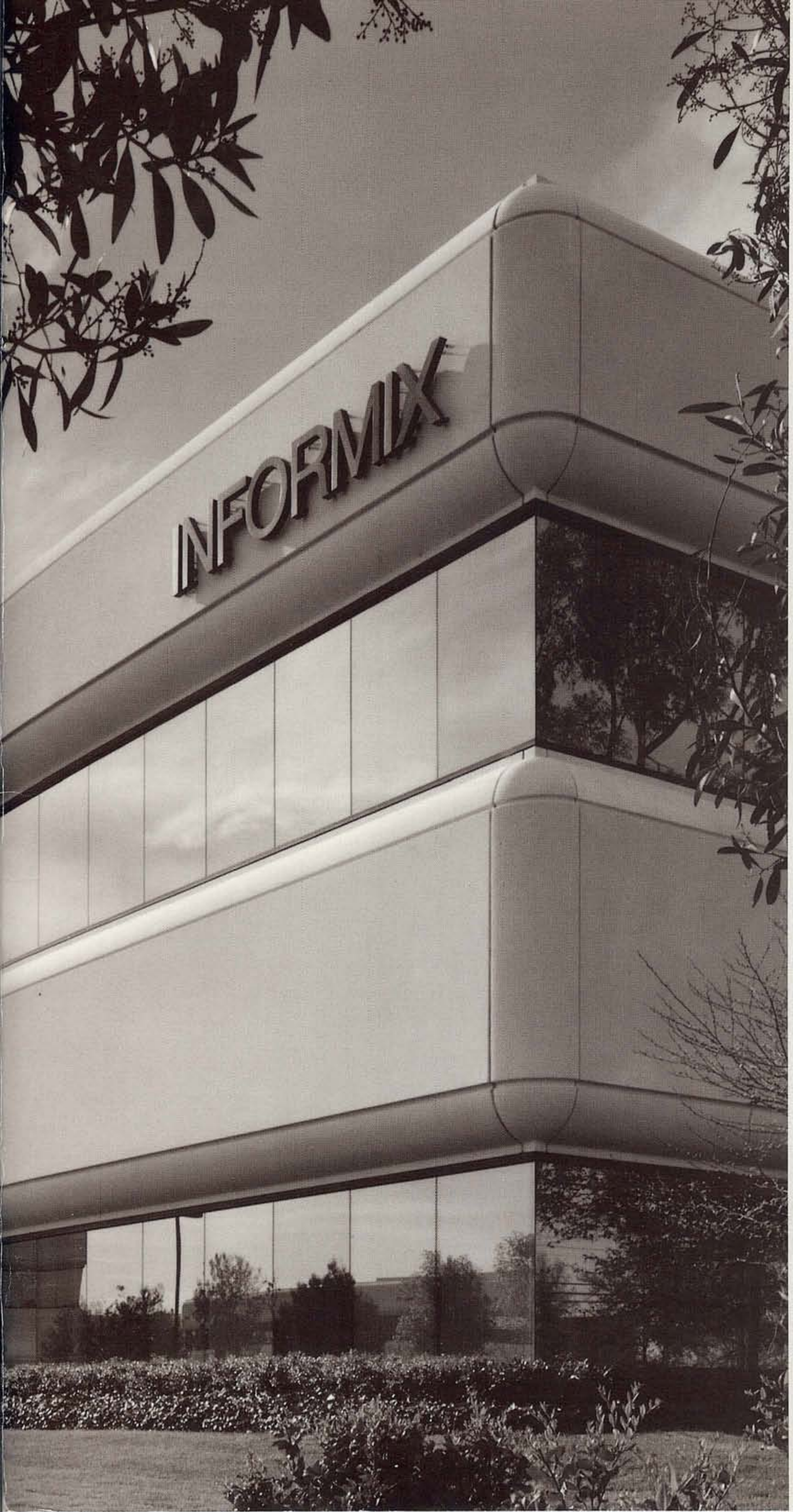

INFORMIX
CORPORATION

1992
ANNUAL REPORT

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INFORMIX®

In 1992, record financial performance marked the most successful year in Informix Corporation's history. Looking back on 1992, we attribute our strong performance to the success of our products in the market, our ability to anticipate industry trends, and the dedication and productivity of our employees—all of which resulted in a healthy balance of revenue from our products, channels, and markets.

For the year ended December 31, 1992, Informix's net revenues totaled a record $283.6 million, a 58 percent increase over the 1991 total of $179.8 million. Net income totaled $47.8 million in 1992—another record—compared to 1991 net income of $12.6 million. Fully diluted earnings per share for 1992 were $1.49, a 255 percent increase over net earnings per share of $0.42 in 1991. The per share revenue amounts for 1991 and 1992 have been adjusted to reflect a two-for-one stock split (in the form of a stock dividend), effective September 1992.

The full year's results include approximately $21.8 million in license revenue from the Reserve Component Automation System (RCAS) contract in which Informix is a subcontractor to The Boeing Company. The total contract is valued at about $1.6 billion—of which Informix was awarded and paid $26.8 million—and is one of the largest software bids awarded by the U.S. government in the past 10 years. In accordance with Informix's revenue recognition policy, $21.8 million was recorded as license revenue in 1992, and the remaining $5.0 million of support revenue will be recognized over an 11-year period.

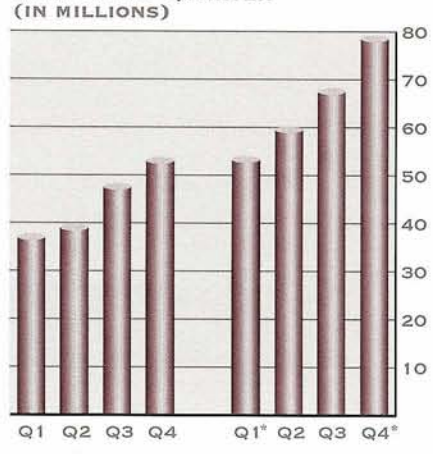
The full year's results also include a $10.5 million pretax charge for the settlement of, and expenses related to, a securities class action lawsuit filed against Informix and certain of its officers and directors in 1988. The settlement does not constitute an admission of liability or wrongdoing on the part of Informix or on the part of any of its current or former officers and directors.

Excluding the RCAS contract and the litigation settlement, Informix's 1992 results were still at record levels. Compared to 1991, our 1992 net revenues increased by approximately 46 percent to $261.8 million; net income for 1992 increased by 239 percent to $42.8 million; and fully diluted earnings per share increased by 217 percent to $1.33 in 1992.

A strong indicator of the Company's increased efficiency and productivity is the 1992 annualized revenue per employee figures, which grew to approximately $219,000 in the fourth quarter (excluding RCAS) from $192,000 for the fourth quarter of 1991. Excluding the RCAS contract, Informix's operating margin for the fiscal year 1992 was approximately 20 percent, the highest in our industry segment. Our days sales outstanding (DSO) also remains one of the lowest in the industry, declining to 77 in 1992 (excluding RCAS) from 79 in 1991.

Informix generated $78 million in cash, cash equivalents, and short-term investments during 1992 and closed the year with a balance of over $119 million. Except for relatively minor amounts of capital lease obligations, the Company currently has no outstanding debt, having called for redemption its 7.75 percent convertible subordinated debentures due in 2012. Virtually all of the debenture holders chose to convert their holdings to Informix common stock with essentially no impact on the Company's cash balances.

REVENUE BY QUARTER
(IN MILLIONS)

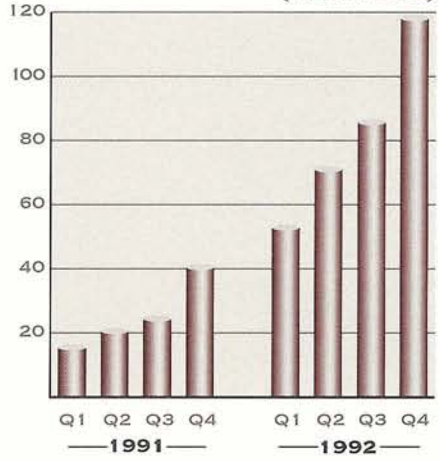


* *does not include RCAS revenue*

Informix's revenues have grown each quarter dating back to the first quarter of 1991—reflecting widespread acceptance of Informix products worldwide. Our net income (excluding RCAS and securities litigation) and cash, cash equivalents, and short-term investments for 1992 grew each quarter as well, indicating the effectiveness of the Company's cost controls and asset management.

The Company's 1992 license sales were generated from our database server and connectivity products (45 percent) and our application development and desktop productivity tools (55 percent). In geographic terms, 47 percent of sales, excluding RCAS, came from the Americas, 42 percent from Europe, and 11 percent from Asia/Pacific. Channel license distribution was balanced worldwide, with 38 percent of our revenue coming from direct sales efforts, 33 percent from licensed distributors, and 29 percent from third-party channels such as value-added resellers and hardware vendors.

CASH AND SHORT-TERM INVESTMENTS BY QUARTER (IN MILLIONS)

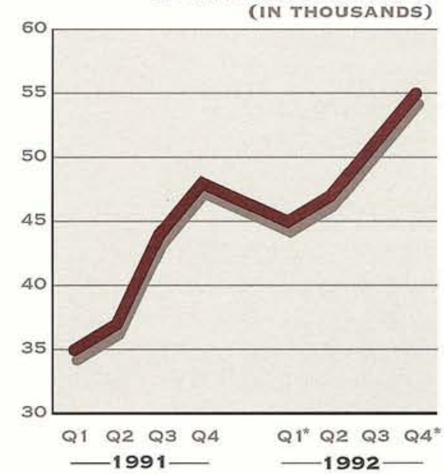


We realize our future success depends on maintaining our customers' confidence that Informix will continue to meet their most critical information management needs—today and beyond. In that spirit, the Company hosted the first annual Informix Worldwide User Conference in July 1992. The event provided a dynamic forum for users and developers to preview upcoming technology and to exchange ideas, new perspectives, and solutions with Informix personnel. Our 1993 conference is scheduled for July 12-15, at the San Jose Convention Center.

In December 1992, Roger Sippl, the founder of Informix and chairman since 1980, resigned in order to pursue new personal opportunities. Phillip E. White, the Company's president and CEO, was elected by the Board of Directors to serve as the new chairman. Roger has not only had an enormous impact on Informix, but also on the entire industry. Under his direction, Informix pioneered UNIX®-based SQL relational database management systems (RDBMSs), fourth-generation language (4GL) application development tools, and on-line transaction processing (OLTP) database technology. We thank Roger for his remarkable legacy—his vision remains integral to the future of Informix.

Other key personnel decisions during 1992 include the selection of James F. Hendrickson, Jr. to fill the newly created position of vice president, customer services. Jim is responsible for the Company's U.S. response center, customer training and development programs, and developing Informix's worldwide customer services strategy. Margaret C. Reilly was named vice president and treasurer of Informix, after serving as the Company's treasurer since May 1990. Informix also selected Mark Wang as vice president, Asia/Pacific. Mark replaces Howard Haythornthwaite, who is currently on special assignment with Informix in Japan pending his planned retirement.

REVENUE PER EMPLOYEE (IN THOUSANDS)



* *does not include RCAS revenue*

We believe the key to our market growth in 1992 has been our ability to provide new products and enabling technologies that meet real customer application needs.

The first of these 1992 product deliveries came in January with the shipment of INFORMIX-OnLine 5.0, our flagship database server for the UNIX operating system. OnLine 5.0 features an impressive combination of speed, functionality, and multimedia capabilities and is built on a foundation of industry standards. Related products followed throughout the year, including the shipment of INFORMIX-OnLine/Secure 4.1 in February, which is targeted for the government marketplace and provides additional security features to meet very specific and stringent standards. In September, we released INFORMIX-SE for DOS, Windows™, and NetWare®, moving our database technology into the quickly expanding lower-end market. In November, Informix introduced an updated version of OnLine (5.01) that includes a feature known as "triggers," as well as INFORMIX-OnLine *for NetWare*, which provides broadly scalable client/server solutions to our customers.

As customer needs evolve and demands for new technology emerge, we continue to build upon the proven performance of the INFORMIX-4GL product line. During 1992, Informix introduced eight new application development tools designed to provide market-specific extensions and enhancements to the INFORMIX-4GL Product Family—which InfoCorp's 1992 market research cites as the most widely used 4GL in the UNIX market.

In January, Informix began shipping INFORMIX-4GL Forms and INFORMIX-Menus, designed to help INFORMIX-4GL developers automatically generate code and create high-level menu systems when building customized customer applications.

In June, we announced a new generation of developers tools in response to specific market needs. For example, INFORMIX-4GL/GX™ is designed for businesses moving their character-based applications to newer, more user-friendly graphical computing environments. INFORMIX-TP/ToolKit is targeted for organizations where the number of concurrent system users grows dramatically. INFORMIX-4GL/RF was specifically developed for client/server applications using radio-frequency technology to provide a mobile computing environment. Also in June, Informix began shipping the three core products of its OpenCase™ computer-aided software engineering (CASE) program: INFORMIX-OpenCase/ToolBus™, INFORMIX-4GL for ToolBus™, and INFORMIX-OpenCase/Encapsulator.

As our customer base grows worldwide, Informix is expanding to keep pace. Over the course of 1992, Informix established new subsidiaries in Austria, Brazil, the Czech Republic, the Republic of Korea, Mexico, Norway, Switzerland, and Taiwan, bringing the total number of Informix international subsidiaries to 21 while increasing the number of employees from approximately 1,100 to 1,400.

A growth-oriented company like Informix requires a stable, seasoned, competent senior management team to continue the company's success. I know I speak for the team as I take this opportunity to salute the outstanding efforts and dedication of the people behind our success: our employees. Without them our company would not be where it is today. Finally, we believe that sustaining our momentum in 1993 will require continued revenue growth and maintaining effective cost controls while remaining responsive to our customers' evolving needs.

Sincerely,

Philip E. White

Phillip E. White
Chairman, Chief Executive Officer, and President

Informix Corporate Officers

Front Row: Phil White, Wynne Jennings, Steve Hill Second Row: Howard Haythornthwaite, Margaret Reilly, Ken Coulter, Edwin Winder, Dick Curtis, Ira Dorf Third Row: Chuck House, Jim Hendrickson, Howard Graham, David Stanley, Richard Blass, Mark Wang

There are many reasons for Informix's continued success, but there is a fundamental concept at work beneath it all: balance. In our products. In our channels. In our markets.

Sustaining balance in these areas gives us not only the ability to effectively manage our business, but also to recognize and respond to specific customer needs as they emerge. Our goal is to provide leading technology exactly when and where it's needed—a strategy that ultimately benefits everyone: the Company, our customers, our partners, and our investors.

LEADING TECHNOLOGY

Many of the largest and most visible organizations in the world rely on Informix database application technology to meet their open systems information management needs. Why? Because we offer a complete set of products that enables them to build better applications more quickly, deploy them easily, run them reliably at a high level of performance across multiple computing environments, and evolve them efficiently over time.

INFORMIX AND TOWER RECORDS

TOWER RECORDS, A LEADING U.S. RETAILER OF CDs, RECORDS, VIDEOS, AND BOOKS, OPERATES WITH INFORMIX SOFTWARE AT THE HEART OF ITS NEW STORE INFORMATION SYSTEM AT 119 LOCATIONS IN THE UNITED STATES, LONDON, AND JAPAN. THE TOWER APPLICATION—POWERED BY INFORMIX-ONLINE, INFORMIX-4GL, AND OTHER INFORMIX TOOLS—RUNS TOWER'S IN-STORE PROCESSORS WHICH CONNECT TO POINT-OF-SALES DEVICES FOR INVENTORY, PRICING, AND SALES TRACKING.

Our product revenues are split between two major product categories: application development tools and database servers. Informix tools are targeted to allow customers to build a wide spectrum of applications, from transaction-intensive production systems to more user-driven decision support systems.

We provide high-level languages that are targeted specifically for database application development, delivering as much as a 10-to-1 productivity increase over other development languages. In fact, market research† confirms what our customers already know: the INFORMIX-4GL family of products (our leading application development tool) clearly dominates the UNIX 4GL market, both in terms of revenue and units shipped.

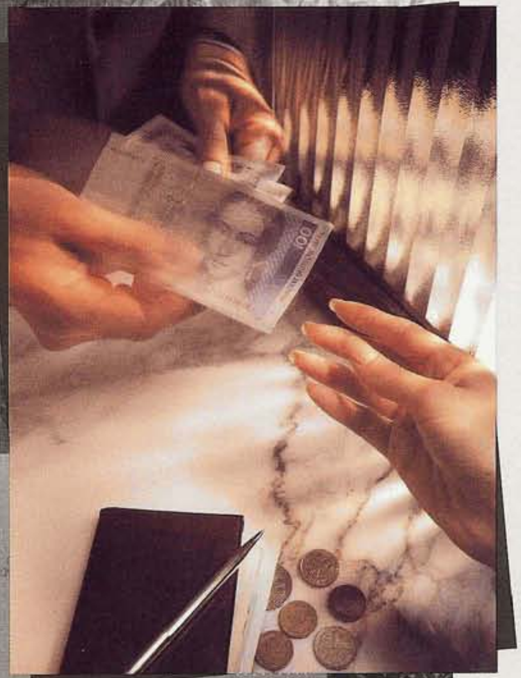
With the upcoming release of INFORMIX-HyperScript® Tools and INFORMIX-ViewPoint™, Informix will deliver visual tools that further enhance user productivity in two areas: rapid application development through automatic screen painting and code generation facilities; and graphical, point-and-click access to information contained in corporate or departmental databases.

Informix is the only database company to offer a choice of two database servers to power applications, both of which are based on a client/server architecture. For large-scale, mission-critical applications, INFORMIX-OnLine provides mainframe-caliber on-line transaction processing capabilities for centralized or distributed environments. INFORMIX-SE is our highly reliable multiuser server designed for small- to medium-range applications with less demanding maintenance requirements.

Change is a constant in both business and technology, and Informix knows our customers rely on us to help manage that change—whether it means moving applications to a new version of software, migrating from character-based to graphical workstations, or integrating new applications or features to streamline their business. That's why Informix technology is built on a foundation of industry standards and open systems, and why we continue to develop market-driven extensions to our product lines.

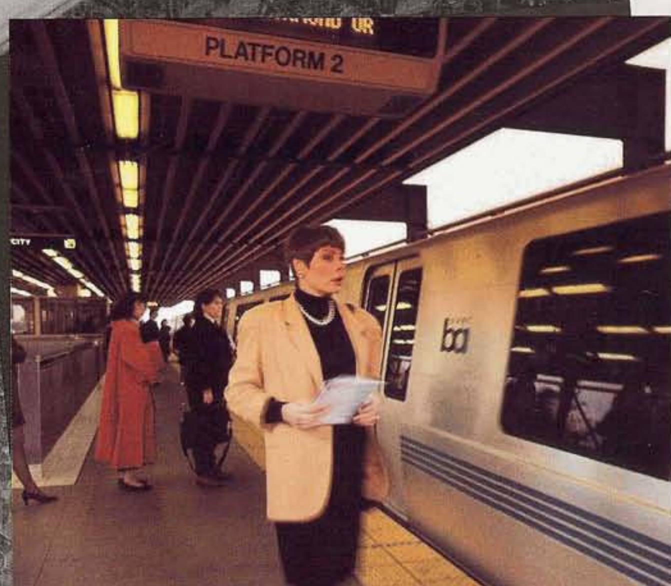
† *Source: InfoCorp, September 1992*

Our database server and connectivity products accounted for 45 percent of our 1992 license revenues while our application development and desktop productivity tools accounted for 55 percent.



Informix and Dresdner Bank

Dresdner Bank, the second largest bank in Germany, is using INFORMIX-OnLine to build a number of front-office applications running across 1,600 UNIX-based servers in more than 1,500 branches worldwide. Dresdner Bank is the first European company testing INFORMIX-ViewPoint, our recently announced tool that gives end users graphical desktop access to information contained in corporate and departmental databases.

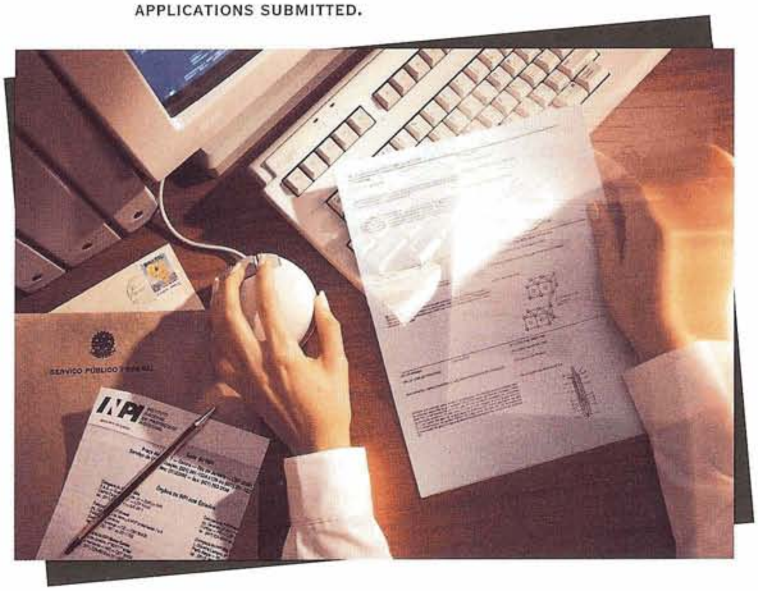


Informix and BART

Bay Area Rapid Transit (BART), a major public transportation agency serving the San Francisco Bay Area, is using INFORMIX-OnLine as the backbone of their NXTGEN system. NXTGEN will track and control train schedules, ticket sales and passenger flow, and display and announce train destinations at BART stations. BART chose Informix because they need the performance in OnLine and felt it would support BART's plans for future applications.

INFORMIX AND THE BRAZILIAN PATENT OFFICE

INFORMIX AND RESELLER PARTNER INFOQUEST TEAMED TO HELP THE BRAZILIAN GOVERNMENT PATENT OFFICE—INSTITUTO NACIONAL DA PROPRIEDADE INDUSTRIAL (INPI)—AUTOMATE THE PROCESSING OF PATENT AND TRADEMARK APPLICATIONS. THE APPLICATION, DEVELOPED WITH INFORMIX-4GL TO RUN ON THE INFORMIX-ONLINE DATABASE, WILL REPLACE INPI'S OUTDATED MANUAL SYSTEM WITH IMAGING TECHNOLOGY THAT BETTER ACCOMMODATES THE VOLUME OF TRADEMARK AND PATENT APPLICATIONS SUBMITTED.



INTO THE HANDS OF OUR CUSTOMERS

Making sure that products are readily available requires a great deal of market coverage and well-developed channels of distribution. Informix is committed to working with companies whose technology and expertise—when combined with our own—help bring complete solutions to our customers. As a result, our products are available not only through our own direct efforts, but also through a variety of third-party sales, marketing, and distribution channels.

We work with thousands of partners—value-added resellers, systems integrators, consultants, trainers, hardware manufacturers, and third-party technology providers—to make sure the right combination of hardware, software, and service is available to our customers. Our worldwide network of distributors helps ensure that our products are widely accessible, and in some cases is a key to establishing Informix's presence in new and emerging markets such as Latin America, India, and Eastern Europe.

Our distribution strategy pays off not only for our partners, but also for Informix. As we leverage the sales, marketing, and distribution activities of our many partners, we are able to provide more in the way of products and services, yet with fewer Informix resources and therefore lower overhead costs.

IN A GLOBAL MARKET

As the world shrinks, the global market expands. Informix customers are looking to these global market opportunities for future growth, which means Informix must provide not just local, but global support to our growing base of multinational companies.

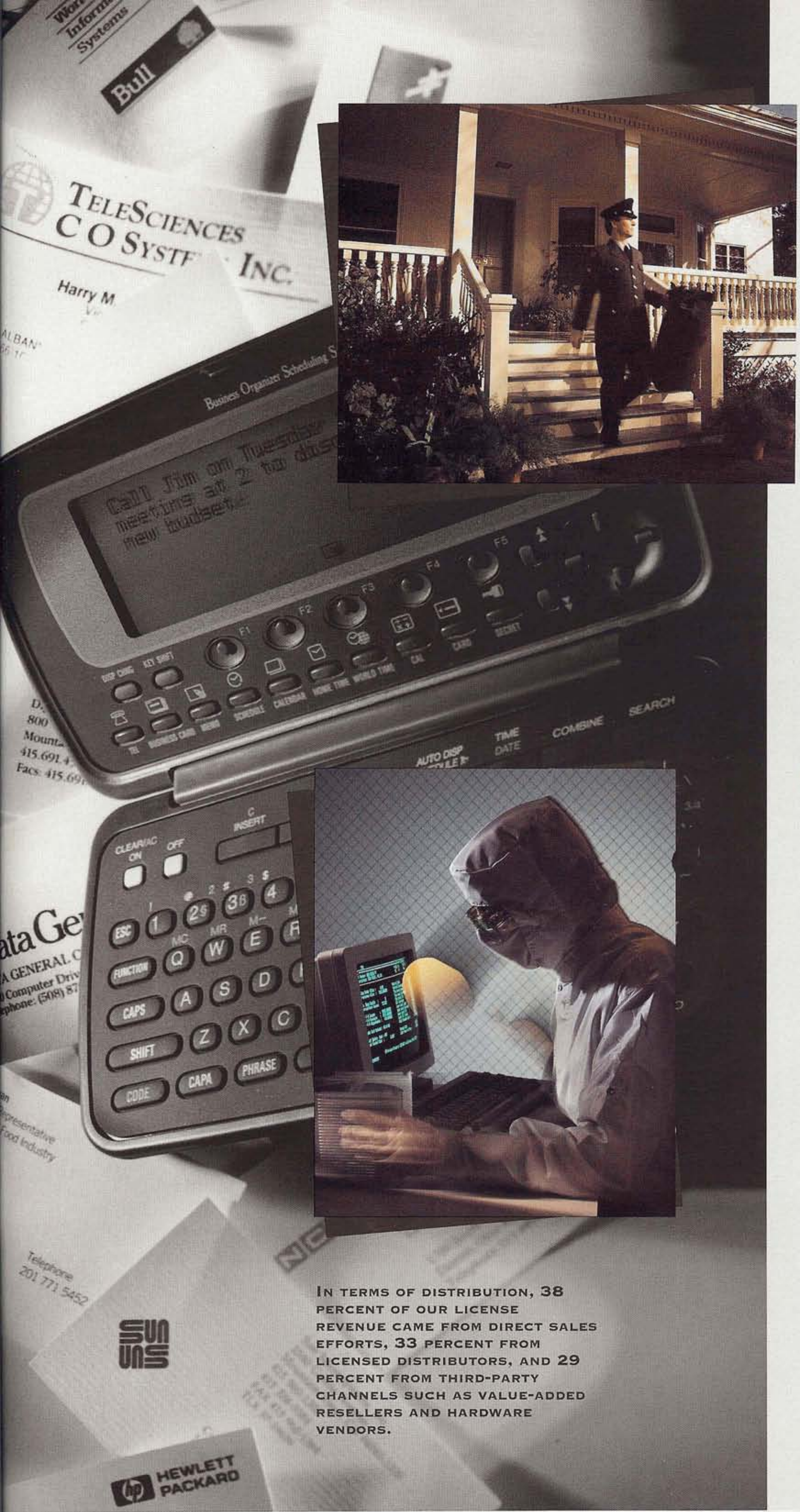
Informix is organized to respond quickly and effectively to customer needs around the world. Our regional sales headquarters are situated in Menlo Park, London, and Singapore, enabling us to address the demands of the Americas, Europe, and Asia/Pacific respectively. With sales offices in 26 countries and throughout the United States, we are able to provide programs that are specifically tailored to individual markets.

Localization is another factor critical to our global success. To make sure our products are culturally as well as technically correct, we have established localization centers in both Europe and Asia. In addition, our manufacturing site in London helps speed delivery of localized products to the European arena.

Perhaps the most important element of our global efforts is worldwide customer services and support. To achieve a high level of customer satisfaction, we have integrated our local support centers into a single network of support hubs located in Singapore, UK, Germany, and the United States. These hubs provide quick local response, and also feed into our advanced support center in Menlo Park for resolving the more complex technical issues. In addition to technical support, Informix and our third-party partners provide a full range of services that include maintenance, consulting, training, and an electronic bulletin board service.

A FORMULA FOR SUCCESS

As a technology provider, we are committed to addressing our customers' real-world business needs with application enabling technology. With the right balance of products, support services, and partnerships, we believe we are able to meet these demands in a growing worldwide marketplace.



Informix and RCAS

The Boeing Company chose Informix to provide the database portion of an automated information system designed to support the decision-making for the entire Army National Guard and U.S. Army Reserves forces. When completed, the Reserve Component Automation System (RCAS)—running on INFORMIX-OnLine—will encompass some 60,000 users at 9,800 sites, and track the equipment and resources of the entire Army Reserve component.

Informix and Consilium

Consilium, Inc. is the leading supplier of manufacturing execution systems (MES) software and services, with installations in virtually every Fortune 500 semiconductor plant. To provide an open systems solution to their customers in the electronics, semi-conductor, and aerospace industries, Consilium selected INFORMIX-OnLine software and Hewlett-Packard computers to move their Workstream® product onto UNIX-based platforms. Informix was chosen because OnLine was the only product that met their 23-point criteria for performance.

In terms of distribution, 38 percent of our license revenue came from direct sales efforts, 33 percent from licensed distributors, and 29 percent from third-party channels such as value-added resellers and hardware vendors.

■ Informix and Telmex

After an extensive competitive evaluation, Telefonos de Mexico (Telmex), Mexico's national telecommunications company, selected Informix as their preferred provider of database application technology. Telmex is using INFORMIX-OnLine, INFORMIX-4GL, INFORMIX-ESQL/C, and Wingz to develop all administrative and telephone operations applications. Telmex chose Informix because they wanted superior core technology to compete with telephone companies just entering the Mexican market.

■ Informix and the BBC

BBC Television, a world leader in quality television broadcasting, uses a wide range of Informix products, including INFORMIX-OnLine, to support major application development programs. BBC TV's systems range over a number of support areas using a combination of client/server architectures and distributed transaction processing.

■ Informix and HK Ferry

Ferries of the Hong Kong and Yaumati Ferry Co. Ltd. are the hub of Hong Kong's busy seagoing passenger services. Their new fare revenue system—built with Informix database application technology—tracks ticket sales on all franchised ferry services. Hong Kong Ferry credits Informix with allowing them to forecast revenue more effectively, enabling them to run a more efficient operation.

Our revenues (excluding RCAS) represent a healthy global business with 47 percent generated from the Americas, 42 percent from Europe, and 11 percent from Asia/Pacific.

Financial Overview

Five-Year Summary

(In thousands, except per share data)	1992	1991	1990 (Restated)	1989 (Restated)	1988 (Restated)
Net Revenues	$ 283,594	$ 179,811	$ 146,107	$ 130,210	$ 89,807
Income (Loss) Before Extraordinary Item	47,782	12,189	(23,123)	(3,932)	(11,387)
Net Income (Loss)	47,782	12,610	(23,123)	(3,932)	(9,688)
Income (Loss) Per Share Before Extraordinary Item* (Fully Diluted)	1.49	.41	(.91)	(.16)	(.48)
Net Income (Loss) Per Share* (Fully Diluted)	1.49	.42	(.91)	(.16)	(.41)
Total Assets	231,459	132,924	109,534	111,079	99,244
Long-Term Obligations	1,797	25,383	30,062	30,536	24,563

** Per share amounts have been adjusted to reflect the two-for-one stock split (effected in the form of a stock dividend) which was effective September 16, 1992.*

In the first quarter of 1992, the Company adopted Statement of Position 91-1 (SOP 91-1), entitled "Software Revenue Recognition." The adoption of SOP 91-1 resulted in amounts for 1990 and prior years being restated to amounts shown previously on pro forma statements of operations as a result of the Company's voluntary change in revenue recognition policy effective in 1990. The adoption of SOP 91-1 had no effect on the consolidated financial statements for 1991 and 1992.

The Company has not paid and does not anticipate paying cash dividends on its common stock.

See Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

Selected elements of the Company's financial statements are shown below for the last three years as a percentage of revenue and as a percentage change from year to year. As discussed in Note 1 of Notes to Consolidated Financial Statements, the Company has restated 1990 financial statements.

In 1992, the Company received $26.8 million in license and service revenue as a result of the Reserve Component Automation System (RCAS) contract. As a result of this contract, the Company recorded $21.8 million as license revenue and also incurred $3.2 million in operating expenses in 1992. The remaining $5.0 million of service revenue will be recognized over an 11-year support period. In 1992, the Company also recorded a $10.5 million charge due to a settlement of a securities class action lawsuit. (See Litigation Settlement section.) In providing comparative information, two tables are presented with the first showing 1992 amounts as reported and the second showing 1992 pro forma amounts excluding the above unusual, non-recurring items. The Company believes that year-to-year comparisons of financial results are not necessarily indicative of future results.

TABLE 1 (AS REPORTED)	% OF NET REVENUES YEARS ENDED DECEMBER 31,			% INCREASE (DECREASE)	
	1992	1991	1990 RESTATED	1992 COMPARED TO 1991	1991 COMPARED TO 1990
Net revenues	100%	100%	100%	58%	23%
COSTS AND EXPENSES:					
Cost of software distribution	8	13	15	(7)	7
Sales and marketing	45	52	67	34	(4)
Research and development	10	9	10	78	11
General and administrative	12	17	18	13	18
Restructuring costs	—	—	4	n/a	n/a
Total costs and expenses	75	91	114	29	(1)
Operating income (loss)	25	9	(14)	365	n/a
Net income (loss)	17	7	(16)	279	n/a

TABLE 2 (PRO FORMA)	% OF NET REVENUES YEARS ENDED DECEMBER 31,			% INCREASE (DECREASE)	
	1992 PRO FORMA	1991	1990 RESTATED	1992 COMPARED TO 1991	1991 COMPARED TO 1990
Net revenues	100%	100%	100%	46%	23%
COSTS AND EXPENSES:					
Cost of software distribution	8	13	15	(7)	7
Sales and marketing	48	52	67	31	(4)
Research and development	11	9	10	76	11
General and administrative	13	17	18	12	18
Restructuring costs	—	—	4	n/a	n/a
Total costs and expenses	80	91	114	27	(1)
Operating income (loss)	20	9	(14)	245	n/a
Net income (loss)	16	7	(16)	239	n/a

REVENUES

The Company derives revenues principally from licensing its software. Such revenues may involve the shipment of product by the Company or the granting of a license to manufacture products. From time to time Informix has recognized substantial net revenue from large software license agreements. These transactions, which are difficult to predict, have caused fluctuations in net revenues and net income because of the relatively high gross margin on such revenues. The Company expects that this sort of transaction and the resulting fluctuations may continue, although such may be mitigated as a result of the Company's adoption of a more conservative revenue recognition policy effective January 1, 1990. This policy is in compliance with Statement of Position 91-1 (SOP 91-1) entitled "Software Revenue Recognition" dated December 12, 1991, which the Company adopted in the first quarter of 1992.

Revenues increased by 58% to $283.6 million in 1992 from $179.8 million in 1991 and by 23% from $146.1 million in 1990 to 1991. This growth in 1992 reflects the revenue from the RCAS contract and from the Company's continued emphasis on increasing license volume for its database and application development tools products, as well as industry trends. The growth in 1991 revenues was generally attributed to healthy business growth in the second half domestically and in Informix's markets abroad for the full year.

In 1991, the Company was selected to provide the database component of a decision support system for the Army National Guard and Army Reserves. As a result of this Reserve Component Automation System (RCAS) contract, the Company has received $26.8 million for license fees and support. In accordance with the Company's revenue recognition policy, $21.8 million of the payment received in 1992 was recognized as license revenue in 1992, and the remaining $5.0 million of support revenue will be recognized over an 11-year support period.

Excluding the RCAS contract, revenues increased 46% to $261.8 million in 1992 and license revenue increased by $66.9 million, or 45%.

The Company's revenues, along with those of the relational database management system (RDBMS) industry as a whole, have shown substantial growth in 1992. Industry trends to downsize from large proprietary computer systems and to accept open operating systems like UNIX for business environments have increased the demand for UNIX-based databases and tools. The Company has focused on this UNIX market for its 13-year history. The Company has recently broadened its open system product lines to include the NetWare operating environment and expects to introduce Windows/NT products. These expanded markets bring opportunities but may increase competition.

License revenue increased 60% from $148.7 million in 1991 to $237.4 million in 1992 and 22% from $121.4 million in 1990 to 1991. In 1992, database products accounted for approximately 93% of license revenue, up from about 84% and 80% in 1991 and 1990, respectively. The proportion of office automation products, represented by SmartWare® and the Wingz® spreadsheet products, has declined in absolute terms and as a percentage of revenue due to the Company's shift in product strategy to focus more on database and application development tool products. Wingz has been repositioned as a front end graphical interface for the Company's database products.

In January 1993, the Company signed an exclusive licensing agreement with CS Computing Services Inc. of Toronto, Canada, giving CS Computing Services exclusive worldwide distribution rights of the Company's SmartWare version 3.10 and SmartWare II version 1.5 office integration software packages. CS Computing Services was also granted the right to develop, modify, market, and support SmartWare II version 1.5. In 1992, revenues from SmartWare products accounted for approximately 3% of the Company's total revenues. SmartWare is not expected to account for any significant revenue to the Company in the future.

The Company released several database products in 1992, including INFORMIX-OnLine 5.0, a high-performance RDBMS for high-volume distributed on-line transaction processing and client/server computing environments, and INFORMIX-OnLine/Secure 4.1, a multilevel secure RDBMS for secure UNIX platforms. Several other products released in 1992 provide market-specific extensions and enhancements to the Informix suite of 4GL application development tools.

The Company's ability to sustain growth depends in part on the timely release of successful new and updated products, and the success of new and updated products from its competitors. The Company believes the industry is moving from character- to graphical-based software and has scheduled releases for several new products in 1993. Although record numbers of new products were shipped in 1992, the Company has experienced product delays in the past and may have delays in the future. There can be no assurance that growth rates in the future will be comparable to those of 1992.

Service revenue, consisting of maintenance, training, and consulting, increased by 49% from $31.1 million in 1991 to $46.2 million in 1992 and by 26% from $24.7 million in 1990 to 1991. These increases were primarily attributable to the continued growth of the installed customer base and the renewal of maintenance contracts. The Company continues to emphasize support services as a source of revenue and expects that service revenues, in absolute terms, will continue to increase in the future.

Approximately 53%, 51%, and 45% of the Company's net revenues were derived from sales to foreign customers for 1992, 1991, and 1990, respectively. The increase in foreign revenues in absolute dollars and as a percentage of total revenues is partially attributable to the establishment of new subsidiaries and sales offices in Europe, Asia, and Latin America. Excluding the RCAS contract, foreign revenue represented 58% of net revenues in 1992. The Company expects that foreign sales will continue to provide a significant portion of total revenues; however, changes in foreign currency exchange rates, the strength of local economies, and the general volatility of software markets may result in a higher or lower proportion of foreign revenues in the future.

The Company's distribution markets are split into three general markets: North and South America; Europe, the Middle East, and Africa; and Asia/Pacific. In 1992, they contributed 47%, 42%, and 11% of the Company's net revenues, respectively. Revenues from ASCII Corporation, the Company's exclusive distributor in Japan, accounted for approximately one-half of revenues in the Asia/Pacific region. The Company's multiyear distribution agreement with ASCII expires in March 1993. Negotiations are now proceeding to extend multiyear non-exclusive distribution rights to ASCII. It is anticipated that ASCII will continue to be the exclusive distributor of Informix products to Japanese VARs, OEMs and other resellers. ASCII is currently renegotiating its capital structure with a consortium of major Japanese banks. The Company established a subsidiary in Japan in 1987 and has recently initiated a local office to extend sales support and services to ASCII and other customers in Japan to enhance the Company's presence in this important market.

Costs and Expenses

The Company's operating income in 1992 was 25% of net revenues compared to 9% in 1991 and an operating loss of 14% in 1990. Excluding RCAS revenue and associated expenses, 1992 operating income was 20%. Internally, the Company has a goal to achieve an annual 20% operating margin. Although the Company achieved this goal in 1992, the Company's expenses are relatively fixed in the near term and unexpected variances in planned revenues, which are difficult to forecast, can result in variations in operating margins and cost ratios. The Company's quarterly operating margins also follow a seasonal pattern, with second half revenues and operating margins generally being higher than those of the preceeding first half.

Cost of Software Distribution

Software distribution costs consist of media, documentation, product assembly and purchasing costs, freight, and amortization of previously capitalized software development costs. Costs of software distribution as a percentage of revenue were 8%, 13%, and 15% for 1992, 1991, and 1990, respectively.

Amortization of capitalized software decreased in absolute dollars to $5.7 million in 1992 from $7.7 million in 1991 but increased from $5.3 million in 1990. The decrease in 1992 was due to several projects being fully amortized in 1991 and early 1992. Also, approximately $116,000, $1,456,000, and $400,000 of previously capitalized software was written off in 1992, 1991, and 1990, respectively. In addition, $2,100,000 of previously capitalized software development and purchased software were written off and included in the restructuring costs in the fourth quarter of 1990.

Excluding amortization of previously capitalized software development costs, costs of software distribution as a percentage of revenue declined to 6% in 1992 from 9% in 1991 and from 11% in 1990. The decrease as a percentage of revenue is the result of cost reduction programs implemented by the Company in 1991 and 1992, as well as the recording of several large contracts, including the RCAS contract, with the low associated costs of software distribution. No further substantial cost reductions are expected in 1993, however the cost of software distribution as a percentage of revenue may vary depending upon whether the product is reproduced by the Company or by customers, the proportion of domestic versus international revenues, and the proportion of service versus license revenues.

Sales and Marketing Expenses

Sales and marketing expenses increased in absolute dollars by $32.4 million or 34% in 1992 up from $94.8 million in 1991 and $98.6 million in 1990. The increase in absolute dollars is related to increased headcount, primarily in international operations, to support current and anticipated revenue growth, as well as higher commission expense associated with the increase in revenues. Excluding RCAS revenue and associated expenses, sales and marketing expenses accounted for 48% of total revenues in 1992 and increased by $29.7 million, or 31%, over sales and marketing expenses in 1991.

Sales and marketing expenses decreased by $3.8 million, or 4%, from 1990 to 1991, resulting primarily from the reduction in workforce in January 1991 and the control of trade show and advertising expenses in 1991, and offset in part by increased commission expenses which resulted from the increase in net revenues in 1991.

With the continuing expansion throughout 1993 of international operations, as well as increased advertising expenditures in 1993 aimed at positioning the Company and its products in the marketplace, the Company expects that sales and marketing expenses will increase in absolute terms in 1993. However, as a percentage of revenue, excluding revenue from the RCAS contract, sales and marketing expenses are expected to remain similar to the levels incurred in 1992.

Research and Development Expenses

The Company accounts for its research and development expenses in accordance with Statement of Financial Accounting Standards No. 86. 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's research and development expenses exclude capitalized software costs of $5,031,000 in 1992, $5,203,000 in 1991, and $6,452,000 in 1990, and exclude amortization costs of previously capitalized software. (See Note 1 of Notes to Consolidated Financial Statements.) The following table summarizes research and development costs for the prior three years:

(In thousands)	Years Ended December 31, 1992	1991	1990	% Increase (Decrease) 1992 Compared to 1991	1991 Compared to 1990
Incurred product development costs	$ 33,838	$ 21,405	$ 21,081	58%	2%
Expenditures capitalized	5,031	5,203	6,452	(3)	(19)
Expenditures capitalized as a % of incurred	15%	24%	31%	n/a	n/a
Amortization	$ 5,662	$ 7,660	$ 5,275	(26)	45

Research and development expenses increased to $28.8 million in 1992 from $16.2 million in 1991 and from $14.6 million in 1990. As a percentage of revenues, research and development expenditures increased to 10% in 1992 (11% excluding the RCAS contract) from 9% in 1991, but decreased in 1991 from 10% in 1990. The increase in research and development expenditures in absolute dollars in 1992 was the result of higher headcount and lower proportion of work on capitalized projects than in 1991.

Capitalization as a percentage of incurred expenses was 15% in 1992, 24% in 1991, and 31% in 1990. The lower capitalization percentage in 1992 reflected the introduction of several new products in 1992. The Company expects the proportion of work on capitalized projects to increase in 1993 as other major new products reach technological feasibility in 1993, and capitalization of the related software development costs begins.

Major new programs under development in 1992 included Informix 6.0 servers and connectivity products, as well as object-oriented 4GL technology. The Company believes that research and development expenditures are essential to maintaining its competitive position in its primary markets, and expects to maintain 1993 expenditure levels as a percentage of revenue, excluding the RCAS contract, at least at current levels.

General and Administrative Expenses

General and administrative expenses increased $3.8 million, or 13%, from 1991 to 1992 and $4.6 million, or 18%, from 1990 to 1991. Relative to net revenues, these expenses were 12% in 1992 compared to 17% in 1991 and 18% in 1990. Excluding the RCAS contract, general and administrative expenses were 13% of net revenues in 1992. Included in general and administrative expenses are foreign exchange losses of $1.9 million and $1.3 million in 1992 and 1991, respectively and a foreign exchange gain of $1.9 million in 1990, resulting from translation of certain current intercompany receivables denominated in foreign currencies and from hedging activities.

Excluding foreign exchange gains or losses, general and administrative expenses increased in absolute dollars from $29.0 million in 1991 to $32.2 million in 1992, or 11%. This increase was primarily due to an increase in the costs of supporting the Company's international operations as new subsidiaries and branch offices were established and existing subsidiaries were expanded. The Company expects that the general and administrative expense growth rate will continue to be lower than the revenue growth rate in 1993.

Restructuring Costs

A charge of $6.1 million was provided in the fourth quarter of 1990 for restructuring, which included employee expense resulting from a reduction in work force in January 1991, write-offs of previously capitalized software costs, and carrying costs of certain excess facilities. The restructuring was undertaken to reduce costs and better support the Company's fundamental focus on database and tools products. (See Note 1 of Notes to Consolidated Financial Statements.)

Litigation Settlement

A charge of $10.5 million was taken in the fourth quarter of 1992 for the settlement of the securities class action lawsuit filed against the Company and certain of its officers and directors in 1988. The settlement which was announced in February 1993 does not constitute an admission of liability or wrongdoing on the part of the Company or on the part of any of its current or former officers and directors. The settlement does represent a decision by the Company's Board of Directors that a settlement at the time was in the best interest of the Company and its stockholders.

Other Income and Expense

The Company recognized net other income of $2,483,000, $1,194,000, and $691,000 in 1992, 1991, and 1990, respectively. Other income primarily consisted of interest income from cash and cash equivalents and short-term investments and a gain on the sale of an investment. The increase from 1991 to 1992 was mainly due to interest generated from higher balances of cash and cash equivalents and short-term investments. The increase from 1990 to 1991 resulted primarily from a gain on the sale of an investment.

Interest Expense

The Company recognized interest expense on convertible subordinated debentures and on capital leases of $2,253,000, $2,829,000, and $3,012,000 in 1992, 1991, and 1990 respectively. The decreases from year to year resulted from lower interest payments on the declining principal of capital leases.

Extraordinary Items

Results of operations in 1991 included an extraordinary gain of $421,000, net of unamortized bond issuance costs and the applicable income tax effects, resulting from the open market repurchase and retirement of certain of the Company's outstanding convertible subordinated debentures with a face value of $1,175,000.

Provision for Income Taxes

The effective tax rate was 22.6% of pretax income in 1992 compared to 12.0% in 1991. The provision for income taxes included in the consolidated statement of operations in 1992 resulted from federal income taxes, state income taxes, and foreign income taxes from profitable subsidiaries, partially offset by net operating loss and tax credit carryovers from prior years. The increase reflected lower net operating loss carryovers, as a percentage of pretax income, in 1992 compared to 1991 and 1990. In the future, the Company expects the effective tax rate will increase to approximate the statutory rate as these losses and credits have been substantially fully utilized. (See Notes 1 and 8 of Notes to Consolidated Financial Statements.)

Income

Net income increased to $47.8 million or $1.49 per share (fully diluted) in 1992 from the net income of $12.6 million or $0.42 (fully diluted) per share in 1991. Excluding the RCAS contract and the litigation settlement expense, net income in 1992, on a pro forma basis, was $42.8 million or $1.33 per share (fully diluted). The increase in 1992 resulted from the RCAS contract and an increase in revenues. Although the Company expects revenues to continue to grow in 1993, there can be no assurance that such growth can be achieved. The Company anticipates that headcount and employee-related expenses, including capital expenditures, will likewise grow.

Net income increased to $12.6 million or $0.42 per share (fully diluted) in 1991 from the restated net loss of $23.1 million or $0.91 per share in 1990. The increase in 1991 resulted from an increase in net revenues while maintaining operating expenses at 1990 levels.

On August 17, 1992, the Company declared a two-for-one stock split effected in the form of a stock dividend to stockholders of record as of August 31, 1992. All share and earnings per share amounts for all periods have been restated to reflect this split.

Liquidity and Capital Resources

The Company continued to build a strong financial base in 1992. Cash generated by revenues provided sufficient resources to fund the Company's headcount growth and capital asset needs.

Net cash and cash equivalents provided by operating activities increased substantially from $35.6 million in 1991 to $90.5 million in 1992 due largely to increases in net income of $35.2 million, accounts payable and accrued expenses of $38.8 million, and deferred revenue of $13.7 million, and offset in part by an increase in accounts receivable of $27.4 million.

As discussed in Note 9 of Notes to Consolidated Financial Statements, in February 1993, the Company announced a settlement to the securities class action lawsuit filed against the Company and certain of its officers and directors in 1988. Of the $10.5 million provided in connection with the settlement, $9.7 million remains to be paid in 1993.

Accounts payable and accrued expenses increased primarily due to increased accruals for compensation expense as a result of the Company's increased revenues, the accrued litigation expense as mentioned above, and an increase in income taxes payable. Income tax payments in 1992 amounted to $3.1 million. Taxes payable increased in 1992 because most of the taxable income occurred in the fourth quarter of the year. In 1993 the Company expects income tax payments to be higher than 1992; however, they may be reduced by tax benefits related to stock plan exercises. (See Note 8 of Notes to Consolidated Financial Statements.) The increase in deferred revenue is due to the Company's continued emphasis on support services and the RCAS contract.

Accounts receivable increased by $27.4 million in 1992, principally as a result of increased sales. The effect of the increased sales volume was partially offset by strong cash collections. Days sales outstanding decreased from approximately 79 days in the fourth quarter of 1991 to 63 days in the fourth quarter of 1992. Excluding RCAS, the days sales outstanding in the fourth quarter of 1992 was 77 days. The Company expects this ratio to fluctuate within the range it has experienced for the last 12 quarters; however, this is dependent on many factors, including the mix of contract-based revenue with significant OEMs and large corporate end users versus revenue recognized on shipments to VARs and distributors.

Net cash and cash equivalents used in investing activities was $61.3 million in 1992 compared to $11.6 million in 1991. The increase of $49.7 million was due primarily to net increases in short-term investments of $46.7 million from the Company's investment of excess cash balances.

In 1992, 1991, and 1990, the Company acquired $10.9 million, $5.6 million, and $12 million, respectively, of capital equipment consisting primarily of data processing, manufacturing, and office equipment. The decrease of capital equipment purchases in 1991 resulted from tight control of purchases of capital equipment made possible by no net increase in headcount. The increase in 1992 resulted from the net increase in headcount. Certain items in 1992 and 1991 were financed by $1.2 million and $1.5 million of additional capital leases, respectively. The Company expects to invest in capital equipment in 1993 at least at 1992 levels.

The Company's investments in software costs were previously discussed under "Results of Operations."

Net cash and cash equivalents provided by or used in financing activities was not significant in 1992, 1991, or 1990 as proceeds from the sale of the Company's common stock to employees was partially offset by payments on capital leases and bank notes.

In October 1992, the Company issued a call for the redemption of all of the Company's 7.75% convertible subordinated debentures with the face value of $22.6 million. Under the terms of the indenture, holders of the debentures had the right to either redeem the debentures for the principal amount plus unpaid, accrued interest, or to convert their debentures into common stock of the Company. The debentures were convertible into the Company's common stock at $16.33 per share. Virtually all of the convertible debentures were converted into common stock, prior to the redemption date, which was December 11, 1992. No convertible subordinated debentures remain outstanding.

Cash, cash equivalents, and short-term investments increased by $77.6 million during 1992. This increase was attributable to strong cash collections, expense controls, improved asset management, and the $26.8 million payment received under the RCAS contract.

The Company expects current balances of cash, cash equivalents, and short-term investments will be sufficient to fund anticipated levels of operations at least through 1993.

Consolidated Balance Sheets

(In thousands)	December 31, 1992	December 31, 1991
Assets		
Current Assets:		
Cash and cash equivalents	$ 72,797	$ 41,854
Short-term investments	46,657	—
Accounts receivable, less allowances for doubtful accounts of $3,021 in 1992 and $2,704 in 1991	67,745	47,267
Inventories	2,682	3,637
Other current assets	5,815	3,805
Total current assets	195,696	96,563
Property and Equipment, at cost		
Computer equipment	34,168	26,890
Office equipment and leasehold improvements	21,473	19,974
	55,641	46,864
Less accumulated depreciation and amortization	(33,843)	(25,059)
	21,798	21,805
Software Costs, less accumulated amortization of $13,013 in 1992 and $13,783 in 1991	13,660	13,710
Other	305	846
Total Assets	**$231,459**	**$132,924**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 10,923	$ 7,768
Accrued expenses	13,148	13,752
Accrued employee compensation	23,585	11,498
Accrued litigation settlement	9,720	—
Income tax payable	8,107	1,822
Deferred revenue	26,656	13,436
Current portion of capital lease obligations	2,326	4,836
Current portion of other liabilities	2,545	250
Total current liabilities	97,010	53,362
Convertible subordinated debentures	—	22,575
Capital lease obligations, less current portion	1,252	2,808
Other liabilities	545	—
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, par value $.01 per share– 5,000,000 shares authorized, none issued	—	—
Common stock, par value $.01 per share– 45,000,000 shares authorized, issued 31,417,510 and 28,083,038 in 1992 and 1991, respectively	314	140
Additional paid-in capital	99,021	66,101
Retained earnings (deficit)	34,980	(12,802)
Foreign currency translation adjustment	(1,663)	740
Total stockholders' equity	132,652	54,179
Total Liabilities and Stockholders' Equity	**$231,459**	**$132,924**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

(In thousands, except per share data)	Years ended December 31, 1992	1991	1990 (Restated)
Net Revenues			
Licenses	$ 237,407	$ 148,675	$ 121,438
Services	46,187	31,136	24,669
	283,594	179,811	146,107
Costs and Expenses			
Cost of software distribution	21,483	23,003	21,437
Sales and marketing	127,195	94,818	98,618
Research and development	28,807	16,202	14,629
General and administrative	34,127	30,294	25,673
Restructuring costs	—	—	6,092
	211,612	164,317	166,449
Operating income (loss)	71,982	15,494	(20,342)
Litigation settlement	(10,500)	—	—
Other income, net	2,483	1,194	691
Interest expense	(2,253)	(2,829)	(3,012)
Income (loss) before income taxes and extraordinary item	61,712	13,859	(22,663)
Income Taxes	13,930	1,670	460
Income (loss) before extraordinary item	47,782	12,189	(23,123)
Extraordinary Item			
Gain on repurchase of convertible subordinated debentures, net of $44 of unamortized bond issuance costs and $30 in related income taxes	—	421	—
Net Income (Loss)	**$ 47,782**	**$ 12,610**	**$(23,123)**
Net Income (Loss) Per Common Share and Common Equivalent Share			
Primary:			
Income (loss) before extraordinary item	$ 1.51	$ 0.43	$ (0.91)
Extraordinary item	—	0.01	—
Net income (loss)	$ 1.51	$ 0.44	$ (0.91)
Fully Diluted:			
Income (loss) before extraordinary item	$ 1.49	$ 0.41	$ (0.91)
Extraordinary item	—	0.01	—
Net income (loss)	$ 1.49	$ 0.42	$ (0.91)
Weighted Average Number of Common and Common Equivalent Shares Outstanding:			
Primary	31,831	28,674	25,424
Fully diluted	32,451	30,136	25,424

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Foreign Currency Translation Adjustment	Total
Balances at December 31, 1989 (Restated)	24,658	$ 123	$ 53,392	$ (2,289)	$ (509)	$ 50,717
Exercise of stock options	628	3	2,038			2,041
Proceeds from equity investment from ASCII, net of issuance expense of $143	1,344	7	6,569			6,576
Sale of stock to employees under employee stock purchase plan	262	1	1,074			1,075
Foreign currency translation adjustment					785	785
Net loss (restated)				(23,123)		(23,123)
Balances at December 31, 1990	26,892	134	63,073	(25,412)	276	38,071
Exercise of stock options	706	4	1,809			1,813
Sale of stock to employees under employee stock purchase plan	485	2	1,112			1,114
Tax benefits related to stock option plans			107			107
Foreign currency translation adjustment					464	464
Net income				12,610		12,610
Balances at December 31, 1991	28,083	140	66,101	(12,802)	740	54,179
Stock split effected in the form of a stock dividend		140	(140)			—
Exercise of stock options	1,787	18	5,012			5,030
Sale of stock to employees under employee stock purchase plan	166	2	1,846			1,848
Tax benefits related to stock option plans			3,803			3,803
Foreign currency translation adjustment					(2,403)	(2,403)
Conversion of convertible debentures	1,382	14	22,399			22,413
Net income				47,782		47,782
Balances at December 31, 1992	**31,418**	**$ 314**	**$99,021**	**$ 34,980**	**$ (1,663)**	**$132,652**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(In thousands)	Years ended December 31, 1992	1991	1990
Operating Activities			
Net income (loss)	$ 47,782	$ 12,610	$ (23,123)
Adjustments to reconcile income (loss) to net cash and cash equivalents provided by (used in) operating activities:			
Depreciation and amortization	15,593	16,499	12,809
Reserves for accounts receivable	3,106	2,475	864
Foreign currency transaction (gain) loss	370	793	(1,902)
Gain on repurchase of convertible subordinated debentures	—	(421)	—
Restructuring costs	—	—	2,053
Changes in operating assets and liabilities:			
Accounts receivable	(27,377)	(9,875)	(1,835)
Inventories and other current assets	(1,445)	1,425	944
Accounts payable and accrued expenses	38,818	7,909	9,832
Deferred revenue	13,683	4,198	3,106
Net cash and cash equivalents provided by operating activities	90,530	35,613	2,748
Investing Activities			
Increase in short-term investments	(92,270)	—	—
Decrease in short-term investments	45,613	—	143
Purchase of property and equipment	(9,701)	(4,231)	(6,578)
Proceeds from sale of property and equipment	20	136	176
Proceeds from sale/leaseback	—	—	564
Additions to software costs	(6,064)	(7,521)	(8,687)
Other	1,085	58	673
Net cash and cash equivalents used in investing activities	(61,317)	(11,558)	(13,709)
Financing Activities			
Repurchase of convertible subordinated debentures	—	(754)	—
Proceeds from issuances of stock	6,878	2,927	9,692
Principal payments on capital leases	(5,157)	(4,732)	(3,052)
Repayment of note payable to bank	—	(303)	(991)
Net cash and cash equivalents provided by (used in) financing activities	1,721	(2,862)	5,649
Effect of exchange rate changes on cash and cash equivalents	9	152	803
Increase (decrease) in cash and cash equivalents	30,943	21,345	(4,509)
Cash and cash equivalents at beginning of period	41,854	20,509	25,018
Cash and Cash Equivalents at End of Year	**$ 72,797**	**$ 41,854**	**$ 20,509**

See Notes to Consolidated Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS. Informix Corporation, a Delaware corporation, through its wholly owned subsidiary Informix Software, Inc. and its foreign subsidiaries (collectively "the Company"), designs, develops, manufactures, markets, and supports distributed database management systems, application development tools, and graphical- and character-based productivity software for delivering information to most significant desktop platforms.

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

FOREIGN CURRENCY TRANSLATION. The local currency is the functional currency for substantially all of the Company's foreign subsidiaries. The translation of the functional currencies into U.S. dollars is performed at the exchange rate in effect at the balance sheet date for balance sheet accounts, and at an average exchange rate for revenue and expense accounts. Exchange gains or losses resulting from such translation are included as a component of stockholders' equity. Transaction exchange gains or losses are included in general and administrative expenses in the statements of operations. The Company recognized losses of $1,913,000 and $1,309,000 in 1992 and 1991, respectively, and a gain of $1,902,000 in 1990 on foreign currency transactions on short-term intercompany receivables.

In 1991 the Company began hedging certain portions of its exposure to foreign currency fluctuations through a variety of strategies and financial instruments, including the use of forward exchange contracts. At December 31, 1992 and 1991, the Company had approximately $9.7 million and $5.3 million of foreign exchange contracts outstanding, respectively. The gains and losses associated with currency rate fluctuations on forward foreign exchange contracts are recorded currently as income or loss as they offset corresponding gains and losses on the foreign currency-denominated assets and liabilities being hedged.

REVENUES. The Company generally recognizes license revenue upon unit delivery of the software. In no case is revenue recognized unless a master or first copy is delivered.

The Company generally recognizes license revenue from computer hardware manufacturers and end-user licensees for amounts payable within 12 months at the time the customer makes a contractual commitment for a minimum non-refundable license fee, if such computer hardware manufacturers and end-user licensees meet certain criteria established by the Company. License revenue from resellers (such as distributors and value-added resellers) and from other computer hardware manufacturers and end users are recognized at the earliest of either pre-payment of the license fee or shipment of the software media on a per-unit basis.

Maintenance contract revenue is recognized over the term of the maintenance contract, generally on a straight-line basis. Other service revenue, primarily training and consulting, is generally recognized at the time the service is performed.

No single customer accounted for 10% or more of consolidated revenues in 1992, 1991, or 1990.

In December 1991, the American Institute of Certified Public Accountants issued Statement of Position 91-1 (SOP 91-1), entitled "Software Revenue Recognition." The Company adopted SOP 91-1 in the first quarter of 1992. The adoption of SOP 91-1 resulted in amounts for 1990 and prior years being restated to amounts shown previously on pro forma statements of operations as a result of the Company's voluntary change in revenue recognition policy effective in 1990. The adoption of SOP 91-1 had no effect on the consolidated financial statements for 1991 and 1992.

INCOME TAXES. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standard No. 96 (FAS 96), "Accounting for Income Taxes." Income taxes are provided on the undistributed earnings of profitable foreign subsidiaries.

In February 1992, the Financial Accounting Standards Board issued Statement No. 109 (FAS 109) "Accounting for Income Taxes." The Company is required to adopt FAS 109 no later than the first quarter of 1993. The adoption of FAS 109 is not expected to have a material impact on the Company's financial position.

Inventories. Inventories, which consist primarily of software product components, finished software products, and marketing and promotional materials, are carried at the lower of cost (first in, first out) or market value.

Software Costs. The Company capitalizes software development costs incurred in developing a product once technological feasibility of the product has been determined. Software costs also include amounts paid for purchased software and outside development on products which have reached technological feasibility. All software costs are amortized to the cost of software distribution either on a straight-line basis over the remaining estimated economic life of the product or on the basis of each product's projected revenues, whichever is greater. The Company recorded amortization of $5,662,000, $7,660,000, and $5,275,000 of software costs in 1992, 1991, and 1990, respectively, in cost of software distribution. In 1992, 1991, and 1990, previously capitalized software development and purchased software costs of approximately $116,000, $1,456,000, and $400,000 were written off and included in cost of software distribution, respectively. In addition, $2,100,000 of previously capitalized software development and purchased software were written off and included in the restructuring costs in the fourth quarter of 1990.

Property and Equipment. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life, generally the shorter of the lease term or three to seven years for financial reporting purposes, and by accelerated methods for tax purposes.

Net Income (Loss) Per Common Share. Net income (loss) per common share is based on the weighted average of common and dilutive common equivalent shares outstanding during each year. All stock options and convertible debentures are considered common stock equivalents and are included in the weighted average computations when the effect is dilutive.

Stock Split. In August 1992, the Company announced a two-for-one stock split in the form of a stock dividend effective September 16, 1992. All share and per share amounts for all periods presented have been restated to reflect the stock dividend.

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.

Cash, Cash Equivalents, and Short-Term Investments. The Company considers liquid investments purchased within three months of maturity to be cash equivalents. The Company considers investments that are held until maturity for more than three months but less than one year to be short-term investments. Short-term investments are carried at cost which approximates market.

The Company invests its excess cash in accordance with its short-term investments policy which is approved by the Board of Directors. The policy authorizes the investment of excess cash in government securities, time deposits, certificates of deposit with approved financial institutions, commercial paper rated A-1/P-1 (a small portion of the portfolio may consist of commercial paper rated A-2/P-2), and other specific money market instruments of similar liquidity and credit quality. The Company has not experienced losses related to these investments.

Restructuring Costs. A charge of $6.1 million was provided in the fourth quarter of 1990 for restructuring, including severance and related employee benefits resulting from a reduction in work force in January 1991. The restructuring was made in order to reduce costs and better support the Company's fundamental focus on database technology, application development tools, and end-user desktop tools. Also included in the restructuring charge were the write-offs of certain previously capitalized software development costs and purchased software costs related to discontinued programs and the carrying costs of certain excess facilities.

Note 2 – Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Short-term investments: The fair values for marketable debt securities are based on quoted market prices.

Foreign currency exchange contracts: The fair values of the Company's foreign currency exchange forward contracts are estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

	Carrying Amount	Fair Value
Cash and cash equivalents	$ 72,797	$ 72,797
Short-term investments	46,657	46,657
Foreign currency exchange contracts	—	—

Note 3 – Note Payable to Bank

In 1992, 1991, and 1990 the Company made interest payments on notes payable to banks, convertible subordinated debentures, and other obligations aggregating $2,446,000, $2,869,000, and $2,387,000, respectively.

Note 4 – Convertible Subordinated Debentures

In October 1992, the Company called for redemption of all outstanding 7.75% convertible subordinated debentures which were due 2012. Under the terms of the indenture, bondholders had the right to either redeem the debentures for the principal amount plus unpaid, accrued interest, or to convert their debentures to common stock of the Company. The debentures were convertible at a conversion price of $16.33 per share ($32.67 per share prior to the two-for-one stock split).

Prior to December 11, 1992, the redemption date, virtually all of the convertible debentures were converted into common stock and the remainder was redeemed.

During 1991, the Company repurchased for $679,000 and subsequently retired convertible debentures with a face value of $1,175,000. The gain realized thereby, net of related unamortized bond issuance costs of $44,000 and income taxes of $30,000, amounted to $421,000 ($0.01 per share) and is reported as an extraordinary item in the consolidated statement of operations for the year ended December 31, 1991.

Note 5 – Employee Stock Option and Purchase Plans

Under the Company's 1986 Employee Stock Option Plan, options are granted at fair market value on the date of the grant. Options are generally exercisable in cumulative annual installments over three to five years. Payment for shares purchased upon exercise of options may be by cash or, with Board approval, by full recourse promissory note or by exchange of shares of the Company's common stock at fair market value on the exercise date. Options expire 10 years after the date of grant. At December 31, 1992, 10,200,000 shares were authorized for issuance under the Plan.

Additionally, 400,000 shares were authorized for issuance under the 1989 Outside Directors Stock Option Plan whereby non-employee directors are automatically granted non-qualified stock options upon election or re-election to the Board of Directors.

On December 5, 1990, the Board authorized the cancelation of certain stock options held by non-officer employees and regranted for non-qualified options for a price of $2.69 per share, the closing price of the Company's stock on that day. Additionally, the Board authorized officers of the Company to cancel outstanding options and to receive newly issued non-qualified options equal to 80% of the shares subject to existing outstanding options, at a price of $2.69 per share. Pursuant to this authorization, options representing 4,066,388 shares were canceled and 3,619,222 reissued.

Following is a summary of activity for both stock option plans for the three years ended December 31, 1992:

	Number of Shares	Options Price per Share		
Outstanding at December 31, 1989	4,841,754	$ 0.50	to	$ 12.17
Options granted	5,160,882	1.94	to	7.82
Options exercised	(629,748)	0.50	to	7.38
Options canceled	(4,817,936)	0.69	to	12.17
Outstanding at December 31, 1990	4,554,952	$ 0.50	to	$ 12.17
Options granted	1,603,774	1.57	to	7.63
Options exercised	(705,610)	0.88	to	5.07
Options canceled	(889,776)	1.69	to	12.17
Outstanding at December 31, 1991	4,563,340	$ 0.50	to	$ 7.63
Options granted	1,715,186	9.94	to	32.25
Options exercised	(1,787,254)	0.83	to	7.63
Options canceled	(328,585)	1.69	to	15.63
Outstanding at December 31, 1992	4,162,687	$ 0.50	to	$32.25
Available for grant at December 31, 1992	1,560,183			

The Company also has a qualified Employee Stock Purchase Plan under which 1,900,000 shares of common stock in the aggregate have been authorized for issuance. Under the terms of the Plan, employees may contribute via payroll deductions up to 10% of their base pay and purchase up to 500 shares per quarter (with the limitation of purchases of $25,000 annually in fair market value of the shares). Employees may elect to withdraw from the Plan during any quarter and have their contributions for the period returned to them. Also, employees may elect to reduce the rate of contribution one time in each quarter. The price at which employees may purchase shares is 85% of the lower of the fair market value of the stock at the beginning or end of the quarter. The Plan is qualified under Section 423 of the Internal Revenue Code. During 1992, 1991, and 1990 the Company issued 166,483 shares, 484,614 shares, and 262,224 shares, respectively, under this Plan.

In connection with all stock plans, 6,346,583 shares of common stock were reserved for issuance as of December 31, 1992. At December 31, 1992 and 1991, options exercisable were 595,185 and 1,232,704, respectively.

Note 6 – Leases

The Company leases certain computer and office equipment under capital leases having terms of three to five years. Amounts capitalized for such leases are included on the consolidated balance sheets as follows:

(in thousands)	December 31, 1992	December 31, 1991
Computer equipment (at cost)	$11,218	$ 10,621
Office equipment	5,247	4,950
	16,465	15,571
Less: accumulated amortization	10,918	6,841
	$ 5,547	$ 8,730

Amortization with respect to leased equipment is included in depreciation expense.

In 1990, the Company entered into sale/leaseback agreements whereby the Company sold certain computer and office equipment for $564,000, and leased back the same equipment under agreements accounted for as capital leases. The lease terms range from 48 to 60 months and the future obligations thereunder are included in the following schedule of future minimum payments. The Company has the option to purchase the leased equipment at fair market value following the third year of the lease term. Additionally, during 1992 and 1991, the Company financed approximately $1.2 million and $1.5 million of equipment purchases under capital lease arrangements.

The Company leases certain of its office facilities and equipment under non-cancelable operating leases. Total rent expense under such operating leases aggregated $13,796,000, $11,166,000, and $10,157,000 in 1992, 1991, and 1990, respectively.

Future minimum payments, by year and in the aggregate, under the capital and non-cancelable operating leases as of December 31, 1992, are as follows:

Year Ending December 31 (in thousands)	Capital Leases	Non-Cancelable Operating Leases
1993	$ 2,664	$ 9,503
1994	1,049	8,004
1995	200	7,335
1996	8	5,944
1997	—	5,442
Thereafter	—	1,574
Total payments	3,921	$ 37,802
Less: amount representing interest	343	
Present value of minimum lease payments	3,578	
Less current portion	2,326	
	$ 1,252	

The Company's Lenexa, Kansas office and warehouse facilities are leased under an initial 10-year operating lease term (with two five-year renewal options) from a partnership in which Informix Software, Inc. is a 50% partner. Rental payments are approximately $1,049,000 annually through 1998, exclusive of maintenance costs for common areas. This related commitment is included in the above schedule of non-cancelable operating lease payments.

Note 7 – Geographic Information

Net revenues, operating income (loss), and identifiable assets for the Company's U.S., European, and other foreign operations are summarized below by year:

(in thousands)	United States	European	Other	Eliminations	Total
1992:					
Net revenues	$ 217,934	$ 107,034	$ 12,276	$ (53,650)	$ 283,594
Operating income	72,529	3,703	1,153	(5,403)	71,982
Identifiable assets	226,361	49,406	13,032	(57,339)	231,459
1991:					
Net revenues	$ 138,091	$ 71,649	$ 3,342	$ (33,271)	$ 179,811
Operating income (loss)	12,603	2,875	(1,487)	1,503	15,494
Identifiable assets	117,226	25,610	(1,581)	(8,331)	132,924
1990:					
Net revenues	$ 113,471	$ 49,071	$ 1,977	$ (18,412)	$ 146,107
Operating income (loss)	(9,795)	(9,321)	(4,828)	3,602	(20,342)
Identifiable assets	113,626	30,180	2,858	(37,130)	109,534

Transfers between U.S. and foreign operations are generally recorded at a standard percentage of retail prices, and all intercompany profit is eliminated in consolidation.

Export revenues, consisting of sales from the Company's U.S. operating subsidiary to non-affiliated customers primarily in Europe, Asia, Canada, and Latin America aggregated $37,925,000, $17,407,000, and $15,060,000 in 1992, 1991, and 1990, respectively.

Note 8 – Income Taxes

The provision for income taxes applicable to income before extraordinary item consists of the following:

(IN THOUSANDS)	1992	1991	1990
Currently payable (refundable):			
Federal	$ 6,980	$ 199	$ (82)
State	3,070	427	—
Foreign	3,245	1,044	542
	13,295	1,670	(460)
Deferred (prepaid):			
Federal	(1,039)	—	—
State	—	—	—
Foreign	1,674	—	—
	635	—	—
	$ 13,930	$ 1,670	$ 460

In 1992 and 1991, the Company recognized certain tax benefits related to stock option plans of $3,803,000 and $107,000, respectively. Such benefits were recorded as a reduction of income taxes payable and an increase in additional paid-in capital.

Approximately $8,870,000 of tax benefits related to stock option plans have not yet been realized. These benefits will be recorded as a reduction of income taxes payable and an increase in additional paid-in capital in the year such benefits are realized.

Pre-tax income (loss) consists of the following:

(IN THOUSANDS)	1992	1991	1990
Domestic	$ 54,329	$ 13,220	$ (12,365)
Foreign	7,383	639	(10,298)
	$ 61,712	$ 13,859	$ (22,663)

Deferred income taxes resulting from temporary differences between the tax basis and financial basis of the Company's assets and liabilities consist of the following:

(IN THOUSANDS)	1992	1991	1990
Revenue recognition	$ 62	$ —	$ —
Software development costs capitalized for financial reporting purposes	848	—	—
Expense accruals and valuation allowances not currently deductible	(1,392)	—	—
Depreciation	161	—	—
Undistributed earnings of profitable foreign subsidiaries	943	—	—
Other, net	13	—	—
	$ 635	$ —	$ —

The reasons for the difference between tax expense and the amount computed by applying the U.S. federal statutory income tax rate to income before income taxes and extraordinary item are as follows:

(IN THOUSANDS)	1992 Amount	1992 Percent	1991 Amount	1991 Percent	1990 Amount	1990 Percent
Computed tax at federal statutory rate	$ 20,982	34.0%	$ 4,712	34.0%	$ (7,705)	(34.0%)
Losses which resulted in no current tax benefit	1,116	1.8	385	2.7	7,623	33.6
Research and development credits	(2,050)	(3.3)	—	—	—	—
Effect of foreign income and related taxes	(1,730)	(2.8)	608	4.4	542	2.4
State income taxes, net of federal tax benefit	2,026	3.3	427	3.1	—	—
Net operating loss benefit	(6,466)	(10.5)	(4,661)	(33.6)	—	—
Other, net	52	0.1	199	1.4	—	—
	$ 13,930	22.6%	$ 1,670	12.0%	$ 460	2.0%

Income taxes paid amounted to $3,130,000 in 1992. The Company received net income tax refunds of $1,320,000 and $571,000 in 1991 and 1990, respectively.

Note 9 – Litigation

On February 16, 1993, the Company reached an agreement in principle to settle the securities class action lawsuit filed against it and certain of its officers and directors in 1988. The Company provided a charge of $10.5 million in the fourth quarter of 1992 for such settlement and related costs. The settlement is subject to an execution of a definitive agreement and court approval.

The settlement does not constitute an admission of liability or wrongdoing on the part of the Company or on the part of any of its current or former officers and directors. The settlement does represent a decision by the Company's Board of Directors that a settlement at the time was in the best interest of the Company and its stockholders.

The Company cannot anticipate litigation as it goes through the normal course of business. It is the Company's opinion that the resolution of such litigation will not have a material effect on the Company's financial position.

Note 10 – Selected Quarterly Financial Data (Unaudited)

(IN THOUSANDS, EXCEPT PER SHARE DATA)	Fiscal Quarter Ended April 1	June 30	September 30	December 31
1992:				
Net revenues	$ 59,052	$ 60,291	$ 68,221	$ 96,030
Gross profit	54,011	54,821	63,059	90,220
Net income	11,433	9,071	12,041	15,237
Net income per share* (fully diluted)	0.37	0.29	0.37	0.46
1991:				
Net revenues	$ 37,845	$ 39,826	$ 48,338	$ 53,802
Gross profit	32,730	34,241	42,874	46,963
Income (loss) before extraordinary item	(2,197)	1,358	4,712	8,316
Net income (loss)	(2,197)	1,358	5,119	8,330
Income (loss) per share before extraordinary item* (fully diluted)	(0.08)	0.05	0.17	0.27
Net income (loss) per share* (fully diluted)	(0.08)	0.05	0.18	0.27

** Per share amounts have been adjusted to reflect the two-for-one stock split (effected in the form of a stock dividend) which was effective September 16, 1992.*

Report of Ernst & Young, Independent Auditors

Board of Directors
Informix Corporation

We have audited the accompanying consolidated balance sheets of Informix Corporation as of December 31, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1992. 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 generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Informix Corporation at December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, the Company adopted Statement of Position 91-1 (SOP 91-1), "Software Revenue Recognition," during 1992. Such adoption had no effect on the consolidated financial statements for 1991 and 1992.

Ernst + Young

San Jose, California
February 9, 1993

Corporate Information


Phillip E. White


Albert F. Knorp, Jr.


James L. Koch


Thomas A. McDonnell


Cyril J. Yansouni

Board of Directors

Phillip E. White,*
Chairman, President, and Chief Executive Officer, Informix Corporation

Albert F. Knorp, Jr.,*
Partner, Lewis, Knorp, Walsh, McBride and Kavalaris

James L. Koch,
Dean, Leavey School of Business and Administration, Santa Clara University

Thomas A. McDonnell,
Vice Chairman and Chief Executive Officer, DST Systems, Inc.

Cyril J. Yansouni,
Chief Executive Officer and Chairman, Read-Rite Corporation

Transfer Agent

First National Bank of Boston,
Boston, Massachusetts

Independent Auditors

Ernst & Young,
San Jose, California

* *Nominee for re-election at the 1993 Annual Meeting of Stockholders*

Corporate Officers

Phillip E. White,
Chairman, President, and Chief Executive Officer

D. Kenneth Coulter,
Senior Vice President, Europe, Middle East, and Africa

Howard H. Graham,
Senior Vice President, Finance and Chief Financial Officer

Charles H. House,
Senior Vice President, Product Management and Development

Edwin C. Winder,
Senior Vice President, Americas Sales and Corporate Marketing

Richard C. Blass,
Vice President, Corporate Controller and Chief Accounting Officer

Richard B. Curtis,
Vice President, Quality and Strategic Programs

Ira H. Dorf,
Vice President, Human Resources

Howard Haythornthwaite,
Vice President, Japan Operations

James F. Hendrickson Jr.,
Vice President, Customer Service

Stephen E. Hill
Vice President, Strategic Planning and Corporate Development

Wynne R. Jennings,
Vice President, Operations and Lenexa Site General Manager

Margaret C. Reilly,
Vice President and Treasurer

David H. Stanley,
Vice President, Legal, General Counsel and Secretary

Mark Wang,
Vice President, Asia/Pacific

Form 10-K

A copy of the Company's 10-K Annual Report as filed with the Securities and Exchange Commission, including financial statements and schedules, will be provided without charge upon request to:

Margaret C. Reilly
Vice President and Treasurer
Informix Corporation
4100 Bohannon Drive
Menlo Park, CA 94025

Annual Meeting

The Annual Meeting of Stockholders will be held at 5:00 P.M. on Thursday, May 13, 1993 at the Hyatt Regency Hotel in Burlingame, California.

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 for the Company's common stock the range of high and low closing prices on the NASDAQ national market system.

1991*	High	Low
1st quarter	$ 3.06	$ 1.31
2nd quarter	3.75	2.63
3rd quarter	3.94	2.75
4th quarter	7.81	4.00

1992*	High	Low
1st quarter	$ 16.25	$ 6.88
2nd quarter	17.63	12.94
3rd quarter	21.88	12.25
4th quarter	36.25	22.75

* *Prices shown have been adjusted to reflect a two-for-one stock split (effected in the form of a stock dividend) which was effective September 16, 1992.*

Common Stockholders of Record

At February 26, 1993, there were approximately 1,189 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 dividends on its common stock and its present policy is to retain its earnings to finance anticipated future growth.

Sales Offices

Domestic

Atlanta, GA
Bentonville, AR
Boston, MA
Chicago, IL
Dallas, TX
Denver, CO
Detroit, MI
Downers Grove, IL
Irvine, CA
Lenexa, KS
Los Angeles, CA
Minneapolis, MN
New York, NY
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, OR (R&D)
Sacramento, CA
Salt Lake City, UT
San Francisco, CA
Sarasota, FL
Seattle, WA
Somerset, NJ
St. Louis, MO
Tampa, FL
Washington, D.C.

International

Australia
Austria
Belgium
Brazil
Canada
Czech Republic
France
Germany
Hong Kong
Italy
Japan
Republic of Korea
Mexico
The Netherlands
New Zealand
Norway
Peoples Republic of China
Philippines
Portugal
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Thailand
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Printed in USA
000-20417-76