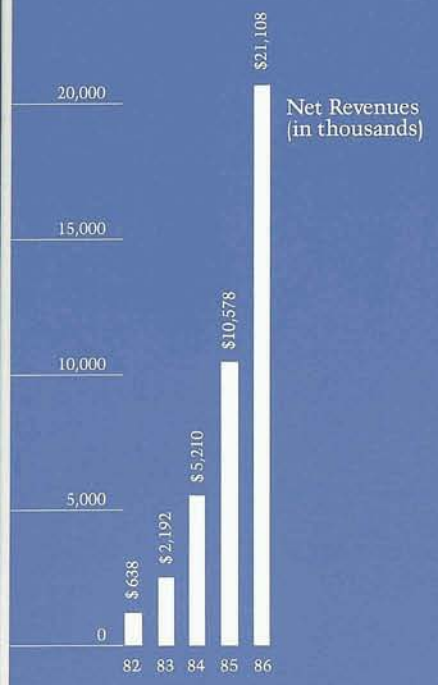
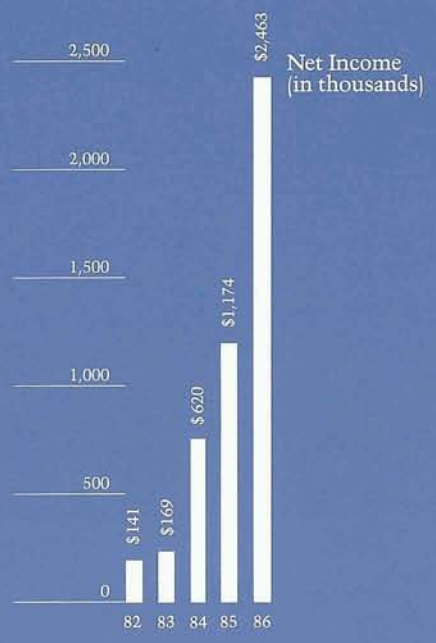
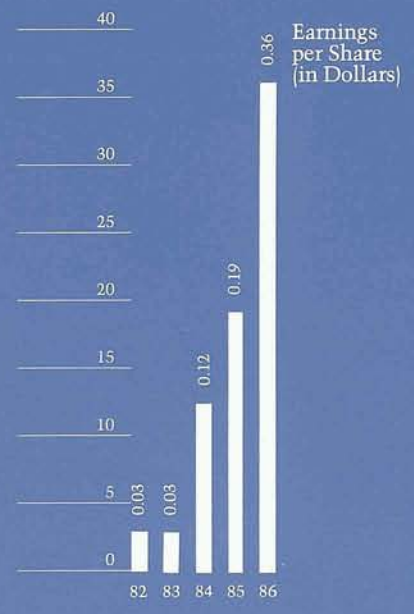
Annual Report

1986







INFORMIX CORPORATION through its operating subsidiary, INFORMIX SOFTWARE INC., develops, markets, and supports relational database management and fourth-generation language software. The Company pioneered the development of a fully relational database management system for multi-user computers in 1980. Since then, it has become the leading supplier of data management software for computers which run the UNIX™ operating system. Informix also derives approximately 25 percent of its revenues from its MS-DOS™ based products. Its mission is to provide its DBMS products across a full range of standard operating system environments including VMS™ as well as computer networks.

Originally founded as Relational Database Systems, Inc., the Company changed its name to Informix in August of 1986. Its data management and application development products are used worldwide to increase productivity and manage information easily.

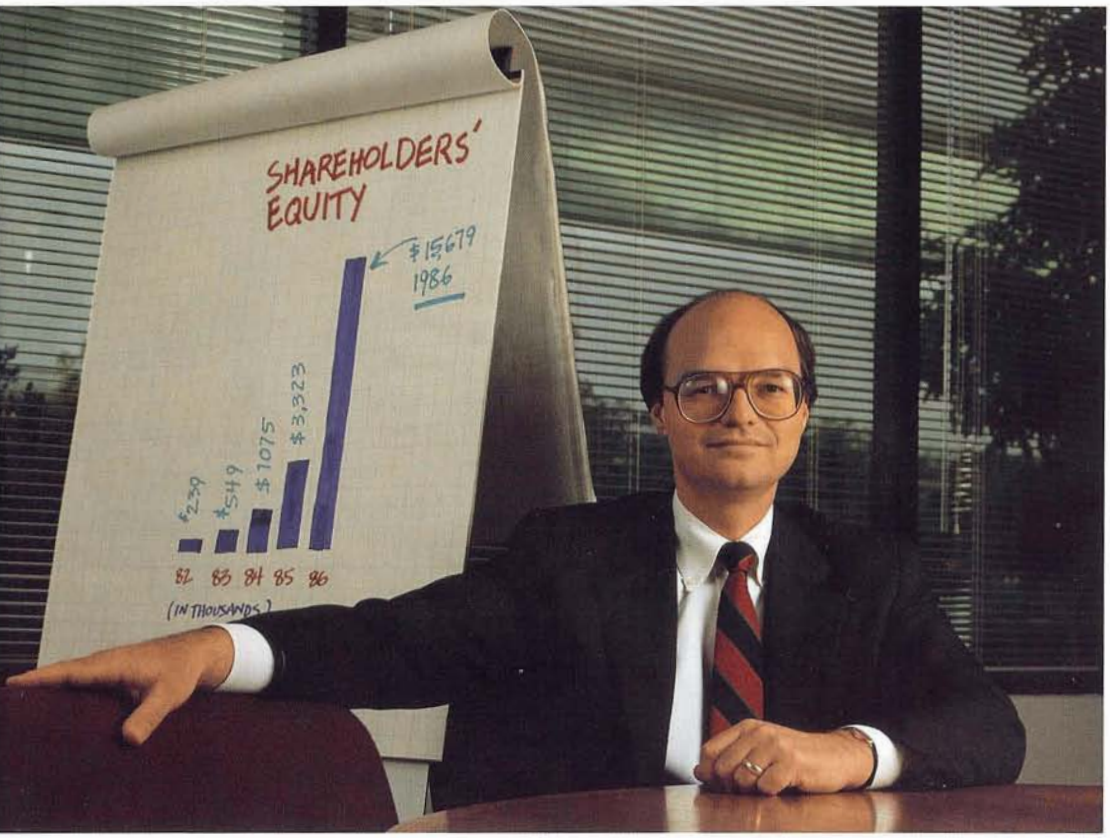
Financial Highlights

(in thousands except per share data)

For the Year	**1986**	1985	1984	1983	1982
Revenues	**$21,108**	$10,578	$ 5,210	$ 2,192	$ 638
Income Before Taxes	**4,647**	2,118	1,015	187	156
Net Income	**2,463**	1,174	620	169	141
Earnings per Share	**$ 0.36**	$ 0.19	$ 0.12	$ 0.03	$ 0.03
Weighted Average Shares Outstanding (Fully Diluted)	**6,860**	6,075	5,144	5,270	5,055
At Year End					
Working Capital	**$13,961**	$ 2,780	$ 463	$ 288	$ 171
Total Assets	**21,128**	7,071	2,459	1,157	271
Stockholder's Equity	**15,679**	3,323	1,075	549	239
Shares Issued and Outstanding	**7,152**	5,514	4,547	4,273	3,758

"1986... was a year in which we sustained our rapid rate of growth."

President's Message

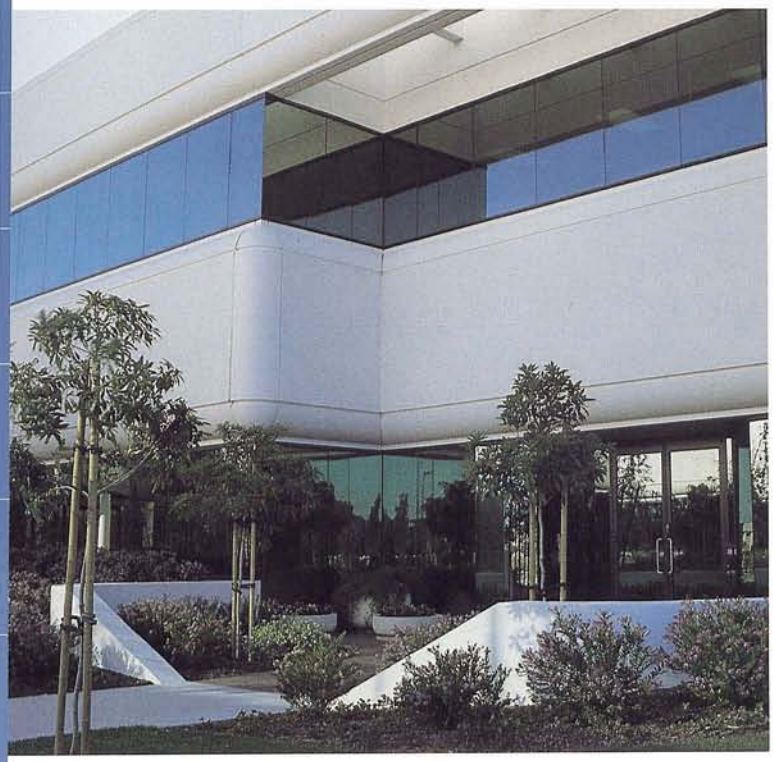


To our Stockholders:

I am pleased to present to you Informix Corporation's 1986 Annual Report, our first annual report as a publicly held corporation.

Fiscal 1986 was an eventful year for Informix Corporation. It was a year in which we achieved record growth in net revenues and earnings and sustained our rapid rate of growth. Net revenues increased to $21,108,000, doubling last year's figure of $10,578,000. Net income increased to $2,463,000 or $0.36 per share, as compared to $1,174,000, or $0.19 per share, achieved a year ago notwithstanding a 13 percent increase in weighted average shares.

This past year was also a year in which we completed our initial public offering. As a result, approximately $10.5 million was raised through the sale of approximately 1.5 million shares of common stock. Informix stock is now trading over-the-counter under the NASDAQ symbol IFMX.



During 1986, we changed our name from Relational Database Systems to Informix. This was done primarily to associate our company name with our leading products. Our Delaware corporation is known as Informix Corporation, and its operating subsidiary is Informix Software, Inc.

We continued to mold and strengthen our organizational structure to meet the needs of our customer base. During the year, William E. Morton joined our management team and became vice president of customer services. Bill's considerable background will be a great asset as we continue to move forward in these critical areas. In addition, we formed a consulting services group and a new "regency" support program to expand the range of our support services. The sales and product marketing organizations were expanded as well. Martin Yam joined us as vice president of the eastern sales division, to help continue to build our East Coast sales operations, telecommunications industry sales, and other key accounts.

As a whole, we grew 73 percent from 124 employees at the end of 1985 to 214 employees at the end of 1986.

This past year was an important one for new product development. In early 1986, the introduction of INFORMIX-4GL, our new fourth-generation language, resulted in one of our most successsful product rollouts to date. INFORMIX-4GL has received wide acclaim and acceptance, especially among MIS application developers in the *Fortune* 1000, federal government, and vertical markets.

During the year, we developed versions of our INFORMIX-4GL and INFORMIX-SQL products for VMS, Digital

Equipment Corporation's widely-used, proprietary operating system. The decision to develop, market, and support our products for VAX minicomputers and MicroVAX workstations represents a major step toward achieving our goal of providing standard DBMS products for standard operating environments. We believe that the fundamental trends in this marketplace point to a great potential need for products that allow custom data processing applications to be built quickly and according to specifications-products such as our INFORMIX-4GL.

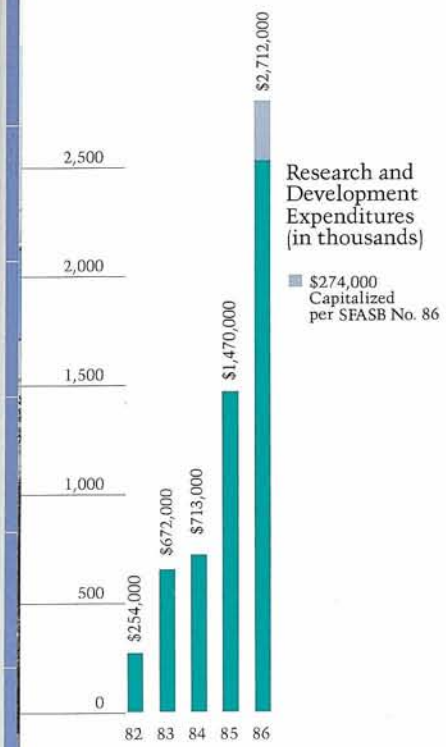
We also began development of a new product, INFORMIX Datasheet Add-In, a Lotus 1–2–3® add-on product that brings true relational DBMS capabilities to Lotus 1–2–3. In addition, we continued development of INFORMIX-TURBO, an optional, fault-tolerant, high-performance database server for the Informix product line.

To date we have made great strides in positioning our company to provide leadership in important areas of new technology and to sustain a rapid rate of growth. We will continue to leverage our resources to expand into new markets. We intend to continue to identify new opportunities and to apply our orderly approach to managed growth.

As we go forward in this first fiscal year as a publicly held corporation, I believe we have clearly reached a new threshold in our development, with more strengths and opportunities ahead of us than ever before.

Roger J. Sippl

President,
Chairman and
Chief Executive Officer



The Next Generation

The art of application design and development has progressed considerably since the first programming languages–consisting of 1's and 0's–were invented. Several generations of programming languages have evolved since that time. These are known successively as assembly languages; high level languages such as COBOL, BASIC, and FORTRAN; and more recently, fourth-generation languages, or 4GLs. Each new generation has radically simplified the application development process.

Concurrent with this evolution in programming languages was a revolution in microprocessor design, performance and cost. This phenomenon paved the way for the new fourth generation of programming languages. These languages, combined with the new advances in hardware design, have created an important new class of computers, smaller than mainframes, known as the mid-range.

INFORMIX-4GL

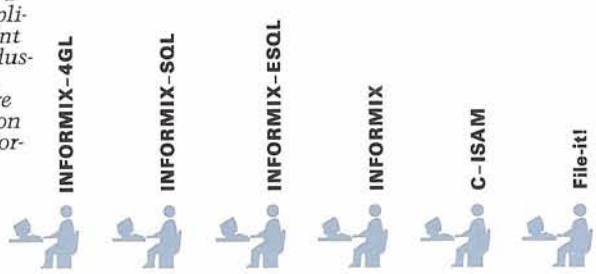
The introduction in February 1986 of a new fourth-generation language developed by Informix, INFORMIX-4GL, proved to be a significant milestone both for the company as well as the industry in general. INFORMIX-4GL is the first application building language to flexibly combine all the essential fourth generation application programming features with Structured Query Language (SQL) into one consolidated programming language. The result: a world-class programming language designed for IBM's standard SQL, that can replace more conventional programming tools and business programming languages.

Engineered as a complete application development system for the application builder, INFORMIX-4GL contains ANSI-Standard SQL woven into syntax for forms, reports and custom ring menus. INFORMIX-4GL allows the programming professional to fully define and control the end-user environment and swiftly create complex applications that are compatible with industry standards.

Using INFORMIX-4GL, application developers now have a programming tool capable of diminishing the vast backlog of required applications. With productivity gains recorded at more than 10 to 1 compared to conventional third-generation languages such as COBOL, INFORMIX-4GL has been selected worldwide by many *Fortune* 500 companies, federal government agencies, and vertical market application developers for important new applications.

These new applications created using INFORMIX-4GL are of a greater scope, and are being completed in less time, with a higher degree of customization than ever before.

Informix markets a broad range of application development tools based on industry-standard SQL. These tools feature a built-in migration path from one Informix product to another.



INFORMIX-SQL

During the year, significant enhancements were made to INFORMIX-SQL, the fully relational DBMS based on ANSI-Standard SQL derived from IBM'S SQL. Through a self-contained environment, INFORMIX-SQL provides easy access to sophisticated application development tools, context-sensitive help and data management utilities. Full-featured applications can be built quickly with INFORMIX-SQL, and its menu system is designed to provide a prototyping environment for more demanding applications requiring INFORMIX-4GL.

Embedded SQL in Conventional Programming Languages

This series of products allows programmers to embed powerful SQL statements in their programs. These products add increased functionality to third generation languages such as C, COBOL or Ada™ (in development). These tools provide Informix customers with a wide range of compatible solutions to choose from.

C-ISAM

C-ISAM is the industry standard access method worldwide for the Unix operating system. It is a library of C functions for creating and manipulating indexed files. C-ISAM is available primarily for sophisticated users such as language houses, software vendors, system integrators, and corporate data processing professionals who are developing in-house applications.

Networking

Networking system technology has become increasingly sophisticated in recent years. In 1985, Informix was the first company to ship SQL-based DBMS products for local area networks of personal computers. Currently, Informix

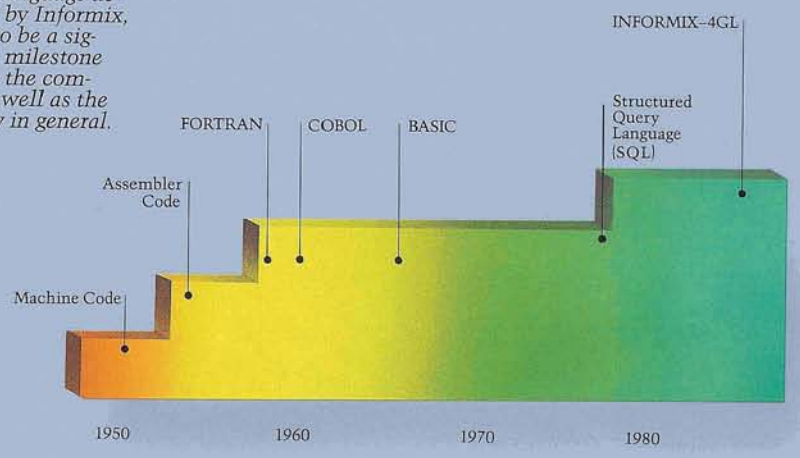
provides a broad range of DBMS products for a wide variety of networked environments, including personal computer networks, minicomputer networks, and networks that combine micros and minis. We are currently engineering even more extensive network configurations.

Several years ago, Informix developed a two-process architecture for our SQL product line to maximize connectivity and compatibility. One process provides the human interface. The other process is an SQL "software engine" for storage and retrieval of data. This front-end/ back-end split architecture was to become the cornerstone of future product development. These designs maximize the distributed intelligence that LAN environments offer and provide a fundamentally sound path for compatibility with existing micro, mini, and mainframe applications via the SQL language.

VMS Products

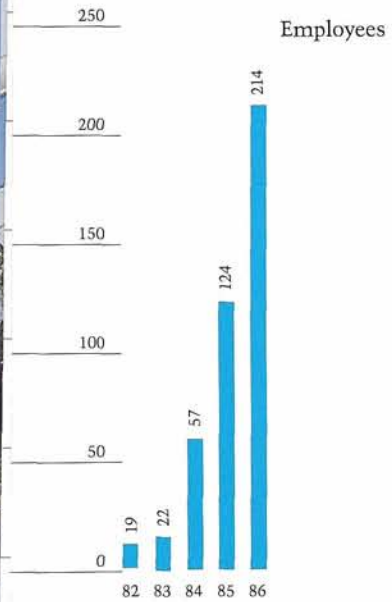
In 1986, Informix announced the availability of its leading products–INFORMIX–4GL and INFORMIX–SQL–for VMS, Digital Equipment Corporation's widely-used, standard operating environment. In recent years, demand for VMS applications has become increasingly broad-based, with developers seeking programming tools that emphasize productivity and that are easily transported across a variety of different systems and networks. Our evaluation of these trends clearly indicated a need for Informix tools such as INFORMIX–SQL and INFORMIX–4GL in this environment. The combination of the two products enables VMS developers to quickly develop prototypes of application programs and then customize them completely to conform to user specifications.

The introduction in 1986 of INFORMIX-4GL, a new fourth-generation language developed by Informix, proved to be a significant milestone both for the company as well as the industry in general.



When a programmer works with INFORMIX–4GL, he specifies what he wants the results of the computer's activities to be, rather than program each individual step of the process. INFORMIX–4GL is the first application building language to combine all the essential fourth-generation programming features with Structured Query Language (SQL).

Marketing and Distribution



Bringing Informix's leading products to a wide range of customers in growing markets is a team effort. All Informix products are marketed via a broad-based network of direct and indirect sales organizations –our end-user sales force, our telemarketing team, Original Equipment Manufacturers (OEMs), Value Added Resellers (VARs) and distributors and dealers situated around the globe. This network has been carefully established over time. It provides quality products, service, and support to Informix customers worldwide.

Fortune 500

An important goal for Informix in 1986 was the expansion of the direct sales organization in order to develop an increased presence in the marketplace, especially among *Fortune* 500 and corporate end-user accounts. In 1986, the Informix field organization was expanded to include offices in Atlanta, Dallas, and New York. An additional office was established in New Jersey solely to meet the needs of the telecommunications industry.

The telemarketing salesforce was also expanded to increase sales activities targeted toward these customers. Armed with an influential new product, INFORMIX–4GL, and the Informix family of SQL-based solutions, these two groups combined their efforts to work synergistically to increase presence among the *Fortune* 500. As a result, sales to these customers have increased dramatically. Today, approximately 56 percent of Informix's user base is classified as corporate end user.

OEMs

The mid-range of the computer systems marketplace is composed of many different kinds of computer systems, featuring different technologies and approaches to computing. A great many manufacturers of these systems have selected the Informix family of application development tools to add superior functionality to their products. Today, Informix products have been ported to over 150 different models of mid-range computer systems, from advanced personal computers to supermicros to superminis to mainframes. Strategic agreements have been formed with many of the largest and best-known computer manufacturers in the industry. This year's OEM activities were highlighted by the fact that many leading international OEMs, such as NEC, Siemens, Nixdorf, Fujitsu and ICL, have joined the team.

International

Compliance with industry-wide standards is increasingly important to international marketers. These standards are established in Europe by the X/OPEN group, an affiliation of European OEMs. X/OPEN has selected Informix technology, C-ISAM, as the standard indexed sequential access method for use with the Unix operating system. This has made Informix an integral part of the growth of Unix abroad.

Informix has also continued to build its international distribution base. By developing marketing capabilities through strategic channels overseas, Informix is making significant inroads in markets

worldwide. Translations of Informix products have been completed in German, French, Italian, Danish, Chinese, and Japanese Kanji. In Western countries, such as Germany, England, and France, Informix products maintain a significant share of the market. This year international sales increased approximately 200 percent over the previous year.

Government

Increasingly, major departments of the United States Government have acknowledged the advantages of software standardization based on Unix and SQL. As a result, an estimated 70 percent of all U.S. Government Requests For Proposals (RFPs) specify the Unix operating system as a necessary requirement. Informix has consistently demonstrated its leadership position in the Unix software marketplace as well as its commitment to software standardization. Today, 15 percent of Informix's user base is classified as government end user.

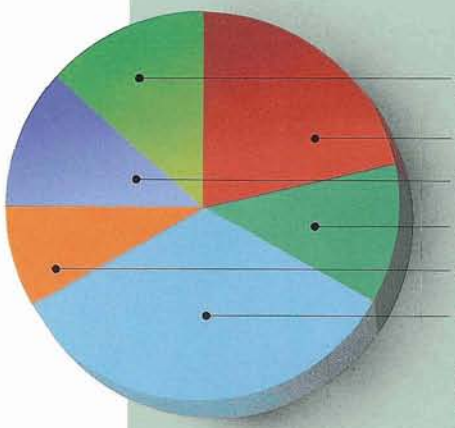
VARs

Informix VARs have developed significant products in vertical industries based on a combination of Informix software and computer hardware. A comprehensive listing of these products is published annually in our Independent Vendor Catalog. The 1986 edition describes over five hundred different entries and includes a new section on Informix products and services available around the world. An estimated 29 percent of Informix's user base consists of users of vertical applications that incorporate Informix products.

■ Headquarters
▲ Regional Offices
● Strategic Partners

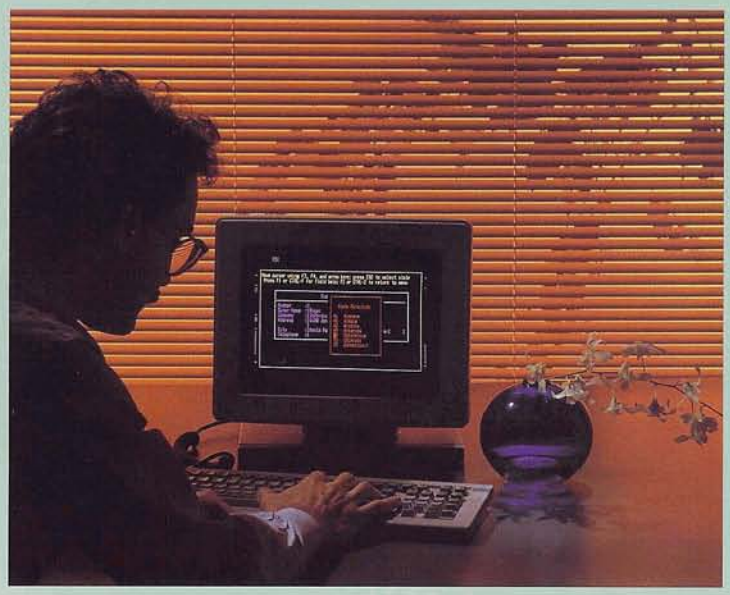
Informix products are marketed and distributed worldwide via a broad-based network of direct and indirect sales organizations.

Multi-Channel Distribution*



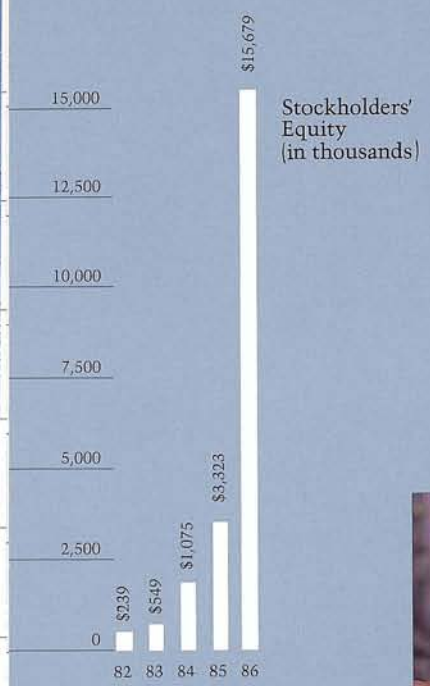
Informix has implemented a balanced distribution strategy that relies on a broad range of marketing channels.

* Estimated 1986



Informix products have been ported to more than 150 different models of mid-range computer systems, from advanced personal computers to supermicros to superminis to mainframes. Shown above; the windowing feature of INFORMIX-4GL enables application developers to improve the human interface of their programs.

Customers



Problem:
A worldwide chain of hotels, inns and resorts is developing a new reservations processing system. The new decentralized system will standardize automated reservations processing, expand marketing data, increase automated interfaces and improve central system capabilities.
Solution:
INFORMIX-4GL operating on a decentralized network of supermicro computer systems.

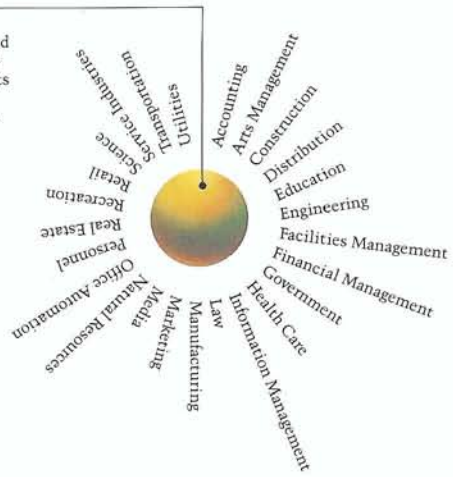
Problem:
The ink-jet component division of a leading manufacturer of computers and scientific instruments needs a sophisticated accounting control system for tracking thin film yield in the manufacture of printer substrikes for its thermal ink-jet printheads. The firm also needs new technology to run its robotized "Pick n' Place" manufacturing equipment in its clean-room environment. To implement the solution, an embedded query facility for the C programming language is required to provide the additional capabilities for graphics, statistics, and engineering analysis at special user terminals.
Solution:
INFORMIX-SQL and INFORMIX-ESQL/C operating on minicomputers.

The Informix family of database management tools are an integral part of a great many successful commercial applications. Throughout the world, application developers and end users rely on Informix products to manage vast amounts of information easily, and increase productivity.

Informix technology is virtually limitless in its versatility. Informix software is embedded in a myriad of diverse product offerings, which are marketed by many other firms. To date, more than 250,000 licenses have been sold for Informix products. These products add superior functionality and performance to an increasing array of mid-range computer systems.

At Informix, we are particularly proud of the way our customers continue to find new and innovative implementations for our broad family of data management and application development tools.

Hundreds of independent software vendors have based their applications on Informix products. Their products are classified from A to Z in our annual Independent Vendor Catalog.



Problem:
A well-known financial institution requires a large data management system for its enormous investment operations division. The system must be able to manage fund transfer controls and security safekeeping transactions, monitor account balances, and exchange daily information. As a result of its implementation, hundreds of community banks and independent depositories are able to provide convenient investment opportunities to their customers.
Solution:
INFORMIX-4GL using personal computers for remote data entry and a centralized mainframe database.

Financial Section

Table of Contents

Management's Discussion and Analysis of Financial Conditions and Results of Operations

The Company's revenues have approximately doubled year-to-year over each of the last three years. During that time, the Company has introduced several new products and has expanded its sales and marketing efforts, as well as its research and development, relatively in proportion to its growth in revenues.

Results of Operations

The following table sets forth for the fiscal periods indicated (a) the percentage of revenues represented by certain items reflected in the Company's consolidated statements of operations and (b) the percentage change in such items from the prior fiscal period. The Company believes that year-to-year comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of results for future years.

	Percentage of Revenues			Period-To-Period Percentage Changes	
	Year Ended December 31,			Fiscal 1985 Compared To Fiscal 1984	**Fiscal 1986 Compared To Fiscal 1985**
	1984	1985	**1986**		
Net Revenues	100%	100%	**100%**	103%	**100%**
Costs and Expenses:					
Cost of revenues	8	9	**8**	120	**97**
Sales and marketing	42	46	**45**	123	**96**
Research and development	14	14	**12**	106	**66**
General and administrative	17	12	**14**	41	**129**
Total costs and expenses	81	81	**79**	103	**96**
Operating Income	19	19	**21**	105	**114**
Interest income (expense), net	–	1	**1**	300	**249**
Income before income taxes	19	20	**22**	109	**119**
Provision for income taxes	7	9	**10**	139	**131**
Net Income	12	11	**12**	89	**110**

Revenues

The Company derives almost all of its revenues from licensing its products. The Company's revenues increased 103% from 1984 to 1985, and 100% from 1985 to 1986. The growth in revenues during 1985 and 1986 has resulted from the Company's licensing of products introduced since the beginning of 1985 and increased revenues from certain previous products attributable to increased sales and marketing activities over the past 18 months. In particular, the INFORMIX-SQL product was introduced in the first quarter of 1985, and INFORMIX-4GL, the Company's new fourth-generation language product, was introduced in the first quarter of 1986. As revenues from INFORMIX-SQL and INFORMIX-4GL have increased, revenues from INFORMIX,® the predecessor product, have declined.

The Company recognizes license revenues from products it manufactures upon product shipment and, from products manufactured by its manufacturing licensees, upon contract execution with respect to non-refundable license fees payable by the licensee to the Company within twelve months. The Company receives prepaid license fees from certain of its customers, primarily licensees authorized to manufacture the Company's products.

From time to time the Company has recognized substantial revenues from large software license agreements. These revenues, which are difficult to predict or plan for on a quarter-to-quarter basis, have caused fluctuations in the Company's quarterly revenues and, particularly, net income because of the relatively high gross margin on such revenues. The Company anticipates that this condition will continue in the future. See "Quarterly Results."

Cost and Expenses

Cost of Revenues.
Cost of revenues, which consist primarily of the costs of software media, manuals, other documentation and packaging, were 8% of revenues in 1984, 9% in 1985, and 8% in 1986.

Sales and Marketing Expenses.
During 1984, 1985 and 1986, sales and marketing expenses increased in absolute dollar value as the Company continued to increase its sales and marketing expenditures in order to market its products more effectively to end users and to expand its presence in domestic and international markets. Since mid-1985, the Company has opened all six of its regional domestic sales offices and increased its sales staff from 12 to 84 persons. Sales and marketing expenses were 42% of revenues in 1984, 46% in 1985 and 45% in 1986. These expenses also increased as a result of increased advertising and sales promotional activities and the establishment of sales incentive programs for the sales staff.

Research and Development Expenses.
The Company believes that research and development of new products and enhancements of existing products are essential to its continued growth in revenues, and so it expects these costs to continue to be a significant percentage of revenues. The Company's research and development expenses, while increasing significantly in absolute dollars year to year, have not increased in proportion to growth in revenues. Research and development expenses amounted to 14% of revenues in 1984 and 1985, and 12% in 1986.

The predominant practice of expensing all costs of developing and producing a computer software product, followed by the Company through the end of 1985, has been changed by the Financial Accounting Standards Board's Statement on Financial Accounting Standards No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed ("SFASB No. 86"), which requires that, once technological feasibility of a software product has been established, all subsequent software production costs incurred in developing the product to a commercially acceptable level be capitalized and reported at the lower of unamortized cost or net realizable value of the product. The Company adopted the provisions of SFASB No. 86 as of January 1, 1986. To the extent that the application of SFASB No. 86 results in the capitalization of software costs, the effect will be to defer such costs to future periods with a corresponding improvement in near-term operating results.

During 1986, $274,000 of research and development expenses, or 10% of the total for such expenses, were capitalized under SFASB No. 86. The Company anticipates that the portion of its research and development expenditures required to be capitalized under SFASB No. 86 will be at higher levels during 1987.

General and Administrative Expenses.
General and administrative expenses of the Company were 17% of revenues in 1984, 12% in 1985, and 14% in 1986. The Company believes that in 1987 these expenses will not increase as a percentage of revenues over 1986.

Income

The Company's pre-tax income increased 109% from 1984 to 1985 and 119% from 1985 to 1986. Income before income taxes was 19% of 1984 revenues, 20% of 1985 revenues, and 22% of 1986 revenues. The capitalization of research and development expenses under SFASB No. 86, discussed above, contributed to the higher income as a percent of revenues in 1986. Because the Company's fixed costs, primarily

associated with personnel, constitute the largest percentage of total costs and expenses, variations between planned and actual revenues will cause income to vary widely in any period.

Certain provisions to the Tax Reform Act of 1986 caused the provision for income taxes to increase from 45% in 1985 to 47% in 1986. The Company anticipates that slight decreases in effective tax rates will result from this new tax legislation in 1987 and 1988.

Liquidity and Capital Resources

Historically, the Company has funded most of its growth internally, and through the sale of its Common Stock. Working capital increased from $15,000 in 1981 to approximately $3,500,000 at June 30, 1986, to approximately $14,000,000 at December 31, 1986. The increase in working capital since June 30, 1986 primarily represents proceeds of the Company's initial public offering. The Company also has a $2,000,000 revolving line of credit, secured by accounts receivable and certain other property, against which no borrowings are currently outstanding. In 1985 the Company sold $1,500,000 of common stock to Altos Computer Systems, and in 1986 the Company raised approximately $10,500,000 in connection with an initial public offering of its common stock. The Company believes that its present cash position plus its cash flow from operations will be sufficient to meet its presently anticipated working capital requirements through at least 1987.

Quarterly Results

The following table presents quarterly operating results for the twelve fiscal quarters beginning January 1, 1984 and ending December 31, 1986. The Company believes that all necessary adjustments have been included in the amounts stated below to present fairly the following selected quarterly information when read in conjunction with the financial statements included elsewhere herein. This information includes all normal recurring adjustments that the Company considers necessary for a fair presentation thereof, in accordance with generally accepted accounting principles. The operating results for any quarter are not necessarily indicative of results for any future fiscal period.

(In thousands, except per share data)

	1984				1985				**1986**			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th	**1st**	**2nd**	**3rd**	**4th**
Net Revenues	$1,005	$1,139	$1,118	$1,948	$1,598	$2,166	$2,778	$4,036	**$4,152**	**$4,617**	**$5,693**	**$6,646**
Costs and Expenses:												
Cost of revenues	87	80	96	144	166	242	234	255	**332**	**387**	**479**	**568**
Sales and marketing	451	437	540	764	924	965	1,231	1,777	**1,908**	**2,093**	**2,530**	**3,082**
Research and development	139	103	227	244	261	370	359	481	**548**	**588**	**588**	**714**
General and administrative	124	258	233	288	209	264	330	472	**708**	**647**	**677**	**890**
Total costs and expenses	801	878	1,096	1,440	1,560	1,841	2,154	2,985	**3,496**	**3,715**	**4,274**	**5,254**
Operating Income	204	261	22	508	38	325	624	1,051	**656**	**902**	**1,419**	**1,392**
Interest income (expense), net	9	13	7	(9)	4	22	18	37	**44**	**15**	**42**	**178**
Income before income taxes	213	274	29	499	42	347	642	1,088	**700**	**917**	**1,461**	**1,570**
Provision for income taxes	83	106	11	195	19	155	286	485	**351**	**461**	**733**	**640**
Net Income	130	168	18	304	23	192	356	603	**349**	**456**	**728**	**930**
Net Income Per Share	$ .03	$ .03	$ –	$ .06	$ –	$ .03	$ .06	$ .10	**$ .06**	**$ .07**	**$ .11**	**$ .12**
Shares used in computing net income per share, fully diluted	4,995	4,999	5,193	5,194	5,321	6,138	6,179	6,274	**6,102**	**6,487**	**6,556**	**8,045**

The Company's revenues have generally increased sequentially over the past twelve quarters. Until 1986, the Company's employee sales incentives emphasized the achievement of annual revenue goals. Consequently, in 1984 and 1985, fourth quarter revenues were significantly higher than those in each of the preceding three quarters of the respective years as a result of the achievement by the Company of its annual sales objectives through a high level of fourth quarter revenues. Revenues for the first quarter of 1985 were lower than those for the fourth quarter of 1984, and revenues for the first quarter of 1986 were only slightly higher than those for the fourth quarter of 1985. The Company believes that its increased revenues in 1986 are chiefly attributable to revenues from its INFORMIX-4GL product, introduced in February 1986, increased revenues from its INFORMIX-SQL product, introduced in 1985, and increased emphasis on achievements of sales objectives on a quarterly, rather than an annual basis.

The substantial decreases in operating income in the first quarter of 1985 compared to the preceding fourth quarter reflect the above-described revenue pattern as well as an increased level of expenditures for sales and marketing and research and development together with an increase in cost of revenues. In the first quarter of 1986, despite a slight increase in revenue, operating income declined reflecting generally higher operating expenses including: (i) additional hiring in most departments, (ii) increased documentation cost for the Company's INFORMIX-4GL product relative to average documentation costs of the Company's other products, and (iii) approximately $150,000 of unusual general and administrative expenses related to certain charges in connection with the company's move to new facilities. In the last quarter of 1986, despite an increase in revenue, operating income declined, reflecting the Company's increasing its staff all areas. The decrease in operating income in the third quarter of 1984 reflects a substantial growth in marketing and sales expense and in research and development expense from a combined total of 47% of revenues in the second quarter to 69% of revenues in the third quarter with no comparable quarter-to-quarter revenue growth.

Revenues involving prepaid license fees (where costs of revenues are minimal) have represented a significant portion of revenues during the past six quarters, particularly in the fourth quarter of 1985 and the first quarter of 1986 where such revenues accounted for approximately 40% of total revenues in those quarters. Accordingly, operating income for those four quarters was enhanced, and the fourth quarter to first quarter operating income decline described above was mitigated by this favorable mix of revenue sources.

Report of Independent Public Accountants

We have examined the consolidated balance sheets of Informix Corporation (a Delaware corporation) and subsidiary (formerly Relational Database Systems, Inc.–see Note 1) as of December 31, 1985 and 1986, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Informix Corporation and subsidiary as of December 31, 1985 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Arthur Andersen & Co.

San Jose, California
January 28, 1987

Consolidated Balance Sheets

December 31,

(In thousands, except share data)		Informix Corporation
ASSETS	1985	**1986**
Current Assets:		
Cash and cash investments	$ 2,808	**$12,120**
Accounts receivable, less allowance of $60 in 1985 and $140 in 1986 for doubtful accounts	2,556	**5,615**
Prepaid expenses	250	**469**
Inventories	208	**531**
Total current assets	5,822	**18,735**
Property and Equipment, at cost:		
Computer equipment	948	**1,882**
Furniture, fixtures and leasehold improvements	576	**886**
	1,524	**2,768**
Less—Accumulated depreciation and amortization	(405)	**(790)**
	1,119	**1,978**
Other Assets	130	**415**
	$ 7,071	**$21,128**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of notes and leases payable	$ 89	**$ 44**
Current portion of ESOP liability	122	**125**
Accounts payable	379	**598**
Accrued expenses	968	**2,056**
Accrued and deferred income taxes	1,168	**1,278**
Deferred maintenance contract income	316	**673**
Total current liabilities	3,042	**4,774**
Notes Payable to Bank	198	**–**
Leases Payable	109	**144**
Guarantee of ESOP Liability	310	**207**
Deferred Taxes	89	**324**
Stockholders' Equity:		
Preferred stock, $.01 par value		
Authorized—1,000,000 shares		
Outstanding—none in 1985 and 1986	–	**–**
Common stock, $.01 par value		
Authorized—10,000,000 shares in 1985 and 20,000,000 shares in 1986		
Outstanding—5,513,872 shares in 1985 and 7,151,667 shares in 1986	1,944	**72**
Additional paid-in capital	–	**11,980**
Notes receivable from stockholders	(42)	**(322)**
Deferred compensation	(397)	**(332)**
Retained earnings	1,818	**4,281**
Total stockholders' equity	3,323	**15,679**
	$ 7,071	**$21,128**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Operations

For the three years ended December 31, 1986

(In thousands, except per share data)			Informix Corporation
	1984	1985	**1986**
Net Revenues	$ 5,210	$10,578	**$21,108**
Cost of Revenues	407	897	**1,767**
Gross margin	4,803	9,681	**19,341**
Operating Expenses:			
Sales and marketing	2,193	4,897	**9,613**
Research and development	713	1,470	**2,438**
General and administrative	902	1,276	**2,922**
	3,808	7,643	**14,973**
Income from operations	995	2,038	**4,368**
Interest Income (net)	20	80	**279**
Income before provision for income taxes	1,015	2,118	**4,647**
Provision for Income Taxes:			
Federal	298	745	**1,812**
State	97	199	**372**
Net Income	$ 620	$ 1,174	**$ 2,463**
Earnings Per Share			
Primary:			
Net Income Per Share	$0.12	$0.20	**$0.37**
Shares Used in Computing Primary Net Income Per Share	5,104	5,970	**6,648**
Fully Diluted:			
Net Income Per Share	$0.12	$0.19	**$0.36**
Shares Used in Computing Fully Diluted Net Income Per Share	5,144	6,075	**6,860**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

For the three years ended December 31, 1986

(In thousands)

Informix Corporation

	Common Stock		Additional Paid-in Capital	Notes Receivable From Stock-holders	Deferred Compen-sation	Retained Earnings	Total
	Shares	Amount					
Balance, December 31, 1983	4,273	$ 337	$ –	$ (20)	$ –	$ 232	$ 549
Payment on note	–	–	–	2	–	–	2
Exercise of stock options at $.11 per share	429	47	–	–	–	–	47
Tender of common stock as payment for stock options exercised at $1.25 per share	(31)	(39)	–	–	–	–	(39)
Issuance of common stock for bonuses at $1.25 per share	101	126	–	–	–	–	126
Rescission and return of common stock	(225)	(22)	–	–	–	(208)	(230)
Net income	–	–	–	–	–	620	620
Balance, December 31, 1984	4,547	449	–	(18)	–	644	1,075
Issuance of common stock at $1.75 per share, to employees in exchange for promissory notes	16	28	–	(28)	–	–	–
Exercise of stock options	42	13	–	–	–	–	13
Sale of stock at $1.65 per share, net of offering expenses of $46	909	1,454	–	–	–	–	1,454
Payments received on notes receivable	–	–	–	4	–	–	4
Guarantee of ESOP liability	–	–	–	–	(397)	–	(397)
Net income	–	–	–	–	–	1,174	1,174
Balance, December 31, 1985	5,514	1,944	–	(42)	(397)	1,818	3,323
Exercise of stock options	28	20	25	–	–	–	45
Sale of stock at $2.125 per share	17	36	–	–	–	–	36
Sale of stock at $2.45 per share, to employees in exchange for cash and promissory notes	18	44	–	(11)	–	–	33
Sale of stock at $3.50 per share, to officers in exchange for cash and promissory notes	74	259	–	(233)	–	–	26
Repurchase of stock at $1.75 per share	(16)	(28)	–	–	–	–	(28)
Reincorporation of Company	–	(2,218)	2,218	–	–	–	–
Sale of stock at $5.00 per share, to an officer in exchange for promissory note	10	–	50	(50)	–	–	–
Payments received on notes receivable	–	–	–	14	–	–	14
Payment on ESOP liability	–	–	–	–	87	–	87
Interest on ESOP liability	–	–	–	–	(22)	–	(22)
Proceeds from initial public offering at $7.50 per share, net of offering expenses of $757	1,507	15	9,687	–	–	–	9,702
Net income	–	–	–	–	–	2,463	2,463
Balance, December 31, 1986	**7,152**	**$72**	**$11,980**	**$(322)**	**$(332)**	**$4,281**	**$15,679**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Financial Position

For the three years ended December 31, 1986

(In thousands)			Informix Corporation
	1984	1985	**1986**
Working capital was provided by:			
Net income	$ 620	$1,174	**$ 2,463**
Add—Items not affecting working capital—			
Depreciation and amortization	117	230	**422**
Increase in deferred income taxes	48	37	**235**
Issuance of common stock for bonuses	126	–	**–**
Rescission of common stock	(180)	–	**–**
Working capital provided by operations	731	1,441	**3,120**
Proceeds from notes payable to bank	–	198	**–**
Sale of common stock, net of notes receivable from stockholders	10	1,471	**9,856**
Increase in long-term notes and leases payable	–	109	**93**
Increase (decrease) in ESOP liability	–	310	**(103)**
Total working capital provided	741	3,529	**12,966**
Working capital was used for:			
Additions to property and equipment	(504)	(625)	**(1,281)**
(Increase) decrease in other assets	10	(126)	**(285)**
(Increase) decrease in deferred compensation	–	(397)	**65**
Payments and current maturities notes and leases payable	(22)	(64)	**(256)**
Rescission of common stock	(50)	–	**–**
Repurchase of common stock	–	–	**(28)**
Total working capital used	(566)	(1,212)	**(1,785)**
Increase in working capital	$ 175	$2,317	**$11,181**
Increase in working capital represented by:			
Increase (decrease) in current assets—			
Cash and cash investments	$(105)	$2,583	**$ 9,312**
Accounts receivable	964	1,143	**3,059**
Prepaid expenses	38	185	**219**
Inventories	29	179	**323**
	926	4,090	**12,913**
(Increase) decrease in current liabilities			
Current portion of notes and leases payable	(2)	(64)	**45**
Current portion of ESOP liability	–	(122)	**(3)**
Accounts payable	(118)	(99)	**(219)**
Accrued expenses	(315)	(375)	**(1,088)**
Accrued and deferred income taxes	(269)	(878)	**(110)**
Deferred maintenance contract income	(47)	(235)	**(357)**
	(751)	(1,773)	**(1,732)**
Increase in working capital	$ 175	$2,317	**$11,181**

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Operations

Informix Corporation, a Delaware corporation, through its wholly-owned subsidiary Informix Software, Inc. (together the "Company") designs, develops, manufactures, markets and supports computer software systems to perform general purpose data management functions on various computer systems. The Company also licenses others to manufacture its software programs and user manuals. The Company was initially incorporated in 1980 and in August 1986 the Company reincorporated in Delaware. Concurrently with the formation of Informix Corporation, Relational Database Systems, Inc. (a California Corporation and a wholly-owned subsidiary of Informix Corporation), changed its name to Informix Software, Inc. The Company is subject to a number of risks common to companies in the software industry, including competition from substitute products and large companies, dependence on certain key personnel and the need to develop successful new products.

Consolidation

The consolidated financial statements include the accounts of Informix Corporation and its wholly-owned subsidiary Informix Software, Inc. All material intercompany accounts and transactions have been eliminated.

Revenues

The Company recognizes product revenue at the time of shipment and recognizes license revenue at the time the agreement is signed, with respect to non-refundable license fees payable to the Company within twelve months. Maintenance contract revenue is recognized over the term of the contract. In 1985 and 1986, one customer accounted for 18% and 14% respectively of the Company's net revenues. In 1984, no single customer accounted for 10% or more of net revenues. Export sales accounted for 15% and 24% of net revenues in 1985 and 1986, respectively, but less than 10% of net revenues in 1984. Approximately 15% of these export sales referred to above in 1986 were to unaffiliated European customers.

Cash and cash investments

All of the Company's cash investments at December 31, 1986 consist of short-term securities.

Inventories

Inventory is recorded at the lower of cost (first-in, first-out) or market value and primarily consists of computer software manuals and related items.

Property and Equipment

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Computer equipment	3–5 years
Furniture and fixtures	3–5 years
Leasehold improvements	life of lease

Accrued Expenses

As of December 31, accrued expenses consisted of the following (in thousands):

	1985	**1986**
Accrued payables	$ 131	**$ 466**
Profit sharing	290	**544**
Deferred rent	190	**189**
Other accruals	357	**857**
	$ 968	**$2,056**

Research and Development Expenditures

Commencing January 1, 1986, in compliance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," (the "Statement") the Company is required to capitalize a portion of

computer software costs incurred during the year after technological feasibility has been determined. The capitalized software is amortized based on current and future software revenue, subject to a minimum straight-line amortization over the remaining estimated economic life of the product. Software costs capitalized in 1986 amounted to $274,000 (included in other assets) and are not material to the accompanying financial statements taken as a whole.

2. Notes Payable to Bank

Notes payable consisted of the following at December 31 (in thousands):

	1985
Note payable secured by certain computer equipment, bearing interest at prime plus 2% with principal and interest payable in equal monthly installments of $1,667 through June 1990	$198
Note payable secured by certain assets of the Company, bearing interest at prime plus 2% with principal and interest payable in equal monthly installments of $1,333 through January 1989	49
Note payable secured by the Company's telephone equipment, bearing interest at prime plus 2% with principal and interest payable in equal monthly installments of $500 through August 1988	17
	264
Less—current portion	(66)
	$198

In October 1986, the Company paid off all bank notes. There were no outstanding bank notes as of December 31, 1986.

3. Common Stock

On March 6, 1985, the Company settled its civil action against a former employee. The settlement agreement provided for, among other things, the return to the Company of 65,000 shares of the Company's common stock. Also, the Company received an additional 160,000 shares in connection with the rescission of common stock previously issued to the former employee. The Company has accounted for the return of stock as a reduction of operating expenses ($180,000) for the year ended December 31, 1984, since such costs related to the civil action were originally recorded as operating expenses in 1984.

On March 15, 1985, the Company entered into an agreement with Altos Computer Systems, whereby 909,090 shares of its common stock were sold for $1,500,000. In addition, certain Company officers and employees sold 303,030 additional shares to Altos Computer Systems for $500,000. In January 1986, the Company sold an additional 16,792 shares to Altos Computer Systems at $2.125 per share, the fair market value as determined by the Company's Board of Directors at the time of the agreement.

In August 1986, Relational Database Systems, Inc. (a California corporation) changed its name to Informix Software, Inc. Concurrently with this change in name, Informix Corporation, a new Delaware corporation, was formed and each shareholder of Informix Software, Inc. was issued two shares of common stock of Informix Corporation in exchange for each outstanding share of Informix Software, Inc. In addition, options to purchase two shares of Informix Corporation common stock were exchanged for each outstanding option to purchase one share of Informix Software, Inc. common stock. As a result of the above-described transaction, Informix

Software, Inc. became a wholly-owned subsidiary of Informix Corporation. A par value was assigned to the Company's common stock which resulted in reflecting additional paid-in capital in the accompanying financial statements. All per share data included in the financial statements reflect this two for one stock exchange.

In August 1986, the Company increased the number of authorized common shares to 20,000,000 and created a class of preferred stock with 1,000,000 authorized shares. The Company's Board of Directors is authorized to fix or alter the rights, preferences, privileges and restrictions of any wholly unissued series of preferred stock, including the dividend rights, dividend rates and voting rights.

In September 1986, the Company offered common shares to the public for the first time, selling 969,446 shares for $6,727,955, after commissions and underwriting expenses. Concurrently with this initial public offering, the Company sold 330,554 shares to Altos Computer Systems for $2,294,045. In October 1986, in connection with its initial public offering, the Company sold an additional 207,043 shares for $1,436,878 pursuant to the exercise of an over-allotment option by the underwriters of the offering.

4. Employee Stock Option and Purchase Plans

In 1986, the 1981, 1985 and 1986 Stock Option Plans (the "Plans") were combined into one plan, the 1986 Stock Option Plan. The Board of Directors may grant options at not less than the fair market value of the shares at the date of grant. Options are generally exercisable in cumulative annual installments over five years. The Plans provide that payment for shares purchased upon exercise of options may be by cash or with Board of Directors approval, by full recourse promissory notes or shares of the Company valued at fair market value on the date of exercise. During the year, the authorized shares were increased by 564,420. At December 31, 1986, there are 309,520 shares reserved for future grants and 1,289,880 stock options were outstanding to purchase shares at prices ranging from $1.00 to $10.125, of which options for 257,240 shares are exercisable at prices ranging from $1.00 to $2.125. Options for 428,540, 42,120 and 27,920 shares of stock were exercised during 1984, 1985 and 1986 at price ranges from $.11 to $2.125.

In December 1986, the Board of Directors approved an Employee Stock Purchase Plan under which up to 300,000 shares could be purchased. The first stock offering under the plan is expected to commence on the later of July 1, 1987 or the date of an effective registration on Form S-8 under the Securities Act of 1933 for such shares.

5. Employee Stock Ownership Plan

In May 1985, the Company's Shareholders and Board of Directors approved the adoption of the 1985 Employee Stock Ownership Plan and Trust (the "Plan"). The Plan purchased 150,286 shares from the Company's president for $263,000 and 85,714 shares from a key officer of the Company for $150,000.

In connection with the stock purchase referred to above, the Plan financed the entire $413,000 at 9% interest, with the Company's president and a key officer for $263,000 and $150,000, respectively. Both notes and the related interest are payable in four equal annual installments of which the first annual installment was paid in March 1986. The Company has guaranteed these notes and, accordingly, recorded a $332,000 ESOP liability and deferred compensation which

is included in the accompanying financial statements. The total ESOP debt includes approximately $22,000 of accrued interest.

Company contributions to the Plan in excess of the future required debt payments described above are made at the sole discretion of the Board of Directors. The Company contributed $35,000 and $94,727 to the Plan in 1985 and 1986, respectively, which also reduced the ESOP liability in the accompanying financial statements.

6. Commitments

The Company has various operating leases for rental of office facilities and equipment. Rent expense recorded in 1984, 1985 and 1986 approximated $126,000, $587,000 and $844,000, respectively. Sublease income of $101,000 is netted against the rent expense in 1986. As of December 31, 1986 future minimum lease payments under the leases are as follows (in thousands):

1987	**$1,068**
1988	**1,732**
1989	**1,666**
1990	**1,459**
1991	—
Total payments	**5,925**
Less: Sublease rental income	**(366)**
Net future minimum payments	**$5,559**

7. Capital Leases

In 1985, the Company entered into a capitalized lease for its telephone system commencing October 1, 1985. In 1986, the Company entered into two capital leases for telephone system additions. Minimum future lease payments, related to these leases are as follows (in thousands):

1987	**$ 63**
1988	**63**
1989	**63**
1990	**42**
Total capitalized lease obligations	**231**
Less interest (ranging from 10.6% to 13.0%)	**(43)**
Present value of future minimum lease payments	**188**
Less current portion	**(44)**
Long-term leases payable	**$144**

8. Transactions with Related Parties

During 1984, 1985 and 1986, the Company paid approximately $40,000, $33,000 and $94,000, respectively, in consulting fees to a director and paid approximately $56,000, $197,000 and $204,000, respectively, for legal services to the law firm of which one of the Company's directors is a partner.

The Company recognized total sales of $37,000 and $639,000 to Altos Computer Systems, its largest stockholder in 1985 and 1986, respectively. As of December 31, 1985 and 1986, there was an outstanding accounts receivable balance of $5,000 and $86,000, respectively, related to these sales.

The Company paid approximately $58,000, $3,000 and $67,000 in 1984, 1985 and 1986 to the spouse of an officer of the Company for various consulting services and technical publications.

A director of the Board of Directors is president of a company that assisted in obtaining the lease for the Company's facilities. For this service, the lessor of the Company's facilities will be paying a fee of $93,000 to the director's company.

9. Income Taxes

Deferred income taxes result from timing differences in the determination of income for financial statement and income tax reporting purposes. Such timing differences arise principally from the use of installment sales reporting and accelerated depreciation methods for tax purposes.

As of December 31, the components of the provisions for income taxes are as follows (in thousands):

	1984	1985	**1986**
Current deferred	$255	$ 26	**$ (170)**
Long-term deferred	48	38	**184**
Currently payable	92	880	**2,170**
Total provision for income taxes	$395	$944	**$2,184**

Investment and research and development tax credits are accounted for under the flow-through method. The difference between the effective income tax rate and the statutory Federal income tax rate is summarized as follows:

	1984	1985	**1986**
Statutory Federal income tax rate	46.0%	46.0%	**46.0%**
State income taxes, net of Federal benefit	5.2	5.2	**4.3**
Investment and research and development credits	(12.2)	(8.1)	**(3.4)**
Other	–	1.5	**.1**
Effective income tax rate	39.0%	44.6%	**47.0%**

The Company's income tax provision was reduced by approximately $160,000 for the restoration of the research and development credit which was partially offset by approximately $90,000 from the elimination of the investment credit, as a result of the enactment of the Tax Reform Act of 1986.

10. Line of Credit Agreement

In July 1986, the Company entered into a new line of credit with Bank of California for $2 million. This line provides for borrowings of up to 80% of eligible receivables. Borrowings are secured by accounts receivable and bear interest at the bank's prime rate plus 1.25%. This agreement contains certain financial covenants requiring, in part, that the Company maintain a 1.8 to 1 minimum current ratio, a 1.5 to 1 debt to tangible net worth ratio and a tangible net worth of at least $3,500,000. The agreement expires April 30, 1987. There were no borrowings under this line of credit as of December 31, 1986.

11. Earnings per Share

Net Income per share has been computed based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods. In addition, common shares sold or exercised under employee stock purchase agreements and stock option plans and options granted during the twelve months immediately preceding the public offering, at prices less than the public offering price are included in the calculation of common and common equivalent shares as if they were outstanding for all periods presented. Common stock equivalents consist of the dilutive effect of outstanding options to purchase common stock.

The weighted average number of common and common equivalent shares outstanding were as follows (in thousands):

	1984		1985		**1986**	
	Primary	Fully Diluted	Primary	Fully Diluted	**Primary**	**Fully Diluted**
Weighted average shares outstanding: Common stock	4,316	4,316	5,296	5,297	**5,985**	**5,985**
Common stock equivalents[1]	294	334	180	284	**663**	**875**
Common stock issued during the twelve months preceding the offering	126	126	126	126	—	—
Options granted during the twelve months preceding the offering[1]	368	368	368	368	—	—
	5,104	5,144	5,970	6,075	**6,648**	**6,860**

[1]Calculated using the treasury stock method.

Corporate Information

Corporate Headquarters
4100 Bohannon Drive
Menlo Park, CA 94025
(415) 322-4100

Regional Offices
Connecticut
21 Charles Street
Westport, CT 06880

Georgia
6961 Peachtree Industrial Boulevard
Suite 254
Norcross, GA 30092

Illinois
320 North Michigan Avenue,
Suite 2100
Chicago, IL 60601

Massachusetts
121 Middlesex Turnpike
Burlington, MA 01803

New Jersey
120 Wood Avenue South
Iselin, NJ 08830

Texas
14001 Dallas Parkway,
Suite 1200
Dallas, TX 75240

Washington, D.C.
1700 Rockville Pike,
Suite 400
Rockville, MD 20852

Regional Research & Development Office
7219 Dixie Highway,
Suite H
Fairfield, OH 45014

European Office
Informix GmbH
Kreiller Street 21
8000 Munich 80
West Germany

Board of Directors
Roger J. Sippl
President
Chairman
Chief Executive Officer

John L. DeBenedetti, III
Principal
Cypress Properties, Inc.

David Jackson
President
Altos Computer Systems, Inc.

Albert F. Knorp, Jr.
Partner
Shearer, Lanctot, Walsh & Knorp

Dan G. Sully
President
Sully Associates, Inc.

Legal Counsel
Shearer, Lanctot, Walsh & Knorp
San Francisco, California

Ware & Freidenrich
Palo Alto, California

Independent Public Accountants
Arthur Andersen & Co.
San Jose, California

Transfer Agent
Bank of America
San Francisco, California

Annual Meeting
The Annual Meeting of Shareholders will be held at 5:30 P.M. on Wednesday, May 27, 1987 at the Stanford Park Hotel, 100 El Camino Real, Menlo Park, California.

Corporate Officers
Roger J. Sippl
President
Chairman
Chief Executive Officer

Steven M. Goldsworthy
Vice President
Engineering and Development

Mark D. Hanson
Vice President
Western Sales Division

Roy V. Harrington III
Vice President
Advanced Product Research

E.L. "Skip" Hawk
Vice President
Sales

Laura L. King
Vice President
Marketing

William E. Morton
Vice President
Customer Services

Richard C. Murphy
Vice President
Corporate Development

Stuart G. Whittelsey
Vice President
Finance and Administration
Chief Financial Officer

Martin A. Yam
Vice President
Eastern Sales Division

Common Stock Trading Range

The Company's Common Stock has been traded on the over-the-counter market under the NASDAQ symbol IFMX since the Company's initial public offering on September 24, 1986. The following table sets forth for the Company's Common Stock the range of high and low closing bid prices in the over-the-counter market through February 16, 1987, and the closing prices on the NASDAQ National Market System after such date. Prices with respect to the Company's Common Stock through February 16, 1987 represent quotations between dealers without adjustments for retail markups, markdowns, or commissions and may not represent actual transactions.

1986	High	Low
3rd quarter	$ 7⅝	$ 7⅜
4th quarter	10⅞	7⅜

1987	High	Low
1st quarter	$ 17¼	$ 10

At December 31, 1986 there were approximately 127 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 future growth.

Form 10-K

A copy of the Company's Form 10-K Annual Report as filed with the Securities and Exchange Commission including financial statements and schedules, will be provided without charge upon request to:
Stuart G. Whittelsey, Vice President Finance and Administration, Informix Corporation Inc. 4100 Bohannon Drive, Menlo Park, California 94025

Design: Creel Morrell Inc.

INFORMIX

Informix Software, Inc.
4100 Bohannon Drive
Menlo Park, California
94025
415-322-4100

Telex: 361834
Fax: 415-322-4571

Printed in U.S.A. LIT-000-0030-0