges	2.5	(2.5)	**—**
	$ 86.9	$ (58.2)	**$ 28.7**
Amount included in accrued employee compensation			**(5.0)**
Amount included in accrued merger, realignment and other charges			**$ 23.7**

The $32.0 million write-off of goodwill and other intangible assets consisted primarily of $12.0 million of goodwill, $4.8 million of purchased technology and $15.2 million of capitalized software. The $12.0 million write-off of goodwill resulted from the carrying amount of certain long-lived assets exceeding the estimated future undiscounted cash flows due to the decision to curtail development of certain database products over the next few years. The $4.8 million reduction of purchased technology is due to the carrying amount of certain purchased technology exceeding the estimated future undiscounted cash flows as a result of an abandonment of certain technology in the Company's solutions business. $15.2 million of capitalized software was written off because the carrying amount of certain capitalized costs exceeded net realizable value. Of the $15.2 million write-off, $9.0 million was for the abandonment of certain database development costs in conjunction with the decision to move to a single database-management system, $4.0 million related to the decision to discontinue use of licensed software, and $2.2 million was for abandonment of other developed tools and products.

Severance and employment related costs of $40.9 million included $24.1 million of termination compensation and related benefits, $11.5 million of retention and incentive bonuses for employees who management believes are critical to the successful outcome of the realignment and $5.3 million for payments to qualified employees related to the Company's decision to terminate its sabbatical plan. The sabbatical plan provided employees a one-month sabbatical after every five years of continuous service. As a direct result of the plan termination, the Company paid cash bonuses to employees based upon their progress toward earning a sabbatical. As of December 31, 2000, approximately $10.7 million of termination compensation and related benefits had been paid to terminate approximately 430 employees and $7.4 million of retention and incentive bonuses had been paid. The remaining accrual balance of $22.8 million will be paid on various dates extending through June 2001.

Included in the $7.5 million charge for facility and equipment costs was $3.2 million for the write-off of obsolete and abandoned computer and office equipment, as these assets are no longer being used, and $4.3 million for lease obligations for redundant facilities. The remaining accrual balance at December 31, 2000 of $3.6 million is for lease obligations that extend through 2004 for redundant facilities.

Included in the $4.0 million charge for costs to exit various commitments and programs was $2.0 million for the termination of contracted service commitments and $2.0 million to cancel various marketing programs. The remaining accrual of $2.3 million should be paid by July 2001. Also, included in the $2.5 million of other charges is $1.3 million in receivables that have been deemed uncollectable as a direct result of merger, realignment and restructuring decisions.

The impairment charge for long-lived assets related to identifiable assets previously classified within primarily the North America business segment.

In connection with the merger with Ardent, the Company recorded a charge of $50.0 million for merger, integration and restructuring costs, of which $39.9 million was for accrued merger and restructuring costs and the remaining $10.1 million was for integration and transition costs incurred during the quarter ended March 31, 2000. This amount included $14.5 million for financial advisor, legal and accounting fees related to the merger, $13.0 million for severance and employment related costs associated with the termination of approximately 206 employees from various organizations throughout the Company who held overlapping positions, $8.9 million for the closure of facilities and equipment costs associated with combining the operations of the two companies and $3.5 million for the write-off of redundant technology and other duplicate costs. Subsequent to the quarter ended March 31, 2000, the Company recorded adjustments of $8.9 million to the merger and restructuring charge. The major components of the adjustments were a $4.7 million adjustment to accrued facility and equipment costs and a $2.6 million adjustment to accrued severance and employment costs. The adjustment to the accrued facility and equipment costs resulted from the Company's ability to exit or sub-lease certain facility leases in advance of original estimates, and the adjustment to accrued severance costs was because certain former Ardent executives will remain with the Company as a result of the realignment and therefore will not receive severance. The following analysis sets forth the significant components of the restructuring charge:

NOTE 13—ACCRUED MERGER, REALIGNMENT AND OTHER CHARGES (CONTINUED)

	MERGER AND RESTRUCTURING CHARGE	ADJUSTMENTS	PAYMENTS/ CHARGES	**ACCRUAL BALANCE AT DECEMBER 31, 2000**
Financial advisor and other fees	$ 14.5	$ 0.1	$ (13.5)	**$ 1.1**
Severance and employment costs	13.0	(3.5)	(8.5)	**1.0**
Facility and equipment costs	8.9	(4.7)	(3.0)	**1.2**
Write-off of redundant technology	3.5	(0.8)	(2.7)	**—**
	$ 39.9	$ (8.9)	$ (27.7)	**$ 3.3**

It is anticipated that the remaining $1.1 million for professional services related to the merger will be paid in 2001. As of December 31, 2000, essentially all 206 of the positions originally identified for termination had been eliminated and the remaining payments of $1.0 million for severance and employment costs are expected to be made through December 2001 as certain employees have elected to receive their severance payments over an extended period of time. The remaining facility costs of $1.2 million extend through 2003. The impairment charge for long-lived assets related to identifiable assets previously classified within primarily the North America business segment.

As part of the Company's acquisition of Cloudscape, the Company recorded a charge of $2.8 million during the quarter ended December 31, 1999, for accrued merger and restructuring costs. This amount included $1.2 million for financial advisor, legal and accounting fees related to the merger and $1.6 million for costs associated with combining the operations of the two companies including expenditures of $0.7 million for severance and related costs, $0.4 million for closure of facilities and $0.5 million for the write-off of redundant assets and other costs. As of December 31, 2000, all obligations related to the Cloudscape merger had been paid.

On April 26, 1999, Ardent acquired Prism Solutions, Inc. ("Prism"), a provider of data warehouse management software that assists customers in developing, managing and maintaining data warehouses. In connection with the merger with Prism, Ardent recorded a charge of $9.7 million for accrued merger and restructuring costs. The accrual included approximately $2.9 million for professional fees and other acquisition-related costs, $3.5 million for severance and related benefits to terminate 52 employees who held overlapping positions and $3.3 million for costs associated with the shutdown and consolidation of Prism facilities. As of December 31, 2000, approximately $0.3 million remained unpaid and comprised principally of future rental obligations on idle facilities which run through 2004.

In May 1999, Ardent adopted a formal plan to exit the operations of O2 Technologies, Inc. ("O2"), which had been acquired by Ardent in December 1997, and recorded a charge of $9.9 million for accrued restructuring charges. The charge was comprised of $5.9 million for asset impairment, $3.6 million for severance and related costs and $0.4 million for facility closings and other obligations. As of December 31, 2000, all obligations related to the O2 restructuring had been paid.

On December 31, 1998, the Company acquired Red Brick Systems, Inc. ("Red Brick"). Accrued merger and restructuring costs recorded in connection with the acquisition of Red Brick included approximately $1.6 million for severance and other acquisition-related costs, $4.7 million for costs associated with the shutdown and consolidation of the Red Brick facilities and $1.6 million for costs associated with settling acquired royalty commitments for abandoned technology. As of December 31, 2000, approximately $0.4 million remained unpaid and related to future rental obligations on idle facilities that extend through 2002.

In February 1998, Ardent acquired Unidata and recorded a charge of $14.9 million for merger and restructuring costs related to the merger. The charge included $3.9 million for financial advisor, legal and accounting fees, $6.2 million for severance and benefit costs related to the termination of 139 Unidata employees who held overlapping positions, $2.2 million for the closure of facilities and $2.6 million for the write-off of redundant assets. As of December 31, 1999, all obligations related to the Unidata merger had been paid.

During 1997, the Company approved plans to restructure its operations and recorded a charge of $108.2 million in order to bring expenses in line with forecasted revenues by substantially reducing worldwide headcount and consolidating facilities and operations to improve efficiency. As of December 31, 2000, approximately $0.5 million remained unpaid and related to rental obligations on idle facilities that expire at various dates through 2002.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

		ADDITIONS				
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGEDTO REVENUES	DEDUCTIONS[1]	OTHER[2]	BALANCE AT END OF YEAR
Allowance for Doubtful Accounts						
Year ended December 31, 2000	**$16,881**	**$ 8,338**	**$ 6,640**	**$17,625**	**$ —**	**$14,234**
Year ended December 31, 1999	18,440	1,269	4,868	9,898	2,202	16,881
Year ended December 31, 1998	33,233	651	(4,529)	12,392	1,477	18,440

[1] Uncollectible accounts written off, net of recoveries
[2] Allowance for doubtful accounts acquired from Prism in 1999 and Red Brick in 1998

BOARD OF DIRECTORS

Peter Gyenes
Chairman
President and Chief Executive Officer
Informix Corporation

Leslie G. Denend [1] [3]
President (retired)
Network Associates, Inc.

James L. Koch [2] [3]
Director of the Center for Science, Technology and Society, and Professor of Management, Santa Clara University

Thomas A. McDonnell [1] [2]
President and Chief Executive Officer
DST Systems, Inc.

Robert M. Morrill
Individual investor

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Nominating Committee

CORPORATE OFFICERS

Peter Gyenes
Chairman
President and Chief Executive Officer

Jamie Arnold
Vice President and Chief Financial Officer

Gary Lloyd
Vice President, Legal
General Counsel and Secretary

William F. O'Kelly
Vice President, Corporate Finance and Treasurer

James Foy
Senior Vice President and General Manager, Database Business Operations
President, Informix Software

Peter Fiore
Senior Vice President and General Manager, Solutions and Business Operations
President Ascential Software

CORPORATE INFORMATION

Annual Meeting

The annual meeting of Stockholders will be held at 10:00 a.m., Monday, June 4, 2001, at the
Wyndham Westborough Hotel - Viking Room
5400 Computer Drive
Westborough, MA 01581
508-366-5511

Common Stock Trading Range

The Company's Common Stock has been traded on the over-the-counter market under the NASDAQ symbol IFMX since the Company's initial public offering on September 24, 1986. The following table sets forth the range of high and low sales prices for the Company's Common Stock on the NASDAQ National Market System.

	HIGH	LOW
Fiscal 2000		
First Quarter	$20.97	$7.88
Second Quarter	21.25	6.19
Third Quarter	6.81	3.69
Fourth Quarter	4.75	2.63
Fiscal 1999		
First Quarter	$14.00	$7.00
Second Quarter	9.81	6.03
Third Quarter	9.75	6.75
Fourth Quarter	13.31	6.38

Common Stockholders of Record

On April 10, 2001, there were approximately 24,046 stockholders of record of the Company's Common Stock, as shown in the records of the Company's transfer agent.

The Company has never paid cash dividends on its Common Stock and its present policy is to retain its earnings to finance anticipated future growth.

Corporate Headquarters

Informix Corporation
50 Washington Street
Westborough, MA 01581
www.informix.com

Independent Auditors

KPMG LLP
Mountain View, California

Transfer Agent

Fleet National Bank
c/o EquiServe
P. O. Box 43010
Providence, RI 02940-3010
781-575-3120
www.equiserve.com

Investor Relations

Requests for financial information or for a copy of the annual report on Form 10-k for 2000 as filed with the Securities and Exchange Commission may be obtained without charge by writing to:
Investor Relations Department
Informix Corporation
50 Washington Street
Westborough, MA 01581
www.informix.com

Forward Looking Statements

Any statements contained herein including without limitation statements to the effect that Informix or its management "believes," "expects," "anticipates," "plans," "may," "will," "projects," "continues," "intends," or "estimates," or statements concerning "potential," or "opportunity" or other variations thereof or comparable terminology or the negative thereof that are not statements of historical fact should be considered forward-looking statements as a result of certain risks and uncertainties. These risks and uncertainties could cause actual results and events to differ materially from historical or anticipated results and events. Investors and potential investors should review carefully the description of the risks and uncertainties which, together with other detailed information about Informix Corporation, is contained in the periodic reports that the company files from time to time with the Securities and Exchange Commission.

This annual report contains information that is accurate as of April 18, 2001, the date of the publication. The Company disclaims any obligation to update or correct the information as a result of financial, business or any other developments occurring at a later date.

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