

Against Others
 Sell in Benchmarks
 Database Fares
 Informix

New tools to handle larger, more complex pools of data are boosting sales and profits for Informix Corp.

Based in Menlo Park, Calif., Informix is the parent of Informix Software Inc., the leading maker of fast, parallel-processing database technology for open systems. Computer hardware makers use Informix database servers to publish industry benchmarks for UNIX-based systems.

Informix makes applications development tools for creating client-server systems in networks of small computers, also produces software that make

Informix Starts Parallel Push

The company has a superior sales force, analysts said. It added salespeople to its own staff in the past year. It further increased its strength around the Pacific Rim by buying stakes in Japan.

to 1,800, software core cluster, multiple took last year moderate tonality, several other, al data; and integrate processing into

Huge Databases Informix Shares Jump On Illustra News

for massively parallel and loosely coupled computer systems. It's a flexible, open-database server for users of high-end computers. They need more

Informix Starts

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most active in U.S.; 85.9 being technology makes it new and entertainment; Informix said W. pay stock valued 80% higher; Informix Inc., which is the eighth largest public company in the U.S. by market value.

Best 5-Year Performer: Informix Corp.

of small comp software that is m personal con

Database Technology Buoy Informix

Informix Shares Jump On Illustra News

Strong Database Technology Crucial To Success

MC is already a satisfied customer. The telecom carrier has Informix 7

Informix Wall Street Expectations

Informix Blows Away Wall Street's Earnings Expectations

These "add-on" products reflect growth over the past year.

Informix Steps Into Spotlight

Advanced new products and marketing moves also made several moves. Informix also made several moves in foreign business. Informix's sales gains made Informix a fast-growing company in business.

95

New Database Server Shines at Beta Test Sites

gaining momentum in the parallel processing database field and has enabled the company to start selling to larger accounts than it has in the past, noted

Informix Wall

Informix Sharpens Its Tools For Handling Huge Databases

Informix Blows Away Wall Street's Expectations

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A YEAR OF
PHENOMENAL GROWTH

To Our Stockholders —

THESE ARE exciting times for Informix Corporation. We've grown and expanded into new and emerging markets worldwide. We've seen an increasing number of Global 1000 companies and government organizations make the move to Informix to help meet their overall business objectives. We've also embarked upon a number of strategic initiatives that put Informix at the forefront in many new and important customer-driven technology areas.

As we work to sustain our growth and momentum, let me take this opportunity to recap Informix's significant achievements in 1995, where we're headed in 1996, and why we are so optimistic about the future.

Record Financial Performance

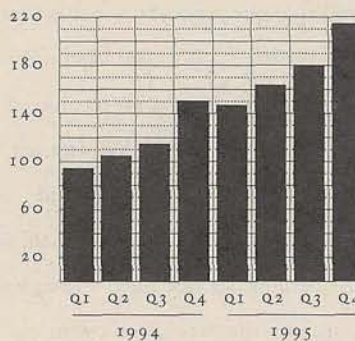
Record revenue, earnings, and cash flow results in 1995 marked the most successful year in Informix history. Our revenues climbed to \$708,985,000, 51 percent growth over our 1994 revenues of \$468,697,000. Our earnings grew to \$105,333,000, a 59 percent increase over last year's net income

of \$66,196,000. Earnings per share grew by 55 percent to \$0.76 from \$0.49 a year earlier.

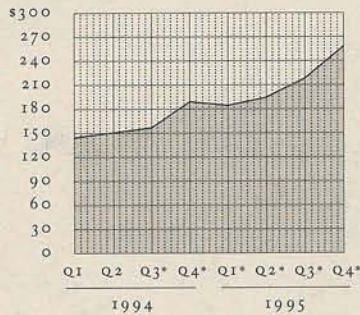
Informix's 1995 operating margin remains one of the highest in our industry segment at approximately 22 percent. Days sales outstanding in accounts receivable improved to 76 from 79 at the end of 1994. Our 1995 annualized revenue per employee figures remain strong at approximately \$270,000 for the fourth quarter of 1995. Informix also increased its cash, cash equivalents, and investments by approximately \$66,000,000 in 1995, and finished the year with cash and investment balances of approximately \$262,000,000.

Financial results like these mean our products are not only selling well, but that we are successfully managing the business as

REVENUE BY QUARTER
(in thousands)



CASH POSITION
(in millions)



*INCLUDES LONG-TERM CASH INVESTMENTS

we grow worldwide—and I'd like to salute the outstanding efforts and dedication of the people behind this success: our employees.

Growing and Managing Our Business

Informix continues to build upon its success in the global marketplace—in established lines of business as well as emerging markets. To do so, we're expanding our worldwide sales, marketing, and customer service efforts to bring our products to market more quickly and better support our customers.

Our workforce has grown to more than 3,700 employees worldwide. We formed six new international subsidiaries, and now have offices in 40 countries, along with nine regional customer service hubs strategically located around the world—allowing us to

respond quickly and effectively to our customers' global needs.

In addition, Informix made several important acquisitions during 1995 and early 1996 to increase our market penetration and broaden the scope of our technology offerings.

In February of 1996, we acquired Illustra Information Technologies, Inc., a leading supplier of object-relational database management system (ORDBMS) technology which enables businesses to store and manage new types of information in their databases, such as digitized images, electronic documents, and audio and video. This innovative technology has already been implemented in a number of key markets such as the Internet, media and entertainment, financial services, earth sciences, and others.

To strengthen Informix's leadership in the area of data warehousing—one of the hottest trends in information technology—Informix acquired Stanford Technology Group, Inc. (STG) in October. STG is a pioneer in on-line analytical processing (OLAP) technology that is a key component in our customers' data warehousing strategies.

To broaden our presence in the Japanese market, Informix acquired ASCII

Corporation's Japan-based database division in early 1995—renaming it Informix K.K. Also in early 1995, Informix acquired its primary Korean distributor, Daou Technology.

Delivering Key Products

Key to Informix's growth and stability is the ongoing success of our core technology. We continue to launch important new products and technology to meet our customers' evolving business requirements.

In early 1996, Informix announced ground-breaking technology based on the combination of Illustra's and Informix's core database products. The resulting product, INFORMIX-Universal Server, will integrate the best features of both companies' products, and enable our customers to incorporate new types of data—like World Wide Web pages, images, video, sound, spatial information, and time series data—into their core database management applications.

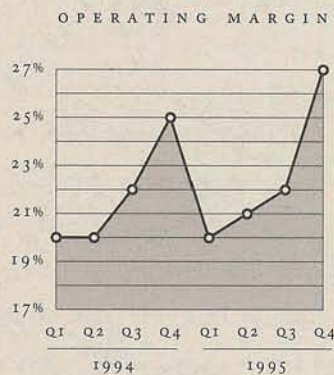
In July of 1995, we launched INFORMIX-OnLine Extended Parallel Server (OnLine XPS), extending Informix's Dynamic Scalable Architecture™ to high-powered hardware environments known as clustered SMP and MPP systems. These systems are

fast becoming the hardware platforms of choice for databases expected to grow in size from hundreds of gigabytes to tens of terabytes.

In May, we unveiled our workgroup server strategy to address the growing requirement for high-performance database technology at the workgroup and departmental level. The resulting product, INFORMIX-OnLine Workgroup Server, shipped in early 1996.

In September of 1995, we announced an optimized version of INFORMIX-OnLine Dynamic Server™—our core database server product—for high-end 64-bit UNIX® computer systems.

Other products introduced during 1995 include a Microsoft® Windows™ version of OnLine Dynamic Server, INFORMIX-Enterprise Gateway, INFORMIX-



NewEra™ 2.0, as well as several class libraries for INFORMIX-NewEra.

Meeting Customers' Evolving Needs

Informix made several other strategic announcements to help our customers capitalize on new technologies and opportunities to meet their evolving information needs.

For example, in September, Informix announced the formation of an alliance with computer hardware giant Hewlett-Packard



Phillip E. White

and Gemplus—the world's leading supplier of credit cards and consumer information cards—to develop a secure infrastructure that will enable corporations to speed new products and services to consumers via credit card-sized personal information cards, often called "smart cards." These personal information cards will allow service providers, such as financial institutions, telecommunications companies, and airlines, to provide customers with highly individualized, easy-to-use services.

In November, we joined with MobileWare® Corporation to develop a wireless information management infrastructure that enables mobile workers to

access and use their business applications—like sales force automation, field repair and service, email, and fax—through a single, simple wireless communications connection.

In Summary

We're very pleased with our 1995 results and remain confident that Informix is well positioned to continue its strong growth.

We're even more excited about Informix's future prospects—not only in terms of how our own business can continue to grow, but also the innovative new ways in which our customers and partners are using Informix technology to meet their dynamic information management needs.

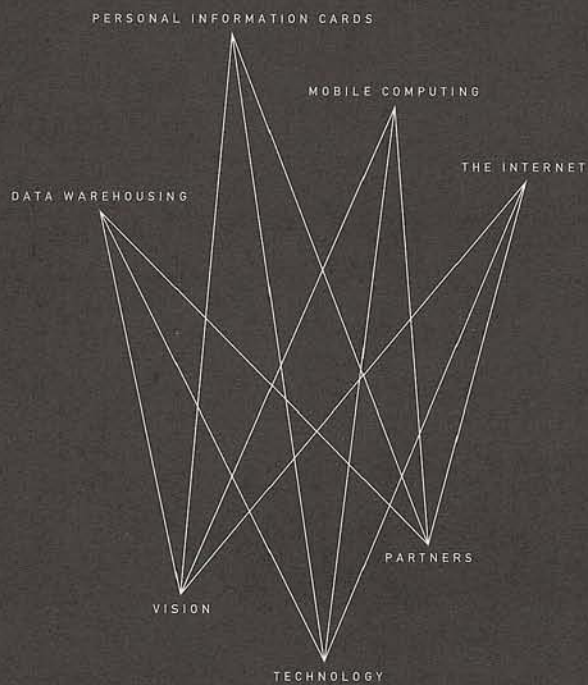
On the following pages we've highlighted four exciting new technology areas—data warehousing, the Internet, mobile computing, and personal information cards—in which Informix has taken a leading position to help our customers manage change, increase customer satisfaction, and make the most out of new and emerging opportunities.

Sincerely,

A handwritten signature in dark ink that reads "Phillip E. White".

P H I L L I P E . W H I T E

Chairman, President, and Chief Executive Officer



1995 WAS A YEAR of outstanding growth for Informix—due in large part to three key factors: *Vision*. Our ability to identify and pioneer new markets and technological opportunities, and help our customers do the same. *Enabling Technology*. Our commitment to and focus on delivering best-in-breed

database technology to help our customers manage and grow their business. *Business Partnerships*. Our technological leadership which enables us to attract as business partners the world's leading application vendors, systems integrators, hardware manufacturers, and third-party technology providers.

The company has also introduced a new version of its NewEra software, version 2.0, the company's graphical client-server development environ-

Informix's product strategy has been well-received by analysts. "Its products have always been very good."

Informix Sharpens its Tools for Handling Huge Databases

OCTOBER 18, 1995 - New tools to handle larger, more complex pools of data are boosting sales and profits for Informix Corp.

Based in Menlo Park, Calif., Informix is the parent of Informix Software, Inc., the leading maker of fast, parallel-processing database technology for open systems. Computer hardware makers use Informix database servers to publish industry benchmarks for UNIX-based systems.

The company is moving into the data warehouse business, an important emerging market. Industry estimates put it at more than \$1 billion this year.

The warehouse organizes and stores data from multiple sources. Users include national retail chains. They want to look at inventory and sales figures from hundreds, or thousands, of stores across the country. The data even includes information on who buys what and how often.

Analysts said Informix pushed ahead this year with advanced new products and a stepped-up sales and marketing drive. Informix also made several moves to build its foreign business.

Informix won many new customers in the latest quarter, including Wells Fargo Bank, Time Inc., and Tele-Charge Systems. The company also said MCI Communications, Inc. chose the INFORMIX-OnLine Extended Parallel Server 8.0 as a data warehouse for its consumer markets division.

In July, Informix unveiled OnLine XPS for massively parallel and loosely coupled computer systems. It's a flexible, open-database server for users of high-end computers, which need more software to let them use all their available hardware.

The product has enough power to help manage increasingly larger, more complex databases. Informix said it also makes systems run better, and can be scaled up for an expanding system.

Analysts said this new version of the flagship INFORMIX-OnLine Dynamic Server product is being well received. They said it has the leading technology for parallel computer systems, at the high end of the database market.

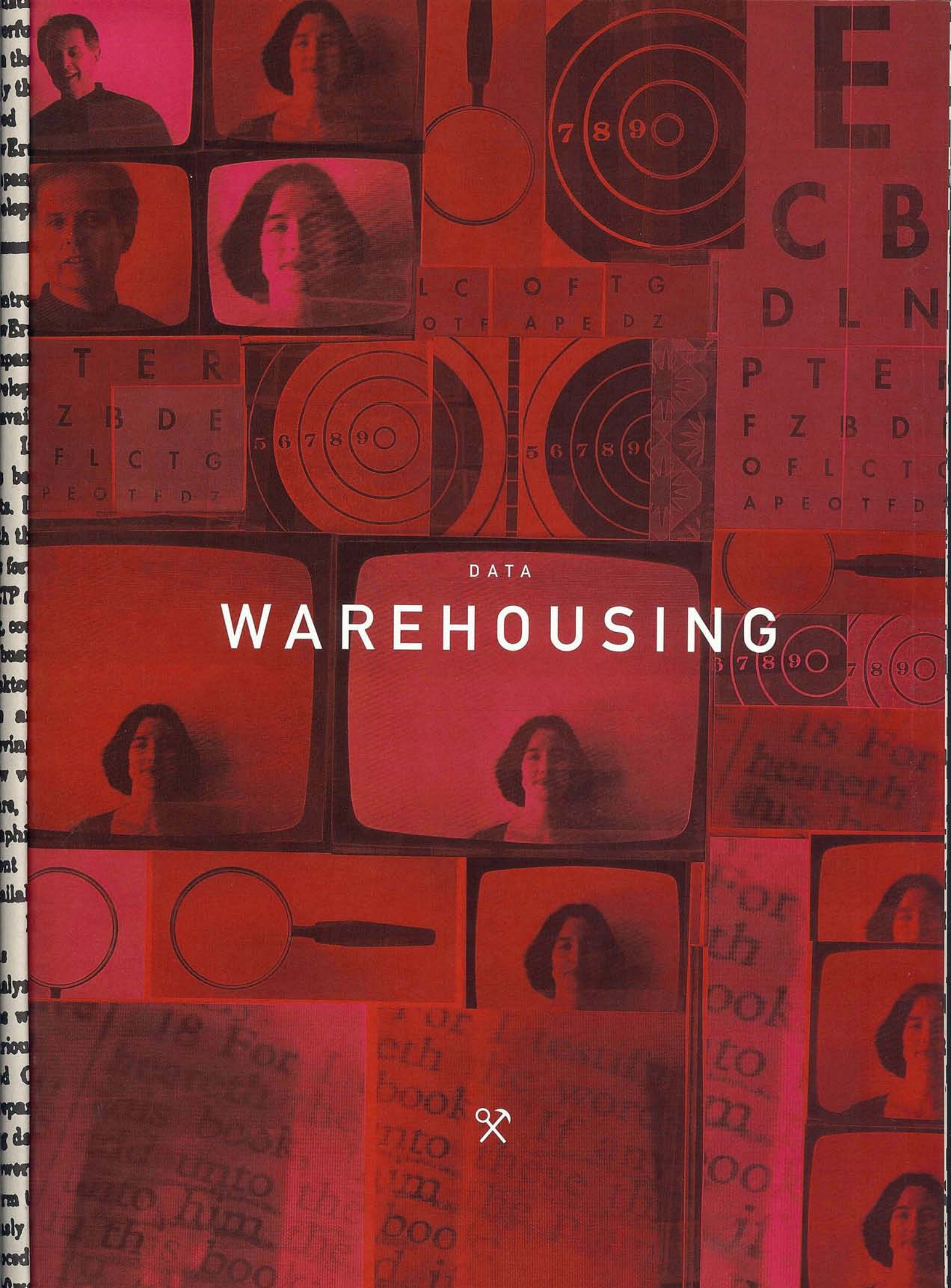
INFORMIX-NewEra, a new applications development tool, is rated as another technology leader.

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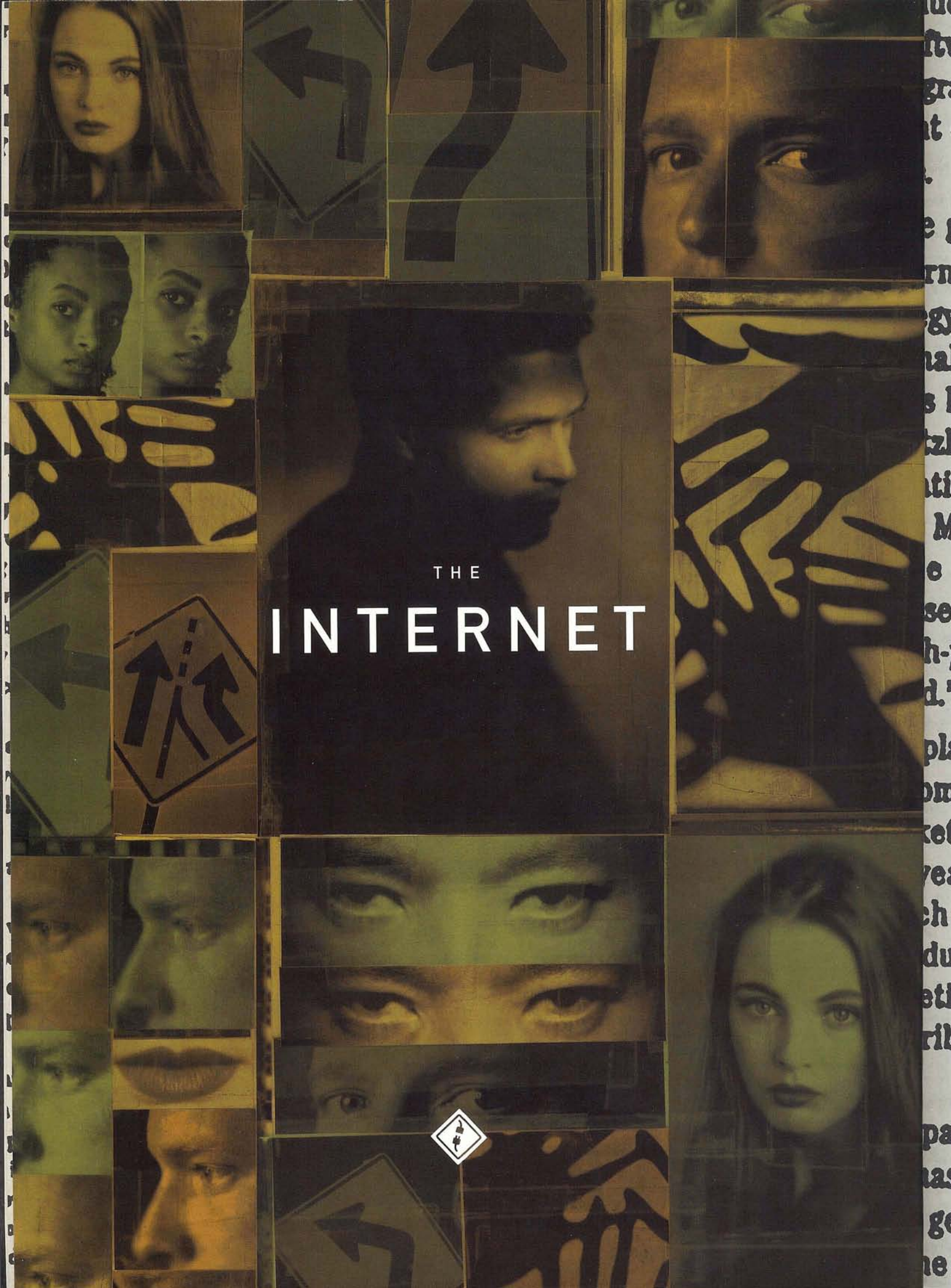
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DATA

WAREHOUSING



The image is a complex collage. It features several portraits of people's faces, some looking directly at the camera and others in profile. There are also images of hands, some appearing to be reaching out or holding something. Road signs are interspersed throughout, including a diamond-shaped sign with a left-turn arrow, a rectangular sign with two right-turn arrows, and a diamond-shaped sign with a pedestrian symbol. The overall color palette is dark and moody, with a mix of black, grey, and muted colors. The text 'THE INTERNET' is centered in a clean, white, sans-serif font.

THE
INTERNET

Informix because it's reasonably low-cost, it's high-performance and it's full-featured."

Informix Speeds Its Entry Onto Internet

MENLO PARK, California — To jump-start its move onto the Internet and into multimedia data, Informix Software, Inc. last week acquired Illustra Information Technologies, Inc. with the intent of exploiting Illustra's object/relational database engine.

Informix will combine Illustra Server — a database engine that supports a variety of text, video and image data through plug-in modules called DataBlades — with the INFORMIX-OnLine Dynamic Server database.

The combination will support World Wide Web- and multimedia-based applications and will give Informix technology that would have taken years for the company to develop inter-

by integrating the Tivoli framework, which includes enhanced configuration tools for easier database administration and sophisticated performance monitoring, directly into 8.0. Informix will also provide a suite of Windows-based tools that let users customize their system fundamentals and figure out how to do things better, rather

ing an improvement that's not speed-related is security. The application code stream of Informix's OnLine Secure product also will be merged with 8.0. With previous versions, Informix users had to run a separate, secure version of their database, but in 8.0 security is integrated into the core database technology.

Informix Users Gain Wireless Capability

Accessing Databases from Remote Locations

SAN JOSE, California — Database developer Informix Software Inc. and middleware provider MobileWare Corp. have announced a strategic alliance that will result in the ability of Informix users to tap into their databases wirelessly from remote locations.

As part of the agreement, Informix will license MobileWare's namesake client software for integration into its database products. Informix will also make an equity investment in MobileWare as part of the deal.

"Informix has the potential to leapfrog competitors because with MobileWare, the company is developing a very end-user-oriented package," said Janet Constantia, an analyst with the Yankee Group.

As for the products, Informix will integrate MobileWare 3.0 into its application-development environment to provide a complete mobile tool kit for developers, said Informix officials, in Menlo Park, Calif.

the groundwork for Informix's mobile computing strategy and, according to industry observers, helps to level the database playing field.

Besides remote database access, MobileWare will enable Informix users to wirelessly link to vertical client/server applications and network-based applications such as E-mail and fax through a single connection, said MobileWare officials, in Richardson, Texas.

MobileWare supports such wireless networks as analog circuit-switched cellular, Cellular Digital Packet Data, and Global Systems for Mobile communications.

MobileWare 3.0, released in August, provides both wired and wireless support for remote clients running Microsoft Corp.'s Windows 95, Microsoft Mail, and forthcoming Exchange messaging server software.

Informix can be reached at (415) 926-6300 or at <http://www.informix.com>.

MobileWare is at (214) 952-1200 or <http://www.inf@mobileware.com>.

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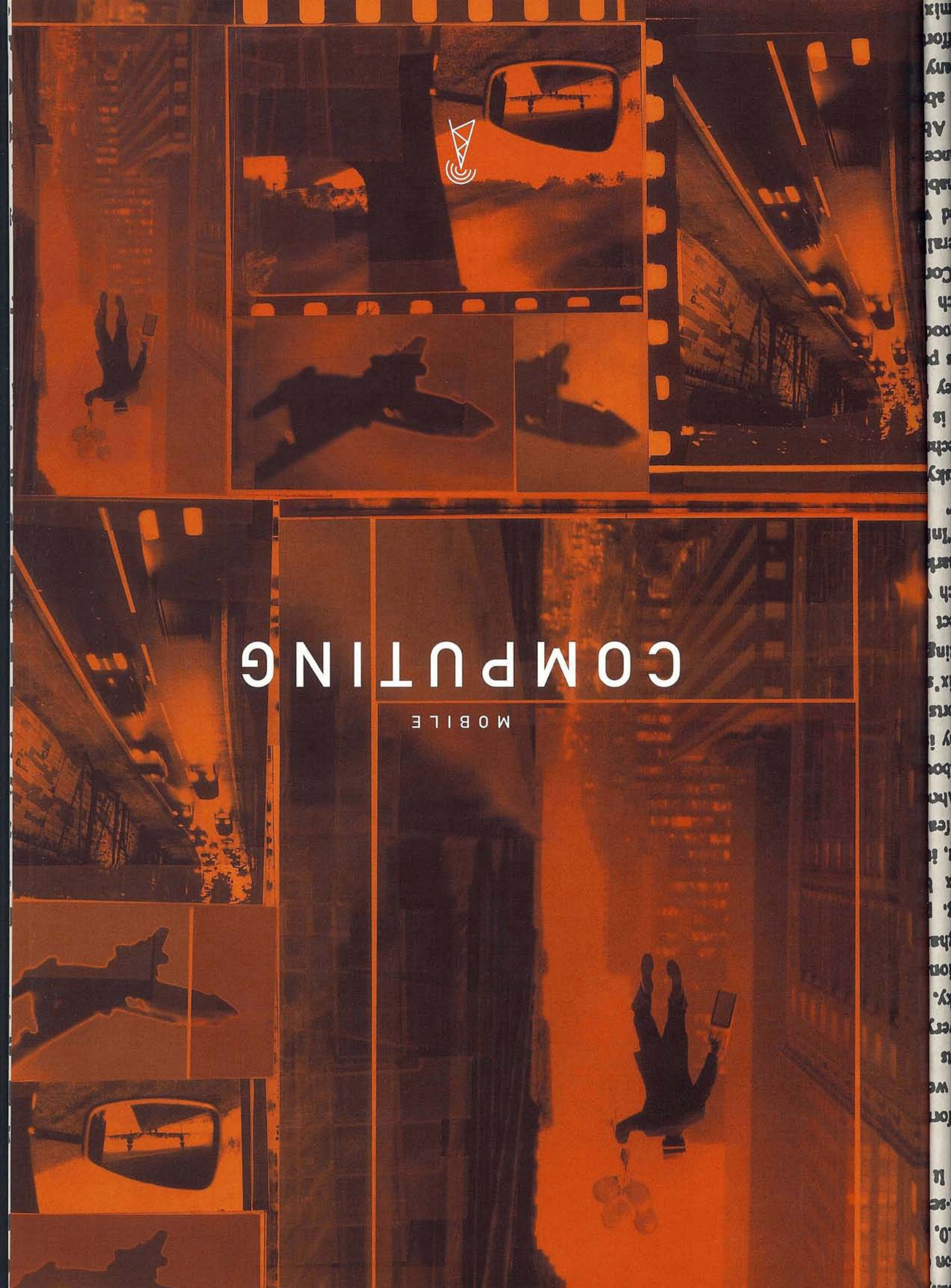
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Informix

COMPUTING

MOBILE



PERSONAL INFORMATION

CARDS



customers in the financial services, manufacturing, retail and telecommunication industries.

The companies have also set up a three-way cross-training program in which technical staff from each organization will complete full training courses for the other two.

Cards Get I.Q. Boost

MENLO PARK, California — Step aside, smart cards, here come personal information cards. Gemplus, Informix and Hewlett-Packard have put their technological heads together to bring the vision of multi-purpose, multi-application smart cards one step closer to reality.

The card's microchip will actually house an Informix database. Informix is creating Card Query Language (CQL), a subset of Structured Query Language (SQL). Since the card will understand database lingo, a standard bank card—in this case, supplied by Gemplus—will be able to be programmed in SQL. The card will also have read/write capability, and allow data to be added or removed from the database using standard programming.

This set-up dramatically one-ups current smart card configurations. "Smart cards today are designed for very specific applications and require integrated (application-specific) cir-

DATA
WAREHOUSING



The Vision: Data warehousing is redefining how businesses achieve a competitive edge. Many forward-thinking companies are implementing data warehouses to get more accurate and detailed information—not only about the customers and markets they serve, but also about the underlying nature of their business. Informix is one of the recognized leaders in data warehousing and delivers the kind of database technology these companies require to better profile their customers, analyze business trends, and make better-informed decisions faster than the competition.

Enabling Technology: A scalable, high-performance database is the heart of any data warehouse. Informix's Dynamic Scalable Architecture, and the incorporation of Stanford Technology Group's industry-leading on-line analytical processing (OLAP) technology, is powering our Global 1000 customers' data warehouses—giving them flexibility to respond to new business demands even as their databases grow in size from

hundreds of gigabytes to multiple terabytes.

Business Partners: Informix's third-party partners are a critical part of ensuring our customers' successful data warehouse implementations. We partner with the world's leading data warehouse vendors—data access, analysis, and management tool vendors such as Carleton Corporation, Evolutionary Technologies, and Prism Solutions; hardware suppliers like Digital, Hewlett-Packard, IBM, ICL, NCR, Sequent, Silicon Graphics, SNI/Pyramid, and Sun Microsystems; and consultants and systems integrators like CSC, EDS, KPMG Peat Marwick, Price Waterhouse, and SHL Systemhouse.

THE
INTERNET



The Vision: Thanks to the Internet and World Wide Web, the world is a smaller and easier place to do business. Companies now have the ability not only to get their products and services into consumers' hands more quickly, but also reach new customer bases and gain faster entry into new markets. Informix and a

number of our partners are at the forefront of this global revolution delivering technologies and products that help our customers capitalize on this burgeoning business opportunity.

Enabling Technology: Informix's powerful, scalable database technology enables customers to take advantage of the Web's inexpensive, ubiquitous interface to deploy Internet and Intranet applications. Our uniquely extensible database architecture also allows businesses to manage new, more complex types of data—such as 2D and 3D images, audio, video, electronic documents, and time series and spatial data—used within commercial Web applications.

Business Partners: Informix's ability to deliver industry-leading database technology has allowed us to attract as business partners the leading Internet technology vendors—such as Netscape Communications, Hewlett-Packard, Silicon Graphics, and Sun Microsystems. As a recent example, Netscape chose Informix as their standard database server bundled with their entire family of Internet products, so now companies can build sophisticated on-line services and virtual store-fronts or corporations on top of the industry's most advanced database.

MOBILE
COMPUTING



The Vision: Today's business demands are driving the emergence of a new type of employee: the mobile professional. Unlike their desktop counterparts, these workers operate beyond the walls of the physical workplace, yet need real-time access to critical information while they're out in the field. Informix is working closely with its customers and partners to deliver products that allow the use of hand-held devices and lap-top computers to tap into Informix databases from remote locations.

Enabling Technology: To exploit the potential of mobile computing, Informix provides the fastest, most scalable and reliable database technology available—Informix's Dynamic Scalable Architecture—to handle the high volume of time-critical, wireless transactions connecting to the corporate database. In addition, our application development product INFORMIX-NewEra—gives customers the ability to extend their standard client/server

applications into mobile environments.

Business Partners: Mobile applications must connect to and interact quickly with the corporate database. Informix's partnership with MobileWare Corporation, a leading provider of mobile networking solutions, enables remote access for standard LAN-based applications like email and fax as well as more specialized applications like sales force automation—all through a single wireless communication connection. In addition, Informix is working with the world's leading suppliers of hand-held computing devices to ensure our technology will be available on the most popular remote computers.

doing your banking, booking travel reservations, or placing a phone call, all the information you need is available via a single, convenient card. Informix is a pioneer in this life-changing consumer technology.

Enabling Technology: Informix's high-performance database technology will be available via inexpensive, easy-to-use personal database cards, which will then be read by any standard smart card reader. These cards will be capable of accessing many times the data of today's smart cards—making it easy and convenient for consumers to take advantage of business services and products from anywhere in the world.

Business Partners: Informix is forging strong relationships with Hewlett-Packard, the open systems hardware giant and Gemplus, the world's largest supplier of plastic cards, to make this vision a reality. In addition to Informix providing the core database technology, Hewlett-Packard is developing a global security encryption standard, and Gemplus is developing the microprocessor chip-embedded cards that consumers will carry with them—eliminating the need to carry multiple cards for different purposes.

PERSONAL
INFORMATION
CARDS



The Vision: Imagine a world where consumers and professionals can go anywhere in the world and safely conduct personal business transactions carrying a single, credit card-sized personal database card. Whether you're visiting the doctor's office,

Financial Overview

FIVE-YEAR SUMMARY

(IN THOUSANDS, EXCEPT PER SHARE DATA)	1995	1994	1993	1992 (1)	1991
Net Revenues	\$ 708,985	\$ 468,697	\$ 352,915	\$ 283,594	\$ 179,811
Net Income	105,333	66,196	56,115	47,782	12,610
Net Income per Share (2)	0.76	0.49	0.42	0.38	0.10
Total Assets	674,416	444,410	326,633	231,459	132,924
Long-Term Obligations	1,313	522	451	1,797	25,383

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

(1) 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 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 was recognized over the support period.

(2) Per share information applicable to prior periods has been restated to reflect a two-for-one stock split (effected in the form of a stock dividend) which was effective June 26, 1995.

Management's Discussion and Analysis

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Selected elements of Informix'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.

	PERCENT OF NET REVENUES YEARS ENDED DECEMBER 31.			% INCREASE (DECREASE) 1995 COMPARED TO 1994	
	1995	1994	1993	1995 COMPARED TO 1994	1994 COMPARED TO 1993
Licenses	76%	78%	81%	47%	28%
Services	24	22	19	65	53
Net revenues	100	100	100	51	33
Cost and Expenses:					
Cost of software distribution	5	5	6	53	23
Cost of services	13	10	9	94	40
Sales and marketing	42	43	39	47	46
Research and development	11	13	12	31	39
General and administrative	7	7	10	42	4
Total costs and expenses	78	78	76	50	37
Operating income	22	22	24	55	20
Net income	15	14	16	59	18

Informix's operating margins have exceeded or equaled 20 percent over the last several years. However, Informix'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. In the fourth quarter of 1995, Informix acquired Stanford Technology Group (STG), a company that develops and sells on-line analytical processing (OLAP) technology, in exchange for approximately 533,000 shares of its common stock in a pooling of interests transaction. In February 1996, the Company acquired Illustra Information Technologies, Inc. (Illustra), a company that provides dynamic content management database software and tools for managing complex data in the Internet, multimedia/entertainment, financial services, earth sciences and other markets. Approximately 12.7 million shares of Informix common stock were issued to acquire all outstanding shares of Illustra stock. An additional 2.3 million shares of Informix common stock were reserved for issuance in connection with the assumption of Illustra's outstanding options. The transaction will be accounted for as a pooling of interests. Transaction fees of approximately \$6 million will be recorded in the first quarter of 1996.

Informix expects that its operating margins will be affected negatively in 1996 as STG and Illustra are integrated with Informix and the transaction fees for the Illustra acquisition are expensed. Informix is investing in extensive training for sales, marketing, and customer service to educate employees of both the acquired companies and Informix regarding the products of the combined companies and revisions to Informix operations required to integrate the operations of the companies. The Company will be investing in the development of a database management system that will merge technology from both Illustra and Informix. Informix intends to exert marketing efforts to launch this product in 1996. In addition, both STG and Illustra businesses are in developing technology markets. Informix does not expect either business to contribute 20 percent operating margins in 1996. These integration and marketing expenses and the relatively low margins of the acquired companies may adversely affect Informix's ability to achieve quarterly operating margins consistent with recent quarters. Earnings per share may also be diluted as a result of the issuance of Informix common stock in connection with the STG and Illustra acquisitions.

REVENUES

The Company derives revenues principally from licensing its software and providing technical product support and updates to

customers. License revenues may involve the shipment of product by the Company or the granting of a license to a customer

to manufacture products. Service revenue consists of customer telephone or direct support, update rights for new product versions, consulting, and training fees. The Company's products are sold directly to end-user customers or through resellers, including original equipment manufacturers (OEM's), distributors, and application vendors. The Company's revenues have been increasingly derived from sales contracts directly with end users and less from the distributor or OEM sales channels. These end-user sales contracts can be relatively large in size and are difficult to forecast both in timing and dollar value. In addition, these revenue contracts have lower associated software distribution and selling costs. From time to time, the Company has recognized substantial net revenue from these 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 these sorts of transactions and the resulting fluctuations will continue.

The increase in service revenue, as a percentage of total revenue, in each of the years presented, was primarily attributable to the continued growth of the installed customer base, the renewal of maintenance contracts, and increased consulting revenue. The Company continues to emphasize support services as a source of revenue.

The overall revenue growth in 1995 primarily reflects continued strong worldwide acceptance for the Company's new and existing technology and products. Although the Company expects revenues to grow in 1996, there can be no assurance that quarterly revenue growth rates or geographical growth rates will be comparable with those achieved in 1995. As it has done from time to time in the past, Informix restructured its sales organization effective in the first quarter of 1996. The reorganization includes new management in North America and the integration of Illustra products and personnel.

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®, Windows™, Windows NT™, and other open operating environments.

The Company has also developed and released connectivity products to allow access to other relational databases, both proprietary and open, and access to this data through various protocols such as IBM's DRDA™. The industry movement to new, open operating systems like Windows NT, access through low-end desktop machines, and access to data through the Internet 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.

The license revenue growth in 1995 and 1994 reflects strong demand for the Company's products, particularly for the Company's flagship database server, INFORMIX-OnLine Dynamic Server™. The Company has also started to see revenue growth in the tools area with the introduction of INFORMIX-NewEra™, a next-generation client/server application development tool which became available in the second half of 1994. In 1995, the Company introduced, on a limited basis, INFORMIX-OnLine Extended Parallel Server, a new high-performance, scalable database server based on the Company's Dynamic Scalable Architecture™ (DSA) and also introduced INFORMIX-NewEra 2.0 on the Windows platform. In February 1996, the Company announced the development of an enterprise-capable, fully extensible database management system that can manage all information assets—including numbers, images, maps, sound, video, Web pages, and text, as well as other user-defined rich data types. This product will incorporate Illustra's object-relational technology into Informix's core database technology. It is scheduled to be commercially available in late 1996 or early 1997.

Over half of the Company's net revenues are derived from its international operations. In Europe, Asia/Pacific, and Japan, most revenues and expenses are now denominated in local currencies. The U.S. dollar weakened in 1995 and 1994 against the major European and Asia/Pacific currencies, which resulted in higher revenue and expenses recorded when translated into U.S. dollars, compared with the prior year periods. Through 1994, most revenues from Asia/Pacific, Canada, and Latin America were denominated in U.S. dollars. Accordingly, the translation of the revenues for these regions was less impacted by fluctuations in foreign exchange rates. The Company has increased its direct sales presence in Asia/Pacific by opening offices and acquiring its primary software distributors in Malaysia in 1994, and Japan and Korea in early 1995. This increased the proportion of direct sales denominated in local currency in these regions. The Company has also increased its direct presence in Latin America, although a significant percentage of the revenue is still denominated in U.S. dollars. In the future, the Company expects currency fluctuations in Mexico, and to a lesser extent, other Latin American countries, to continue. 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.

Approximately 59 percent, 55 percent, and 58 percent of Informix's net revenues were derived from sales to foreign customers in 1995, 1994, and 1993, respectively. The increase in

foreign revenues in absolute dollars is primarily attributable to the establishment of new subsidiaries and sales offices in Europe, Asia/Pacific, Japan, and Latin America, the acquisition of several foreign distributors, and continued international acceptance for Informix's new and existing technology. Informix 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 enters into forward foreign exchange contracts primarily to hedge the value of accounts receivable or accounts payable denominated in foreign currencies against fluctuations in exchange rates until such receivables are collected or payables are disbursed. This program involves the use of forward foreign exchange contracts in the primary European and Asian currencies. The Company has limited unhedged transaction exposures in certain secondary currencies in Latin America, Eastern

Europe, and Asia/Pacific because there are limited forward currency exchange markets in these currencies. The Company does not attempt to hedge the translation to U.S. dollars of foreign denominated revenues and expenses not yet earned or incurred.

Informix's distribution markets were reorganized into three general markets at the beginning of the second quarter of 1994: North America; Europe, Middle East, and Africa; and the Intercontinental Group, consisting of Latin America, Japan, and the Asia/Pacific region. These organizations contributed 42 percent, 38 percent, and 20 percent of Informix's net revenues, respectively, in 1995, compared to 46 percent, 38 percent, and 16 percent, respectively, in 1994, and 43 percent, 41 percent, and 16 percent, respectively, in 1993. Effective January 1, 1996, these sales organizations were reorganized into the following groups: Americas, including the North America and Latin America regions; International, including the Europe, Middle East, Africa, and Asia/Pacific regions; and Japan.

COST OF SOFTWARE DISTRIBUTION

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
Manufactured cost of software distribution	\$ 25.8	53%	\$ 16.9	13%	\$ 14.9
Percentage of license revenue	5%		5%		5%
Amortization of capitalized software	\$ 12.0	53%	\$ 7.8	50%	\$ 5.2
Percentage of license revenue	2%		2%		2%
Cost of software distribution	\$ 37.8	53%	\$ 24.7	23%	\$ 20.1
Percentage of license revenue	7%		7%		7%

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

The increase in amortization of capitalized software in absolute dollars in 1995 and 1994 compared to the corresponding prior year periods was due to the release of several database server and application tool products in the latter half of 1994 continuing

through 1995. The Company expects that amortization of capitalized software in absolute dollars will continue to increase in the future as new products are released.

Manufactured cost of software distribution in 1995, as a percentage of license revenues, remained flat compared to 1994 and 1993. The cost of software distribution as a percentage of license revenue may vary depending upon whether the product is reproduced by the Company or by its customers.

COST OF SERVICES

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
Cost of services	\$ 89.0	94%	\$ 46.0	40%	\$ 32.9
Percentage of service revenue	51%		44%		48%

Cost of services consists primarily of customer service, consulting, and training expenses. The increase in cost of services in 1995 in absolute dollars and as a percentage of net revenues compared to 1994 is primarily due to the Company's increased expenditures in developing consulting and support services. The decrease in cost of services as a percentage of service revenue in 1994 compared to

1993 is primarily due to higher growth in maintenance revenues, derived from product update rights and technical support, than in maintenance expenses, primarily related to technical customer support. In the future, the Company expects that cost of services as a percentage of service revenue will approximate the rate in 1995.

SALES AND MARKETING EXPENSES

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
Sales and marketing	\$ 294.6	47%	\$ 200.5	46%	\$ 137.7
Percentage of net revenue	42%		43%		39%

The increase in sales and marketing expenses, in absolute dollars, in 1995 and 1994 compared to the corresponding prior year periods, is a result of increased sales personnel worldwide as Informix expanded its investment in the worldwide direct sales organizations, opening of new subsidiaries, acquisition of several foreign distributors, higher commission expense associated with the increase in revenues, and increased marketing programs

associated with new product launches.

With the continuing expansion throughout 1996 of worldwide operations, as well as increased sales and marketing expenditures aimed at positioning Informix and its new and existing products in the marketplace, Informix expects that sales and marketing expenses will increase in absolute terms in 1996.

RESEARCH AND DEVELOPMENT EXPENSES

Informix 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 following table summarizes research and development costs for the prior three years:

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
Incurred product development costs	\$ 96.8	31%	\$ 74.0	42%	\$ 52.2
Expenditures capitalized	17.5	29%	13.6	58%	8.6
Research and development expenses	\$ 79.3	31%	\$ 60.4	39%	\$ 43.6
Expenditures capitalized as a percent of incurred	18%		18%		17%

The increase in research and development expenditures in absolute dollars from year to year is attributed to an increase in staff working on new products and product extensions.

The higher capitalization in absolute dollars of product development expenditures from year to year resulted from an increase in the work involved in projects reaching technological feasibility as they neared their release dates. The Company expects the proportion of work on capitalized projects to remain relatively stable throughout 1996.

Major new programs currently under development include an enterprise-capable, fully extensible database management system that can manage all information assets—including numbers, images, maps, sound, video, Web pages, and text, as well as other user-defined rich datatypes; the expansion of the DSA family of servers and connectivity products; and subsequent versions of the Company's graphical, object-oriented tool, INFORMIX-NewEra. The Company believes that research and development expenditures are essential to maintaining its competitive position in its primary markets and expects the expenditure levels to increase in absolute dollars.

GENERAL AND ADMINISTRATIVE EXPENSES

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
General and administrative expenses	\$ 49.0	42%	\$ 34.5	4%	\$ 33.2
Percentage of net revenues	7%		7%		10%

General and administrative expenses in 1995 increased in absolute dollars compared to 1994 as a result of the continued expansion in international operations as well as the acquisition of several foreign distributors. The slight increase in absolute dollars from 1993 to 1994 was primarily due to an increase in the costs of supporting Informix's international operations as new subsidiaries and

branch offices were established and existing subsidiaries were expanded. Informix will expense approximately \$6 million of transaction fees related to the Illustra acquisition in the first quarter of 1996. Informix expects that other 1996 general and administrative expenses as a percentage of net revenues will remain similar to 1995.

INTEREST INCOME

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
Interest income	\$ 7.9	106%	\$ 3.8	(2%)	\$ 3.9
Percentage of net revenues	1%		1%		1%

The increase in absolute dollars from 1994 to 1995 resulted from higher balances of cash and cash equivalents and short-term investments. Interest income in 1994 remained flat compared with

1993 despite higher cash and investments as Informix invested a large percentage of its cash and investments in lower nominal-yield, tax-exempt securities.

PROVISION FOR INCOME TAXES

(DOLLARS IN MILLIONS)	1995	CHANGE	1994	CHANGE	1993
Provision for income taxes	\$ 60.8	63%	\$ 37.2	18%	\$ 31.6
Effective tax rate	36.6%		36.0%		36.0%

Informix's effective tax rates for fiscal years 1995, 1994, and 1993 are less than the combined federal and state statutory rates primarily due to the permanent reinvestment offshore of a portion of the earnings of Informix's lower-taxed Irish operations and the federal research and development tax credit prior to its expiration in 1995. The amount considered permanently invested in the Irish operations may vary from year to year and may affect Informix's effective tax rate.

Informix anticipates its fiscal 1996 effective tax rate to remain approximately the same as 1995; however, this rate could change based on a change in the geographic mix of Informix's earnings, the amount of permanent reinvestment offshore of a portion of the 1996 earnings of Informix's lower-taxed Irish operations, and the reinstatement of the federal research and development tax credit.

IMPACT OF INFLATION

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

LIQUIDITY AND CAPITAL RESOURCES

(DOLLARS IN MILLIONS)

1995 1994 1993

Cash, cash equivalents, and investments	\$ 261.9	\$ 196.0	\$ 143.5
Working capital	246.3	194.5	156.0
Cash provided by operations	164.8	114.5	64.8
Cash used in investment activities, excluding investments of excess cash	122.1	51.4	36.7
Cash provided by (used in) financing activities	19.1	(10.8)	(3.5)

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

The increase in net cash and cash equivalents provided by operations in 1995 compared with 1994 was primarily attributable to higher income before depreciation and amortization charges. The increase in net cash and cash equivalents provided by operations in 1994 compared with 1993 was due mainly to higher income before depreciation and amortization charges, increased accounts payable and accrued expenses, and the litigation settlement in 1993; all of which were partially offset by an increase in accounts receivable.

Accounts receivable increased by \$63.3 million in 1995 and by \$23.2 million in 1994, principally as a result of higher sales, partially offset by strong collections and the use of third-party financing programs. Days sales outstanding was approximately 76 days at the end of the fourth quarter of 1995 compared with 79 days and 97 days at the end of the same periods in 1994 and 1993. Commencing in late 1993, the Company instituted programs to have third-party financial institutions provide financing for extended credit terms instead of such terms being provided by the Company. 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 application vendors and distributors and the success of the Company's financing programs. Although a large portion of the Company's revenues is derived from resellers, the Company's revenues since 1993 have shifted substantially from distributors to direct end users. These end-user sales contracts frequently bear extended payment terms which result in an increase in days sales outstanding ratios unless the contracts are financed. The aforementioned shift in distributor channels is likely to continue as products and markets mature. The Company is using a variety of activities to reduce the days sales outstanding ratio. In the future, the Company expects this

ratio to vary within the range which prevailed in the last several quarters; however, there is no assurance that it will do so.

Excluding investments of excess cash, net cash and cash equivalents used in investing activities increased in 1995 compared with 1994 and 1993 levels. In 1995, 1994, and 1993, the Company acquired \$53.0 million, \$25.2 million, and \$22.1 million, respectively, of capital equipment consisting primarily of computer equipment, computer software, and office equipment. The increase of capital equipment purchases in 1995 and 1994 resulted from the Company's growing employee headcount and the investment in new capital equipment as well as new technology. 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. In 1995, 1994, and 1993, the Company made equity investments of \$1.0 million, \$1.6 million, and \$3.5 million, respectively, in companies of strategic interest to the Company.

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

In the third quarter of 1994, the Company acquired two of its distributors, one in Germany and the other in Malaysia. The transactions were accounted for as purchases. The aggregate purchase price of these two distributors were approximately \$17.2 million, of which \$8.2 million has been allocated to intangible assets acquired.

In January 1995, the Company acquired a 90 percent interest in the database division of ASCII Corporation, a distributor of its products in Japan. The Company acquired the remaining 10 percent interest in January 1996. The acquisition was recorded as a purchase. The purchase price of ASCII's database division was approximately \$46.0 million, of which approximately \$35.4 million has been allocated to intangible assets acquired.

In April 1995, the Company acquired an 80 percent interest in the database division of Daou Corporation, a distributor of its products in Korea. The Company will acquire the remaining

20 percent by January 1997. The acquisition was recorded as a purchase. The initial purchase price of this business was approximately \$4.6 million, of which approximately \$4.0 million has been allocated to intangible assets acquired.

The operating results of these distributors subsequent to the acquisition dates, which were not significant in relation to those of Informix, have been included in the consolidated results of operations since their acquisition dates.

In October 1995, the Company acquired *STG*, a U.S.-based company that provides on-line analytical processing technology, in exchange for approximately 533,000 shares of its common stock. The transaction has been accounted for as a pooling of interests. However, since the operating results of *STG* are insignificant to the Company, prior period annual and quarterly results have not been restated for this transaction.

In February 1996, the Company acquired *Illustra*, a U.S.-based company that provides dynamic content management database software and tools for managing complex data in the Internet, multimedia/entertainment, financial services, earth sciences, and other markets. Approximately 12.7 million shares of Informix common stock were issued to acquire all outstanding shares of *Illustra* stock. An additional 2.3 million shares of Informix common stock were reserved for issuance in connection

with the assumption of *Illustra*'s outstanding options. The transaction will be accounted for as a pooling of interests.

Net cash and cash equivalents provided by financing activities in 1995 consisted primarily of proceeds from the sale of the Company's common stock to employees, partially offset by payments on capital leases. Net cash and cash equivalents used in financing activities in 1994 and 1993 included payments on capital leases and repurchases of the Company's common stock, offset by proceeds from the sale of the Company's common stock to employees.

In 1993 and 1994, the Board of Directors authorized the repurchase of up to 8 million shares of the Company's common stock in the open market. As of December 31, 1995, the Company had repurchased 3,580,000 shares with an aggregate cost of approximately \$32.1 million on the open market. During 1994 and 1993, all repurchased shares were re-issued to partially satisfy requirements under Stock Option and Stock Purchase Plans.

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 1996 and may be used for investments and acquisitions to supplement internal revenue growth and for other corporate purposes.

BUSINESS RISKS

Fluctuations in Quarterly Results. The Company's operating results can vary substantially from period to period. The timing and amount of the Company's license revenues are subject to a number of factors that make estimation of operating results prior to the end of a quarter extremely uncertain. The Company has operated historically with little or no backlog and, as a result, license revenues in any quarter are dependent on contracts entered into or orders booked and shipped in that quarter. The Company's operating margins have generally followed a historic pattern, with second half revenues and operating margins being higher than those of the preceding first half. The Company believes that this pattern has been primarily related to customers' capital spending cycles at the end of a calendar year as well as to the Company's selling efforts, influenced by annual sales incentive plans, at the end of the calendar year, which is the end of the Company's fiscal year. Additionally, as is common in the industry, a disproportionate amount of the Company's license revenues is derived from transactions that close in the last few weeks of a quarter. The timing of closing large license agreements also increases the risks of quarter-to-quarter fluctuations and the uncertainty of estimating quarterly operating results. The Company's operating expenses

are based on projected annual and quarterly revenue levels, which have been increasing at rates approaching the rate of total revenue growth and are incurred approximately ratably throughout each quarter. As a result, if projected revenues are not realized in the expected period, the Company's operating results for that period would be adversely affected as the operating expenses are relatively fixed in the short term. Failure to achieve revenue, earnings and other operating and financial results as forecasted or anticipated by brokerage firm analysts or industry analysts could result in an immediate and adverse effect on the market price of the Company's common stock. Further, the Company may not learn of, or be able to confirm, revenue or earnings shortfall until the end of each quarter, which could result in an even more immediate and adverse effect on the trading price of the Company's common stock.

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Volatility of Informix Stock Prices. The market for the Company's common stock is highly volatile. The trading price of the Company's common stock could be subject to wide fluctuations in response to quarterly variations in operating and financial results, announcements of technological innovations or new

products by the Company or its competitors, changes in prices of the Company's or its competitors' products and services, changes in product mix, change in the Company's revenue and revenue growth rates for the Company as a whole or for individual geographic areas, business units, products or product categories, as well as other events or factors. Statements or changes in opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to the market in which the Company does business or relating to the Company specifically have resulted, and could in the future result, in an immediate and adverse effect on the market price of the Company's common stock. In addition, the stock market has from time to time experienced extreme price and volume fluctuations which have particularly affected the market price for the securities of many high technology companies and which often have been unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of the Company's common stock.

Competition. The market for the Company's software products and services is extremely competitive. Some of the Company's current competitors and many potential competitors have greater financial, technical, and marketing resources than the Company. To the extent that market acceptance for personal computer-oriented technologies increases at the expense of UNIX or other non-PC platforms, this could result in greater price pressure on certain of the Company's database products and services. The availability and market acceptance of Microsoft Corporation's Windows NT operating system may increase the competition faced by the principal operating system platforms on which the Company's products operate and may result in greater price pressure on certain of the Company's database products and services. Also, new or enhanced products introduced by existing or future competitors could have an adverse effect on the Company's business, results of operations, and financial condition. Existing and future competition or changes in the Company's product or services pricing structure or product or service offerings could result in an immediate reduction in the prices of the Company's products or services. If this were to result in significant price declines—the effects of which were not offset by any resulting increases in sales volume of the Company's products or services—the Company's business, results of operations, and financial condition would be adversely affected. There can be no assurance that the Company

will continue to compete successfully with its existing competitors or will be able to compete successfully with new competitors.

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Technological Change and New Products. The market for the Company's products and services is characterized by rapidly changing technology and frequent new product introductions. The Company's success will depend upon its ability to enhance its existing products and to introduce new products on a timely and cost-effective basis that meet dynamic customer requirements. There can be no assurance that the Company will be successful in developing new products or enhancing its existing products or that such new or enhanced products will receive market acceptance or be delivered timely to the market. The Company has experienced product delays in the past and may have delays in the future. Delays in the scheduled availability or a lack of market acceptance of its products or failure to accurately anticipate customer demand and meet customer performance requirements could have a material adverse effect on the Company's business, results of operations, and financial condition. In addition, products as complex as those offered by the Company may contain undetected errors or bugs when first introduced or as new versions are released. There can be no assurance that, despite testing, new products or new versions of existing products will not contain undetected errors or bugs that will delay the introduction or commercial acceptance of such products. A key factor in determining the success of the Company will continue to be the ability of the Company's products to interoperate and perform well with existing and future leading, industry-standard leading application software products intended to be used in connection with relational database management systems. Failure to meet existing or future interoperability and performance requirements of certain independent vendors marketing such applications in a timely manner could adversely affect the market for the Company's products. Commercial acceptance of the Company's products and services could also be adversely affected by critical or negative statements or reports by brokerage firms, industry and financial analysts and industry periodicals concerning the Company, its products, business or competitors, or by the advertising or marketing efforts of competitors, or other factors that could affect consumer perception.

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International Operations. Over half of the Company's net revenues are derived from its international operations. The

Company's operations and financial result could be significantly affected by factors associated with international operations such as changes in foreign currency exchange rates and uncertainties relative to regional economic circumstances, as well as by other risks associated with international activities. Most of the Company's international revenue and expenses are denominated in local currencies. Although the Company takes into account changes in exchange rates over time in its pricing strategy, the Company's business, results of operations and financial condition could be materially and adversely affected by fluctuations in foreign currency exchange rates. There can be no assurance that the Company will not experience fluctuations in international revenues.

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Integration of Acquired Companies. The Company has completed several acquisitions including the database division of ASCII Corporation in Japan; distributors in Germany, Korea, and Malaysia; SRG and, more recently, Illustra in the United States.

The Company may acquire other distributors, companies, products or technologies in the future. There can be no assurance that these acquisitions can be effectively integrated, that such acquisitions will not result in costs and liabilities that could adversely effect the Company's results of operations and financial condition, or that the Company will obtain the anticipated or desired benefits of such acquisitions.

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Infringement Claims. As the number of software products and software patents in the industry increases, the Company believes that software developers may become increasingly subject to infringement claims. There can be no assurance that a third party will not assert that its patents or other proprietary rights are violated by products offered by the Company. Any such claims, with or without merit, can be time consuming and expensive to defend and could have an adverse effect on the Company's business, results of operations, financial position, and cash flows.

Consolidated Balance Sheets

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)	DECEMBER 31, 1995	DECEMBER 31, 1994
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 163,260	\$ 131,882
Short-term investments	88,904	59,644
Accounts receivable, less allowances for doubtful accounts of \$ 12,710 in 1995 and \$6,036 in 1994	182,720	131,548
Deferred taxes	11,704	9,978
Other current assets	25,310	14,964
Total current assets	471,898	348,016
Property and Equipment, at cost		
Computer equipment	100,166	68,240
Office equipment and leasehold improvements	46,997	28,069
	147,163	96,309
Less accumulated depreciation and amortization	(69,935)	(52,188)
	77,228	44,121
Software Costs, less accumulated amortization of \$18,980 in 1995 and \$7,973 in 1994	36,866	24,681
Deferred taxes	16,248	7,651
Long-term investments	9,781	4,477
Intangible assets	40,730	6,089
Other assets	21,665	9,375
Total Assets	\$ 674,416	\$ 444,410
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 28,598	\$ 18,737
Accrued expenses	33,036	27,784
Accrued employee compensation	49,911	33,777
Income tax payable	41,221	17,725
Deferred taxes	1,612	1,612
Deferred revenue	62,424	48,580
Current portion of capital lease obligations	518	391
Other current liabilities	8,240	4,946
Total current liabilities	225,560	153,552
Capital lease obligations, less current portion	770	343
Other noncurrent liabilities	543	179
Deferred taxes	24,488	14,692
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—350,000,000 shares authorized, issued 135,328,554 and 130,947,778 in 1995 and 1994, respectively	1,353	1,310
Additional paid-in capital	182,657	139,242
Retained earnings	241,188	136,025
Unrealized gain on available-for-sale securities, net of tax	4,064	665
Foreign currency translation adjustment	(6,207)	(1,598)
Total stockholders' equity	423,055	275,644
Total Liabilities and Stockholders' Equity	\$ 674,416	\$ 444,410

Consolidated Statements of Income

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEARS ENDED DECEMBER 31,		
	1995	1994	1993
NET REVENUES			
Licenses	\$ 535,895	\$ 363,756	\$ 284,338
Services	173,090	104,941	68,577
	708,985	468,697	352,915
COSTS AND EXPENSES			
Cost of software distribution	37,846	24,669	20,077
Cost of services	89,001	45,986	32,944
Sales and marketing	294,647	200,538	137,698
Research and development	79,273	60,417	43,619
General and administrative	48,965	34,526	33,188
	549,732	366,136	267,526
Operating income	159,253	102,561	85,389
Interest income	7,934	3,847	3,943
Interest expense	(1,035)	(380)	(371)
Other expense, net	(12)	(2,598)	(1,282)
Income before income taxes	166,140	103,430	87,679
Income Taxes	60,807	37,234	31,564
Net Income	\$ 105,333	\$ 66,196	\$ 56,115
Net Income Per Common Share	\$ 0.76	\$ 0.49	\$ 0.42
Weighted Average Number of Common and Common Equivalent Shares Outstanding:	138,896	134,610	135,202

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(IN THOUSANDS)	YEARS ENDED DECEMBER 31,		
	1995	1994	1993
OPERATING ACTIVITIES			
Net income	\$ 105,333	\$ 66,196	\$ 56,115
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities:			
Depreciation and amortization	29,031	16,206	11,414
Amortization of capitalized software	12,041	7,848	5,220
Deferred tax expense	(593)	(624)	7,164
Provisions for losses on accounts receivable	8,377	3,824	1,578
Foreign currency transaction loss (gain)	(4,609)	(1,323)	1,444
Changes in operating assets and liabilities:			
Accounts receivable	(63,323)	(23,167)	(45,389)
Other current assets	(8,280)	(1,518)	(2,666)
Accounts payable and accrued expenses	74,595	35,557	19,952
Deferred revenue	12,275	11,467	9,942
Net cash and cash equivalents provided by operating activities	164,847	114,466	64,774
INVESTING ACTIVITIES			
Investments of excess cash:			
Purchases of held-to-maturity securities	(144,517)	(124,102)	(42,117)
Purchases of available-for-sale securities	(425)	(108,846)	(94,790)
Maturities of held-to-maturity securities	83,159	106,513	36,929
Sales of available-for-sale securities	27,261	138,423	70,437
Increase in strategic investments	(1,000)	(1,623)	(3,487)
Purchase of property and equipment	(52,992)	(25,247)	(22,071)
Additions to software costs	(23,977)	(15,048)	(9,576)
Business combinations, net of cash acquired	(38,413)	(8,799)	—
Other	(5,670)	(699)	(1,585)
Net cash and cash equivalents used in investing activities	(156,574)	(39,428)	(66,260)
FINANCING ACTIVITIES			
Proceeds from issuances of common stock	20,171	4,611	6,044
Principal payments on capital leases	(1,116)	(1,179)	(2,458)
Acquisition of common stock	—	(22,139)	(9,999)
Reissuance of treasury stock	—	7,915	2,957
Net cash and cash equivalents provided by (used in) financing activities	19,055	(10,792)	(3,456)
Effect of exchange rate changes on cash and cash equivalents	4,050	307	(526)
Increase (decrease) in cash and cash equivalents	31,378	64,553	(5,468)
Cash and cash equivalents at beginning of period	131,882	67,329	72,797
Cash and cash equivalents at end of year	\$ 163,260	\$ 131,882	\$ 67,329

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(IN THOUSANDS)	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK		RETAINED EARNINGS	UNREALIZED GAIN ON AVAILABLE-FOR- SALE SECURITIES	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTALS
	SHARES	AMOUNT	CAPITAL	SHARES	AMOUNT	EARNINGS	SALE SECURITIES	ADJUSTMENT	
Balances at December 31, 1992	125,672	\$1,257	\$ 98,078	—	\$ —	\$ 34,980	\$ —	\$(1,663)	\$132,652
Exercise of stock options	3,934	39	5,020						5,059
Sale of stock to employees under employee stock purchase plan	132	2	983						985
Tax benefits related to stock options			20,500						20,500
Foreign currency translation adjustment								(864)	(864)
Acquisition of treasury stock				(980)	(9,999)				(9,999)
Reissuance of treasury stock				714	7,568	(4,611)			2,957
Net income						56,115			56,115
Balances at December 31, 1993	129,738	1,298	124,581	(266)	(2,431)	86,484	—	(2,527)	207,405
Exercise of stock options	1,120	11	3,547						3,558
Sale of stock to employees under employee stock purchase plan	90	1	1,052						1,053
Tax benefits related to stock options			10,062						10,062
Foreign currency translation adjustment								929	929
Acquisition of treasury stock				(2,600)	(22,139)				(22,139)
Reissuance of treasury stock				2,866	24,570	(16,655)			7,915
Unrealized gain on available-for-sale securities, net of tax							665		665
Net income						66,196			66,196
Balances at December 31, 1994	130,948	1,310	139,242	—	—	136,025	665	(1,598)	275,644
Exercise of stock options	3,499	35	13,530						13,565
Sale of stock to employees under employee stock purchase plan	349	3	6,603						6,606
Tax benefits related to stock options			21,291						21,291
Acquisition of stock	533	5	1,991			(170)			1,826
Foreign currency translation adjustment								(4,609)	(4,609)
Unrealized gain on available-for-sale securities, net of tax							3,399		3,399
Net income						105,333			105,333
Balances at December 31, 1995	135,329	\$1,353	\$182,657	—	\$ —	\$241,188	\$4,064	\$(6,207)	\$423,055

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations. Informix Corporation ("the Company") is a multinational supplier of high-performance, parallel processing database technology for open systems. The Company's products also include application development tools for creating client/server production applications, decision-support systems, ad-hoc query interfaces, and software that allows information to be shared transparently from personal computers to mainframes within the corporate computing environment. In addition to software products, the Company offers training, consulting, and post-contract support to its customers. The principal geographic markets for the Company's products are North America, Europe, Asia/Pacific, Japan, and Latin America. Customers include large-, medium-, and small-sized corporations in the manufacturing, financial services, telecommunications, retail/wholesale, hospitality, and government services sectors.

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

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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.

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Foreign Currency Translation. For foreign operations with the local currency as the functional currency, assets and liabilities are translated at year-end exchange rates, and statements of income are translated at the average exchange rates during the year. Exchange gains or losses arising from translation of foreign currency denominated assets and liabilities are included as a component of stockholders' equity.

For foreign operations with the U.S. dollar as the functional currency, assets and liabilities are remeasured at the year-end exchange rates. Statements of income are remeasured at the average exchange rates during the year. Gains and losses resulting from foreign currency remeasurement are included in other expense, net.

The Company enters into forward foreign exchange contracts primarily to hedge the value of accounts receivable or accounts payable denominated in foreign currencies (mainly European and Asian foreign currencies) against fluctuations in

exchange rates until such receivables are collected or payables are disbursed. The Company has limited unhedged transaction exposures in certain secondary currencies in Latin America and Eastern Europe because there are limited forward currency exchange markets in these currencies. Gains and losses associated with exchange 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. The costs of the forward foreign exchange contracts are recorded as other expense, net. See Note 3 of Notes to Consolidated Financial Statements.

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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 application vendors) 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 1995, 1994, or 1993.

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Income Taxes. The Company accounts for income taxes in accordance with the provisions of the Financial Accounting Standards

Board Statement No. 109 (FAS 109) "Accounting for Income Taxes." Under FAS 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.

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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.

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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 results in greater amortization. The Company recorded amortization of \$12.0 million, \$7.8 million, and \$5.2 million of software costs in 1995, 1994, and 1993, respectively, in cost of software distribution.

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Property and Equipment. Depreciation of property and equipment is calculated using the straight-line method over its 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.

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Businesses Acquired. The purchase price of businesses acquired, accounted for as purchased business combinations, is allocated to the tangible and specifically identifiable intangible assets acquired based on their fair values with any amount in excess of such allocations being designated as goodwill. Intangible assets are amortized over their estimated useful lives, which to date have been five to seven years. The carrying values of goodwill and specified intangible assets are reviewed if the facts and circumstances suggest that they may be impaired. If this review indicates that the asset will not be recoverable, as determined based on the undiscounted cash flows of the acquired business over the remaining

amortization period, the Company's carrying value is reduced to net realizable value. There were no writedowns of intangible assets in 1995, 1994 or 1993. As of December 31, 1995 and 1994, the Company had \$48.4 million and \$6.6 million of intangible assets, with accumulated amortization of \$7.7 million and \$0.5 million, respectively, as a result of these acquisitions.

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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 are considered common stock equivalents and are included in the weighted average computations when the effect is dilutive.

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Stock Split. All share and per-share amounts for all periods presented have been restated to reflect a two-for-one stock split (effected in the form of the stock dividend) which was effective June 26, 1995.

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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.

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Cash, Cash Equivalents, Short-Term Investments, and Long-Term Investments. The Company considers liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company considers investments with an original maturity of more than three months but less than one year to be short-term investments. Investments with an original maturity of more than one year are considered long-term investments. Short-term and long-term investments are carried at either amortized costs or fair value, depending on their classification as held-to-maturity or available-for-sale, respectively. Cash equivalents are carried at amortized cost.

The Company invests its excess cash in accordance with its short-term and long-term investments policy which is approved by the Board of Directors. The policy authorizes the investment of excess cash in government securities, municipal bonds, time deposits, certificates of deposit with approved financial institutions, commercial paper rated A-1/P-1 (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 any significant losses related to these investments.

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Securities Held-to-Maturity and Available-for-Sale. Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and the ability to hold the securities until maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization, as well as any interest on the securities, is included in interest income.

Marketable equity securities and debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of stockholders' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other expense, net. The cost of securities sold is based on the specific identification method. Interest on securities

classified as available-for-sale are included in interest income. There were no material gross realized gains or losses from sales of securities during the year.

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Stock Options. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" (FAS 123). FAS 123 encourages, but does not require, the recognition of expense for stock-based awards based on their fair value on the date of grant. Upon adoption of FAS 123 on January 1, 1996, the Company will continue to account for all employee-stock-based compensation, including employee stock options, using the "intrinsic value" method under APB 25 rather than the "fair value" approach encouraged by FAS 123. However, as required by FAS 123, the Company will provide proforma disclosures of what net income and net income per share would have been had the new fair value method been used.

NOTE 2: FAIR VALUES OF FINANCIAL INSTRUMENTS

Effective January 1, 1994, the Company adopted Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115).

The following is a summary of available-for-sale securities and held-to-maturity securities:

AVAILABLE-FOR-SALE SECURITIES DECEMBER 31, 1995 (IN THOUSANDS)	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Securities	\$ 5,608			\$ 5,608
Commercial Paper	51,288	146	(88)	51,346
Municipal Bonds	82,096	71	(213)	81,954
Auctioned Preferred Stock	2,506		(5)	2,501
Total Debt Securities	141,498	217	(306)	141,409
U.S. Equity Securities	6,110	7,500	(831)	12,779
	\$ 147,608	7,717	(1,137)	\$ 154,188
Amounts included in cash and cash equivalents	\$ 42,724			\$ 42,724
Amounts included in short-term investments	89,072	137	(305)	88,904
Amounts included in long-term investments	9,702	80	(1)	9,781
Amounts included in other assets	6,110	7,500	(831)	12,779
	\$ 147,608	7,717	(1,137)	\$ 154,188

HELD-TO-MATURITY SECURITIES DECEMBER 31, 1994 (IN THOUSANDS)	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Securities	\$ 4,863	4		\$ 4,867
Municipal Bonds	31,020	2	(119)	30,903
Commercial Paper	39,602	4		39,606
	\$ 75,485	10	(119)	\$ 75,376
Amounts included in cash and cash equivalents	\$ 38,604	3		\$ 38,607
Amounts included in short-term investments	32,404	5	(119)	32,290
Amounts included in long-term investments	4,477	2		4,479
	\$ 75,485	10	(119)	\$ 75,376

AVAILABLE-FOR-SALE SECURITIES DECEMBER 31, 1994 (IN THOUSANDS)	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Treasury Securities	\$ 356			\$ 356
Commercial Paper	223			223
Municipal Bonds	6,079		(62)	6,017
Auctioned Preferred Stock	21,000			21,000
Total Debt Securities	27,658		(62)	27,596
Equity Securities	3,000	1,124		4,124
	\$ 30,658	1,124	(62)	\$ 31,720
Amounts included in cash and cash equivalents	\$ 356			\$ 356
Amounts included in short-term investments	27,302		(62)	27,240
Amounts included in intangibles and other assets	3,000	1,124		4,124
	\$ 30,658	1,124	(62)	\$ 31,720

In the fourth quarter of 1995, the Company re-evaluated the initial designation of certain of its investments in debt securities as held-to-maturity based on the Company's current ability and intent to hold such securities to their contractual maturity. As a result, in December 1995, these securities were transferred from

held-to-maturity to available-for-sale at their estimated fair value of \$125.7 million. The difference between amortized cost of \$125.8 million and estimated fair value of these securities at the date of transfer, so.1 million, was charged to a separate component of stockholders' equity.

NOTE 3: DERIVATIVE FINANCIAL INSTRUMENTS

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

Substantially all forward foreign exchange contracts entered into by the Company have maturities of 360 days or less. At December 31, 1995 and 1994, the Company had approximately \$77.2 million and \$94.3 million of forward foreign exchange contracts outstanding, respectively. The table below summarizes by currency the contractual amounts of the Company's forward foreign exchange contracts at December 31, 1995 and December 31, 1994.

FORWARD CONTRACTS
AT DECEMBER 31, 1995 (IN THOUSANDS)

	FACE VALUE	UNREALIZED GAIN/(LOSS)
Forward currency contracts sold:		
Deutsche Mark	\$ 25,356	\$ (14)
Japanese Yen	21,817	(74)
Spanish Peseta	6,178	(4)
French Franc	4,807	(7)
Singapore Dollar	4,326	6
Italian Lira	2,403	4
British Pound	2,329	22
Malaysian Ringgit	2,287	(2)
Dutch Guilder	1,550	1
Portuguese Escudo	1,369	(1)
Austrian Schilling	1,361	—
Other	3,369	(1)
Total	\$ 77,152	\$ (70)

AT DECEMBER 31, 1994 (IN THOUSANDS)

	FACE VALUE	UNREALIZED GAIN/(LOSS)
Forward currency contracts sold:		
Deutsche Mark	\$ 23,000	\$ (394)
French Franc	6,922	(104)
Japanese Yen	4,182	14
British Pound	3,696	(46)
Spanish Peseta	3,147	(68)
Italian Lira	2,999	(4)
Singapore Dollar	2,144	(13)
Other	6,176	(92)
	52,266	(707)
Forward currency contracts purchased:		
Japanese Yen	42,009	(485)
Total	\$ 94,275	\$ (1,192)

Other than the use of forward foreign exchange contracts as discussed immediately above, the Company does not currently

invest in or hold any other financial instruments defined as derivative financial instruments by FAS 119.

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, 1995, 40,800,000 shares were authorized for issuance under the Plan.

Additionally, 1,600,000 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.

In April 1994, the Company adopted the 1994 Stock Option and Award Plan. Options can be granted to employees on terms substantially equivalent to those described above. The 1994 Stock Option and Award Plan also allows the Company to award performance shares of the Company's common stock to be paid

to recipients on the achievement of certain performance goals set with respect to each recipient. At December 31, 1995, 8,000,000 shares were authorized under this Plan.

Following is a summary of activity for all stock option plans for the three years ended December 31, 1995:

	NUMBER OF SHARES	OPTIONS PRICE PER SHARE
Outstanding at December 31, 1992	16,650,748	\$ 0.13 to \$ 8.07
Options granted	4,567,800	7.13 to 13.13
Options exercised	(4,386,334)	0.17 to 7.32
Options canceled	(1,405,640)	0.42 to 8.63
Outstanding at December 31, 1993	15,426,574	\$ 0.13 to \$ 13.13
Options granted	2,695,900	7.38 to 14.44
Options exercised	(3,579,546)	0.39 to 12.75
Options canceled	(940,750)	0.39 to 11.88
Outstanding at December 31, 1994	13,602,178	\$ 0.13 to \$ 14.44
Options granted and assumed	3,970,627	1.78 to 34.00
Options exercised	(3,499,885)	0.44 to 13.88
Options canceled	(726,651)	0.75 to 32.75
Outstanding at December 31, 1995	13,346,269	\$ 0.13 to \$ 34.00
Available for grant at December 31, 1995	6,069,446	

In connection with all stock option plans, 19,415,715 shares of common stock were reserved for issuance as of December 31, 1995. At December 31, 1995 and 1994, options exercisable were 4,898,537 and 4,684,724, respectively.

The Company also has a qualified Employee Stock Purchase Plan under which 7,600,000 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 1995, 1994, and 1993 the Company issued 347,743 shares, 484,756 shares, and 395,102 shares, respectively, under this Plan. In connection with the Employee Stock Purchase Plan, 1,266,715 shares were reserved for issuance as of December 31, 1995.

The Board of Directors has authorized the purchase of up to 8 million shares of the Company's common stock in the open market to satisfy requirements under Stock Option and Stock Purchase Plans, of which 4,420,000 shares are still available for repurchase as of that date.

NOTE 5: 401(K) PLAN

The Company has a 401(k) plan covering substantially all of its U.S. employees. Under this plan, participating employees may defer up to 15 percent of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limit (\$9,240 for 1995). In 1995, the Company matched 50 percent of each

employee's contribution up to a maximum of \$2,000. The Company's matching contributions to this 401(k) plan for 1995, 1994, and 1993 were \$2.5 million, \$1.4 million, and \$0.8 million, 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, 1995	DECEMBER 31, 1994
Computer equipment (at cost)	\$ 7,362	\$ 7,701
Office equipment	1,380	1,438
	8,742	9,139
Less: accumulated amortization	7,297	8,450
	\$ 1,445	\$ 689

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

During 1995 and 1994, the Company financed approximately \$1,677,000 and \$381,000, respectively, of equipment purchases under capital lease arrangements.

The Company leases certain of its office facilities and equipment under non-cancelable operating leases.

Future minimum payments, by year and in the aggregate, under the capital and non-cancelable operating leases as of December 31, 1995, are as follows:

YEAR ENDING DECEMBER 31 (IN THOUSANDS)	CAPITAL LEASES	NON-CANCELABLE OPERATING LEASES
1996	\$ 721	\$ 17,674
1997	448	13,571
1998	270	7,634
1999	—	4,769
2000	—	3,556
Thereafter	—	2,254
Total payments	1,439	\$ 49,458
Less: amount representing interest	151	
Present value of minimum lease payments	1,288	
Less current portion	518	
	\$ 770	

Total rent expense aggregated \$19.2 million, \$17.1 million, and \$14.4 million in 1995, 1994, and 1993, respectively.

NOTE 7: GEOGRAPHIC INFORMATION

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

(IN THOUSANDS)	UNITED STATES	EUROPEAN	ASIA/PACIFIC	OTHER	ELIMINATIONS	TOTAL
1995:						
Net revenues	\$ 392,542	\$ 274,739	\$ 84,700	\$ 39,550	\$ (82,546)	\$ 708,985
Operating income (loss)	84,233	74,204	(2,295)	4,514	(1,403)	159,253
Identifiable assets	604,236	227,058	85,712	29,445	(272,035)	674,416
1994:						
Net revenues	\$ 303,611	\$ 172,947	\$ 17,965	\$ 17,889	\$ (43,715)	\$ 468,697
Operating income (loss)	78,620	39,013	(11,594)	(1,177)	(2,301)	102,561
Identifiable assets	382,650	109,939	21,145	14,908	(84,232)	444,410
1993:						
Net revenues	\$ 257,439	\$ 137,404	\$ 5,208	\$ 6,195	\$ (53,331)	\$ 352,915
Operating income (loss)	92,987	11,192	(9,244)	(1,413)	(8,133)	85,389
Identifiable assets	287,538	74,004	6,723	6,632	(48,264)	326,633

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 consisting of sales from the Company's U.S. operating subsidiary to non-affiliated customers were as follows:

(IN THOUSANDS)	1995	1994	1993
Asia/Pacific	\$ 7,887	\$ 32,820	\$ 35,598
Other	14,334	15,256	19,703
Total	\$ 22,221	\$ 48,076	\$ 55,301

NOTE 8: INCOME TAXES

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

(IN THOUSANDS)	1995	1994	1993
Currently payable:			
Federal	\$ 43,286	\$ 27,150	\$ 14,949
State	6,999	4,548	3,349
Foreign	13,181	6,160	6,102
	63,466	37,858	24,400
Deferred:			
Federal	5,376	2,855	5,704
State	1,075	675	2,098
Foreign	(9,110)	(4,154)	(638)
	(2,659)	(624)	7,164
	\$ 60,807	\$ 37,234	\$ 31,564

In 1995, 1994 and 1993, the Company recognized tax benefits related to stock option plans of \$21.3 million, \$10.1 million, and \$20.5 million, respectively. Such benefits were recorded as an

increase to additional paid-in capital.

Income before income taxes consists of the following:

(IN THOUSANDS)	1995	1994	1993
Domestic	\$ 132,468	\$ 92,661	\$ 69,155
Foreign	33,672	10,769	18,524
	\$ 166,140	\$ 103,430	\$ 87,679

The provision for income taxes differs from the amount computed by applying the federal statutory income tax rate to income before

income taxes. The sources and tax effects of the differences are as follows:

(IN THOUSANDS)	1995		1994		1993	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Computed tax at federal statutory rate	\$ 58,149	35.0%	\$ 36,200	35.0%	\$ 30,688	35.0%
Losses which resulted in no current tax benefit	—	—	908	0.9	—	—
Research and development credits	(935)	(0.6)	(976)	(1.0)	(1,273)	(1.4)
State income taxes, net of federal tax benefit	5,248	3.2	3,395	3.3	3,540	4.0
Benefit from net earnings of foreign subsidiaries considered to be permanently reinvested in non-U.S. operations	(3,000)	(1.8)	(2,000)	(1.9)	(850)	(1.0)
Other, net	1,345	0.8	(293)	(0.3)	(541)	(0.6)
	\$ 60,807	36.6%	\$ 37,234	36.0%	\$ 31,564	36.0%

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, 1995 and 1994 are as follows:

(IN THOUSANDS)	1995	1994
Deferred Tax Assets:		
Reserves and accrued expenses	\$ 6,784	\$ 5,645
Deferred revenue	3,432	4,016
Foreign net operating loss carryforwards	6,964	2,823
Foreign taxes in excess of taxes at U.S. rate	3,226	1,107
Other	646	513
Total deferred tax assets	21,052	14,104
Valuation allowance for deferred tax assets	(908)	(908)
Net deferred tax assets	20,144	13,196
Deferred Tax Liabilities:		
Capitalized software	10,329	9,038
Revenue recognition	1,612	1,612
Taxes on unremitted foreign earnings	3,850	850
Valuation of investment portfolio	2,501	371
Total deferred tax liabilities	18,292	11,871
Net deferred tax assets	\$ 1,852	\$ 1,325

Cumulative undistributed earnings of the Company's Irish subsidiary for which no U.S. income taxes have been provided aggregated approximately \$23.4 million at December 31, 1995. These earnings are considered to be permanently reinvested in non-U.S. operations. Additional taxes of approximately \$5.9 million would have to be provided if these earnings were repatriated to the U.S.

At December 31, 1995 the Company had approximately \$20.0 million of foreign net operating loss carryforwards which

expire at various dates beginning in 1998. Income taxes paid amounted to \$18.6 million, \$22.5 million, and \$7.8 million in 1995, 1994, and 1993, respectively.

The deferred tax asset valuation allowance increased by \$0.9 million in 1994 and decreased \$9.9 million in 1993. Approximately \$8.9 million of the 1993 valuation allowance decrease of \$9.9 million was related to tax carryforwards attributable to stock option deductions and was credited to paid-in capital.

NOTE 9: BUSINESS COMBINATIONS

In the third quarter of 1994, the Company acquired two of its distributors, one in Germany and the other in Malaysia. The transactions were accounted for as purchases. The aggregate purchase price of these two distributors were approximately \$17.2 million, of which \$8.2 million has been allocated to intangible assets acquired.

In January 1995, the Company acquired a 90 percent interest in the database division of ASCII Corporation, a distributor of its products in Japan. The Company acquired the remaining 10 percent interest in January 1996. The acquisition was recorded as a purchase. The purchase price of ASCII's database division was approximately \$46.0 million, of which approximately \$35.4 million has been allocated to intangible assets acquired.

In April 1995, the Company acquired an 80 percent interest in the database division of Daou Corporation, a distributor of its products in Korea. The Company will acquire the remaining 20 percent by January 1997. The acquisition was recorded as a purchase. The purchase price of this business was approximately

\$4.6 million, of which approximately \$4.0 million has been allocated to intangible assets acquired.

All intangible assets acquired are amortized over a weighted average life of five to seven years.

In October 1995, the Company acquired Stanford Technology Group (STG), a U.S.-based company that provides on-line analytical processing technology, for approximately 533,000 shares of its common stock. The transaction has been accounted for as a pooling of interests. Since the operating results of STG are insignificant to the Company, prior-period annual and quarterly financial statements of the Company have not been restated for this transaction. The Company's results of operations for the year ended December 31, 1995 include the results of operations of STG for such year, all of which were recorded in the fourth quarter, the period in which the transaction was consummated.

The operating results of these businesses have not been material in relation to those of the Company and are included in the Company's consolidated results of operations from the date of acquisition.

NOTE 10: LITIGATION

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, results of operations, or cash flows.

NOTE II: SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1995:				
Net revenues	\$ 147,785	\$ 163,607	\$ 180,523	\$ 217,070
Gross profit	122,054	134,180	148,710	177,194
Net income	19,096	22,122	25,281	38,834
Net income per share	0.14	0.16	0.18	0.28
1994:				
Net revenues	\$ 96,100	\$ 105,686	\$ 116,843	\$ 150,068
Gross profit	81,375	89,349	98,046	129,272
Net income	12,520	13,250	16,590	23,836
Net income per share	0.09	0.10	0.12	0.18

NOTE 12: SUBSEQUENT EVENTS

In February 1996, the Company acquired Illustra Information Technologies, Inc. (Illustra), a company that provides dynamic content management database software and tools for managing complex data in the Internet, multimedia/entertainment, financial services, earth sciences and other markets. Approximately 12.7 million shares of Informix common stock were issued to

acquire all outstanding shares of Illustra common stock. An additional 2.3 million shares of Informix common stock were reserved for issuance in connection with the assumption of Illustra's outstanding options. The transaction will be accounted for as a pooling of interests. Transaction fees of approximately \$6 million will be recorded in the first quarter of 1996.

Report of Independent Auditors

BOARD OF DIRECTORS AND STOCKHOLDERS—INFORMIX CORPORATION

We have audited the accompanying consolidated balance sheets of Informix Corporation as of December 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Informix Corporation at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

Ernst + Young LLP

San Jose, California
January 30, 1996

Corporate Directory

BOARD OF DIRECTORS

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

Albert F. Knorp, Jr.
Of Counsel
Gray Cary Ware & Freidenrich

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

Thomas A. McDonnell
Vice Chairman, President 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
c/o Boston EquiServe
M/S 45-02-09
P.O. Box 644
Boston, Massachusetts 02102-0644
Phone: 614 575 3120

INDEPENDENT AUDITORS

Ernst & Young LLP
San Jose, California

CORPORATE OFFICERS

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

D. Kenneth Coulter
Senior Vice President, International

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

Mike Saranga
Senior Vice President,
Product Management and Development

Richard H. Williams
Senior Vice President

Edwin C. Winder
Senior Vice President, Japan Operations

Ronald M. Alvarez
Vice President, Americas Sales

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

Margaret R. Brauns
Vice President and Treasurer

Ira H. Dorf
Vice President, Human Resources

James F. Hendrickson, Jr.
Vice President, Customer Service
and Lenexa Site General Manager

Stephen E. Hill
Vice President, Advanced Technology

Jeffrey V. Hudson
Vice President, Business Development

Steven R. Sommer,
Vice President, Marketing

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

Michael R. Stonebraker
Vice President and Chief Technical Officer

Corporate Information

FORM 10-K

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

Margaret R. Brauns
Vice President and 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 16, 1996 at the Company's headquarters located at 4100 Bohannon Drive, Menlo Park, 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 the range of high and low closing prices on the NASDAQ National Market System for the Company's Common Stock.

	HIGH	LOW
<i>Fiscal 1994*</i>		
First Quarter	\$12.06	\$8.00
Second Quarter	11.06	7.25
Third Quarter	13.88	7.94
Fourth Quarter	16.06	11.88
<i>Fiscal 1995*</i>		
First Quarter	19.63	14.63
Second Quarter	25.94	17.06
Third Quarter	34.00	25.25
Fourth Quarter	33.00	24.13

*The prices shown prior to June 26, 1995 reflect a two-for-one stock split effected in the form of a stock dividend as of that date.

COMMON STOCKHOLDERS OF EQUITY

At February 29, 1996, there were approximately 1,892 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

<i>Domestic</i>	New York, NY	Denmark
Albuquerque, NM	Oakland, CA	France
Atlanta, GA	Philadelphia, PA	Germany
Austin, TX	Phoenix, AZ	Hong Kong
Bentonville, AR	Pittsburgh, PA	Hungary
Bethesda, MD	Portland, OR	India
Boston, MA	Rochester, NY	Ireland
Brisbane, CA	Rosemont, IL	Italy
Brookfield, WI	Russellville, AR	Japan
Charlotte, NC	Sacramento, CA	Malaysia
Chicago, IL	Salt Lake City, UT	Mexico
Cincinnati, OH	San Francisco, CA	Netherlands
Cleveland, OH	Santa Clara, CA	New Zealand
Dallas, TX	Seattle, WA	Norway
Denver, CO	Somerset, NJ	People's Republic of China
Detroit, MI	St. Louis, MO	Philippines
Downers Grove, IL	Tampa Bay, FL	Poland
Fort Lauderdale, FL	Washington, D.C.	Portugal
Hartford, CT		Republic of Korea
Houston, TX	<i>International</i>	Russia
Indianapolis, IN	Argentina	Singapore
Irvine, CA	Australia	South Africa
Iselin, NJ	Austria	Spain
Lenexa, KS	Belgium	Sweden
Los Angeles, CA	Brazil	Switzerland
Menlo Park, CA	Canada	Taiwan
Miami, FL	Chile	Thailand
Minneapolis, MN	Colombia	United Kingdom
Newport Beach, CA	Czech Republic	Venezuela

CORPORATE HEADQUARTERS

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

Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of certain factors described in the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other documents the Company files from time to time with the Securities and Exchange Commission, specifically the Company's last filed Annual Report on Form 10-K and Quarterly Report on 10-Q and the Company's Current Reports on Form 8-K.

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