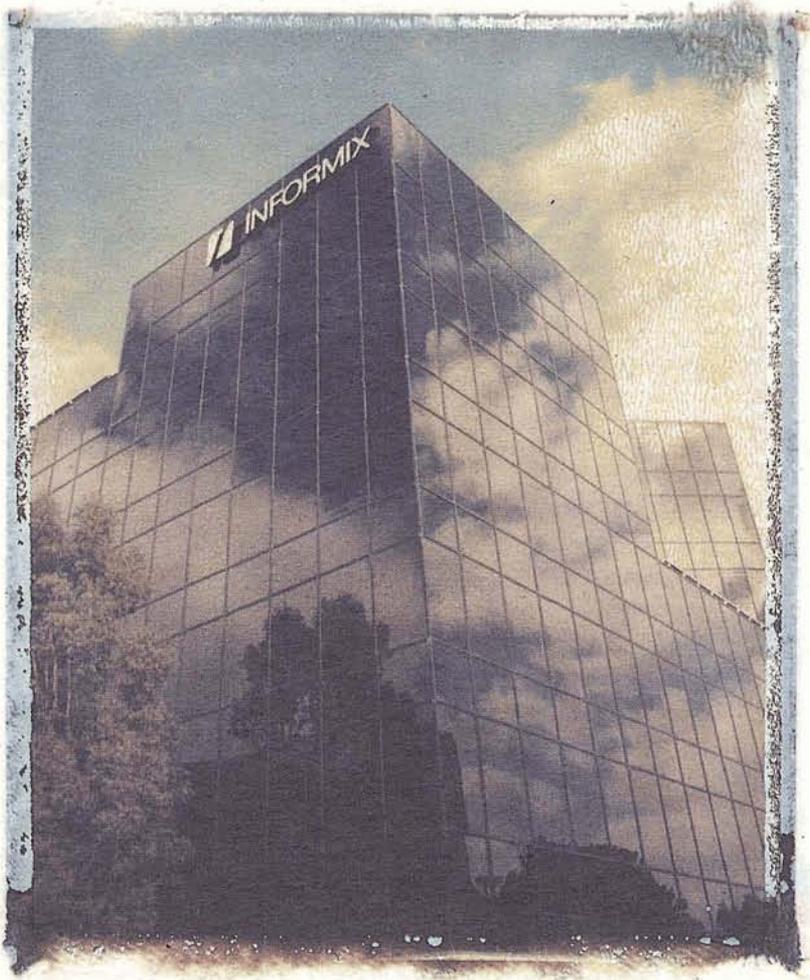


INFORMIX CORPORATION



1993 ANNUAL REPORT



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Cover Photograph: Informix's Northern  
California Sales Office and Regional  
Training Center, Brisbane, California

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or Informix Corporation, 1993 was a solid growth year, highlighted by record revenue and net income, the successful launch of our next-generation database server technology, and the continued success of our products worldwide.

For the year ended December 31, 1993, Informix's net revenues totaled a record \$352.9 million, a 24 percent increase over the 1992 total of \$283.6 million. Net income was \$56.1 million in 1993—another record—compared to 1992's net income of \$47.8 million. Informix's pre-tax profit increased 42 percent to \$87.7 million for 1993, compared to \$61.7 million for 1992. Fully diluted earnings per share for 1993 were \$0.83, compared to \$0.74 in 1992. Earnings per share for 1992 and 1993 reflect each of the two separate two-for-one stock splits; the first was effective in September 1992, and the second was effective in June 1993.

Informix's 1992 results reflect two substantial and unusual events: the benefit of a one time large contract—the Reserve Component Automation System (RCAS)—in which Informix received approximately \$21.8 million in 1992 license revenue; and a \$10.5 million pre-tax charge for the settlement of and expenses related to a securities class action law suit filed in 1988. Excluding the RCAS contract and litigation settlement from 1992 amounts, Informix's 1993 revenues increased by approximately 35 percent compared to 1992; pre-tax profit increased by 64 percent; net income increased by 31 percent; and fully diluted earnings per share increased by 24 percent.

BOARD OF DIRECTORS:  
(LEFT TO RIGHT) JAMES  
KOCH, PHILLIP WHITE,  
ALBERT KNORP, THOMAS  
MCDONNELL, CYRIL  
YANSOUNI

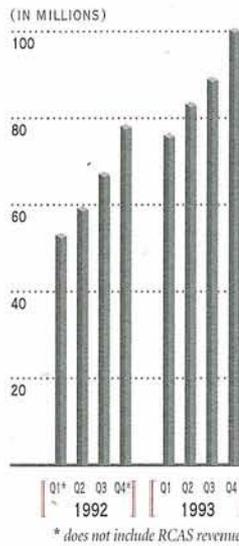
Revenue from our database servers and development tools products (the core of our business) grew 41 percent when compared to 1992 (excluding RCAS), fueled mainly by growth in our servers revenue of over 80 percent (excluding RCAS), with tools revenue essentially flat. In terms of the Company's regional growth, our revenue (without RCAS) increased 39 percent in the Americas, 30 percent in Europe (approximately 46 percent on a local currency basis), and 33 percent in the Asia/Pacific region.

The 1993 results include several strong indicators of the Company's efficiency and productivity. Informix's operating margin for fiscal year 1993 was again the highest in our industry segment at approximately 24 percent. Our 1993 annualized revenue per employee figures grew to approximately \$236,000 in Q4, compared to approximately \$219,000 (excluding RCAS) for Q4 1992. Informix also generated approximately \$24 million in cash, cash equivalents and short-term investments (net) during 1993 and closed the year with balances of over \$143 million and no outstanding short- or long-term borrowings.

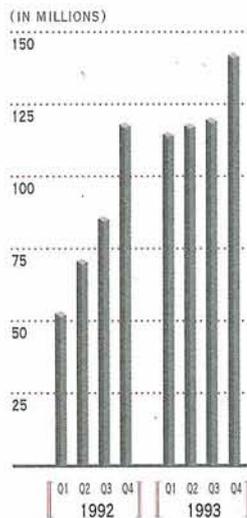
A major new product announcement came in November, when we launched our revolutionary new database technology, called Dynamic Scalable Architecture™ (DSA™), and took the first step in delivering the world's most advanced parallel-processing database server. DSA is our state-of-the-art, multithreaded database architecture designed to address the needs of managing larger, more complex databases through breakthrough performance, scalability, and manageability.



REVENUE  
BY QUARTER



CASH AND SHORT-TERM  
INVESTMENTS BY QUARTER



DSA is the only database architecture that employs parallelism, data replication, and connectivity built into its core design, as opposed to other vendors' products that offer these features as extra-cost, add-on options.

DSA is the foundation for future versions of the INFORMIX-OnLine database server line, the first of which—INFORMIX-OnLine Dynamic Server™ 6.0—began shipping in December. OnLine Dynamic Server 6.0 provides extended scalability for large numbers of users on uniprocessor and symmetric multiprocessor hardware platforms. In March 1994, Informix began shipping the first copies of OnLine Dynamic Server 7.0 (which provides full-scale parallel data query functionality) on Sequent-only platforms, with availability on a wide number of other platforms planned for later in 1994. We are also currently working to deliver OnLine Dynamic Server 8.0, which will include additional parallel administration features and support for loosely coupled clusters and massively parallel computers.

Another important product announcement also came in November when Informix and Microsoft® Corporation jointly launched a worldwide sales and marketing campaign to promote a client/server software package consisting of the INFORMIX-SE Client/Server Software Developer's Kit (SDK) and Microsoft's Windows NT™ Advanced Server operating system. Targeted at corporate developers and value-added resellers (VARs), the promotional package began shipping in January 1994 and is expected to expand client/server offerings for the Windows NT platform.

In addition to OnLine Dynamic Server 6.0, Informix began shipping a number of other new products during 1993, strengthening our product line with new technology geared for specific market needs. These products include our graphical information access and analysis tools (INFORMIX-ViewPoint™ and INFORMIX-HyperScript® Tools); an easy-to-use graphical database administration tool (INFORMIX-DBA); our IBM mainframe connectivity product (INFORMIX-Gateway™ with DRDA™); the Microsoft Windows™ version of our industry-leading application development tool (INFORMIX-4GL for Windows); and the newest version of our multilevel secure database server for federal and commercial security database sectors (INFORMIX-OnLine/Secure 5.0)—the first UNIX® RDBMS to be awarded the B1 and C2 security ratings by the National Computer Security Center.

A very important business decision for Informix came in December, when we announced our new, comprehensive user-based pricing model—applicable to all new products. This simplified pricing model, which replaces the previous complex, machine-class, multitier RDBMS pricing structures, is designed to be more in line with customer demands and expectations. Our user-based pricing ties the prices of our products directly to the value customers derive from using Informix software.

Informix made two key additions to its senior management staff during 1993, reinforcing the Company's emphasis on its product development and worldwide marketing strategies. In May, Mike Saranga became senior vice president, product management and development. Mike joins Informix after 30 years at IBM where, among his many accomplishments, he was the creator of IBM's DB2 relational database. In June, Steven Sommer assumed the newly created post of vice president, marketing to oversee the Company's worldwide corporate

and product positioning strategies. Steve comes to Informix from Cognos Inc., where he was vice president of marketing, and has held executive positions in a variety of industries including consumer goods, consulting, hardware, and software.

Informix made several strategic investments during 1993 to strengthen our product development efforts. In May, Informix announced an agreement with Intellicorp, Inc., an object-oriented tools vendor, to acquire approximately 15 percent of its common stock. In November, Informix agreed to invest in approximately 12 percent of Swedish-based Frontec AB (formerly, IDK Frontec). We made these investments because we feel these companies are developing leading technology that complements our own product development strategies.

Informix continues to focus on expanding its worldwide sales, marketing, and customer service activities in order to help bring new products to market and more effectively support our customers. After forming new subsidiaries in Belgium and Thailand, the Company now has offices in 30 countries supported by seven regional customer service centers. Informix also opened a new software center in Dublin, Ireland to provide research and development, and centralize production and distribution of our products for the European, Middle East, and Africa region.

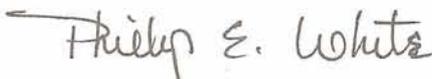
Looking back on 1993, we are pleased with our results and remain optimistic about our future growth potential. Our database business had great momentum in 1993 and, with the highly successful and visible launch of DSA, we believe Informix sets a new standard for relational database technology—one that more effectively addresses customers' real-world business needs in the global marketplace.

As we look forward to 1994, our product strategies are focused in two key areas:

- 1) continuing the momentum of our DSA launch by working to roll out new releases of OnLine Dynamic Server; and 2) bringing to market the next-generation of our database application tools with the planned release of our new, object-oriented application development technology.

I am optimistic that we can achieve both.

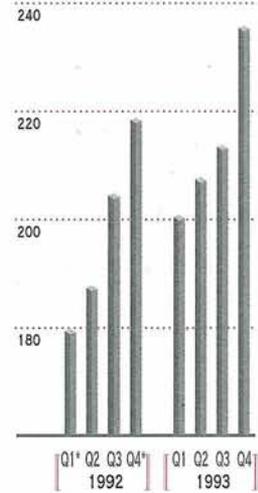
Sincerely,



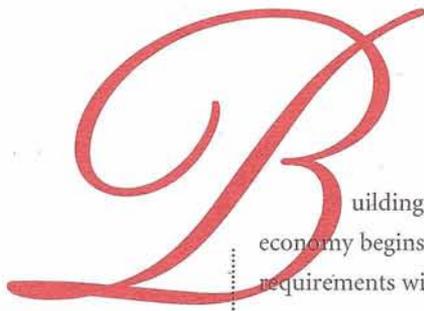
PHILLIP E. WHITE  
*Chairman, Chief Executive Officer,  
and President*

#### ANNUALIZED REVENUE PER EMPLOYEE

(IN THOUSANDS)



\* does not include RCAS revenue



uilding a vital, growth-oriented worldwide organization in a changing global economy begins with a business strategy—a master plan—designed to meet today's business requirements with the flexibility and scalability to respond to tomorrow's market trends.

At Informix, we believe the most effective way to address our customers' current and future needs is through core product technology that delivers real-world business solutions. Our goal is to deliver the right technology to our customers around the world through our own direct sales efforts, as well as distribution channels and strategic partnerships.

It's a strategy that allows us to further our success in existing market sectors while giving us the flexibility to recognize and respond to new market opportunities as they emerge.

#### LEADING-EDGE TECHNOLOGY

What sets Informix's technology apart is simple. We don't just develop database products to keep up with the status quo. Instead, before we bring our products and technology to market, we think things through.

We take the time to anticipate our customers' evolving needs. We study how businesses are doing things now, and how they plan to do things in the future. We begin at the "drawing board" stage, designing technology that meets even the most dynamic customer requirements. Then we build that technology, from the ground up, to offer something fundamentally and profoundly different.

The result? Our products are built upon an underlying architecture that is designed and developed to help our customers successfully run their business—today and in the future. That's why Informix has long been regarded as the leader in open systems RDBMS solutions. In fact, Informix's technological leadership is frequently verified by industry analysts, trade publications, and independent product tests.

INFORMIX'S RECENTLY INTRODUCED  
DYNAMIC SCALABLE ARCHITECTURE  
REPRESENTS OUR NEXT-GENERATION  
PARALLEL DATABASE TECHNOLOGY,  
WHICH ADDRESSES THE CHANGING WAY  
BUSINESSES MANAGE INFORMATION.

#### NEXT-GENERATION DATABASE ARCHITECTURE

Three years ago, we recognized the current state of database technology would have to undergo a fundamental transformation in order to respond to future requirements. We determined that tomorrow's database technology must be more scalable, easier to manage, and provide better performance—all because databases and the information contained within are constantly growing and becoming more complex.

As a result, Informix recently introduced Dynamic Scalable Architecture, our next-generation database architecture designed to take full advantage of a new trend in database technology: parallel processing. DSA represents a technological breakthrough in client/server database technology and is designed to help customers manage increasingly larger, more complex databases while also substantially improving overall system performance and scalability.

Informix's Dynamic Scalable Architecture will run on the entire range of new, high-performance open systems, from uniprocessors to symmetric multiprocessors, loosely coupled clusters, and massively parallel machines. We believe Dynamic Scalable Architecture sets a new standard for parallel database technology by effectively addressing change.



AT INFORMIX, LEADING-EDGE DATA-BASE TECHNOLOGY RESULTS FROM A PRODUCT ARCHITECTURE DESIGNED WITH CUSTOMER NEEDS IN MIND AND DEVELOPED TO DELIVER REAL-WORLD PERFORMANCE.

#### TOOLS FOR THE RANGE OF BUSINESS NEEDS

Today's information systems (IS) professionals need to support a variety of business needs, from end users who want timely access to corporate information to developers creating large-scale, mission-critical production systems.

Informix's information access tools—INFORMIX-HyperScript Tools, INFORMIX-ViewPoint, and INFORMIX-DBA—are specifically designed for creating decision-support applications and executive information systems. Businesses around the world use these tools to help their end users access, retrieve, and use corporate data more effectively.

Our high-level development tools, featuring our family of fourth-generation language (4GL) products, deliver as much as a 10-to-1 productivity increase over other development languages. We're currently working to address a new generation of database application requirements: building enterprise-wide client/server applications faster and more efficiently. With the planned release of our object-oriented 4GL, our goal is to once again set the technology standard for large-scale programming environments—one that delivers orders-of-magnitude improvements in productivity and flexibility with the scalability necessary to respond to changing business requirements.

#### PUTTING IT ALL TOGETHER

Making sure that our products are readily available in markets around the world is critical. Our goal is to remain responsive, adaptive, and focused on the global marketplace—both in well-established lines of business, as well as in emerging market opportunities.

We work with thousands of partners—value-added resellers, systems integrators, consultants, distributors, trainers, hardware manufacturers, and third-party technology providers—to make sure the right combination of hardware, software, and service is available to our customers.

INFORMIX IS CURRENTLY WORKING TO DELIVER ITS NEXT-GENERATION APPLICATION DEVELOPMENT TOOL, AN OBJECT-ORIENTED 4GL THAT PROVIDES ORDERS-OF-MAGNITUDE IMPROVEMENTS IN PRODUCTIVITY, SCALABILITY, AND FLEXIBILITY.

We've formed new strategic partnerships with recognized vertical industry leaders to help open new opportunities. And we've formed a number of strategic alliances to co-develop "best-in-class" technology solutions.

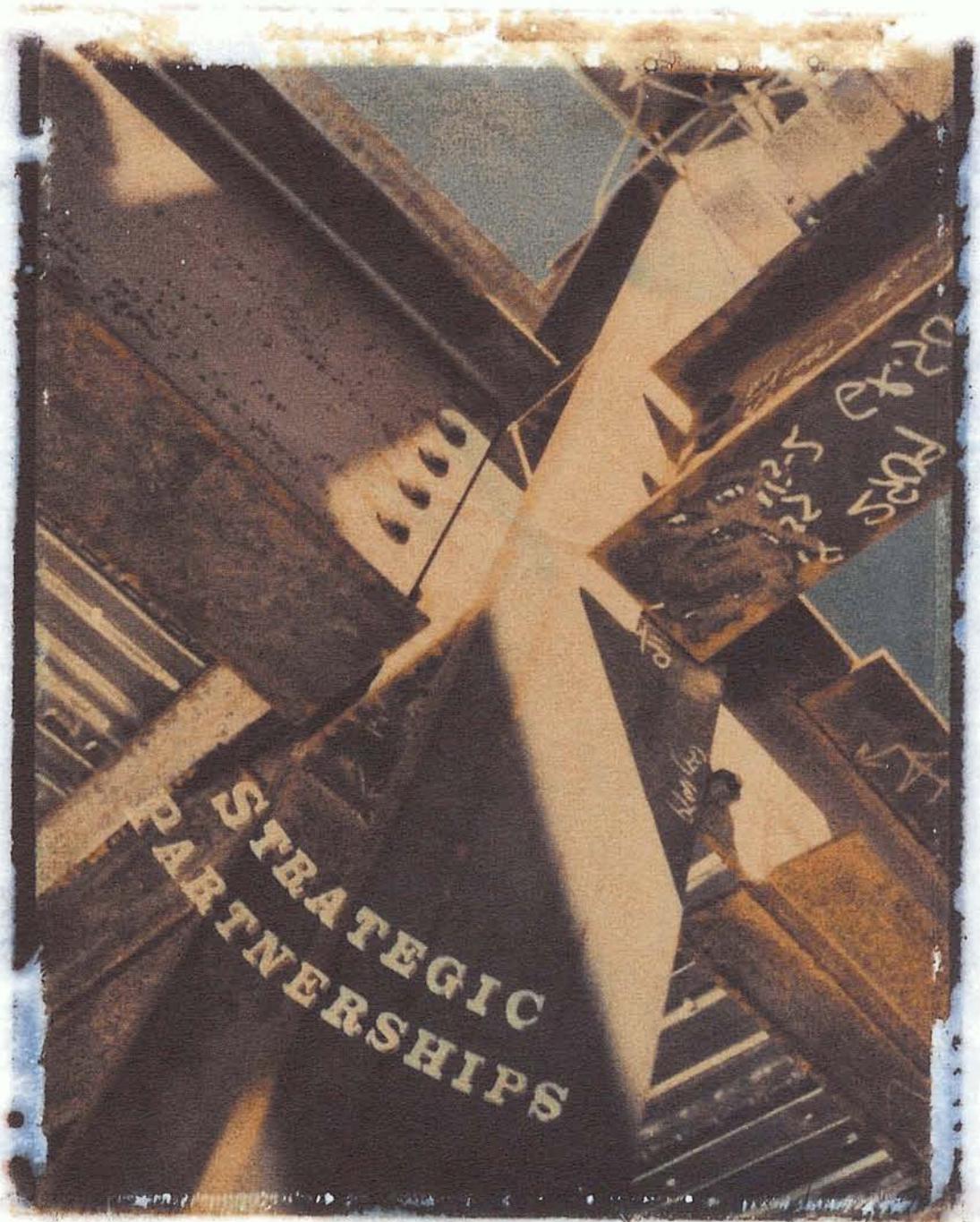
Informix is well organized to respond quickly and effectively to customer needs around the world. With offices in over 30 countries supported by seven regional customer service centers, we are able to provide programs that are specifically tailored to individual markets. In addition to technical support, Informix and our partners provide a full range of services that include maintenance, consulting, training, and an electronic bulletin board service.

#### IN SUMMARY

At Informix, our blueprint for business gives us not only the ability to effectively manage the Company, but also to recognize and respond to specific customer needs as they emerge. Our goal is to continue 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.



INFORMIX PROVIDES A BROAD SELECTION  
OF DATABASE APPLICATION TOOLS THAT MEET  
THE FULL RANGE OF BUSINESS NEEDS—  
FROM END-USER DECISION-SUPPORT  
APPLICATIONS TO DEMANDING, MISSION-  
CRITICAL PRODUCTION SYSTEMS.



A STRONG WORLDWIDE ORGANIZATION REQUIRES  
AN INTEGRATED, WELL-DEVELOPED INFRASTRUCTURE.  
INFORMIX COMBINES ITS DIRECT SALES EFFORTS  
WITH A NUMBER OF STRATEGIC PARTNERSHIPS AND  
ALLIANCES TO MAKE SURE THE RIGHT COMBINATION  
OF HARDWARE, SOFTWARE, AND SERVICE IS  
AVAILABLE TO OUR CUSTOMERS.

## FIVE-YEAR SUMMARY

(IN THOUSANDS, EXCEPT PER SHARE DATA)	1993	1992**	1991	1990	1989
NET REVENUES	\$ 352,915	\$ 283,594	\$ 179,811	\$ 146,107	\$ 130,210
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	56,115	47,782	12,189	(23,123)	(3,932)
NET INCOME (LOSS)	56,115	47,782	12,610	(23,123)	(3,932)
INCOME (LOSS) PER SHARE BEFORE EXTRAORDINARY ITEM (FULLY DILUTED)*	0.83	0.74	0.20	(0.46)	(0.08)
NET INCOME (LOSS) PER SHARE (FULLY DILUTED)*	0.83	0.74	0.21	(0.46)	(0.08)
TOTAL ASSETS	326,633	231,459	132,924	109,534	111,079
LONG-TERM OBLIGATIONS	451	1,797	25,383	30,062	30,536

\* Per share amounts reflect the two-for-one stock splits (effected in the form of stock dividends) which were effective September 16, 1992 and June 14, 1993.

\*\* In 1991, the Company was selected to provide the database component of a decision-support system for the Army National Guard and Army Reserves. In 1992, the Company received \$26.8 million in 1992 for license fees and support as part of this Reserve Component Automation System (RCAS) contract and recorded \$21.8 million as license revenue and incurred \$3.2 million in operating expenses in 1992. The remaining \$5.0 million of service revenue is being recognized over the support period.

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

RESULTS OF OPERATIONS

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.

In 1991, the Company was selected to provide the database component of a decision-support system for the Army National Guard and Army Reserves. In 1992, the Company received \$26.8 million as part of this Reserve Component Automation System (RCAS) contract and recorded \$21.8 million as license revenue and incurred \$3.2 million in related operating expenses. The remaining \$5.0 million of service revenue is being recognized over the 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). In providing comparative information, corresponding tables are presented with Table 1 showing 1992 amounts as reported and Table 2 showing 1992 pro forma amounts excluding the RCAS license revenue and related expenses and the litigation settlement charge. 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)	
	1993	1992	1991	1993 COMPARED TO 1992	1992 COMPARED TO 1991
Net revenues	100%	100%	100%	24%	58%
<b>COSTS AND EXPENSES:</b>					
Cost of software distribution	6	8	13	(7)	(7)
Cost of services	9	9	12	23	26
Sales and marketing	39	36	41	37	37
Research and development	12	10	9	51	78
General and administrative	10	11	16	3	11
Total costs and expenses	76	74	91	28	29
Operating income	24	26	9	16	340
Net income	16	17	7	17	279

TABLE 2 (PRO FORMA)

	% OF NET REVENUES YEARS ENDED DECEMBER 31,			% INCREASE (DECREASE)	
	1993	1992 PRO FORMA	1991	1993 COMPARED TO 1992	1992 COMPARED TO 1991
Net revenues	100%	100%	100%	35%	46%
<b>COSTS AND EXPENSES:</b>					
Cost of software distribution	6	8	13	(6)	(7)
Cost of services	9	10	12	23	26
Sales and marketing	39	38	41	41	33
Research and development	12	11	9	53	76
General and administrative	10	12	16	4	11
Total costs and expenses	76	79	91	30	27
Operating income	24	21	9	54	229
Net income	16	16	7	31	239

The Company's operating income in 1993 was 24 percent of net revenues compared to 26 percent in 1992 and 9 percent in 1991. Excluding the revenue from the RCAS contract and associated expenses, 1992 operating income was 21 percent. Internally, the Company generally has a goal to achieve an annual 20 percent operating margin. Although the Company achieved these operating margin targets in 1993 and 1992 through revenue growth and expense controls, 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 being higher than those of the preceding first half. In 1994, the Company plans to invest more heavily in research and development and sales and marketing efforts, which may adversely affect the Company's operating margin in 1994 if there are no offsetting increases in revenue or reductions in other operating expenses.

Over half of the Company's net revenues come from its international operations (see Note 6 of Notes to Consolidated Financial Statements). In Europe, most revenues and expenses are denominated in local currencies. In 1993, the U.S. dollar strengthened significantly against the major European currencies, which resulted in lower revenue and expenses recorded when translated into U.S. dollars and compared with the prior year. In 1992, the U.S. dollar weakened against the major European currencies, which resulted in higher revenue and expenses recorded when translated into U.S. dollars and compared with the prior year. Currently, most revenues from Asia/Pacific, Canada, and Latin America are denominated in U.S. dollars. The translations of the operating results for these regions are less influenced by fluctuations in foreign exchange rates. The Company's operating and pricing strategies take into account changes in exchange rates over time; however, the Company's results of operations may be significantly affected in the short term by fluctuations in foreign currency exchange rates.

The effect of inflation on the Company's financial position has not been significant.

#### 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. Additionally, as is common in the industry, a disproportionate amount of the Company's license revenue is derived from transactions that close in the last few weeks of a quarter which makes quarterly revenues difficult to forecast.

TABLE 3 (AS REPORTED)  
(DOLLARS IN MILLIONS)

	1993	CHANGE	1992	CHANGE	1991
License fees	\$ 284.3	20%	\$ 237.4	60%	\$ 148.7
Percentage of net revenues	81%		84%		83%
Services	\$ 68.6	48%	\$ 46.2	48%	\$ 31.1
Percentage of net revenues	19%		16%		17%
Net revenues	\$ 352.9	24%	\$ 283.6	58%	\$ 179.8

#### REVENUES

TABLE 4 (PRO FORMA)\*  
(DOLLARS IN MILLIONS)

	1993	CHANGE	1992	CHANGE	1991
License fees	\$ 284.3	32%	\$ 215.6	45%	\$ 148.7
Percentage of net revenues	81%		82%		83%
Services	\$ 68.6	48%	\$ 46.2	48%	\$ 31.1
Percentage of net revenues	19%		18%		17%
Net revenues	\$ 352.9	35%	\$ 261.8	46%	\$ 179.8

\* Excludes RCAS license revenue in 1992.

The revenue growth in 1993 reflects continued strong demand particularly for the Company's database servers and connectivity products. The 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. The Company's revenues, along with those of the relational database management system (RDBMS) industry as a whole, have shown substantial growth over the last several years. The industry has benefited from trends to downsize from large, proprietary computer systems and market acceptance of UNIX and other open operating environments.

The Company has focused on the UNIX market since 1980 and has broadened its open environments by releasing a Windows NT version of an Informix database server in 1993. The Company has also developed and released connectivity products that provide access to other relational databases, both proprietary and open, and access to data through various protocols such as IBM's DRDA and X/Open's XA. The industry movement to new, open operating systems like Windows NT and access to database information through low-end, desktop machines may cause downward pressure on prices of database and related products. If such downward pressure on prices were to occur, margins would be adversely affected.

In 1993, database servers, connectivity and tools products accounted for substantially all license revenues whereas, in 1992, approximately 7 percent of license revenues was for office automation products, including SmartWare® and Wingz®. The Company entered into an exclusive license agreement with ANGOSS Software Corporation for the sale of its SmartWare product in 1993, and Wingz was licensed to Investment Intelligence Systems Corporation in January 1994. Neither product is expected to account for significant revenue to the Company in the future.

The Company offers database server products in multiple versions, including a "secure" product, and released several new server and connectivity products in 1993, including the first of its Dynamic Scalable Architecture™ product line, INFORMIX-OnLine Dynamic Server 6.0.

Several other products were released in 1993 to provide market-specific extensions and enhancements to the Informix suite of 4GL application development tools. Tools revenue growth was nearly flat in 1993 compared to a strong growth in 1992. The Company is experiencing a long product development life cycle for its next-generation tool products. In addition, there is significant competition in the tools market from other companies and their product offerings: graphical, character-based, and object-oriented. Many of these tools products are "open," meaning they will access data stored on virtually any relational database, including Informix. The Company is planning to introduce its next-generation tool product, an object-oriented 4GL, in the latter-half of 1994 and anticipates tools revenue to increase in absolute dollars with this release.

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 has experienced product delays in the past and may have delays in the future, particularly in the development tools area.

Service revenue, consisting of customer support, training, and consulting, increased in each of the years presented. 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 has implemented a maintenance policy in 1993 which generally encourages the purchase of first year maintenance upon the purchase of a license.

Although the Company expects revenues to continue to grow in 1994, there can be no assurance that such growth will be achieved or that growth rates in the future will be comparable to those of 1993.

Approximately 58 percent, 53 percent, and 51 percent of the Company's net revenues were derived from sales to foreign customers for 1993, 1992, and 1991, respectively. The increase in foreign revenues in absolute dollars is partially attributable to the establishment of new subsidiaries and sales offices in Europe, Asia/Pacific, and Latin America. Excluding the RCAS contract, foreign revenue represented 58 percent of net revenues in 1992. The Company expects that foreign revenues 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 has a hedging program in place to minimize foreign exchange gains or losses from recorded foreign denominated transactions resulting from fluctuations in exchange rates. This program primarily involves the use of forward exchange contracts. The Company does not attempt to hedge translation to U.S. dollars of foreign denominated revenues and expenses not yet incurred.

**COST OF SOFTWARE DISTRIBUTION**

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Manufactured cost of software distribution	\$ 14.9	(6%)	\$ 15.8	3%	\$ 15.3
Percentage of license revenue	5%		7%		10%
Amortization of capitalized software	\$ 5.2	(8%)	\$ 5.7	(26%)	\$ 7.7
Percentage of license revenue	2%		2%		5%
Cost of software distribution	\$ 20.1	(7%)	\$ 21.5	(7%)	\$ 23.0
Percentage of license revenue	7%		9%		15%

COST OF SOFTWARE DISTRIBUTION

Software distribution costs consist primarily of: 1) manufacturing and related costs such as media, documentation, product assembly and purchasing costs, freight, customs, and third-party royalties; and 2) amortization of previously capitalized software development costs and any write-offs of previously capitalized software.

Excluding amortization of previously capitalized software development costs, costs of software distribution as a percentage of license revenue declined to 5 percent in 1993 from 7 percent in 1992, and from 10 percent in 1991. The decreases from year to year as a percentage of license revenue is the result of cost reduction programs implemented by the Company in 1991, 1992, and early 1993, as well as the recording of several large contracts, including the RCAS contract, with the low associated costs of software distribution. Some further cost reductions may be expected in the future, however, these additional cost benefits will likely not be as substantial as the cost reductions achieved in prior years. The cost of software distribution as a percentage of license revenue may also vary depending upon whether the product is reproduced by the Company or by customers.

The decreases of amortization of capitalized software in absolute dollars and as a percentage of license revenue in 1993 and 1992 were due to several projects being fully amortized in 1991 and early 1992. Also, approximately \$177,000, \$116,000, and \$1,456,000 of previously capitalized software were written off and included in software distribution costs in 1993, 1992, and 1991, respectively. The Company anticipates amortization of capitalized software to increase in 1994 with the release of major products in 1993 and 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COST OF SERVICES

COST OF SERVICES

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Cost of services	\$ 32.9	23%	\$ 26.8	26%	\$ 21.3
Percentage of service revenue	48%		58%		68%

Cost of services consists primarily of customer support, consulting, and training expenses. The decreases in cost of services as a percentage of service revenue in both 1993 and 1992, compared to their corresponding prior year periods, are primarily due to higher growth in maintenance revenues than maintenance expenses. In 1993, customer support, consulting, and training expenses were reclassified from sales and marketing expenses to cost of services for all periods presented.

SALES AND MARKETING EXPENSES

SALES AND MARKETING EXPENSES

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Sales and marketing	\$ 137.7	37%	\$ 100.4	37%	\$ 73.5
Percentage of net revenues	39%		36%		41%

The increase in sales and marketing expenses in 1993 in absolute dollars and as a percentage of net revenues was a result of increased personnel in sales and marketing functions and marketing programs. The increase in 1992 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 in 1992, sales and marketing expenses were 37 percent of net revenues.

With the continuing expansion throughout 1994 of international operations, as well as increased sales and marketing expenditures in 1994 aimed at positioning the Company and its new and existing products in the marketplace, the Company expects that sales and marketing expenses will increase in absolute terms and as a percentage of net revenues in 1994.

RESEARCH AND DEVELOPMENT EXPENSES

RESEARCH AND DEVELOPMENT EXPENSES

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's research and development expenses exclude capitalized software costs of \$8,556,000 in 1993, \$5,031,000 in 1992, and \$5,203,000 in 1991, 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:

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Incurred product development costs	\$ 52.2	54%	\$ 33.8	58%	\$ 21.4
Expenditures capitalized	8.6	70%	5.0	(3%)	5.2
Research and development expenses	\$ 43.6	51%	\$ 28.8	78%	\$ 16.2
Expenditures capitalized as a % of incurred	17%	N/A	15%	N/A	24%
Amortization	\$ 5.2	(8%)	\$ 5.7	(26%)	\$ 7.7

As a percentage of net revenues, research and development expenditures increased to 12 percent in 1993 from 10 percent in 1992 (11 percent excluding the RCAS contract) and from 9 percent in 1991. The increase in research and development expenditures in absolute dollars and as a percentage of net revenues in 1993 was attributed to increased personnel and consultants working on new products and product extensions. The increase in research and development expenditures in 1992 was the result of higher headcount and lower proportion of work on capitalized projects than in 1991.

The proportion of capitalized expenditures as a percentage of total incurred expenses in 1993 increased compared with 1992 as several major projects in development had reached technological feasibility. The lower percentage in 1992 reflected the release of several new products in 1992 while the next cycle of products was in the research phase. The Company expects the proportion of work on capitalized projects in 1994 to remain relatively stable compared to 1993 as other major new products reach technological feasibility in 1994, and capitalization of the related software development costs begins.

Major new programs under development in 1994 include OnLine Dynamic Server 7.0 and 8.0 servers and connectivity products, and our object-oriented 4GL (code-named INFORMIX-4GL++). The Company believes that research and development expenditures are essential to maintaining its competitive position in its primary markets and expects the expenditure levels in 1994 to increase in absolute dollars.

**GENERAL AND ADMINISTRATIVE EXPENSES**

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
General and administrative	\$ 33.2	3%	\$ 32.2	11%	\$ 29.0
Percentage of net revenues	10%		11%		16%

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in 1993 remained relatively flat with 1992 in absolute dollars. Excluding the RCAS contract, general and administrative expenses were 12 percent of net revenues in 1992. The increase in absolute dollars in 1992 compared to the prior year 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. In 1993, foreign exchange gains (losses) were reclassified as other income (expense), net, from general and administrative expenses for all periods presented. The Company expects that 1994 general and administrative expenses as a percentage of net revenues will remain similar to 1993.

**LITIGATION SETTLEMENT**

In 1992, a charge of \$10.5 million was taken 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 completed in May 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 represents 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.

LITIGATION SETTLEMENT

**INTEREST INCOME**

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Interest income	\$ 3.9	95%	\$ 2.0	110%	\$ 1.0
Percentage of net revenues	1%		1%		1%

INTEREST INCOME

The increases in absolute dollars from year to year resulted from higher balances of cash and cash equivalents and short-term investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTEREST EXPENSE

INTEREST EXPENSE

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Interest expense	\$ 0.4	(84%)	\$ 2.3	(20%)	\$ 2.8
Percentage of net revenues	0%		1%		2%

Interest expense in 1993 was \$371,000, which consists principally of interest expense on capital leases of certain computer and office equipment. The Company recognized interest expense of \$2,253,000 and \$2,829,000 in 1992 and 1991, respectively, which consists primarily of interest expense on convertible debentures and capital leases of certain computer and office equipment. The decrease from 1992 to 1993 resulted primarily from the call for redemption of the convertible debentures in the fourth quarter of 1992 (see Note 3 of Notes to Consolidated Financial Statements).

OTHER EXPENSE

OTHER EXPENSE, NET

The Company recognized net other expense of \$1,282,000, \$1,448,000, and \$1,074,000 in 1993, 1992, and 1991, respectively. In 1993, net other expense primarily consisted of foreign exchange losses, net, partially offset by a reversal of a liability which was determined to be no longer necessary, related to a real estate partnership. In 1992, net other expense consisted of foreign exchange losses, net, partially offset by a gain on a sale of an investment. In 1991, net other expense consisted mainly of foreign exchange losses, net. In 1993, foreign exchange gains (losses) were reclassified as other expense, net, from general and administrative expenses for all periods presented.

EXTRAORDINARY ITEM

EXTRAORDINARY ITEM

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

PROVISION FOR INCOME TAXES

(DOLLARS IN MILLIONS)	1993	CHANGE	1992	CHANGE	1991
Provision for income taxes	\$ 31.6	127%	\$ 13.9	734%	\$ 1.7
Effective tax rate	36.0%		22.6%		12.0%

The Company's effective tax rate increased to 36.0 percent of pretax income in 1993 from 22.6 percent in 1992. This increase resulted from net operating loss and tax credit carryovers which were substantially utilized in 1992 and the 1.0 percent increase in the U.S. federal income tax rate. The Company's effective tax rate for the fiscal year 1993 is less than the statutory rate primarily due to the re-instatement of the research and development credit, the permanent re-investment offshore of a portion of the 1993 earnings of the Company's lower-taxed Irish operations, and a reduction in the FAS 109 valuation allowance based on the Company's 1993 earnings. The amount considered permanently invested in the Irish operation may vary from year to year and may affect the Company's effective tax rate.

The provision for income taxes included in the consolidated statement of income 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 in the Company's effective tax rate in 1992 compared to 1991 resulted from lower available net operating loss carryovers, as a percentage of pretax income (see Notes 1 and 7 of Notes to Consolidated Financial Statements).

**EARNINGS PER SHARE**

The Company declared two-for-one stock splits effected in the form of stock dividends effective September 16, 1992 and June 14, 1993. All share and earnings per share amounts for all periods have been restated to reflect these splits.

In May 1993, the Company announced it had begun a program to repurchase its common stock on the open market. Such shares are carried at cost and will be used to satisfy requirements under Stock Option and Stock Purchase Plans. Through December 1993, 490,000 shares with an aggregate cost of approximately \$10.0 million had been repurchased on the open market. In 1993, 356,611 shares were re-issued to partially satisfy requirements under Stock Option and Stock Purchase Plans.

**LIQUIDITY AND CAPITAL RESOURCES**

(DOLLARS IN MILLIONS)	1993	1992	1991
Cash, cash equivalents, and short-term investments	\$ 143.5	\$ 119.4	\$ 41.9
Working capital	\$ 156.0	\$ 98.7	\$ 43.2
Cash generated by operations	\$ 64.8	\$ 90.5	\$ 35.6
Cash used for investment activities, excluding short-term investments	\$ 36.7	\$ 14.7	\$ 11.6
Cash generated by (used for) financing activities	\$ (3.5)	\$ 1.7	\$ (2.9)

Cash generated by operations provided sufficient resources to fund the Company's headcount growth and capital asset needs in all years presented.

The decrease in cash generated by operations in 1993 compared with 1992 was primarily attributable to an increase in accounts receivable and the litigation settlement payment, offset in part by increased net income.

Accounts receivable increased by \$45.4 million in 1993, principally as a result of increased sales. Days sales outstanding increased from approximately 63 days in the fourth quarter of 1992 to 97 days in the fourth quarter of 1993. Excluding RCAS, the days sales outstanding in the fourth quarter of 1992 was 77 days.

The days sales outstanding ratio is dependent on many factors, including the mix of contract-based revenue with significant OEMs and large corporate and government end users versus revenue recognized on shipments to VARs and distributors. Although a majority of the Company's revenues are derived from resellers, the proportion of direct sales has increased, particularly in Europe, in 1993. These end-user sales contracts frequently bear extended payment terms which result in an increase in days sales outstanding ratios. The shift in distributor channels is likely to continue as products and markets mature. The Company is investigating a variety of activities to reduce the days sales outstanding ratio in this end-user sales channel. However, the Company does not expect these activities to have a significant effect in the days sales outstanding ratio in the first half of 1994.

As discussed in Note 8 of Notes to Consolidated Financial Statements, in May 1993, the Company settled the securities class action lawsuit filed against the Company and certain of its officers and directors in 1988.

Net cash and cash equivalents provided by operating activities increased substantially in 1992, compared with 1991, due largely to increases in net income including the RCAS contract payment, accounts payable and accrued expenses, and deferred revenue, offset in part by an increase in accounts receivable. 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 settlement as mentioned above, and an increase in income taxes payable. The increase in deferred revenue is due to the Company's continued emphasis on support services and the RCAS contract.

**EARNINGS  
PER SHARE****LIQUIDITY  
AND CAPITAL  
RESOURCES**

Excluding short-term investments, net cash and cash equivalents used in investing activities increased substantially in 1993, compared with 1992 and 1991 levels. In 1993, 1992, and 1991, the Company acquired \$22.5 million, \$10.9 million, and \$5.6 million, respectively, of capital equipment consisting primarily of computer equipment, computer software, and office equipment. The increase of capital equipment purchases in 1993 and 1992 resulted from the Company's growing employee headcount, the replacement of older equipment, and investment in new technology. Certain items in 1993, 1992, and 1991 were financed by \$0.4 million, \$1.2 million, and \$1.5 million of additional capital leases, respectively. In the future, the Company anticipates the actual level of capital spending will be dependent on a variety of factors, including the Company's business requirements and general economic conditions.

The Company's investments in software costs were previously discussed under "Results of Operations" and Note 1 of Notes to Consolidated Financial Statements.

In May 1993, the Company signed an agreement with Intellicorp, Inc., under which the Company acquired approximately 15 percent of the common stock of Intellicorp, Inc. Under the terms of the stock purchase agreement, the Company invested \$2.0 million in Intellicorp, Inc., with limitations on the number of additional shares the Company may acquire in the future.

In November 1993, the Company signed an agreement with Frontec AB (formerly IDK Frontec), a privately held Swedish corporation, under which the Company acquired approximately 12 percent of Frontec AB for approximately \$2.1 million.

The Company's investments in these two companies are not material and are accounted for by the cost method.

Net cash and cash equivalents provided by, or used in, financing activities in 1993 included payments on capital leases and the repurchase of the Company's common stock offset by proceeds from the sale of the Company's common stock to employees.

In May 1993, the Board of Directors authorized the purchase of up to 2 million shares of the Company's common stock in the open market. During 1993, 490,000 shares with an aggregate cost of approximately \$10.0 million were repurchased on the open market. In 1993, 356,611 shares were re-issued to partially satisfy requirements under the Stock Option and Stock Purchase Plans.

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

In October 1992, the Company issued a call for the redemption of all of the Company's 7.75 percent 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 \$8.17 per share (\$32.67 per share prior to the two, two-for-one stock splits). 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.

The Company expects current balances of cash, cash equivalents, and short-term investments, along with the cash generated by operations, will be sufficient to fund anticipated levels of operations at least through 1994 and may be used for investments and acquisitions to supplement internal revenue growth and for other corporate purposes.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	DECEMBER 31, 1993	DECEMBER 31, 1992
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 67,329	\$ 72,797
Short-term investments	76,198	46,657
Accounts receivable, less allowances for doubtful accounts of \$3,181 in 1993 and \$3,021 in 1992	109,005	67,745
Deferred taxes	5,884	—
Other current assets	11,001	8,497
<b>Total current assets</b>	<b>269,417</b>	<b>195,696</b>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Computer equipment	48,095	34,168
Office equipment and leasehold improvements	24,283	21,473
	72,378	55,641
Less accumulated depreciation and amortization	(39,597)	(33,843)
	32,781	21,798
<b>SOFTWARE COSTS, less accumulated amortization of \$7,989 in 1993 and \$13,013 in 1992</b>		
	17,680	13,660
Deferred taxes	1,378	—
Other	5,377	305
<b>TOTAL ASSETS</b>	<b>\$ 326,633</b>	<b>\$ 231,459</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 14,926	\$ 10,923
Accrued expenses	18,388	13,148
Accrued employee compensation	26,823	23,585
Accrued litigation settlement	—	9,720
Income tax payable	12,705	9,145
Deferred taxes	818	635
Deferred revenue	36,309	26,656
Current portion of capital lease obligations	1,081	2,326
Other liabilities	2,354	872
<b>Total current liabilities</b>	<b>113,404</b>	<b>97,010</b>
Capital lease obligations, less current portion	451	1,797
Deferred taxes	5,373	—
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, par value \$.01 per share— 5,000,000 shares authorized, none issued	—	—
Common stock, par value \$.01 per share— 150,000,000 shares authorized, issued 64,869,162 and 62,835,020 in 1993 and 1992, respectively	649	314
Additional paid-in capital	125,230	99,021
Treasury stock, at cost (133,389 shares in 1993)	(2,431)	—
Retained earnings	86,484	34,980
Foreign currency translation adjustment	(2,527)	(1,663)
<b>Total stockholders' equity</b>	<b>207,405</b>	<b>132,652</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 326,633</b>	<b>\$ 231,459</b>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
<b>NET REVENUES</b>			
Licenses	\$ 284,338	\$ 237,407	\$ 148,675
Services	68,577	46,187	31,136
	352,915	283,594	179,811
<b>COSTS AND EXPENSES</b>			
Cost of software distribution	20,077	21,483	23,003
Cost of services	32,944	26,777	21,327
Sales and marketing	137,698	100,418	73,491
Research and development	43,619	28,807	16,202
General and administrative	33,188	32,214	28,985
	267,526	209,699	163,008
Operating income	85,389	73,895	16,803
Litigation settlement	—	(10,500)	—
Interest income	3,943	2,018	959
Interest expense	(371)	(2,253)	(2,829)
Other expense, net	(1,282)	(1,448)	(1,074)
Income before income taxes and extraordinary item	87,679	61,712	13,859
<b>INCOME TAXES</b>	31,564	13,930	1,670
Income before extraordinary item	56,115	47,782	12,189
<b>EXTRAORDINARY ITEM</b>			
Gain on repurchase of convertible subordinated debentures, net of \$44 of unamortized bond issuance costs and \$30 in related income taxes	—	—	421
<b>NET INCOME</b>	<b>\$ 56,115</b>	<b>\$ 47,782</b>	<b>\$ 12,610</b>
<b>NET INCOME PER COMMON SHARE AND COMMON EQUIVALENT SHARE</b>			
<b>PRIMARY:</b>			
Income before extraordinary item	\$ 0.83	\$ 0.75	\$ 0.21
Extraordinary item	—	—	0.01
Net income	<u>\$ 0.83</u>	<u>\$ 0.75</u>	<u>\$ 0.22</u>
<b>FULLY DILUTED:</b>			
Income before extraordinary item	\$ 0.83	\$ 0.74	\$ 0.20
Extraordinary item	—	—	0.01
Net income	<u>\$ 0.83</u>	<u>\$ 0.74</u>	<u>\$ 0.21</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING:</b>			
Primary	67,601	63,662	57,348
Fully diluted	67,732	64,902	60,272

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	RETAINED EARNINGS (DEFICIT)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
<b>BALANCES AT DECEMBER 31, 1990</b>	53,784	\$ 134	\$ 63,073	—	—	\$ (25,412)	\$ 276	\$ 38,071
Exercise of stock options	1,412	4	1,809					1,813
Sale of stock to employees under employee stock purchase plan	970	2	1,112					1,114
Tax benefits related to stock options			107					107
Foreign currency translation adjustment							464	464
Net income						12,610		12,610
<b>BALANCES AT DECEMBER 31, 1991</b>	56,166	140	66,101	—	—	(12,802)	740	54,179
Stock split effected in the form of a stock dividend		140	(140)					
Exercise of stock options	3,574	18	5,012					5,030
Sale of stock to employees under employee stock purchase plan	332	2	1,846					1,848
Tax benefits related to stock options			3,803					3,803
Foreign currency translation adjustment							(2,403)	(2,403)
Conversion of convertible debentures	2,764	14	22,399					22,413
Net income						47,782		47,782
<b>BALANCES AT DECEMBER 31, 1992</b>	62,836	314	99,021	—	—	34,980	(1,663)	132,652
Stock split effected in the form of a stock dividend		314	(314)					—
Exercise of stock options	1,967	20	5,039					5,059
Sale of stock to employees under employee stock purchase plan	66	1	984					985
Tax benefits related to stock options			20,500					20,500
Foreign currency translation adjustment							(864)	(864)
Acquisition of treasury stock				(490)	(9,999)			(9,999)
Reissuance of treasury stock				357	7,568	(4,611)		2,957
Net income						56,115		56,115
<b>BALANCES AT DECEMBER 31, 1993</b>	64,869	\$ 649	\$ 125,230	(133)	\$ (2,431)	\$ 86,484	\$ (2,527)	\$ 207,405

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 56,115	\$ 47,782	\$ 12,610
Adjustments to reconcile net income to cash and cash equivalents provided by (used in) operating activities:			
Depreciation	11,414	9,931	8,839
Amortization of capitalized software	5,220	5,662	7,660
Deferred tax expense	7,164	635	—
Provisions for losses on accounts receivable	1,578	2,017	1,975
Foreign currency transaction loss	1,444	370	793
Gain on repurchase of convertible subordinated debentures	—	—	(421)
Changes in operating assets and liabilities:			
Accounts receivable	(45,389)	(26,288)	(9,375)
Inventories and other current assets	(2,666)	(1,445)	1,425
Accounts payable and accrued expenses	29,672	28,463	7,909
Accrued litigation settlement	(9,720)	9,720	—
Deferred revenue	9,942	13,683	4,198
Net cash and cash equivalents provided by operating activities	64,774	90,530	35,613
<b>INVESTING ACTIVITIES</b>			
Increase in short-term investments	(136,907)	(92,270)	—
Decrease in short-term investments	107,366	45,613	—
Purchase of property and equipment	(22,071)	(9,681)	(4,095)
Additions to software costs	(9,576)	(6,064)	(7,521)
Other	(5,072)	1,085	58
Net cash and cash equivalents used in investing activities	(66,260)	(61,317)	(11,558)
<b>FINANCING ACTIVITIES</b>			
Repurchase of convertible subordinated debentures	—	—	(754)
Proceeds from issuances of common stock	6,044	6,878	2,927
Principal payments on capital leases	(2,458)	(5,157)	(4,732)
Repayment of note payable to bank	—	—	(303)
Acquisition of common stock	(9,999)	—	—
Issuance of treasury stock	2,957	—	—
Net cash and cash equivalents provided by (used in) financing activities	(3,456)	1,721	(2,862)
Effect of exchange rate changes on cash and cash equivalents	(526)	9	152
Increase (decrease) in cash and cash equivalents	(5,468)	30,943	21,345
Cash and cash equivalents at beginning of period	72,797	41,854	20,509
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 67,329</b>	<b>\$ 72,797</b>	<b>\$ 41,854</b>

See Notes to Consolidated Financial Statements.

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****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, and character-based, graphical, and object-oriented application development tools 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.** In general, the local currency is the functional currency of the Company’s foreign subsidiaries, except for Informix Software Ireland Limited, where the functional currency is the U.S. dollar and where material business operations are conducted. Exchange gains or losses resulting from foreign currency translation are included as a component of stockholders’ equity. Transaction exchange gains or losses are included in other expense, net in the statements of income.

The Company hedges certain portions of its foreign exchange transaction exposures to foreign currency fluctuations primarily through the use of forward exchange contracts. At December 31, 1993 and 1992, the Company had approximately \$29.3 million and \$9.7 million of foreign forward exchange contracts outstanding, respectively. The gains and losses associated with currency rate fluctuations on foreign forward exchange contracts and the cost associated with the 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. The Company recognized losses of \$1,779,000, \$1,913,000 and \$1,309,000 in 1993, 1992, and 1991, respectively on foreign currency transactions on short-term intercompany receivables and the hedging of certain foreign currency-denominated assets and liabilities including the cost of hedging.

**REVENUE RECOGNITION.** The Company generally recognizes license revenue from sales of software licenses upon delivery of the software product to a customer. However, for certain computer hardware manufacturers and end-user licensees with amounts payable within twelve months, the Company will recognize revenue 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 may be recognized at the earlier of either payment of the license fee or the shipment of the software media on a per-unit basis. However, in no case is revenue recognized unless a master or first copy is delivered to the customer.

Maintenance contracts generally call for the Company to provide technical support and software updates to customers. Maintenance contract revenue is recognized ratably over the term of the maintenance contract, generally on a straight-line basis. Where maintenance revenue is not separately invoiced, it is unbundled from license fees and deferred for revenue recognition purposes. Other service revenue, primarily training and consulting, is generally recognized at the time the service is performed.

The Company’s revenue recognition policy is in compliance with the provisions of the American Institute of Certified Public Accountants’ Statement of Position 91-1, “Software Revenue Recognition.”

No single customer accounted for 10 percent or more of consolidated revenues in 1993, 1992, or 1991.

**INCOME TAXES.** The Company adopted the provisions of the Financial Accounting Standards Board Statement No. 109 (FAS 109) “Accounting for Income Taxes” in its 1993 financial statements retroactive to 1989. Prior years’ financial statements have not been restated, since the cumulative effect as of January 1, 1989 and the effect of restating the 1989 through 1992 financial statements was immaterial.

Under Statement 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities, and are measured by applying enacted tax rates and laws to the taxable years in which such differences are expected to reverse.

Prior to the adoption of Statement 109, the Company used the asset and liability method of accounting for income taxes (FAS 96) that gave no recognition to future events other than the recovery of assets and settlement of liabilities at their carrying amounts in calculating deferred taxes.

**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, and are included in other current assets.

**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 as a 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 \$5,220,000, \$5,662,000, and \$7,660,000 of software costs in 1993, 1992, and 1991, respectively, in cost of software distribution. In 1993, 1992, and 1991, previously capitalized software development and purchased software costs of approximately \$177,000, \$116,000, and \$1,456,000 were written off and included in the cost of software distribution, respectively.

**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 PER COMMON SHARE.** Net income per common share is based on the weighted average number 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 SPLITS.** All share and per share amounts for all periods presented have been restated to reflect each of the two-for-one stock splits (effected in the form of the stock dividends) which were effective September 16, 1992 and June 14, 1993.

**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.

In May 1993, the Financial Accounting Standards Board issued Statement No. 115 (FAS 115), "Accounting for Certain Investments in Debt and Equity Securities." The Company is required to adopt FAS 115 no later than the first quarter of 1994. The adoption of FAS 115 is not expected to have a material impact on the Company's financial position, or results of operations.

RECLASSIFICATIONS. Certain prior year amounts have been reclassified to conform with current year presentation.

#### NOTE 2 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, short-term investments, and foreign currency exchange contracts reported in the balance sheet approximates their fair values. The fair values for marketable debt securities are based on quoted market prices. The fair values of the Company's foreign forward exchange contracts are estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

#### NOTE 3 – DEBT

In October 1992, the Company called for redemption of all outstanding 7.75 percent convertible debentures which were due in 2012. Under the term 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 \$8.17 per share (\$32.67 per share prior to the two-for-one splits).

Prior to December 11, 1992, the redemption date, virtually all 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 income for the year ended December 31, 1991.

In 1993, 1992, and 1991, the Company made interest payments on notes payable to banks, convertible subordinated debentures, and other obligations aggregating \$372,000, \$2,446,000 and \$2,869,000, respectively.

#### NOTE 4 – 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, 1993, 20,400,000 shares were authorized for issuance under the Plan.

Additionally, 800,000 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.

FAIR VALUES

DEBT

STOCK OPTIONS

Following is a summary of activity for both stock option plans for the three years ended December 31, 1993:

	NUMBER OF SHARES	OPTIONS PRICE PER SHARE	
Outstanding at December 31, 1990	9,109,904	\$ 0.25	to \$ 6.09
Options granted	3,207,548	0.79	to 3.82
Options exercised	(1,411,220)	0.44	to 2.54
Options canceled	(1,779,552)	0.85	to 6.09
Outstanding at December 31, 1991	9,126,680	\$ 0.25	to \$ 3.82
Options granted	3,430,372	4.97	to 16.13
Options exercised	(3,574,508)	0.42	to 3.82
Options canceled	(657,170)	0.85	to 7.82
Outstanding at December 31, 1992	8,325,374	\$ 0.25	to \$ 16.13
Options granted	2,283,900	14.25	to 26.25
Options exercised	(2,193,167)	0.34	to 14.63
Options canceled	(702,820)	0.84	to 17.25
Outstanding at December 31, 1993	7,713,287	\$ 0.25	to \$ 26.25
Available for grant at December 31, 1993	1,539,286		

The Company also has a qualified Employee Stock Purchase Plan under which 3,800,000 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 percent 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 percent 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 of 1986, as amended. During 1993, 1992, and 1991 the Company issued 197,551 shares, 332,966 shares, and 969,228 shares, respectively, under this Plan. In connection with the Employee Stock Purchase Plan, 1,148,265 shares were reserved for issuance as of December 31, 1993.

In connection with all stock option plans, 9,252,573 shares of common stock were reserved for issuance as of December 31, 1993. At December 31, 1993 and 1992, options exercisable were 1,540,037 and 1,190,370, respectively.

In May 1993, the Board of Directors authorized the purchase of up to 2 million shares of the Company's common stock in the open market to satisfy requirements under Stock Option and Stock Purchase Plans. Such shares are recorded using the cost method and are reissued using the first-in, first-out (FIFO) method. During 1993, approximately 490,000 shares with an aggregate cost of approximately \$10.0 million had been repurchased on the open market.

**NOTE 5 - 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, 1993	DECEMBER 31, 1992
Computer equipment (at cost)	\$ 9,788	\$ 11,218
Office equipment	1,313	5,247
	11,101	16,465
Less: accumulated amortization	8,702	10,918
	<u>\$ 2,399</u>	<u>\$ 5,547</u>

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

During 1993 and 1992, the Company financed approximately \$373,000 and \$1,160,000, respectively, 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 \$14,432,000, \$13,796,000, and \$11,166,000 in 1993, 1992, and 1991, respectively.

Future minimum payments, by year and in the aggregate, under the capital and non-cancelable operating leases as of December 31, 1993, are as follows:

YEAR ENDING DECEMBER 31 (IN THOUSANDS)	CAPITAL LEASES	NON-CANCELABLE OPERATING LEASES
1994	\$ 1,200	\$ 13,169
1995	361	12,907
1996	132	10,311
1997	—	8,425
1998	—	4,120
Thereafter	—	<u>3,735</u>
Total payments	1,693	<u>\$ 52,667</u>
Less: amount representing interest	<u>161</u>	
Present value of minimum lease payments	1,532	
Less current portion	<u>1,081</u>	
	<u>\$ 451</u>	

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 percent partner. Rental payments are approximately \$1,380,000 annually through 1997, exclusive of maintenance costs for common areas. This related commitment is included in the above schedule of non-cancelable operating lease payments.

## LEASES

GEOGRAPHIC  
INFORMATION**NOTE 6 - 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
<b>1993:</b>					
Net revenues	\$ 257,439	\$ 137,404	\$ 11,403	\$ (53,331)	\$ 352,915
Operating income (loss)	92,987	33,915	(10,657)	(30,859)	85,389
Identifiable assets	287,538	74,004	13,355	(48,264)	326,633
<b>1992:</b>					
Net revenues	\$ 217,934	\$ 107,034	\$ 12,276	\$ (53,650)	\$ 283,594
Operating income	74,553	3,592	1,153	(5,403)	73,895
Identifiable assets	226,361	49,406	13,032	(57,339)	231,459
<b>1991:</b>					
Net revenues	\$ 138,091	\$ 71,649	\$ 3,342	\$ (33,271)	\$ 179,811
Operating income (loss)	13,911	2,876	(1,487)	1,503	16,803
Identifiable assets	117,226	25,610	(1,581)	(8,331)	132,924

Sales and transfers between geographic areas are accounted for at prices which the Company believes are arm's length prices, which in general are in accordance with the rules and regulations of the respective governing tax authorities.

Export revenues consist of sales from the Company's U.S. operating subsidiary to non-affiliated customers primarily in Europe, Asia/Pacific and, to a lesser extent, Canada and Latin America. The following table presents a summary of total net revenues generated by geographic region after adjustments to include such export sales based on the location of the customer:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Domestic net revenues	\$ 148,807	\$ 131,934	\$ 87,381
European net revenues	144,094	110,575	74,147
Other international revenues	60,014	41,085	18,283
Total net revenues	\$ 352,915	\$ 283,594	\$ 179,811

## INCOME TAXES

**NOTE 7 - INCOME TAXES**

Effective January 1, 1993, the Company adopted the provisions of FAS 109, "Accounting for Income Taxes" (see Note 1 "Summary of Significant Accounting Policies"). Prior years' financial statements have not been restated since the cumulative effect as of January 1, 1989 and the effect of restating the 1989 through 1992 financial statements was immaterial.

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

(IN THOUSANDS)	1993	1992	1991
<b>CURRENTLY PAYABLE:</b>			
Federal	\$ 14,949	\$ 6,980	\$ 199
State	3,349	3,070	427
Foreign	6,102	3,245	1,044
	24,400	13,295	1,670
<b>DEFERRED:</b>			
Federal	5,704	(1,039)	—
State	2,098	—	—
Foreign	(638)	1,674	—
	7,164	635	—
	\$ 31,564	\$ 13,930	\$ 1,670

In 1993 and 1992, the Company recognized certain tax benefits related to stock option plans of \$20.5 million and \$3.8 million, respectively. Such benefits were recorded as a reduction of income taxes payable and an increase to additional paid-in capital.

Income before income taxes and extraordinary item consists of the following:

(IN THOUSANDS)	1993	1992	1991
Domestic	\$ 69,155	\$ 54,329	\$ 13,220
Foreign	18,524	7,383	639
	<u>\$ 87,679</u>	<u>\$ 61,712</u>	<u>\$ 13,859</u>

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

(IN THOUSANDS)	1993		1992		1991	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Computed tax at federal statutory rate	\$ 30,688	35.0%	\$ 20,982	34.0%	\$ 4,712	34.0%
Losses which resulted in no current tax benefit	—	—	1,116	1.8	385	2.7
Research and development credits	(1,273)	(1.4)	(2,050)	(3.3)	—	—
Effect of foreign income and related taxes	—	—	(1,730)	(2.8)	608	4.4
State income taxes, net of federal tax benefit	3,540	4.0	2,026	3.3	427	3.1
Benefits of tax net operating loss	—	—	(6,466)	(10.5)	(4,661)	(33.6)
Other, net	(1,391)	(1.6)	52	0.1	199	1.4
	<u>\$ 31,564</u>	<u>36.0%</u>	<u>\$ 13,930</u>	<u>22.6%</u>	<u>\$ 1,670</u>	<u>12.0%</u>

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, 1993 and 1992 are as follows:

(IN THOUSANDS)	1993	1992
<b>DEFERRED TAX ASSETS:</b>		
Foreign taxes on unremitted earnings, net of related U.S. tax liability	\$ —	\$ 1,455
Reserves and accrued expenses	4,848	7,146
Deferred revenue	2,590	5,812
Net operating loss carryforwards	1,378	1,373
Tax credit carryforwards	1,144	344
Other	59	—
Total deferred tax assets	10,019	16,130
Valuation allowance for deferred tax assets	—	(9,909)
Net deferred tax assets	<u>10,019</u>	<u>6,221</u>
<b>DEFERRED TAX LIABILITIES:</b>		
Tax over book depreciation	398	810
Capitalized software	6,124	4,263
Revenue recognition	818	1,674
Undistributed earnings of profitable foreign subsidiaries	1,608	32
Other	—	77
Total deferred tax liabilities	8,948	6,856
Net deferred tax assets (liabilities)	<u>\$ 1,071</u>	<u>\$ (635)</u>

The deferred tax asset valuation allowance decreased by \$9,909,000 and \$5,000,000 during 1993 and 1992, respectively. Approximately \$8,900,000 of the 1992 valuation allowance of \$9,909,000 was related to stock option deductions.

At December 31, 1993 the Company had approximately \$3,900,000 of foreign net operating loss carryforwards that can be carried over indefinitely. The Company also had research and development, and alternative minimum tax credit carryforwards of \$465,000 and \$679,000, respectively. The research and development tax credit carryforward will expire in years 1998 through 2008. Income taxes paid amounted to \$7,800,000 and \$3,130,000 in 1993 and 1992, respectively. The Company received a net income tax refund of \$1,320,000 in 1991.

## LITIGATION

**NOTE 8 - LITIGATION**

On May 10, 1993, the Company settled the securities class action lawsuit filed against the Company 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 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.

In the ordinary course of business, various lawsuits and claims are filed against the Company. It is the Company's opinion that the resolution of such litigation will not have a material effect on the Company's financial position.

## QUARTERLY DATA

**NOTE 9 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FISCAL QUARTER ENDED,			
	APRIL 1	JUNE 30	SEPTEMBER 30	DECEMBER 31
<b>1993:</b>				
Net revenues	\$ 77,094	\$ 84,333	\$ 90,074	\$ 101,414
Gross profit	64,228	71,704	76,711	87,251
Net income	11,510	12,031	14,520	18,054
Net income per share (fully diluted)*	0.17	0.18	0.21	0.27
<b>1992:</b>				
Net revenues	\$ 59,052	\$ 60,291	\$ 68,221	\$ 96,030
Gross profit	48,663	48,171	56,003	82,497
Net income	11,433	9,071	12,041	15,237
Net income per share (fully diluted)*	0.19	0.14	0.19	0.23

\* Per share amounts reflect the two-for-one stock splits (effected in the form of stock dividends) which were effective September 16, 1992 and June 14, 1993.

**BOARD OF DIRECTORS – INFORMIX CORPORATION**

We have audited the accompanying consolidated balance sheets of Informix Corporation as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. 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, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

SAN JOSE, CALIFORNIA  
FEBRUARY 9, 1994

**BOARD OF DIRECTORS**

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*Santa Clara University*

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*San Jose, California*

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*Lenexa Site General Manager*

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*Vice President, Treasurer*

Steven R. Sommer,  
*Vice President, Marketing*

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

**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, Treasurer  
Informix Corporation  
4100 Bohannon Drive  
Menlo Park, California 94025

**ANNUAL MEETING**

The Annual Meeting of Stockholders will be held at 5:00 P.M. on Thursday, May 12, 1994 at the Hyatt Regency San Francisco Airport Hotel, 1333 Bayshore Highway, Burlingame, CA.

**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.

1992*	HIGH	LOW
1st quarter	\$ 8.13	\$ 3.44
2nd quarter	8.82	6.47
3rd quarter	10.82	9.94
4th quarter	18.13	11.38
<b>1993*</b>		
1st quarter	\$ 20.25	\$ 13.94
2nd quarter	27.00	13.88
3rd quarter	26.25	18.50
4th quarter	23.00	16.63

\* The prices shown reflect two, two-for-one stock splits; the first was effective September 1992, and the second was effective June 1993.

**COMMON STOCKHOLDERS OF RECORD**

At February 28, 1994, there were approximately 1,560 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.

**OFFICES****DOMESTIC**

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Menlo Park, CA  
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United Kingdom

**CORPORATE HEADQUARTERS**

4100 Bohannon Drive  
Menlo Park, California 94025  
1 415 926 6300

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