INFORMATICA CORP
Form 10-K
February 26, 2009

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

R Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 2008

or

£ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-25871

INFORMATICA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0333710 (I.R.S. Employer Identification No.)

100 Cardinal Way
Redwood City, California 94063
(Address of principal executive offices and zip code)

(650) 385-5000
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $0.001 per share	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:
Preferred Stock Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. R Yes £ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. £ Yes R No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. R Yes £ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer R   Accelerated filer £   Non-accelerated filer £   Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). £Yes R No

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2008 was approximately $1,323,812,000 (based on the last reported sale price of $15.04 on June 30, 2008 on the NASDAQ Global Select Market).

As of January 30, 2009, there were approximately 87,175,000 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2009 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the registrant's fiscal year ended December 31, 2008.

INFORMATICA CORPORATION

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. BUSINESS

Overview

Informatica Corporation ("Informatica") is the leading independent provider of enterprise data integration and data quality software and services. Informatica's mission is to enable organizations to gain a competitive advantage in today's global information economy by empowering them to access, integrate, and rely on their information assets. Informatica's open, platform-neutral software accesses data of virtually all types and makes such data accessible and usable to the people and processes that need such information. Informatica software handles a wide variety of complex enterprise-wide data integration initiatives, including: data migration, data consolidation, data synchronization, data warehousing, data quality and the establishment of data hubs, data services, cross-enterprise data exchange, and integration competency centers. The Informatica data integration platform is a comprehensive set of technologies for accessing, discovering, cleansing, integrating, and delivering timely, trusted data to the extended enterprise.

Informatica's platform enables and accelerates data integration initiatives, allowing enterprises to meet new business requirements by utilizing cost-effective information technology (IT) systems to reduce overall IT expenses by extending and adapting IT systems and to implement best practices.

We have also introduced solutions designed to meet the on-demand data needs of the software-as-a-service market. Using our products, business users can gain a holistic and consistent view of their enterprise information. IT management can be more responsive to the business demands for information—despite dramatically increasing data volumes and real-time delivery requirements—and IT developers benefit from reduced time to results and significant productivity gains.

During the last two decades, companies have made significant investments in process automation resulting in islands of data created by a variety of packaged transactional applications—such as enterprise resource planning (ERP), customer relationship management (CRM), and supply chain management (SCM) software—and custom operational systems deployed in various departments. The ultimate goal of deploying these applications was to make businesses more efficient through automation. However, these applications have further increased data fragmentation and complexity throughout the enterprise because they generate massive volumes of data in disparate software systems that were not designed to share data. As these systems have proliferated, the challenge of data fragmentation has intensified, leaving companies to grapple with multiple data silos, multiple data formats, multiple data definitions and, most notably, highly varied data quality.

Organizations are now finding that the strategic value of information technology goes far beyond process automation. Companies of all sizes require information to run their business, and most information is derived from data. Operational activities generate a constant flow of data inside and outside the enterprise, but unless the various data streams can be integrated, and the quality of that data is ensured, the amount of real and useful business information derived from such data would be limited. Companies are realizing that they must integrate a wide variety of data—structured, semi-structured, and unstructured—to support their business processes, such as providing a single view of the customer, migrating away from legacy systems to new technologies, or consolidating multiple instances of an ERP system. They are also realizing that it is imperative to implement data quality processes to measure, monitor, track, and improve the quality of data delivered to the business.

Today businesses around the world continue to validate that data is a critical asset and can be a differentiator in the market. In order for companies to keep pace with the rapid acceleration of mergers and acquisitions as well as the proliferation of compliance regulations, companies need to streamline their data integration efforts to manage their data more effectively. The data must be easy to access, reliable, and delivered in a format in which users can gain valuable insights into their organization.

With Informatica's robust enterprise data integration platform, business and IT decision makers can facilitate sophisticated information delivery across the enterprise. In the current economic environment, companies are focused on tightening budgets, return on investment, reduced risk, and cost effectiveness. Based on an open, platform-neutral architecture, the Informatica platform is designed to access, discover, cleanse, integrate, and deliver data among a large variety of enterprise systems, in a wide variety of formats at a lower total cost of ownership of such data than the cost associated with traditional hand-coding. The Informatica platform addresses challenges of data integration as a mission-critical, enterprise-wide solution to complex problems such as migrating off of legacy systems, consolidating application instances, assisting with compliance, and synchronizing data across multiple operational systems.

Table of Contents

In 2008, we continued to broaden the applicability of our technology, expand our sales coverage globally, and focus on product innovation.

We have more than 3,450 customers worldwide, representing a variety of industries, ranging from energy and utilities, financial services, insurance, government and public agencies, healthcare, high technology, manufacturing, retail, services, telecommunications, and transportation. We market and sell our software and services through our sales operations in North and Latin America (including Brazil, Canada, Mexico, and the United States), Europe (including Austria, Belgium, France, Germany, Ireland, the Netherlands, Portugal, Spain, Switzerland, and the United Kingdom), and Asia-Pacific (including Australia, China, Hong Kong, India, Japan, the Philippines, Singapore, South Korea, and Taiwan). We maintain relationships with a variety of strategic partners to jointly develop, market, sell, recommend, and/or implement our solutions. We also have relationships with distributors in various regions, including Europe, Asia-Pacific, and Latin America, who sublicense our products and provide services and support within their territories.

We began selling our first products in 1996. Through December 31, 2008, substantially all of our revenues have been derived from the sale of our data integration products/platform (and related services): Informatica PowerCenter, Informatica PowerExchange, Informatica Data Explorer, Informatica Data Quality, Informatica Identity Resolution, Informatica B2B Data Exchange, Informatica B2B Data Transformation, and Informatica On Demand.

Our corporate headquarters are located at 100 Cardinal Way, Redwood City, California 94063, and our telephone number at that location is (650) 385-5000. We can be reached at our Web site at www.informatica.com; however, the information in, or that can be accessed through, our Web site is not part of this Report. We were incorporated in California in February 1993 and reincorporated in Delaware in April 1999.

Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) are available, free of charge, on our Web site as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (SEC). The SEC also maintains a Web site that contains our SEC filings. The address of the site is www.sec.gov.

Recent Events

On February 13, 2009, the Company acquired Applimation, Inc. (“Applimation”), a private company incorporated in Delaware, providing application Information Lifecycle Management (ILM) technology. The acquisition extends Informatica’s data integration software to include Applimation’s technology. Informatica acquired all the capital stock of Applimation in a cash merger transaction valued at approximately $40 million.

Our Products

Informatica products enable organizations to gain a competitive advantage in today’s global information economy by empowering them to access, integrate, and rely on their information assets. These products comprise a single, comprehensive, unified, open data integration platform that addresses data integration requirements within the enterprise and beyond.

The following products are included in the Informatica platform:

Informatica PowerCenter accesses, discovers, and integrates data from virtually any business system, in almost any format, and delivers that data throughout the enterprise at almost any speed to improve operational efficiency. Highly available, high-performing, and fully scalable, Informatica PowerCenter serves as the foundation for data integration projects and enterprise integration initiatives. There are three editions of Informatica PowerCenter:

- Informatica PowerCenter Standard Edition includes a high-performance data integration server, a global metadata infrastructure, visual tools for development and centralized administration, and productivity tools to facilitate collaboration among architects, analysts, and developers.

- Informatica PowerCenter Real Time Edition extends PowerCenter Standard Edition with additional capabilities for integrating and provisioning transactional or operational data in real time. PowerCenter Real Time Edition provides a

Table of Contents

foundation for developing sophisticated data services and delivering timely information as a service to support business needs. Key features include change data capture for relational data sources, integration with messaging systems, built-in support for Web services, dynamic partitioning with data smart parallelism, and process orchestration and human workflow capabilities.

Informatica PowerCenter Advanced Edition addresses requirements for organizations that are standardizing data integration at an enterprise level, across a number of projects and departments. It combines all the capabilities of PowerCenter Standard Edition and features additional capabilities that are ideal for data governance and integration competency centers, including dynamic partitioning with data smart parallelism and powerful capabilities in metadata analysis, team-based development, and Web-based data profiling and reporting.

Additionally, many options are available to extend Informatica PowerCenter's core data integration capabilities:

1. PowerCenter Data Cleanse and Match Option features powerful, integrated cleansing and matching capabilities to correct and remove duplicate customer data.

2. PowerCenter Data Federation Option enables a combination of traditional physical and virtual data integration in a single platform.

3. PowerCenter Data Masking Option protects sensitive, private information by masking it in flight to reduce the risk of security and compliance breaches.

4. PowerCenter Enterprise Grid Option enhances scalability and delivers optimized performance while reducing the administrative overhead of supporting grid computing environments.

5. PowerCenter High Availability Option minimizes service interruptions during hardware and/or software outages and reduces costs associated with data downtime.

6. PowerCenter Metadata Exchange Options coordinate technical and business metadata from data modeling tools, business intelligence tools, source and target database catalogs, and PowerCenter repositories.

7. PowerCenter Partitioning Option helps IT organizations maximize their technology investments by enabling hardware and software to jointly scale to handle large volumes of data and users.

8. PowerCenter Pushdown Optimization Option enables data transformation processing, where appropriate, to be "pushed down" into relational databases to make better use of existing database assets.

9. PowerCenter Team-Based Development Option facilitates collaboration among development, quality assurance, and production administration teams and across geographically disparate teams.

10. PowerCenter Unstructured Data Option expands data access capabilities to include unstructured data formats, providing near universal access to all enterprise data formats.

Informatica PowerExchange is a family of data access products that enable IT organizations to access virtually all sources of enterprise data without having to develop custom data access programs. With the ability to access mission-critical operational data and deliver such data throughout the enterprise, wherever and whenever needed, IT organizations can optimize limited resources and the business value of data. Dozens of different data sources and targets are supported, including enterprise applications, databases and data warehouses, mainframes, midrange systems, messaging systems, and technology standards.

Informatica Data Explorer delivers a complete picture of the content, quality, and structure of enterprise data. Combining powerful data profiling and mapping capabilities with an easy-to-use-interface, Informatica Data Explorer empowers business information owners to investigate, document, and resolve data quality issues.

Informatica Data Quality puts control of data quality processes into the hands of business information owners. Combining powerful data analysis, cleansing, matching, reporting, and monitoring capabilities with an easy-to-use-interface, Informatica Data Quality empowers business information owners to implement and manage enterprise-wide data quality initiatives.

Table of Contents

Informatica Identity Resolution is a robust, highly scalable identity resolution software that enables companies and government organizations to search and match identity data from more than 60 languages, in both batch and real time.

Informatica B2B Data Exchange provides a comprehensive technology infrastructure for multi-enterprise data integration, partner management, and business event monitoring. It helps companies collaborate efficiently and cost-effectively with their extended networks of trading partners and customers, which helps companies to reduce costs and protect and grow revenue streams.

Informatica B2B Data Transformation is a high-performance software that converts structured and unstructured data to and from more broadly consumable data formats to support business-to-business and multi-enterprise transactions. This single, unified codeless environment supports virtually any-to-any data transformation and is accessible to multiple business levels within the organization: analysts, developers, and programmers.

Informatica On Demand solutions help companies of almost any size and ensure that their Salesforce CRM environment is synchronized with corporate IT business systems and maintained with a high level of data quality. With this family of data integration solutions, companies can integrate Salesforce CRM data with the rest of the enterprise to ensure data accuracy, drive business decisions and operations, and derive additional value from their Salesforce CRM investment.

Services

Informatica offers a comprehensive set of services, including product-related customer support, consulting services, and education services. Through strategically located Support Centers in the United States, the United Kingdom, the Netherlands, Japan, Brazil, and India, we support Informatica software deployments—be it a regional installation or a geographically dispersed project. Informatica's Global Customer Support offers a well-engineered and comprehensive set of support programs tailored to fit customer needs. Customers and partners can access our 24x7 technical support over the phone using toll-free lines, via email, and online through Informatica's Web portal "my.informatica.com."

Our consulting services range from the initial configuration of our products with knowledge transfer to customers and partners to designing and implementing custom data integration/transformation solutions, and from project audit and performance tuning services to helping customers implement best practices for their integration competency centers (ICCs). An ICC is a shared IT function that enables project teams to complete data integration efforts rapidly and efficiently by following best-practice processes, leveraging the expertise of staff with integration-specific roles, and using standard technologies. Our consulting strategy is to provide specialized expertise on our products to enable our customers and partners to successfully implement their customized business solutions using our data integration and data quality products.

Informatica's Professional Services consultants use a services methodology called Informatica Velocity to guide the successful implementation of our software. Our services methodology reflects the best practices that Informatica has developed and refined through hundreds of successful projects. Informatica Velocity covers each of the major implementation project phases, including manage, analyze, design, build, test, deploy, and operate. Where applicable, Informatica Velocity includes technical white papers as well as sample project documentation and even sample implementations (mappings) of specific technical solutions.

Informatica also offers a comprehensive role-based curriculum of product and solution oriented education offerings to enable our customers and strategic partners to build proficiency in using our products. Informatica delivers education services in more than 45 countries and offers instructor led, virtual academy, and eLearning delivery options to make training easy and cost effective. We have established the Informatica Certification Program for both PowerCenter and Informatica Data Quality, which has created a database of expert professionals with verifiable skills in the design and administration of Informatica-based systems.

Our Partners

Informatica's partners include industry leaders in enterprise software, computer hardware, and systems integration. We offer a comprehensive strategic partner program for major companies in these areas so that they can provide sales and marketing leverage, have access to required technology, and can furnish complementary products and services to our joint customers. Our partners that resold and/or influenced more than $2,000,000 each in license orders in 2008 are Accenture, Affecto, EDS/Hewlett-Packard, IPI Grammtech, Microstrategy, STK Consultoria, Tata Consultancy Services, Team DNA, Teradata, and Wipro. Our original equipment

Table of Contents

manufacturer (OEM) partners that generated more than $400,000 each in license orders for us in 2008 are Hewitt Associates, Oracle and SAP.

Our Customers

More than 3,450 companies worldwide rely on Informatica for their data integration and data quality needs. Our customers represent a wide range of corporations and governmental and educational institutions. Our targeted markets include energy and utilities, financial services, government and public sector, healthcare, high technology, insurance, manufacturing, retail, services, telecommunications, and transportation. No single customer accounted for 10% or more of our total revenues in 2008, 2007, or 2006.

Our Market Strategy

Broader Enterprise Data Integration: Beyond the Data Warehouse. Our goal is to be the market leader in the enterprise data integration market, which includes data migration, data consolidation, data synchronization, data warehousing, the establishment of data hubs, data services, cross-enterprise data exchange, and data quality. Our strategy is to grow at a rate faster than the market by leveraging our success, knowledge, and the strength of our proven products that have helped our customers deploy thousands of large data warehouse and data integration initiatives. We address the growing enterprise data integration market with a product set that we believe is well-suited to rapidly deliver value to our customers.

The Power of the Informatica Platform. Organizations increasingly recognize the need for an enterprise data integration platform to support the entire data integration lifecycle. In June 2008, at our Informatica User Conference, we announced the Informatica Data Integration Platform. The Informatica Platform is a comprehensive, open, unified, and economical data integration platform. It enables organizations to access, discover, cleanse, integrate, and deliver timely, trusted data to the extended enterprise—any data, anywhere, at any time. It supports all roles involved in the data integration process. It handles all types of data integration and data quality projects, and it is designed to work with all systems and processes organizations have today, or may add in the future. Because it promotes standardization and reuse, the Informatica Platform is particularly well-suited for IT organizations that are being tasked to “do more with less.” It allows them to address immediate project needs with the highest productivity and lowest cost, and rapidly scale to address other projects as the business demands. For us, this further strengthens our strategy to grow beyond data warehousing and establish ourselves as the data integration standard across the enterprise.

Advancing Product Leadership: Growth in All Product Categories. Increasingly, information latency requirements are demanding that data be accessed and delivered in real time. To address this growing need, we launched the Informatica PowerCenter Real Time Edition in June 2008. This edition offers new capabilities that enable a broad range of operational data integration projects requiring data movement in real time. We also expanded our Data Quality product portfolio with the acquisition of a leading identity resolution vendor, Identity Systems, Inc. in May 2008. This new addition, Informatica Identity Resolution, is an increasingly important part of many data integration initiatives, including support for mergers and acquisitions, and governance, risk and compliance efforts. Our B2B Data Exchange products play a critical role for organizations that need to exchange data between trading partners. Across multiple industries, our customers benefit from built-in support for a variety of industry-specific XML standards such as HIPAA for healthcare, ACORD for insurance and SWIFT for financial services. Lastly, in the fourth quarter, we introduced our fourth offering for cloud computing: the Informatica On Demand Data Synchronization Service for salesforce.com. As the adoption of cloud computing continues to increase, organizations will need to find effective ways to ensure they retain control of their data. We believe that our continuous innovation in this area positions us well to take advantage of this growing market.

Customers, Consulting Partners, and Third-Party Developers: Leveraging Installed Base and Community to Extend Informatica's Presence. We have an installed customer base that spans a wide range of industries. As of December 31, 2008, more than 3,450 customers worldwide and 84 of the Fortune 100 companies on the Fortune 2008 list had licensed our products. Informatica Technology Network (formerly Informatica Developer Network), created in 2001, has grown to over 44,000 members in more than 160 countries using our products as a platform on which to build or customize a specific data integration solution. These developers extend Informatica's presence and profile in the broad data integration market and provide a network of knowledge that can be shared to amplify our brand and its influence.

Partnerships and Strategic Alliances: Extending the Ecosystem. We have alliances and strategic partnerships with leading enterprise software providers, systems integrators, and hardware system vendors. These alliances furnish sales and marketing support and access to required technology, while also providing complementary products and services for our joint customers. More than 170

Table of Contents

companies help market, resell, or implement Informatica's solution around the world. Additionally, more than 50 companies have embedded our core products into their own, enabling their customers to benefit from the enterprise-class data integration we provide within their products.

Sales, Marketing, and Distribution

We market and sell software and services through both our direct sales force and indirect channel partners in North America, Europe, Asia-Pacific, Latin America, and other regions around the world. As of December 31, 2008, we employed 572 people in our sales and marketing organization worldwide.

Marketing programs are focused on creating awareness of Informatica and its products and services, generating interest among new customers as well as interest in new products within existing customers, documenting compelling customer references, and creating up-sell/cross-sell opportunities for our products. These programs are targeted at such key executives as chief information officers, vice presidents of IT, and vice presidents of specific functional areas such as marketing, sales, service, finance, human resources, manufacturing, distribution, and procurement as well as enterprise architects and other key IT professionals focused on data integration. Our marketing personnel engage in a variety of activities, including positioning our software products and services, conducting public relations programs, establishing and maintaining relationships with industry analysts, producing collateral that describes our products, services, and solutions, and generating qualified sales leads.

Our global sales process consists of several phases: lead generation, opportunity qualification, needs assessment, product demonstration, proposal generation, and contract negotiation. Although the typical sales cycle requires three to six months, some sales cycles have lasted substantially longer. In a number of instances, our relationships with systems integrators and other strategic partners have reduced sales cycles by generating qualified sales leads, making initial customer contacts, assessing needs prior to our introduction to the customers, and endorsing our products to the customers before their product selection. Also, partners have assisted in the creation of presentations and demonstrations, which we believe enhances our overall value proposition and competitive position.

In addition to our direct sales efforts, we distribute our products through systems integrators, resellers, distributors, and OEM partners in the United States and internationally. Systems integrators typically have expertise in vertical or functional markets. In some cases, they resell our products, bundling them with their broader service offerings. In other cases, they influence direct sales of our products. Distributors sublicense our products and provide service and support within their territories. OEMs embed portions of our technology in their product offerings.

Research and Development

As of December 31, 2008, we employed 439 people in our research and development organization. This team is responsible for the design, development, and release of our products. The group is organized into four disciplines: development, quality assurance, documentation, and product management. Members from each discipline, along with a product-marketing manager, form focus teams that work closely with sales, marketing, services, customers, and prospects to better understand market needs and user requirements. These teams utilize a well-defined software development methodology that we believe enables us to deliver products that satisfy real business needs for the global market while also meeting commercial quality expectations.

When appropriate, we also use third parties to expand the capacity and technical expertise of our internal research and development team. On occasion, we have licensed third-party technology. We believe this approach shortens time to market without compromising competitive position or product quality, and we plan to continue drawing on third-party resources as needed in the future.

Approximately 40% of Informatica’s research and development team is based in the United States and the remainder is based in Australia, India, Ireland, Israel, the Netherlands, and the United Kingdom. The international development teams are focused on development and quality assurance work of our data integration, data quality, data transformation, and identity resolution technologies. Our international development effort is intended to increase development productivity and deliver innovative product capabilities. Our research and development expenditures, which are expensed as incurred, were $72.5 million in 2008, $69.9 million in 2007, and $55.0 million in 2006.

Table of Contents

Competition

The market for our products is highly competitive, quickly evolving, and subject to rapidly changing technology. Our competition consists of hand-coding, custom-built data integration solutions developed in-house by various companies in the industry segments that we target, as well as vendors of integration solutions typically used for departmental deployment, including IBM (which acquired Ascential Software, DataMirror, and Cognos), Microsoft, Oracle (which acquired BEA Systems, Sunopsis, Hyperion Solutions, and Siebel), SAP (which acquired Business Objects which had acquired FirstLogic), and certain privately held companies. With regard to data quality, we compete against SAP (which acquired Business Objects), Trillium (which is part of Harte-Hanks), and SAS Institute, as well as various other privately held companies.

We currently compete on the basis of the breadth and depth of our products' functionality as well as on the basis of price. Additionally, we compete on the basis of certain other factors, including neutrality, dependability, user efficiency, quality of products, services, support, and versatility. We believe that we currently compete favorably with respect to these factors. For a further discussion of our competition, see "Risk Factors—If we do not compete effectively with companies selling data integration products, our revenues may not grow and could decline" in Item 1A.

Seasonality

Our business is influenced by seasonal factors, largely due to customer buying patterns. In recent years, we have generally had weaker demand for our software products and services in the first and third quarters of the year and seasonally stronger demand in the fourth quarter, though demand in the fourth quarter of 2008 was not as strong as in a typical fourth quarter. Our consulting and education services have sometimes been negatively impacted in the fourth and first quarters of the year due to the holiday season and internal meetings, which result in fewer billable hours for our consultants and fewer education classes.

Intellectual Property and Other Proprietary Rights

Our success depends in part upon our proprietary technology. We rely on a combination of patent, copyright, trademark and trade secret rights, confidentiality procedures, and licensing arrangements to establish and protect our proprietary rights. As part of our confidentiality procedures, we generally enter into non-disclosure agreements with our employees, distributors, and corporate partners and into license agreements with respect to our software, documentation, and other proprietary information. In addition, we have 21 patents issued in the United States, 2 patents issued in the European Union, 2 patents issued in Canada, 5 patent applications pending in the United States, 9 patent applications pending in Canada, 3 patent applications pending in the European Union and 1 patent application pending in each Australia and New Zealand. Our issued patents are scheduled to expire at various times through February 2024. Where appropriate, we have also entered into patent cross-license agreements with third parties, thereby acquiring additional intellectual property rights which preserve our ability to pursue normal business activity and minimize our risks in entering new and adjacent technology markets.

Nonetheless, our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented, or challenged. In addition, the laws of various foreign countries where our products are distributed do not protect our intellectual property rights to the same extent as U.S. laws. Our inability to protect our proprietary information could harm our business.

Employees

As of December 31, 2008, we had a total of 1,611 employees, including 439 people in research and development, 572 people in sales and marketing, 407 people in consulting, customer support, and education services, and 193 people in general and administrative services. None of our employees is represented by a labor union. We have not experienced any work stoppages, and we consider employee relations to be good.

Table of Contents

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Form 10-K, we have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, or results of operation. Investors should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, and investors may lose all or part of their investment.

Adverse conditions in the U.S. or global economies could negatively affect sales of our products and services, and could harm our operating results, which could result in a decline in the price of our common stock.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in the domestic and global economies. We have experienced the adverse effect of economic slowdowns in the past, which resulted in a significant reduction in capital spending by our customers, as well as longer sales cycles, and the deferral or delay of purchases of our products.

The current global recession and associated global economic conditions have resulted in a tightening of the credit markets, low levels of liquidity in many financial markets, and extreme volatility in credit, equity and foreign currency markets. These conditions have affected the buying patterns of our customers and prospects and have adversely affected our overall pipeline conversion rate as well as our revenue growth expectations. If the conditions do not improve or should conditions worsen, our results of operations would continue to be adversely affected and we could fail to meet the expectations of stock analysts and investors, which could cause the price of our common stock to decline.

We are investing in Asia-Pacific and Latin America, and there are significant risks with overseas investments and our growth prospects in these regions are uncertain. In addition, we could experience delays in the payment obligations of our worldwide reseller customers if they experience weakness in the end-user market, which would increase our credit risk exposure and harm our financial condition.

If we do not compete effectively with companies selling data integration products, our revenues may not grow and could decline.

The market for our products is highly competitive, quickly evolving, and subject to rapidly changing technology. In addition, consolidation among vendors in the software industry continues at a rapid pace. Our competition consists of hand-coding, custom-built data integration solutions developed in-house by various companies in the industry segments that we target, as well as other vendors of integration software products, including IBM (which acquired Ascential Software, DataMirror, and Cognos), Microsoft, Oracle (which acquired BEA Systems, Sunopsis, Hyperion Solutions, and Siebel), SAP (which acquired Business Objects which had acquired FirstLogic), and certain privately held companies. In the past, we have competed with business intelligence vendors that currently offer, or may develop, products with functionalities that compete with our products, such as Business Objects, and to a lesser degree, Cognos, and certain privately held companies. With regard to data quality, we compete against SAP (which acquired Business Objects), Trillium (which is part of Harte-Hanks), and SAS Institute, as well as various other privately held companies. Many of these competitors have longer operating histories, substantially greater financial, technical, marketing, and other resources, and greater name recognition than we do and may be able to exert greater influence on customer purchase decisions. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Our current and potential competitors may develop and market new technologies that render our existing or future products obsolete, unmarketable, or less competitive.

We believe we currently compete on the basis of the breadth and depth of our products' functionality, as well as on the basis of price. We may have difficulty competing on the basis of price in circumstances where our competitors develop and market products with similar or superior functionality and pursue an aggressive pricing strategy or bundle data integration technology and data quality at no cost to the customer or at deeply discounted prices. These difficulties may increase as larger companies target the data integration and data quality markets. As a result, increased competition and bundling strategies could seriously impede our ability to sell additional products and services on terms favorable to us.

Our current and potential competitors may make strategic acquisitions, consolidate their operations, or establish cooperative relationships among themselves or with other solution providers, thereby increasing their ability to provide a broader suite of software products or solutions and more effectively address the needs of our prospective customers. Such acquisitions could cause customers to defer their purchasing decisions. Our current and potential competitors may establish or strengthen cooperative relationships with our

Table of Contents

current or future strategic partners, thereby limiting our ability to sell products through these channels. If any of this were to occur, our ability to market and sell our software products would be impaired. In addition, competitive pressures could reduce our market share or require us to reduce our prices, either of which could harm our business, results of operations, and financial condition.

Our international operations expose us to greater risks, including but not limited to those regarding intellectual property, collections, exchange rate fluctuations, and regulations, which could limit our future growth.

We have significant operations outside the United States, including software development centers in Australia, India, Ireland, Israel, the Netherlands, and the United Kingdom, sales offices in Europe, including France, Germany, the Netherlands, Switzerland, and the United Kingdom, as well as in countries in Asia-Pacific, and customer support centers in India, Brazil, the Netherlands, and the United Kingdom. Additionally, since 2005 we have opened sales offices in Brazil, China, India, Italy, Japan, Mexico, Portugal, South Korea, Spain, and Taiwan, and we plan to continue to expand our international operations. Our international operations face numerous risks. For example, to sell our products in certain foreign countries, our products must be localized, that is, customized to meet local user needs and to meet the requirements of certain markets, particularly some in Asia, where our product must be enabled to support Asian language characters. Developing internationalized versions of our products for foreign markets is difficult, requires us to incur additional expenses, and can take longer than we anticipate. We currently have limited experience in internationalizing products and in testing whether these internationalized products will be accepted in the target countries. We cannot ensure that our internationalization efforts will be successful.

In addition, we have only a limited history of marketing, selling, and supporting our products and services internationally. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. However, we have experienced difficulties in recruiting, training, managing, and retaining an international staff, in particular related to sales management and sales personnel, which have affected our ability to increase sales productivity, and related to turnover rates and wage inflation in India, which have increased costs. We may continue to experience such difficulties in the future.

We must also be able to enter into strategic distributor relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful strategic distributor relationships internationally or recruit additional companies to enter into strategic distributor relationships, our future success in these international markets could be limited.

Business practices in the international markets that we serve may differ from those in North America and may require us to include terms in our software license agreements, such as extended payment or warranty terms, or performance obligations that may require us to defer license revenues and recognize them ratably over the warranty term or contractual period of the agreement. Although historically we have infrequently entered into software license agreements that require ratable recognition of license revenue, we may enter into software license agreements in the future that may include non-standard terms related to payment, maintenance rates, warranties, or performance obligations.

Our software development centers in Australia, India, Ireland, Israel, the Netherlands, and the United Kingdom also subject our business to certain risks, including the following:

- greater difficulty in protecting our ownership rights to intellectual property developed in foreign countries, which may have laws that materially differ from those in the United States;

- communication delays between our main development center in Redwood City, California and our development centers in Australia, India, Ireland, Israel, the Netherlands, and the United Kingdom as a result of time zone differences, which may delay the development, testing, or release of new products;

- greater difficulty in relocating existing trained development personnel and recruiting local experienced personnel, and the costs and expenses associated with such activities; and

- increased expenses incurred in establishing and maintaining office space and equipment for the development centers.

Additionally, our international operations as a whole are subject to a number of risks, including the following:

- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business;

- higher risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;

- greater risk of a failure of our foreign employees to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act, and any trade regulations ensuring fair trade practices;

- potential conflicts with our established distributors in countries in which we elect to establish a direct sales presence;

- our limited experience in establishing a sales and marketing presence and the appropriate internal systems, processes, and controls in Asia-Pacific, especially China, Singapore, South Korea, and Taiwan; and

- general economic and political conditions in these foreign markets.

For example, an increase in international sales would expose us to foreign currency fluctuations where an unfavorable change in the exchange rate of foreign currencies against the U.S. dollar would result in lower revenues when translated into U.S. dollars although operating expenditures would be lower as well. Historically, the effect of changes in foreign currency exchange rates on revenue and operating expenses has been immaterial although in the fourth quarter of 2008 the increased volatility in currency markets caused a greater than historical impact. Beginning in the fourth quarter of 2008, we have attempted to minimize the impact of certain foreign currency fluctuations through hedging programs for the foreign subsidiaries where we do not have a natural hedge. However, as our international operations grow, or if the current dramatic fluctuations in foreign currency exchange rates continue or increase or if our hedging programs become ineffective, the effect of changes in the foreign currency exchange rates could become material to revenue, operating expenses, and income. These factors and other factors could harm our ability to gain future international revenues and, consequently, materially impact our business, results of operations, and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to manage our international operations and the associated risks effectively could limit the future growth of our business.

New product introductions and product enhancements may impact market acceptance of our products and affect our results of operations.

We believe that the introduction and market acceptance of new products and enhancement of existing products are important to our continued success. New product introductions and product enhancements have inherent risks including, but not limited to, delayed product availability, product quality and interoperability, and customer adoption or the delay in customer purchases. In June 2008, we delivered the generally available version of PowerCenter 8.6, PowerExchange 8.6, Informatica Data Quality 8.6, and the Informatica On Demand Data Loader, a version upgrade to our entire data integration platform. New product introductions and/or enhancements such as these have inherent risks, including but not limited to the following:

- delay in completion, launch, delivery, or availability;

- delay in customer purchases in anticipation of new products not yet released;

- product quality issues, including the possibility of defects;

- market confusion based on changes to the product packaging and pricing as a result of a new product release;

- interoperability issues with third-party technologies;
- issues with migration or upgrade paths from previous product versions;
- loss of existing customers that choose a competitor's product instead of upgrading or migrating to the new product; and
- loss of maintenance revenues from existing customers that do not upgrade or migrate.

Given the risks associated with the introduction of new products, we cannot predict their impact on our overall sales and revenues.

We have experienced and could continue to experience fluctuations in our quarterly operating results, especially the amount of license revenues we recognize each quarter, and such fluctuations have caused and could cause our stock price to decline.

Our quarterly operating results, particularly our license revenues, have fluctuated in the past and may do so in the future. These fluctuations have caused our stock price to experience declines in the past and could cause our stock price to significantly fluctuate or experience declines in the future. One of the reasons why our operating results have fluctuated is that our license revenues, which are primarily sold on a perpetual license basis, are not predictable with any significant degree of certainty and are vulnerable to short-term shifts in customer demand. Also, we could experience customer order deferrals in anticipation of future new product introductions or product enhancements, as well as a result of particular budgeting and purchase cycles of our customers. Deteriorating global economic conditions are also likely to cause customer order deferrals and adversely affect budgeting and purchase cycles. By comparison, our short-term expenses are relatively fixed and based in part on our expectations of future revenues.

Moreover, our backlog of license orders at the end of a given fiscal period has tended to vary. Historically, our backlog typically decreases from the prior quarter at the end of the first and third quarters and increases from the prior quarter at the end of the fourth quarter, although the increase was less pronounced at the end of 2008.

Furthermore, we generally recognize a substantial portion of our license revenues in the last month of each quarter and, sometimes, in the last few weeks of each quarter. As a result, we cannot predict the adverse impact caused by cancellations or delays in orders until the end of each quarter. Moreover, the likelihood of an adverse impact may be greater if we experience increased average transaction sizes due to a mix of relatively larger deals in our sales pipeline.

We have expanded our international operations and have opened new sales offices in other countries. As a result of this international expansion, as well as the increase in our direct sales headcount in the United States, our sales and marketing expenses have increased. We expect these investments to increase our revenues, sales productivity, and eventually our profitability. However, if we experience an increase in sales personnel turnover, do not achieve expected increases in our sales pipeline, experience a decline in our sales pipeline conversion ratio, or do not achieve increases in productivity and efficiencies from our new sales personnel as they gain more experience, then we may not achieve our expected increases in revenue, sales productivity, and profitability. We have experienced some increases in revenue and sales productivity in the United States in the past few years. While in the past year, we have experienced increases in revenue and sales productivity internationally, we have not yet achieved the same level of sales productivity internationally as domestically.

Due to the difficulty we experience in predicting our quarterly license revenues, we believe that quarter-to-quarter comparisons of our operating results are not necessarily a good indication of our future performance. Furthermore, our future operating results could fail to meet the expectations of stock analysts and investors. If this happens, the price of our common stock could fall.

If we are unable to accurately forecast revenues, we may fail to meet stock analysts' and investors' expectations of our quarterly operating results, which could cause our stock price to decline.

We use a "pipeline" system, a common industry practice, to forecast sales and trends in our business. Our sales personnel monitor the status of all proposals, including the date when they estimate that a customer will make a purchase decision and the potential dollar amount of the sale. We aggregate these estimates periodically in order to generate a sales pipeline. We assess the pipeline at various points in time to look for trends in our business. While this pipeline analysis may provide us with some guidance in business planning and budgeting, these pipeline estimates are necessarily speculative and may not consistently correlate to revenues in a particular quarter or over a longer period of time, particularly in the current global economic recession. Additionally, because we have historically recognized a substantial portion of our license revenues in the last month of each quarter and sometimes in the last few weeks of each quarter, we may not be able to adjust our cost structure in a timely manner in response to variations in the conversion of the sales pipeline into license revenues. Any change in the conversion rate of the pipeline into customer sales or in the pipeline itself could cause us to improperly budget for future expenses that are in line with our expected future revenues, which would adversely affect our operating margins and results of operations and could cause the price of our common stock to decline.

Table of Contents

We have experienced reduced sales pipeline and pipeline conversion rates in prior years, which have adversely affected the growth of our company and the price of our common stock.

In the past, we have experienced a reduced conversion rate of our overall license pipeline, primarily as a result of general economic slowdowns, which caused the amount of customer purchases to be reduced, deferred, or cancelled. As such, we have experienced uncertainty regarding our sales pipeline and our ability to convert potential sales of our products into revenue. We experienced an increase in the size of our sales pipeline and some increases in our pipeline conversion rate subsequent to 2005 as a result of our increased investment in sales personnel and a gradually improving IT spending environment. However, the size of our sales pipeline and our conversion rate are not consistent on a quarter-to-quarter basis. Our conversion rate declined in the third quarter of 2006, increased in the fourth quarter of 2006 and throughout 2007, and declined in 2008. The global economic recession has had and will likely continue to have an adverse effect on our conversion rate in the near future. If we are unable to continue to increase the size of our sales pipeline and our pipeline conversion rate, our results of operations could fail to meet the expectations of stock analysts and investors, which could cause the price of our common stock to decline.

We rely on our relationships with our strategic partners. If we do not maintain and strengthen these relationships, our ability to generate revenue and control expenses could be adversely affected, which could cause a decline in the price of our common stock.

We believe that our ability to increase the sales of our products depends in part upon maintaining and strengthening relationships with our current strategic partners and any future strategic partners. In addition to our direct sales force, we rely on established relationships with a variety of strategic partners, such as systems integrators, resellers, and distributors, for marketing, licensing, implementing, and supporting our products in the United States and internationally. We also rely on relationships with strategic technology partners, such as enterprise application providers, database vendors, data quality vendors, and enterprise integrator vendors, for the promotion and implementation of our products. Among others, we are partners with Cognos (acquired by IBM), FAST (acquired by Microsoft), SAP, Oracle, Hyperion Solutions (acquired by Oracle), and salesforce.com and have recently partnered with NEC.

Our strategic partners offer products from several different companies, including, in some cases, products that compete with our products. We have limited control, if any, as to whether these strategic partners devote adequate resources to promoting, selling, and implementing our products as compared to our competitors’ products.

Although our strategic partnership with IBM’s Business Consulting Services group has been successful in the past, IBM’s acquisition of Ascential Software, DataMirror, and Cognos has made it critical that we strengthen our relationships with our other strategic partners. Business Objects’ acquisition of FirstLogic, a former strategic partner, and SAP’s acquisition of Business Objects may also make such strengthening with other strategic partners more critical. We cannot guarantee that we will be able to strengthen our relationships with our strategic partners or that such relationships will be successful in generating additional revenue.

We may not be able to maintain our strategic partnerships or attract sufficient additional strategic partners, who have the ability to market our products effectively, are qualified to provide timely and cost-effective customer support and service, or have the technical expertise and personnel resources necessary to implement our products for our customers. In particular, if our strategic partners do not devote sufficient resources to implement our products, we may incur substantial additional costs associated with hiring and training additional qualified technical personnel to implement solutions for our customers in a timely manner. Furthermore, our relationships with our strategic partners may not generate enough revenue to offset the significant resources used to develop these relationships. If we are unable to leverage the strength of our strategic partnerships to generate additional revenues, our revenues and the price of our common stock could decline.

As a result of our products' lengthy sales cycles, our expected revenues are susceptible to fluctuations, which could cause us to fail to meet stock analysts' and investors' expectations, resulting in a decline in the price of our common stock.

Due to the expense, broad functionality, and company-wide deployment of our products, our customers' decisions to purchase our products typically require the approval of their executive decision makers. In addition, we frequently must educate our potential customers about the full benefits of our products, which also can require significant time. This trend toward greater customer executive level involvement and customer education is likely to increase as we expand our market focus to broader data integration initiatives. Further, our sales cycle may lengthen, particularly in the current economic environment, as we continue to focus our sales efforts on large corporations. As a result of these factors, the length of time from our initial contact with a customer to the customer's

Table of Contents

decision to purchase our products typically ranges from three to nine months. We are subject to a number of significant risks as a result of our lengthy sales cycle, including:

- our customers' budgetary constraints and internal acceptance review procedures;
- the timing of our customers' budget cycles;
- the seasonality of technology purchases, which historically has resulted in stronger sales of our products in the fourth quarter of the year, especially when compared to lighter sales in the first quarter of the year;
- our customers' concerns about the introduction of our products or new products from our competitors; or
- potential downturns in general economic or political conditions or potential tightening of credit markets that could occur during the sales cycle.

If our sales cycles lengthen unexpectedly, they could adversely affect the timing of our revenues or increase costs, which may independently cause fluctuations in our revenues and results of operations. Finally, if we are unsuccessful in closing sales of our products after spending significant funds and management resources, our operating margins and results of operations could be adversely impacted, and the price of our common stock could decline.

If our products are unable to interoperate with hardware and software technologies developed and maintained by third parties that are not within our control, our ability to develop and sell our products to our customers could be adversely affected, which would result in harm to our business and operating results.

Our products are designed to interoperate with and provide access to a wide range of third-party developed and maintained hardware and software technologies, which are used by our customers. The future design and development plans of the third parties that maintain these technologies are not within our control and may not be in line with our future product development plans. We may also rely on such third parties, particularly certain third-party developers of database and application software products, to provide us with access to these technologies so that we can properly test and develop our products to interoperate with the third-party technologies. These third parties may in the future refuse or otherwise be unable to provide us with the necessary access to their technologies. In addition, these third parties may decide to design or develop their technologies in a manner that would not be interoperable with our own. The continued consolidation in the enterprise software market may heighten these risks. Furthermore, our expanding product line makes maintaining interoperability more difficult as various products may have different levels of interoperability and compatibility, which may change from version to version. If any of the situations described above were to occur, we would not be able to continue to market our products as interoperable with such third-party hardware and software, which could adversely affect our ability to successfully sell our products to our customers.

The loss of our key personnel, an increase in our sales force personnel turnover rate, or the inability to attract and retain additional personnel could adversely affect our ability to grow our company successfully and may negatively impact our results of operations.

We believe our success depends upon our ability to attract and retain highly skilled personnel and key members of our management team. We continue to experience changes in members of our senior management team. As new senior personnel join our company and become familiar with our business strategy and systems, their integration could result in some disruption to our ongoing operations.

In the past, we also experienced an increased level of turnover in our direct sales force. Such increase in the turnover rate impacted our ability to generate license revenues. Although we have hired replacements in our sales force and saw the pace of the turnover decrease in 2008, we typically experience lower productivity from newly hired sales personnel for a period of 6 to 12 months. If we are unable to effectively train such new personnel, or if we experience an increase in the level of sales force turnover, our ability to generate license revenues may be negatively impacted.

In addition, we have experienced turnover in other areas of the business. As the market becomes increasingly competitive and the hiring becomes more difficult and costly, our personnel become more attractive to other companies. Our plan for continued growth requires us to add personnel to meet our growth objectives and places increased importance on our ability to attract, train, and retain new personnel. If we are unable to effectively attract and train new personnel, or if we experience an increase in the level of turnover, our results of operations may be negatively impacted.

Table of Contents

We currently do not have any key-man life insurance relating to our key personnel, and the employment of the key personnel in the United States is at will and not subject to employment contracts. We have relied on our ability to grant stock options as one mechanism for recruiting and retaining highly skilled talent. Accounting regulations requiring the expensing of stock options may impair our future ability to provide these incentives without incurring significant compensation costs. There can be no assurance that we will continue to successfully attract and retain key personnel.

If the market in which we sell our products and services does not grow as we anticipate, we may not be able to increase our revenues at an acceptable rate of growth, and the price of our common stock could decline.

The market for software products that enable more effective business decision making by helping companies aggregate and utilize data stored throughout an organization continues to change. Substantially all of our historical revenues have been attributable to the sales of products and services in the data warehousing market. While we believe that this market is still growing, we expect most of our growth to come from the emerging market for broader data integration, which includes migration, data consolidation, data synchronization, single-view projects and data quality. The use of packaged software solutions to address the needs of the broader data integration and data quality markets is relatively new and is still emerging. Additionally, we expect growth in the areas of on-demand software-as-a-service (SaaS) offerings. Our potential customers may:

- not fully value the benefits of using our products;
- not achieve favorable results using our products;
- defer product purchases due to the current global economic downturn;
- experience technical difficulties in implementing our products; or
- use alternative methods to solve the problems addressed by our products.

If this market does not grow as we anticipate, we would not be able to sell as much of our software products and services as we currently expect, which could result in a decline in the price of our common stock.

We rely on the sale of a limited number of products, and if these products do not achieve broad market acceptance, our revenues would be adversely affected.

Historically, a significant portion of our revenues have been derived from our data integration products such as PowerCenter and PowerExchange and related services. We expect sales of our data integration software and related services to comprise a significant portion of our revenues for the foreseeable future. If any of our products does not achieve market acceptance, our revenues and stock price could decrease. Market acceptance for our current products could be affected if, among other things, competition substantially increases in the enterprise data integration market or transactional applications suppliers integrate their products to such a degree that the utility of the data integration functionality that our products provide is minimized or rendered unnecessary.

Our effective tax rate is difficult to project and changes in such tax rate or adverse results of tax examinations could adversely affect our operating results.

The process of determining our anticipated tax liabilities involves many calculations and estimates are inherently complex and make the ultimate tax obligation determination uncertain. As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate prior to the completion and filing of tax returns for such periods. This process requires estimating both our geographic mix of income and our current tax exposures in each jurisdiction where we operate. These estimates involve complex issues, require extended periods of time to resolve, and require us to make judgments, such as anticipating the outcomes of audits with tax authorities and the positions that we will take on tax returns prior to our actually preparing the returns. We also determine the need to record deferred tax liabilities and the recoverability of deferred tax assets. A valuation allowance is established to the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income and other factors in each jurisdiction.

Table of Contents

Furthermore, our overall effective income tax rate may be affected by various factors in our business, including acquisitions, changes in our legal structure, changes in the geographic mix of income and expenses, changes in valuation allowances, changes in tax laws and applicable accounting rules including Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN No. 48") and Statement of Financial Accounting Standard ("SFAS") No. 123(R), Share-Based Payment, and variations in the estimated and actual level of annual pre-tax income. Further, the geographic mix of income and expense is impacted by the fluctuation in exchange rates between the U.S. dollar and the functional currencies of our subsidiaries.

The Company is currently under examination by the Internal Revenue Service and some state and foreign taxing authorities which may result in assessment(s). We may receive an assessment related to the audit of our U.S. income tax returns or from other domestic and foreign tax authorities that exceeds amounts provided for by us. In the event we are unsuccessful in reducing the amount of such assessment, our business, financial condition, or results of operations could be adversely affected. Specifically, if additional taxes and/or penalties are assessed as a result of these audits, there could be a material effect on our income tax provision, operating expenses, and net income in the period or periods for which that determination is made.

Although we believe we currently have adequate internal control over financial reporting, we are required to assess our internal control over financial reporting on an annual basis, and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"), and the rules and regulations promulgated by the SEC to implement SOX 404, we are required to furnish an annual report in our Form 10-K regarding the effectiveness of our internal control over financial reporting. The report's assessment of our internal control over financial reporting as of the end of our fiscal year must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

Management's assessment of internal control over financial reporting requires management to make subjective judgments and some of our judgments will be in areas that may be open to interpretation.

During the past few years, our organizational structure has increased in complexity. For example, we have expanded our presence in the Asia-Pacific region, where business practices can differ from those in other regions of the world and can create internal control risks. To address potential risks, we recognize revenue on transactions derived in this region (except for direct sales in Japan and Australia) only when the cash has been received and all other revenue recognition criteria have been met. We also have provided business practices training to our sales teams. While our organizational structure has increased in complexity as a result of our international expansion, our capital structure has also increased in complexity as a result of the issuance of the Convertible Notes in March 2006. Finally, our reorganization of various foreign entities in April 2006, which required a change in some of our internal controls over financial reporting, and the assessment of the impact for our adoption of FIN No. 48, further add to the reporting complexity and increase the potential risks of our ability to maintain the effectiveness of our internal controls. Overall, the combination of our increased complexity and the ever-increasing regulatory complexity make it more critical for us to attract and retain qualified and technically competent finance employees.

Although we currently believe our internal control over financial reporting is effective, the effectiveness of our internal controls in future periods is subject to the risk that our controls may become inadequate or may not operate effectively.

If we are unable to assert that our internal control over financial reporting is effective in any future period (or if our auditors are unable to provide an attestation report regarding the effectiveness of our internal controls, or qualify such report or fail to provide such report in a timely manner), we could lose investor confidence in the accuracy and completeness of our financial reports, which would have an adverse effect on our stock price.

We may not be able to successfully manage the growth of our business if we are unable to improve our internal systems, processes, and controls.

We need to continue to improve our internal systems, processes, and controls to effectively (1) manage our operations and growth, including our international growth into new geographies, particularly the Asia-Pacific and Latin American markets, and (2) realign resources from time to time to more efficiently address market or product requirements. To the extent any realignment requires changes to our internal systems, processes, and controls or organizational structure, we could experience disruption in customer

Table of Contents

relationships, increases in cost, and increased employee turnover. In addition, we may not be able to successfully implement improvements to these systems, processes, and controls in an efficient or timely manner, and we may discover deficiencies in existing systems, processes, and controls. We have licensed technology from third parties to help us accomplish this objective. The support services available for such third-party technology may be negatively affected by mergers and consolidation in the software industry, and support services for such technology may not be available to us in the future. We may experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software, which could disrupt existing customer relationships, causing us to lose customers, limit us to smaller deployments of our products, or increase our technical support costs.

The price of our common stock fluctuates as a result of factors other than our operating results, such as volatility in the capital markets and the actions of our competitors and securities analysts, as well as developments in our industry and changes in accounting rules.

The market price for our common stock has experienced significant fluctuations and may continue to fluctuate significantly. The market price for our common stock may be affected by a number of factors other than our operating results, including:

- volatility in the capital markets;
- the announcement of new products or product enhancements by our competitors;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates and recommendations by securities analysts;
- developments in our industry; and
- changes in accounting rules.

After periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that particular company. We and certain of our former officers have been named as defendants in a purported class action complaint, which was filed on behalf of certain persons who purchased our common stock between April 29, 1999 and December 6, 2000. Such actions could cause the price of our common stock to decline.

We rely on a number of different distribution channels to sell and market our products. Any conflicts that we may experience within these various distribution channels could result in confusion for our customers and a decrease in revenue and operating margins.

We have a number of relationships with resellers, systems integrators, and distributors that assist us in obtaining broad market coverage for our products and services. Although our discount policies, sales commission structure, and reseller licensing programs are intended to support each distribution channel with a minimum level of channel conflicts, we may not be able to minimize these channel conflicts in the future. Any channel conflicts that we may experience could result in confusion for our customers and a decrease in revenue and operating margins.

Any significant defect in our products could cause us to lose revenue and expose us to product liability claims.

The software products we offer are inherently complex and, despite extensive testing and quality control, have in the past and may in the future contain errors or defects, especially when first introduced. These defects and errors could cause damage to our reputation, loss of revenue, product returns, order cancellations, or lack of market acceptance of our products. We have in the past and may in the future need to issue corrective releases of our software products to fix these defects or errors, which could require us to allocate significant customer support resources to address these problems.

Our license agreements with our customers typically contain provisions designed to limit our exposure to potential product liability claims. However, the limitation of liability provisions contained in our license agreements may not be effective as a result of existing or future national, federal, state, or local laws or ordinances or unfavorable judicial decisions. Although we have not experienced any product liability claims to date, the sale and support of our products entail the risk of such claims, which could be substantial in light of the use of our products in enterprise-wide environments. In addition, our insurance against product liability may not be adequate to cover a potential claim.

The recognition of share-based payments for employee stock option and employee stock purchase plans has adversely impacted our results of operations.

The adoption of SFAS No. 123(R), Share-Based Payment, has had a significant adverse impact on our consolidated results of operations as it has increased our operating expenses and reduced our operating income, net income, and earnings per share. The effect of share-based payment on our operating income, net income, and earnings per share is not predictable because the underlying assumptions, including volatility, interest rate, and expected life, of the Black-Scholes-Merton model could vary over time.

If we are unable to successfully respond to technological advances and evolving industry standards, we could experience a reduction in our future product sales, which would cause our revenues to decline.

The market for our products is characterized by continuing technological development, evolving industry standards, changing customer needs, and frequent new product introductions and enhancements. The introduction of products by our direct competitors or others embodying new technologies, the emergence of new industry standards, or changes in customer requirements could render our existing products obsolete, unmarketable, or less competitive. In particular, an industry-wide adoption of uniform open standards across heterogeneous applications could minimize the importance of the integration functionality of our products and materially adversely affect the competitiveness and market acceptance of our products. Our success depends upon our ability to enhance existing products, to respond to changing customer requirements, and to develop and introduce in a timely manner new products that keep pace with technological and competitive developments and emerging industry standards. We have in the past experienced delays in releasing new products and product enhancements and may experience similar delays in the future. As a result, in the past, some of our customers deferred purchasing our products until the next upgrade was released. Future delays or problems in the installation or implementation of our new releases may cause customers to forgo purchases of our products and purchase those of our competitors instead. Additionally, even if we are able to develop new products and product enhancements, we cannot ensure that they will achieve market acceptance.

We recognize revenue from specific customers at the time we receive payment for our products, and if these customers do not make timely payment, our revenues could decrease.

Based on limited credit history, we recognize revenue from direct end users, resellers, distributors, and OEMs that have not been deemed creditworthy when we receive payment for our products and when all other criteria for revenue recognition have been met, rather than at the time of sale. As our business grows, if these customers and partners do not make timely payment for our products, our revenues could decrease. If our revenues decrease, the price of our common stock may fall.

The conversion provisions of our Convertible Senior Notes and the level of debt represented by such notes will dilute the ownership interests of stockholders, could adversely affect our liquidity, and could impede our ability to raise additional capital which may also be affected by the tightening of the capital markets.

In March 2006, we issued $230 million aggregate principal amount of Convertible Senior Notes due 2026. The note holders can convert the Notes into shares of our common stock at any time before the Notes mature or we redeem or repurchase them. Upon certain dates (March 15, 2011, March 15, 2016, and March 15, 2021) or the occurrence of certain events including a change in control, the note holders can require us to repurchase some or all of the Notes. Upon any conversion of the Notes, our basic earnings per share would be expected to decrease because such underlying shares would be included in the basic earnings per share calculation. Given that events constituting a "change in control" can trigger such repurchase obligations, the existence of such repurchase obligations may delay or discourage a merger, acquisition, or other consolidation. Our ability to meet our repurchase or repayment obligations of the Notes will depend upon our future performance, which is subject to economic, competitive, financial, and other factors affecting our industry and operations, some of which are beyond our control. If we are unable to meet the obligations out of cash flows from operations or other available funds, we may need to raise additional funds through public or private debt or equity financings. We may not be able to borrow money or sell more of our equity securities to meet our cash needs for reasons including the tightening of the capital markets. Even if we are able to do so, it may not be on terms that are favorable or reasonable to us.

If we are not able to adequately protect our proprietary rights, third parties could develop and market products that are equivalent to our own, which would harm our sales efforts.

Our success depends upon our proprietary technology. We believe that our product development, product enhancements, name recognition, and the technological and innovative skills of our personnel are essential to establishing and maintaining a technology leadership position. We rely on a combination of patent, copyright, trademark, and trade secret rights, confidentiality procedures, and licensing arrangements to establish and protect our proprietary rights.

However, these legal rights and contractual agreements may provide only limited protection. Our pending patent applications may not be allowed or our competitors may successfully challenge the validity or scope of any of our issued patents or any future issued patents. Our patents alone may not provide us with any significant competitive advantage, and third parties may develop technologies that are similar or superior to our technology or design around our patents. Third parties could copy or otherwise obtain and use our products or technology without authorization or develop similar technology independently. We cannot easily monitor any unauthorized use of our products, and, although we are unable to determine the extent to which piracy of our software products exists, software piracy is a prevalent problem in our industry in general.

The risk of not adequately protecting our proprietary technology and our exposure to competitive pressures may be increased if a competitor should resort to unlawful means in competing against us. For example, in July 2003, we settled a complaint against Ascential Software Corporation in which a number of former Informatica employees recruited and hired by Ascential misappropriated our trade secrets, including sensitive product and marketing information and detailed sales information regarding existing and potential customers, and unlawfully used that information to benefit Ascential in gaining a competitive advantage against us. Although we were ultimately successful in this lawsuit, there are no assurances that we will be successful in protecting our proprietary technology from competitors in the future.

We have entered into agreements with many of our customers and partners that require us to place the source code of our products into escrow. Such agreements generally provide that such parties will have a limited, non-exclusive right to use such code if: (1) there is a bankruptcy proceeding by or against us; (2) we cease to do business; or (3) we fail to meet our support obligations. Although our agreements with these third parties limit the scope of rights to use of the source code, we may be unable to effectively control such third parties' actions.

Furthermore, effective protection of intellectual property rights is unavailable or limited in various foreign countries. The protection of our proprietary rights may be inadequate and our competitors could independently develop similar technology, duplicate our products, or design around any patents or other intellectual property rights we hold.

We may be forced to initiate litigation to protect our proprietary rights. For example, on July 15, 2002, we filed a patent infringement lawsuit against Acta Technology, Inc., now known as Business Objects Data Integration, Inc. ("BODI") (which was subsequently acquired by SAP as part of its acquisition of Business Objects). We received a favorable verdict in the trial against BODI in April 2007 and after a finding by the appeals court in our favor in December 2008, BODI/SAP paid to us the full judgment amount (including pre- and post-judgment interest and a portion of the trial costs) of $14.5 million. See Note 16. Litigation, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report. Litigating claims related to the enforcement of proprietary rights is very expensive and can be burdensome in terms of management time and resources, which could adversely affect our business and operating results.

We may face intellectual property infringement claims that could be costly to defend and result in our loss of significant rights.

As is common in the software industry, we have received and may continue from time to time to receive notices from third parties claiming infringement by our products of third-party patent and other proprietary rights. As the number of software products in our target markets increases and the functionality of these products further overlaps, we may become increasingly subject to claims by a third party that our technology infringes such party's proprietary rights. In addition, there is a growing occurrence of patent suits being brought by organizations that use patents to generate revenue without manufacturing, promoting, or marketing products or investing in research and development in bringing products to market. These organizations have been increasingly active in the enterprise software

Table of Contents

market and have targeted whole industries as defendants. For example, on August 21, 2007, Juxtacomm Technologies filed a complaint in the Eastern District of Texas alleging patent infringement against the following defendants, including us: Ascential Software Corporation, Business Objects SA, Business Objects America, CA, Inc., Cognos, Inc., Cognos Corporation, DataMirror, Inc., Fiorano Software, Inc., Hummingbird Ltd., International Business Machines Corporation, Informatica Corporation, Information Builders, Inc., Intersystems, Inc., Iway Software Company, Metastorm, Inc., Microsoft Corporation, Open Text Corporation, Software AG, Software AG, Inc., Sybase, Inc., and Webmethods, Inc. More recently, on November 24, 2008, Data Retrieval Technologies LLC filed a complaint in the Western District of Washington against Sybase, Inc. and us, alleging patent infringement.

Any claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays, or require us to enter into royalty or licensing agreements, any of which could adversely affect our business, financial condition, and operating results. Although we do not believe that we are currently infringing any proprietary rights of others, additional legal action claiming patent infringement could be commenced against us. We may not prevail in such litigation given the complex technical issues and inherent uncertainties in patent litigation. The potential effects on our business that may result from third-party infringement claims, including those claims brought by Juxtacomm Technologies and Data Retrieval Technologies LLC, include the following:

- we may be forced to incur significant legal costs and expenses defending the patent infringement suit;

- we may be forced to enter into royalty or licensing agreements, which may not be available on terms favorable to us;

- we may be required to indemnify our customers or obtain replacement products or functionality for our customers;

- we may be forced to significantly increase our development efforts and resources to redesign our products as a result of these claims; and

- we may be forced to discontinue the sale of some or all of our products.

We may engage in future acquisitions or investments that could dilute our existing stockholders or could cause us to incur contingent liabilities, debt, or significant expense or could be difficult to integrate in terms of the acquired entity's products, personnel, and operations.

From time to time, in the ordinary course of business, we may evaluate potential acquisitions of, or investments in, related businesses, products, or technologies. For example, in January 2006, we acquired Similarity Systems Limited, in December 2006, we acquired Itemfield, in May 2008, we acquired Identity Systems, Inc., in October 2008, we acquired PowerData, and in February 2009, we acquired Applimation, Inc. Future acquisitions and investments like these could result in the issuance of dilutive equity securities, the incurrence of debt or contingent liabilities, or the payment of cash to purchase equity securities from third parties. There can be no assurance that any strategic acquisition or investment will succeed. Risks include difficulties in the integration of the products, personnel, and operations of the acquired entity, disruption of the ongoing business, potential management distraction from the ongoing business, difficulties in the retention of key partner alliances, potential product liability issues related to the acquired products, potential decline in the fair value of investments, potential impairment of goodwill, and potential impairment of other intangible assets.

We have substantial real estate lease commitments that are currently subleased to third parties, and if subleases for this space are terminated or cancelled, our operating results and financial condition could be adversely affected.

We have substantial real estate lease commitments in the United States and internationally. However, we do not occupy some of these leases with the most significant portion of our unoccupied leases being located in Silicon Valley. Currently, we have substantially subleased these unoccupied properties to third parties. The terms of most of these sublease agreements account for only a portion of the period of our master leases and contain rights of the subtenant to extend the term of the sublease. In addition, the current economic downturn has negatively impacted commercial lease rates and terms in the Silicon Valley area and may make it more difficult to enter into agreements with existing subtenants on sublease renewals or prospective subtenants with sublease rates or terms comparable to those contracted for in the past. To the extent that (1) our subtenants do not renew their subleases at the end of the initial term and we are unable to enter into new subleases with other parties at comparable rates, or (2) our subtenants are unable to pay the sublease rent amounts in a timely manner, our cash flow would be negatively impacted and our operating results and financial

Table of Contents

condition could be adversely affected. See Note 11. Facilities Restructuring Charges, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Delaware law and our certificate of incorporation and bylaws contain provisions that could deter potential acquisition bids, which may adversely affect the market price of our common stock, discourage merger offers, and prevent changes in our management or Board of Directors.

Our basic corporate documents and Delaware law contain provisions that might discourage, delay, or prevent a change in the control of Informatica or a change in our management. Our bylaws provide that we have a classified Board of Directors, with each class of directors subject to re-election every three years. This classified Board has the effect of making it more difficult for third parties to elect their representatives on our Board of Directors and gain control of Informatica. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

In addition, we have adopted a stockholder rights plan. Under the plan, we issued a dividend of one right for each outstanding share of common stock to stockholders of record as of November 12, 2001, and such rights will become exercisable only upon the occurrence of certain events. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, the plan could make it more difficult for a third party to acquire us or a significant percentage of our outstanding capital stock without first negotiating with our Board of Directors regarding such acquisition.

We may not successfully integrate Identity Systems, Inc.'s technologies, employees, or business operations with our own. As a result, we may not achieve the anticipated benefits of our acquisition, which could adversely affect our operating results and cause the price of our common stock to decline.

In May 2008, we acquired Identity Systems, Inc., a provider of identity resolution technology. The successful integration of Identity Systems, Inc.'s technologies, employees, and business operations will place an additional burden on our management and infrastructure. This acquisition, and others we may make in the future, will subject us to a number of risks, including:

- the failure to capture the value of the business we acquired, including the loss of any key personnel, customers, and business relationships;

- any inability to generate revenue from the combined products that offsets the associated acquisition and maintenance costs, including addressing issues related to the availability of offerings on multiple platforms and from cross-selling and up-selling our products to Identity Systems, Inc.'s installed customer base or Identity Systems, Inc.'s products to our installed customer base; and

- the assumption of any contracts or agreements from Identity Systems, Inc. that contain terms or conditions that are unfavorable to us.

There can be no assurance that we will be successful in overcoming these risks or any other problems encountered in connection with our Identity Systems, Inc. acquisition. To the extent that we are unable to successfully manage these risks, our business, operating results, or financial condition could be adversely affected, and the price of our common stock could decline.

Business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications or network failure, and other events beyond our control. We have prepared a detailed disaster recovery plan and will continue to expand the scope over time. Some of our facilities in Asia experienced disruption as a result of the December 2006 earthquake off the coast of Taiwan, which caused a major fiber outage throughout the surrounding regions. The outage affected network connectivity, which has been restored to acceptable levels. Such disruption can negatively affect our operations given necessary interaction among our international facilities. In the event such an earthquake reoccurs, it could again disrupt the operations of our affected facilities. In addition, we do not carry sufficient business interruption insurance to compensate us for losses that may occur, and any losses or damages incurred by us could have a material adverse effect on our business.

Table of Contents

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate headquarters are located in a leased facility at the Seaport Plaza in Redwood City, California and consist of approximately 159,000 square feet. The initial lease term was from December 15, 2004 to December 31, 2007 with a three-year option to renew to December 31, 2010 at fair market value. In May 2007, the Company exercised its renewal option to extend the office lease term to December 31, 2010. The facility is used by our administrative, sales, marketing, product development, customer support, and services groups.

We also occupy additional leased facilities in the United States, including offices located in Alpharetta, Georgia; Austin and Plano, Texas; Chicago, Illinois; Old Greenwich, Connecticut; New York, New York; and Reston, Virginia, which are primarily used for sales, marketing, services, and to a lesser degree, product development. Leased facilities located outside of the United States and used primarily for sales, marketing, customer support, and services include offices in Toronto, Canada; Paris, France; Frankfurt, Germany; Nieuwegein, the Netherlands; Lisboa, Portugal; Barcelona and Madrid, Spain; Maidenhead, the United Kingdom; Sydney, Australia; Beijing, China; Mumbai and New Delhi, India; Seoul, South Korea; Dublin, Ireland; Tel Aviv, Israel; Sao Paulo, Brazil; Tokyo, Japan; and Singapore. We also leased facilities in Bangalore, India and Canberra City, Australia where our offices are primarily used for product development. In addition, we lease executive office space throughout the world for our local sales and services needs. These leased facilities expire at various times through October 2017. We are continually evaluating the adequacy of existing facilities and additional facilities in new cities, and we believe that suitable additional space will be available in the future on commercially reasonable terms as needed.

We also lease certain facilities that we no longer occupy because they exceed our current requirements. Currently, we sublease these facilities to third parties. See Note 11. Facilities Restructuring Charges, and Note 15. Commitments and Contingencies, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 16. Litigation of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 31, 2008.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is listed on the NASDAQ Global Select Market under the symbol "INFA." Our initial public offering was April 29, 1999 at $4.00 per share (adjusted for stock splits in the form of stock dividends in February 2000 and November 2000). The price range per share in the table below reflects the highest and lowest sale prices for our stock as reported by the NASDAQ Global Select Market during the last two fiscal years.

	High	Low
Year ended December 31, 2008:		
Fourth quarter	$ 14.38	$ 11.00
Third quarter	$ 17.91	$ 12.77
Second quarter	$ 18.21	$ 15.04
First quarter	$ 19.31	$ 15.39
Year ended December 31, 2007:		
Fourth quarter	$ 18.28	$ 15.12
Third quarter	$ 16.02	$ 13.24
Second quarter	$ 15.39	$ 13.45
First quarter	$ 14.25	$ 12.29

Holders of Record

At January 30, 2009, there were approximately 115 stockholders of record of our common stock, and the closing price per share of our common stock was $12.76. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

We have never declared or paid cash dividends on our common stock. Because we currently intend to retain all future earnings to finance future growth, we do not anticipate paying any cash dividends in the near future.

Purchases of Equity Securities and Convertible Senior Notes by the Issuer and Affiliated Purchasers

In April 2007, Informatica's Board of Directors authorized and announced a stock repurchase program for up to $50 million of its common stock. In April 2008, Informatica's Board of Directors authorized an additional $75 million of its common stock under the stock repurchase program. Repurchases can be made from time to time in the open market and will be funded from available working capital. There is no expiration date for the repurchase program. The purpose of our stock repurchase program is to enhance shareholder value, including offsetting dilution from our stock-based incentive plans. The number of shares acquired and the timing of the repurchases are based on several factors, including the price of our common stock, the number of employees participating in our stock option plans and our employee stock purchase plan, and overall market conditions. The repurchased shares are retired and reclassified as authorized and unissued shares of common stock.

In October 2008, Informatica's Board of Directors authorized, under the existing stock repurchase program, the repurchase of a portion of its outstanding Convertible Senior Notes (the "Notes") due in 2026 in privately negotiated transactions with the holders of the Notes. As of December 31, 2008, Informatica repurchased $9.0 million of its Convertible Senior Notes at a cost of $7.8 million. See Note 6. Convertible Senior Notes and the subsection Stock Repurchase Plan in Note 7. Stockholders' Equity, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Table of Contents

The following table provides information about the repurchase of our common stock for the quarter ended December 31, 2008.

Period	(1) Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(2) Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (In thousands)
October 1 – October 31	546,000	$ 13.38	546,000	$ 52,876
November 1 – November 30	976,000	$ 12.74	976,000	$ 32,622
December 1 – December 31	—	—	—	$ 32,622
Total	1,522,000	$ 12.97	1,522,000	

(1) All shares repurchased in open-market transactions under the repurchase programs.

(2) The reduction in dollar value reflected in this amount consists of the cost of the repurchased shares in the amount of $12.4 million and the cost of the repurchased Convertible Senior Notes in the amount of $7.8 million during the November 1 – 30, 2008 time period.

We will include our performance graph that compares the five-year cumulative total return to stockholders on our common stock for the period ended December 31, 2008, with the cumulative total return of the NASDAQ Composite Index and the S&P Information Technology Index in our annual report to stockholders.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data is qualified in its entirety by, and should be read in conjunction with, the consolidated financial statements and the notes thereto included in Part II, Item 8 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7. The selected consolidated statements of income data and consolidated balance sheet data as of and for each of the five years in the period ended December 31, 2008, have been derived from the audited consolidated financial statements. All share and per share amounts have been adjusted to give retroactive effect to stock splits that have occurred since our inception.

	Years Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share data)				
Selected Consolidated Statements of Operations Data:					
Revenues:					
License	$ 195,769	$ 175,318	$ 146,092	$ 120,182	$ 97,941
Service	259,930	215,938	178,506	147,249	121,740
Total revenues	455,699	391,256	324,598	267,431	219,681
Cost of revenues:					
License	3,291	3,693	6,978	4,465	3,778
Service	80,287	69,174	58,402	46,801	40,346
Amortization of acquired technology	4,125	2,794	2,118	922	2,322
Total cost of revenues	87,703	75,661	67,498	52,188	46,446
Gross profit	367,996	315,595	257,100	215,243	173,235
Operating expenses:					
Research and development	72,522	69,908	54,997	42,585	51,322
Sales and marketing	177,339	158,298	138,851	118,770	94,900
General and administrative	37,411	35,531	28,187	20,583	20,755
Amortization of intangible assets	4,575	1,441	653	188	197
Facilities restructuring charges	3,018	3,014	3,212	3,683	112,636
Purchased in-process research and development	390	—	1,340	—	—
Patent related litigation proceeds net of patent contingency accruals	(11,495)	—	—	—	—
Total operating expenses	283,760	268,192	227,240	185,809	279,810
Income (loss) from operations	84,236	47,403	29,860	29,434	(106,575)
Interest income and other, net	7,737	15,237	11,823	6,544	3,391
Income (loss) before income taxes	91,973	62,640	41,683	35,978	(103,184)
Income tax provision	35,993	8,024	5,477	2,174	1,220
Net income (loss) (1)	$ 55,980	$ 54,616	$ 36,206	$ 33,804	$ (104,404)
Basic net income (loss) per common share (1)	$ 0.64	$ 0.63	$ 0.42	$ 0.39	$ (1.22)
Diluted net income (loss) per common share (1)	$ 0.58	$ 0.57	$ 0.39	$ 0.37	$ (1.22)
Shares used in computing basic net income (loss) per common share	88,109	87,164	86,420	87,242	85,812
Shares used in computing diluted net income (loss) per common share	103,278	103,252	92,942	92,083	85,812

	December 31, 2008	2007	2006	2005	2004
			(In thousands)		
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 179,874	$ 203,661	$ 120,491	$ 76,545	$ 88,941
Short-term investments	281,055	281,197	280,149	185,649	152,160
Restricted cash	—	12,122	12,016	12,166	12,166
Working capital	371,552	410,275	311,174	187,759	173,816
Total assets	863,112	798,644	696,765	441,022	409,768
Long-term obligations, less current portion	—	—	—	—	—
Total stockholders' equity	355,955	312,542	227,163	222,730	195,722

(1) Net income and net income per share include the impact of SFAS 123(R) share-based payments of $16.3 million, $16.0 million, and $14.1 million for the years ended December 31, 2008, 2007, and 2006, respectively, which are not included in years prior to 2006. See Note 8. Share-Based Payments, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the federal securities laws, particularly statements referencing our expectations relating to license revenues, service revenues, international revenues, deferred revenues, cost of license revenues, cost of service revenues, operating expenses, amortization of acquired technology, share-based payments, and provision for income taxes; deferred taxes; international expansion; the ability of our products to meet customer demand; continuing impacts from our 2004 and 2001 Restructuring Plans; the sufficiency of our cash balances and cash flows for the next 12 months; our stock repurchase program; investment and potential investments of cash or stock to acquire or invest in complementary businesses, products, or technologies; the impact of recent changes in accounting standards; the acquisition of Identity Systems, Inc.; and assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "intends," "plans," "anticipates," "estimates," "potential," or "continue," or t thereof, or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, these expectations or any of the forward-looking statements could prove to be incorrect, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to risks and uncertainties, including but not limited to the factors set forth under Part I, Item 1A Risk Factors. All forward-looking statements and reasons why results may differ included in this Report are made as of the date hereof, and we assume no obligation to update any such forward-looking statements or reasons why actual results may differ.

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this Report.

Overview

We are the leading independent provider of enterprise data integration software. We generate revenues from sales of software licenses for our enterprise data integration software products, including product upgrades that are not part of post-contract services, and from sales of services, which consist of maintenance, consulting, and education services.

We receive revenues from licensing our products under perpetual licenses directly to end users and indirectly through resellers, distributors, and OEMs in the United States and internationally. We also receive a small amount of revenues under subscription-based licenses for on-demand offerings from customers and partners. We receive service revenues from maintenance contracts, consulting services, and education services that we perform for customers that license our products either directly or indirectly. Most of our international sales have been in Europe, and revenues outside of Europe and North America have comprised 8% or less of total consolidated revenues during the past three years.

We license our software and provide services to many industry sectors, including, but not limited to, energy and utilities, financial services, insurance, government and public agencies, healthcare, high technology, manufacturing, retail, services, telecommunications, and transportation.

Despite the turmoil in the financial markets, and recession in the United States and many foreign economies, we were able to grow our total revenues in 2008 by 16% to $455.7 million compared to $391.3 million in 2007. License revenues increased 12% year over year, primarily as a result of increases in the volume of our transactions, and growth in international revenues. Services revenues increased 20% due to 23% growth in maintenance revenues which is attributable to the increased size of our installed customer base. Additionally, broader use of our existing products and the increase in new license sales resulted in a 14% increase in our training and consulting revenues. Since our revenues have grown at a faster pace than the increase in our operating expenses, our operating income as a percentage of revenues has grown from 12% to 18% for the years ended December 31, 2007 and 2008, respectively.

In May 2008, we acquired Identity Systems, Inc. (“Identity”), a provider of identity resolution technology. Incorporation of this technology extends our enterprise data integration platform to allow customers to perform real-time searches for specific entities across very large data volumes and to resolve identity data accurately and quickly.

On February 13, 2009, the Company acquired Applimation, Inc. (“Applimation”), a private company incorporated in Delaware, providing application Information Lifecycle Management (ILM) technology. The acquisition extends Informatica’s data integration software to include Applimation’s technology.

Table of Contents

Due to our dynamic market, we face both significant opportunities and challenges, and as such, we focus on the following key factors:

Macroeconomic Conditions: During 2008, the United States and many foreign economies have experienced significant adversity driven by varying concerns including those related to the turmoil in the credit markets and financial markets, concerns regarding the stability and viability of major financial institutions, the state of the housing and labor markets and volatility in fuel prices. Given the significance and widespread nature of the effects, the United States and global economies are in a recession and will remain challenged for some period in the future. These adverse conditions, which are beyond our control, are likely to continue to have an adverse effect on our business.

Competition: Inherent in our industry are risks arising from competition with existing software solutions, including solutions from IBM, Oracle, and SAP, technological advances from other vendors, and the perception of cost savings by solving data integration challenges through customer hand-coding development resources. Our prospective customers may view these alternative solutions as more attractive than our offerings. Additionally, the consolidation activity in our industry (including Oracle's acquisition of BEA Systems, Sunopsis and Hyperion Solutions, IBM's acquisition of DataMirror and Cognos, and SAP's acquisition of Business Objects, which had previously acquired FirstLogic) could pose challenges as competitors market a broader suite of software products or solutions to our prospective customers.

New Product Introductions: To address the expanding data integration and data integrity needs of our customers and prospective customers, we continue to introduce new products and technology enhancements on a regular basis. In October 2007, we delivered the generally available release of PowerCenter 8.5, PowerExchange 8.5, and Informatica Data Quality 8.5. In June 2008, we delivered a version upgrade to our entire data integration platform by delivering the generally available version of PowerCenter 8.6, PowerExchange 8.6, and Informatica Data Quality 8.6 including identity resolution. In November 2008, we launched our On Demand Data Synchronization Service for salesforce.com. New product introductions and/or enhancements have inherent risks including, but not limited to, product availability, product quality and interoperability, and customer adoption or the delay in customer purchases. Given the risks and new nature of the products, we cannot predict their impact on our overall sales and revenues.

Quarterly and Seasonal Fluctuations: Historically, purchasing patterns in the software industry have followed quarterly and seasonal trends and are likely to do so in the future. Specifically, it is normal for us to recognize a substantial portion of our new license orders in the last month of each quarter and sometimes in the last few weeks of each quarter, though such fluctuations are mitigated somewhat by recognition of backlog orders. In recent years, the fourth quarter has had the highest level of license revenue and order backlog, although the increase was less pronounced at the end of 2008, and we have generally had weaker demand for our software products and services in the first and third quarters.

To address these potential risks, we have focused on a number of key initiatives, including certain cost containment measures, the strengthening of our partnerships, the broadening of our distribution capability worldwide, and the targeting of our sales force and distribution channel on new products.

We have reduced expenses in certain areas and have tempered our hiring plans. In August 2008, we implemented a one-week shutdown of our operations. Instead of our traditional Informatica World conference in 2009, we have decided to host a more cost-effective set of targeted events for our customers, partners, developers, and analysts.

We are concentrating on maintaining and strengthening our relationships with our existing strategic partners and building relationships with additional strategic partners. These partners include systems integrators, resellers and distributors, and strategic technology partners, including enterprise application providers, database vendors, and enterprise information integration vendors, in the United States and internationally. In February 2008, we launched our new worldwide partner program, INFORM, which is comprised of a set of programs and services to help partners develop and promote solutions in conjunction with Informatica. In March 2008, we announced that Wipro Technologies selected Informatica Data Migration Suite to power its Data Migration Services. We are partners with FAST (acquired by Microsoft), SAP, Oracle, Hyperion Solutions (acquired by Oracle) and salesforce.com. We have also recently partnered with NEC. See "Risk Factors—We rely on our relationships with our strategic partners. If we do not maintain and strengthen these relationships, our ability to generate revenue and control expenses could be adversely affected, which could cause a decline in the price of our common stock" in Part I, Item 1A.

We have broadened our distribution efforts, and we have continued to expand our sales both in terms of selling data warehouse products to the enterprise level and of selling more strategic data integration solutions beyond data warehousing, including data quality, data migrations, data consolidations, data synchronizations, data hubs, and cross-enterprise data integration to our customers' enterprise architects and chief information officers. We have expanded our international sales presence in recent years by opening new offices, increasing headcount, and through acquisitions. As a result of this international expansion, as well as the increase in our direct sales headcount in the United States, our sales and marketing expenses have increased. In the long term, we expect these investments to result in increased revenues and productivity and ultimately higher profitability. However, if we experience an increase in sales personnel turnover, do not achieve expected increases in our sales pipeline, experience a decline in our sales pipeline conversion ratio, or do not achieve increases in sales productivity and efficiencies from our new sales personnel as they gain more experience, then it is unlikely that we will achieve our expected increases in revenue, sales productivity, or profitability. We have experienced some increases in revenues and sales productivity in the United States in the past few years. During the past year, we have also experienced increases in revenues internationally, but we have not yet achieved the same level of sales productivity internationally as domestically.

To address the risks of introducing new products, we have continued to invest in programs to help train our internal sales force and our external distribution channel on new product functionalities, key differentiations, and key business values. These programs include user conferences for customers and partners, our annual sales kickoff conference for all sales and key marketing personnel in January, “Webinars” for our direct sales force and indirect distribution channel, in-person technical seminars for our pre-sales consultants, the building of product demonstrations, and creation and distribution of targeted marketing collateral. We have also invested in partner enablement programs, including product-specific briefings to partners and the inclusion of several partners in our beta programs.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements, we make assumptions, judgments, and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments, and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis we evaluate our assumptions, judgments, and estimates and make changes accordingly. We also discuss our critical accounting estimates with the Audit Committee of the Board of Directors. We believe that the assumptions, judgments, and estimates involved in the accounting for revenue recognition, facilities restructuring charges, income taxes, impairment of goodwill, acquisitions, share-based payments, and allowance for doubtful accounts have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. We discuss below the critical accounting estimates associated with these policies. Historically, our assumptions, judgments, and estimates relative to our critical accounting policies have not differed materially from actual results. For further information on our significant accounting policies, see the discussion in Note 2. Summary of Significant Accounting Policies, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Revenue Recognition

We follow detailed revenue recognition guidelines, which are discussed below. We recognize revenue in accordance with generally accepted accounting principles (GAAP) in the United States that have been prescribed for the software industry. The accounting rules related to revenue recognition are complex and are affected by interpretations of the rules, which are subject to change. Consequently, the revenue recognition accounting rules require management to make significant judgments, such as determining if collectibility is probable.

We derive revenues from software license fees, maintenance fees (which entitle the customer to receive product support and unspecified software updates), and professional services, consisting of consulting and education services. We follow the appropriate revenue recognition rules for each type of revenue. The basis for recognizing software license revenue is determined by the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2 Software Revenue Recognition, together with other authoritative literature including, but not limited to, the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) 104, Revenue Recognition, see the subsection Revenue Recognition in Note 2. Summary of Significant Accounting Policies, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report. Substantially all of our software licenses are perpetual licenses under which the customer acquires the perpetual right to use the software as provided and subject to the conditions of the license agreement. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is probable. In applying these criteria to revenue transactions, we must exercise judgment and use estimates to determine the amount of software, maintenance, and professional services revenue to be recognized at each period.

We assess whether fees are fixed or determinable prior to recognizing revenue. We must make interpretations of our customer contracts and exercise judgments in determining if the fees associated with a license arrangement are fixed or determinable. We consider factors including extended payment terms, financing arrangements, the category of customer (end-user customer or reseller),

Table of Contents

rights of return or refund, and our history of enforcing the terms and conditions of customer contracts. If the fee due from a customer is not fixed or determinable due to extended payment terms, revenue is recognized when payment becomes due or upon cash receipt, whichever is earlier. If we determine that a fee due from a reseller is not fixed or determinable upon shipment to the reseller, we do not recognize the revenue until the reseller provides us with evidence of sell-through to an end-user customer and/or upon cash receipt. Further, we make judgment in determining the collectibility of the amounts due from our customers that could possibly impact the timing of revenue recognition. We assess credit worthiness and collectibility, and, when a customer is not deemed credit worthy, revenue is recognized when payment is received.

Our software license arrangements include the following multiple elements: license fees from our core software products and/or product upgrades that are not part of post-contract services, maintenance fees, consulting, and/or education services. We use the residual method to recognize license revenue upon delivery when the arrangement includes elements to be delivered at a future date and vendor-specific objective evidence (VSOE) of fair value exists to allocate the fee to the undelivered elements of the arrangement. VSOE is based on the price charged when an element is sold separately. If VSOE does not exist for any undelivered software product element of the arrangement, all revenue is deferred until all elements have been delivered, or VSOE is established. If VSOE does not exist for any undelivered services elements of the arrangement, all revenue is recognized ratably over the period that the services are expected to be performed. We are required to exercise judgment in determining if VSOE exists for each undelivered element.

Consulting services, if included as part of the software arrangement, generally do not require significant modification or customization of the software. If, in our judgment, the software arrangement includes significant modification or customization of the software, then software license revenue is recognized as the consulting services revenue is recognized.

Consulting revenues are primarily related to implementation services and product configurations. These services are performed on a time-and-materials basis and, occasionally, on a fixed-fee basis. Revenue is generally recognized as these services are performed. If uncertainty exists about our ability to complete the project, our ability to collect the amounts due, or in the case of fixed-fee consulting arrangements, our ability to estimate the remaining costs to be incurred to complete the project, revenue is deferred until the uncertainty is resolved.

Multiple contracts with a single counterparty executed within close proximity of each other are evaluated to determine if the contracts should be combined and accounted for as a single arrangement.

We recognize revenues net of applicable sales taxes, financing charges that we have absorbed, and amounts retained by our resellers and distributors, if any. Our agreements do not permit for returns, and historically we have not had any significant returns or refunds; therefore, we have not established a sales return reserve at this time.

Facilities Restructuring Charges

During the fourth quarter of 2004, we recorded significant charges (2004 Restructuring Plan) related to the relocation of our corporate headquarters, to take advantage of more favorable lease terms and reduce our operating expenses. The accrued restructuring charges represent net present value of lease obligations and estimated commissions and other costs (principally leasehold improvements and asset write-offs), offset by actual and estimated gross sublease income, which is net of estimated broker commissions and tenant improvement allowances, expected to be received over the remaining lease terms. In addition, we significantly increased the 2001 restructuring charges (2001 Restructuring Plan) in the third and fourth quarters of 2004 due to changes in our assumptions used to calculate the original charges, as a result of our decision to relocate our corporate headquarters.

These liabilities include management's estimates pertaining to sublease activities. Inherent in the assessment of the costs related to our restructuring efforts are estimates related to the probability weighted outcomes of the significant actions to accomplish the restructuring. We will continue to evaluate the commercial real estate market conditions periodically to determine if our estimates of the amount and timing of future sublease income are reasonable based on current and expected commercial real estate market conditions. Our estimates of sublease income may vary significantly depending, in part on factors that may be beyond our control; such as the global economic downturn, time periods required to locate and contract suitable subleases and market rates at the time of subleases. Currently, we have subleased our excess facilities in connection with our 2004 and 2001 facilities restructuring but for durations that are generally less than the remaining lease terms.

If we determine that there is a change in the estimated sublease rates or in the expected time it will take us to sublease our vacant space, we may incur additional restructuring charges in the future and our cash position could be adversely affected. See Note 11. Facilities Restructuring Charges, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report. Future adjustments to the charges could result from a change in the time period that the buildings will be vacant, expected sublease rates, expected sublease terms, and the expected time it will take to sublease.

Table of Contents

Accounting for Income Taxes

We use the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standard ("SFAS") No. 109, Accounting for Income Taxes. Under this method, income tax expenses or benefits are recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Effective January 1, 2007, we adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainties in Income Taxes—an Interpretation of FASB Statement 109 ("FIN No. 48") to account for any income tax contingencies. The measurement of current and deferred tax assets and liabilities is based on provisions of currently enacted tax laws. The effects of any future changes in tax laws or rates have not been taken into account.

As part of the process of preparing consolidated financial statements, we are required to estimate our income taxes and tax contingencies in each of the tax jurisdictions in which we operate prior to the completion and filing of tax returns for such periods. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in net deferred tax assets and liabilities. We must then assess the likelihood that the deferred tax assets will be realizable, and to the extent we believe that realizability is not likely, we must establish a valuation allowance.

In assessing the need for any additional non-share-based payments valuation allowance, we considered all the evidence available to us both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies.

As a result of this analysis for the year ended December 31, 2008, we considered it more likely than not that our non-stock option related deferred tax assets would be realized. As such, the remaining valuation allowance is primarily related to our share-based payments deferred tax assets. The benefit of these deferred tax assets will be recorded in the stockholders' equity as realized, and as such, they will not reduce our effective tax rate.

Accounting for Impairment of Goodwill

We assess goodwill for impairment in accordance with SFAS No. 142, Goodwill and Other Intangible Assets, which requires that goodwill be tested for impairment at the "reporting unit level" ("Reporting Unit") at least annually and more frequently upon the occurrence of certain events, as defined by SFAS No. 142. Consistent with our determination that we have only one reporting segment, we have determined that there is only one Reporting Unit. We tested goodwill for impairment in our annual impairment tests on October 31 of each of the years 2008, 2007, and 2006, using the two-step process required by SFAS No. 142. First, we review the carrying amount of the Reporting Unit compared to the "fair value" of the Reporting Unit based on quoted market prices of our common stock. Second, if such comparison reflects potential impairment, we would then perform the discounted cash flow analyses. These analyses are based on cash flow assumptions that are consistent with the plans and estimates being used to manage our business. An excess carrying value to fair value would indicate that goodwill may be impaired. Finally, if we determined that goodwill may be impaired, then we would compare the "implied fair value" of the goodwill, as defined by SFAS No. 142, to its carrying amount to determine the impairment loss, if any.

We determined in our annual impairment tests on October 31, 2008, 2007, and 2006 that the fair value of the Reporting Unit exceeded the carrying amount and, accordingly, goodwill had not been impaired. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends and internal factors such as changes in our business strategy and our internal forecasts. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results.

Accounting for impairment of goodwill will be impacted by certain elements of SFAS No. 157, Fair Value Measurements, related to FASB Staff Position ("FSP") No. 157-2 for non-financial assets and liabilities, which is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. We will apply this pronouncement to our accounting for impairment of goodwill in 2009.

Table of Contents

Acquisitions

In accordance with SFAS No. 141, Business Combinations, we are required to allocate the purchase price of acquired companies to the tangible and intangible assets acquired, liabilities assumed, as well as to in-process research and development (IPR&D) based on their estimated fair values at the acquisition date. The purchase price allocation process requires management to make significant estimates and assumptions, especially at acquisition date with respect to intangible assets, support obligations assumed, estimated restructuring liabilities, and pre-acquisition contingencies.

A number of events could potentially affect the accuracy of our assumptions and estimates. Although we believe the assumptions and estimates that we have made are reasonable and appropriate, nevertheless a level of uncertainty is inherent in all such decisions. The following are some of the examples of critical accounting estimates that we have applied in our acquisitions:

- future expected cash flows from software license sales, support agreements, consulting contracts, other customer contracts, and acquired developed technologies and patents;

- expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed;

- the acquired company’s brand and competitive position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company’s product portfolio; and

- discount rates.

In connection with the purchase price allocations for our acquisitions, we estimate the fair value of the support obligations assumed. The estimated fair value of the support obligations is determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The estimated costs to fulfill the support obligations are based on the historical direct costs related to providing the support services and to correct any errors in the software products acquired. The sum of these costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligation. We do not include any costs associated with selling efforts or research and development or the related fulfillment margins on these costs. Profit associated with any selling efforts is excluded because the acquired entities would have concluded those selling efforts on the support contracts prior to the acquisition date. We also do not include the estimated research and development costs in our fair value determinations, as these costs are not deemed to represent a legal obligation at the time of acquisition.

In any acquisition, we may identify certain pre-acquisition contingencies. If we are able to determine the fair value of such contingencies during the purchase price allocation period, we will include that amount in the purchase price allocation. On the other hand, if as of the end of the purchase price allocation period, we are unable to determine the fair value of a pre-acquisition contingency, we will evaluate whether to include an amount in the purchase price allocation based on whether it is probable a liability had been incurred and whether an amount can be reasonably estimated. Under the provisions of SFAS No. 141, with the exception of unresolved income tax matters and certain earn-out payments, after the end of the purchase price allocation period, any adjustment to amounts recorded for a pre-acquisition contingency will be included in our operating results in the period in which the adjustment is determined.

Accounting for business combinations will be impacted by certain elements of SFAS No. 157, Fair Value Measurements, related to FSP No. 157-2 for non-financial assets and liabilities, SFAS No. 141(R), Business Combinations, and FSP No. 142-3, Determination of the Useful Life of Intangible Assets, which became all effective for us on January 1, 2009. We will apply these pronouncements to any business combinations consummated in 2009.

Share-Based Payments

We account for share-based payments related to share-based transactions in accordance with the provisions of SFAS No. 123(R). Under the fair value recognition provisions of SFAS No. 123(R), share-based payment is estimated at the grant date based on the fair value of the award and is recognized as an expense ratably on a straight line basis over its requisite service period. It requires a certain amount of judgment to select the appropriate fair value model and calculate the fair value of share-based awards, including estimating

Table of Contents

stock price volatility and expected life. Further, estimates of forfeiture rates could shift the share-based payments from one period to the next.

We have estimated the expected volatility as an input into the Black-Scholes-Merton valuation formula when assessing the fair value of options granted. Our current estimate of volatility was based upon a blend of average historical and market-based implied volatilities of our stock price that we have used consistently since the adoption of SFAS No. 123(R) in 2006. Our volatility rates were 38-54%, 37-41%, and 43-52% for 2008, 2007, and 2006, respectively. The increase in 2008 from 2007 was due to fluctuations in our stock price during the latter part of 2008. The decline in the volatility rate in 2007 compared to 2006 was primarily due to stabilization of stock prices in 2007 and a decline in the historical component of our volatility rates. Our historical volatility in 2008 compared to 2007 remained relatively unchanged, but the historical volatility in 2007 compared to 2006 declined due to the exclusion of more volatile years from the calculation of our historical volatility rates. Our implied volatility rates in 2008 increased due to more volatile stock prices in the stock market, but the implied volatility in 2007 remained relatively unchanged compared to 2006. To the extent that the volatility rate in our stock price increases in the future, our estimates of the fair value of options granted will increase accordingly. For example, a 10% higher volatility rate in 2008 would have increased the fair value of the options that we granted in that year by approximately $3.8 million.

We derived our expected life of the options that we granted in 2008 from the historical option exercises, post-vesting cancellations, and estimates concerning future exercises and cancellations for vested and unvested options that remain outstanding. We lowered our expected life estimate from 3.9 years (in 2006) to 3.3 years (in 2007). The lower expected life of options was mainly due to reduction in contractual term of our new grants from 10 years to 7 years in April 2004, and also higher exercise volume due to higher stock prices during the most recent quarters. The expected life remained unchanged at 3.3 years in 2008. A reduction in the expected life from 3.9 years to 3.3 years reduces the fair value of the granted options by approximately 8%.

In addition, we apply an expected forfeiture rate in determining the amount of share-based payments. Our estimate of the forfeiture rate is based on an average of actual forfeited options for the past four quarters. We lowered our forfeiture rate for the quarter ended March 31, 2008, from 13% to 10% based on the average of actual forfeited options during the four quarters in 2007, which increased our share-based payments in the first quarter of 2008 by approximately $0.5 million.

We believe that the estimates that we have used for the calculation of the variables to arrive at share-based payments are accurate. We will, however, continue to monitor the historical performance of these variables and will modify our methodology and assumptions in the future as needed.

Allowances for Doubtful Accounts

We establish allowances for doubtful accounts based on our review of credit profiles of our customers, contractual terms and conditions, current economic trends and historical payment, and return and discount experiences. We reassess the allowances for doubtful accounts each quarter. However, unexpected events or significant future changes in trends could result in a material impact to our future statements of operations and of cash flows. Our allowance for doubtful accounts at December 31, 2008 and 2007 were $2.6 million and $1.3 million, respectively.

Table of Contents

Results of Operations

The following table presents certain financial data as a percentage of total revenues:

	Years Ended December 31, 2008	2007	2006
Revenues:			
License	43%	45%	45%
Service	57	55	55
Total revenues	100	100	100
Cost of revenues:			
License	1	1	2
Service	18	18	18
Amortization of acquired technology	1	—	1
Total cost of revenues	20	19	21
Gross profit	80	81	79
Operating expenses:			
Research and development	16	18	17
Sales and marketing	39	41	43
General and administrative	8	9	9
Amortization of intangible assets	1	—	—
Facilities restructuring charges	1	1	1
Purchased in-process research and development	—	—	—
Patent related litigation proceeds net of patent contingency accruals	(3)	—	—
Total operating expenses	62	69	70
Income from operations	18	12	9
Interest income and other, net	2	4	4
Income before income taxes	20	16	13
Income tax provision	8	2	2
Net income	12%	14%	11%

Revenues

Our total revenues were $455.7 million in 2008 compared to $391.3 million in 2007 and $324.6 million in 2006, representing growth of $64.4 million (or 16%) in 2008 from 2007 and $66.7 million (or 21%) in 2007 from 2006.

The following table and discussion compare our revenues by type for the three years ended December 31, 2008:

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	2006 to 2007
	(In thousands, except percentages)				
License	$ 195,769	$ 175,318	$ 146,092	12%	20%
Service revenues:					
Maintenance	186,212	151,246	124,955	23%	21%
Consulting and education	73,718	64,692	53,551	14%	21%
Total service revenues	259,930	215,938	178,506	20%	21%

Total revenues	$	455,699	$	391,256	$	324,598	16%	21%

Our license revenues increased to $195.8 million (or 43% of total revenues) in 2008 compared to $175.3 million (or 45% of total revenues) in 2007, and $146.1 million (or 45% of total revenues) in 2006, representing growth of $20.5 million (or 12%) in 2008 from 2007, and $29.2 million (or 20%) in 2007 from 2006. The increase in license revenues in 2008 from 2007 was primarily due to an increase in the volume of transactions, partially offset by a decrease in the average size of the transactions. The increase in license revenues in 2007 from 2006 was primarily due to an increase in the volume of transactions and to a lesser extent due to an increase in the average size of our transactions and an increase in international license revenues.

We have two types of upgrades: (1) upgrades that are not part of the post-contract services for which we charge customers an additional fee, and (2) upgrades that are part of the post-contract services that we provide to our customers at no additional charge,

Table of Contents

when and if available. The average transaction amount for orders greater than $100,000 in 2008, including upgrades, for which we charge customers an additional fee, decreased to $314,000 from $339,000 and $332,000 in 2007 and 2006, respectively. The number of transactions greater than $1.0 million decreased to 21 in 2008 from 26 and 25, in 2007 and 2006, respectively due to the global economic downturn. In addition, our growth in license revenues reflected the continued market acceptance of the most recent versions of our data integration and data quality products introduced in 2007 and 2008.

Service Revenues

Maintenance Revenues

Maintenance revenues increased to $186.2 million (or 41% of total revenues) in 2008 from $151.2 million (or 39% of total revenues) in 2007, and $125.0 million (or 39% of total revenues) in 2006, representing growth of $35.0 million (or 23%) in 2008 from 2007, and $26.2 million (or 21%) in 2007 from 2006. The increases in maintenance revenues in 2008 and 2007 were primarily due to the increasing size of our customer base.

We expect maintenance revenues to increase in 2009 from the 2008 levels due to our growing installed customer base.

Consulting and Education Services Revenues

Consulting and education services revenues were $73.7 million (or 16% of total revenues) in 2008, $64.7 million (or 16% of total revenues) in 2007, and $53.6 million (or 16% of total revenues) in 2006. The $9.0 million (or 14%) increase in 2008 compared to 2007 was primarily due to a higher demand for our consulting and education services globally. The $11.1 million (or 21%) increase in 2007 compared to 2006 was primarily due to an increase in demand for consulting and education services in Europe and North America.

Our utilization rates have declined recently due to the global economic slowdowns. As a result, we expect our revenues from consulting and education services to decline or remain the same in 2009 from the 2008 levels.

International Revenues

Our international revenues were $158.6 million (or 35% of total revenues) in 2008, $127.1 million (or 32% of total revenues) in 2007, and $97.9 million (or 30% of total revenues) in 2006, representing an increase of $31.5 million (or 25%) in 2008 from 2007, and an increase of $29.2 million (or 30%) in 2007 from 2006.

The $31.5 million (or 25%) increase in 2008 from 2007 was primarily due to an increase in international license and service revenues as a result of a larger and growing installed customer base. The $29.2 million (or 30%) increase in 2007 from 2006 in international revenues was primarily due to our expansion in Europe, Asia-Pacific, and Latin America.

We expect international revenues as a percentage of total revenues in 2009 to be relatively consistent with 2008.

Future Revenues (New Orders, Backlog, and Deferred Revenue)

Our future revenues include (1) backlog consisting primarily of product license orders that have not shipped as of the end of a given quarter, (2) orders received from certain distributors, resellers, and OEMs, not included in deferred revenues, where revenue is recognized based on cash receipt (collectively (1) and (2) are “aggregate backlog”), and (3) deferred revenues. Our deferred revenues consist primarily of the following: (1) maintenance revenues that we recognize over the term of the contract, typically one year, (2) license product orders that have shipped but where the terms of the license agreement contain acceptance language or other terms that require that the license revenues be deferred until all revenue recognition criteria are met or recognized ratably over an extended period, and (3) consulting and education services revenues that have been prepaid but for which services have not yet been performed.

We typically ship products shortly after the receipt of an order, which is common in the software industry, and historically our backlog of license orders awaiting shipment at the end of any given quarter has varied. However, our backlog typically decreases from the prior quarter at the end of the first and third quarters and increases at the end of the fourth quarter although the increase was less pronounced at the end of 2008. Aggregate backlog and deferred revenues at December 31, 2008 were approximately $148.1 million compared to $140.4 million at December 31, 2007. This increase in 2008 was primarily due to an increase in deferred license and maintenance revenues. Backlog and deferred revenues, as of any particular date, are not necessarily indicative of future results.

Table of Contents

Cost of Revenues

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	2006 to 2007
	(In thousands, except percentages)				
Cost of license revenues	$ 3,291	$ 3,693	$ 6,978	(11)%	(47)%
Cost of service revenues	80,287	69,174	58,402	16%	18%
Amortization of acquired technology	4,125	2,794	2,118	48%	32%
Total cost of revenues	$ 87,703	$ 75,661	$ 67,498	16%	12%
Cost of license revenues, as a percentage of license revenues	2%	2%	5%	—%	(3)%
Cost of service revenues, as a percentage of service revenues	31%	32%	33%	(1)%	(1)%

Cost of License Revenues

Our cost of license revenues consists primarily of software royalties, product packaging, documentation, production costs and personnel costs. Cost of license revenues was $3.3 million (or 2% of license revenues) in 2008, $3.7 million (or 2% of license revenues) in 2007, and $7.0 million (or 5% of license revenues) in 2006. The $0.4 million (or 11%) decrease in 2008 from 2007 was primarily due to the smaller proportion of royalty based products being shipped in 2008. The $3.3 million (or 47%) decrease in 2007 from 2006 was primarily due to lower transaction volumes of sales for royalty bearing products.

We expect that our cost of license revenues in 2009, as a percentage of license revenues, to be consistent with 2008 levels.

Cost of Service Revenues

Our cost of service revenues is a combination of costs of maintenance, consulting, and education services revenues. Our cost of maintenance revenues consists mainly of costs associated with customer service personnel expenses and royalty fees for maintenance related to third-party software providers. Cost of consulting revenues consists primarily of personnel costs and expenses incurred in providing consulting services at customers' facilities. Cost of education services revenues consists primarily of the costs of developing course curriculum and providing training classes and materials at our headquarters, sales and training offices, and customer locations. Cost of service revenues was $80.3 million (or 31% of service revenues) in 2008, $69.2 million (or 32% of service revenues) in 2007, and $58.4 million (or 33% of service revenues) in 2006.

The $11.1 million (or 16%) increase in 2008 from 2007 was proportional to the increase in service revenues and was primarily due to higher subcontractor fees in our consulting services group and headcount growth primarily in the customer support group. The headcount in customer support, professional services, and education services groups grew from 351 in 2007 to 407 in 2008.

The $10.8 million (or 18%) increase in 2007 from 2006 was primarily due to headcount growth in customer support, professional services, and education services groups, which grew from 318 in 2006 to 351 in 2007.

We expect that our cost of service revenues, in absolute dollars, to increase in 2009 from the 2008 levels, mainly due to headcount increases associated with increased maintenance revenues. We expect, however, the cost of service revenues in 2009, as a percentage of service revenues, to remain relatively consistent with 2008 levels.

Amortization of Acquired Technology

Amortization of acquired technology is the amortization of technologies acquired through business acquisitions and technology licenses. Amortization of acquired technology totaled $4.1 million, $2.8 million, and $2.1 million in 2008, 2007, and 2006, respectively. The $1.3 million (or 48%) increase in 2008 from 2007 was the result of amortization of certain technologies that we acquired in May 2008 in connection with the Identity Systems, Inc. acquisition, offset by certain technologies related to the Striva acquisition that were fully amortized as of December 31, 2007. The $0.7 million (or 33%) increase in 2007 from 2006 was primarily due to certain developed technology that we acquired in December 2006 in connection with the Itemfield acquisition.

Table of Contents

We expect the amortization of acquired technology to be approximately $5.2 million in 2009, excluding the impact of Applimation acquisition and any other acquisitions during the same period.

Operating Expenses

Research and Development

	Years Ended December 31,			Percentage Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
	(In thousands, except percentages)				
Research and development	$ 72,522	$ 69,908	$ 54,997	4%	27%

Our research and development expenses consist primarily of salaries and other personnel-related expenses, consulting services, facilities, and related overhead costs associated with the development of new products, enhancement and localization of existing products, quality assurance, and development of documentation for our products. Research and development expenses were $72.5 million (or 16% of total revenues), $69.9 million (or 18% of total revenues), and $55.0 million (or 17% of total revenues) for the years ended December 31, 2008, 2007 and 2006, respectively. The research and development expenses as a percentage of total revenues declined by 2 percentage points for the year ended December 31, 2008, mainly due to benefits of scale, as our revenues have increased proportionately more than our research and development expenses, as well as implementation of certain cost containment programs. All software and development costs have been expensed in the period incurred since the costs incurred subsequent to the establishment of technological feasibility have not been significant.

The $2.6 million (or 4%) increase in 2008 from 2007 was primarily due to an increase of $6.3 million in personnel-related costs including travel-related and equipment-related expenses, as a result of headcount increasing from 375 in 2007 to 439 in 2008 offset by a $3.6 million reduction in consulting services and reduced legal expenses related to patent litigation.

The $14.9 million (or 27%) increase in 2007 from 2006 was primarily due to a $11.4 million increase in personnel-related costs including travel-related and equipment-related expense, as a result of headcount increasing from 330 in 2006 to 375 in 2007. Also contributing to this increase was a $1.2 million increase in consulting and temporary outside services.

We expect research and development expenses in 2009, as a percentage of total revenues, to remain relatively consistent with or decrease slightly from 2008 levels.

Sales and Marketing

	Years Ended December 31,			Percentage Change	
	2008	2007	2006	2007 to 2008	2006 to 2007

			(In thousands, except percentages)					
Sales and marketing	$	177,339	$	158,298	$	138,851	12%	14%

Our sales and marketing expenses consist primarily of personnel costs, including commissions and bonuses, as well as costs of public relations, seminars, marketing programs, lead generation, travel, and trade shows. Sales and marketing expenses were $177.3 million (or 39% of total revenues), $158.3 million (or 41% of total revenues), and $138.9 million (or 43% of total revenues) for the years ended December 31, 2008, 2007, and 2006, respectively. The sales and marketing expenses as a percentage of total revenues declined by 2 percentage points, 2 percentage points, and 1 percentage point for the years ended December 31, 2008, 2007, and 2006, respectively. The $19.0 million (or 12%) increase from 2007 to 2008 was primarily due to a $16.5 million increase in personnel-related costs (including sales commissions) and headcount growth from 483 in 2007 to 572 in 2008. Also contributing to the increase was a $2.3 million increase in marketing program spending. The $19.4 million (or 14%) increase from 2006 to 2007 was primarily due to an increase in personnel-related costs of $16.5 million (including sales commissions) and headcount growth from 431 in 2006 to 483 in 2007.

Table of Contents

We expect sales and marketing expenses, as a percentage of total revenues in 2009, to remain relatively consistent with or decrease slightly from 2008 levels. We also expect the percentage of total revenues represented by sales and marketing expenses to fluctuate from period to period due to the timing of hiring new sales and marketing personnel, our spending on marketing programs, and the level of the commission expenditures, in each period.

General and Administrative

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	2006 to 2007
	(In thousands, except percentages)				
General and administrative	$ 37,411	$ 35,531	$ 28,187	5%	26%

Our general and administrative expenses consist primarily of personnel costs for finance, human resources, legal, and general management, as well as professional service expenses associated with recruiting, legal, and accounting services. General and administrative expenses were $37.4 million (or 8% of total revenues), $35.5 million (or 9% of total revenues), and $28.2 million (or 9% of total revenues) for the years ended December 31, 2008, 2007, and 2006, respectively. The general and administrative expenses as percentage of total revenues declined by 1 percentage point for the year ended December 31, 2008 mainly due to benefits of scale as our revenues have increased proportionately more than our general and administrative expenses, as well as implementation of certain cost containment programs.

General and administrative expenses increased by $1.9 million (or 5%) in 2008 from 2007. The increase over 2007 was driven by an increase in personnel-related costs of $1.9 million and a $1.1 million increase in the allowance for doubtful accounts. The increase was offset by a $0.9 million reduction in outside services. The increase in personnel-related costs of $1.9 million was primarily due to headcount growth from 156 in 2007 to 193 in 2008.

General and administrative expenses increased by $7.3 million (or 26%) in 2007 from 2006. The $7.3 million increase over 2006 was driven by an increase in personnel-related costs of $4.0 million and a $2.5 million increase in outside services. The increase in personnel-related costs of $4.0 million was primarily due to headcount growth from 142 in 2006 to 156 in 2007. The increase in personnel-related costs and outside services was driven by compliance with the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”).

We expect general and administrative expenses in 2009, as a percentage of total revenues, to remain relatively consistent with, or decrease slightly from 2008 levels.

Amortization of Intangible Assets

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	2006 to 2007
	(In thousands, except percentages)				
Amortization of intangible assets	$ 4,575	$ 1,441	$ 653	217%	121%

Amortization of intangible assets is the amortization of customer relationships acquired, trade names, and covenants not to compete through business acquisitions. Amortization of intangible assets were $4.6 million, $1.4 million, and $0.7 million for the years ended December 31, 2008, 2007, and 2006, respectively. The increase of $3.2 million in amortization of intangible assets for the year ended December 31, 2008 compared to 2007 was primarily due to certain customer relationships acquired in 2008 related to 2008 acquisitions. The increase of $0.7 million in amortization of intangible assets for the year ended December 31, 2007 compared to 2006, was primarily due to the Itemfield acquisition in December 2006.

We expect amortization of the remaining intangible assets in 2009 to be approximately $6.2 million, excluding the impact of Applimation acquisition and any other acquisitions during the same period.

Table of Contents

Facilities Restructuring Charges

	Years Ended December 31,			Percentage Change	
	2008	2007	2006	2007 to 2008	2006 to 2007
	(In thousands, except percentages)				
Facilities restructuring charges	$ 3,018	$ 3,014	$ 3,212	—%	(6)%

In 2008, we recorded $3.0 million of restructuring charges related to the 2004 and 2001 Restructuring Plans. These charges included primarily $3.5 million of accretion charges, offset by an adjustment of $0.6 million due to changes in our assumed sublease income. See Note 11. Facilities Restructuring Charges, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

In 2007, we recorded $3.0 million of restructuring charges related to the 2004 and 2001 Restructuring Plans. These charges included primarily $3.9 million of accretion charges, offset by an adjustment of $1.0 million due to changes in our assumed sublease income.

As of December 31, 2008, $64.5 million of total lease termination costs, net of actual and expected sublease income, less broker commissions and tenant improvement costs related to facilities to be subleased, was included in accrued restructuring charges and is expected to be paid by 2013.

2004 Restructuring Plan. Net cash payments for facilities included in the 2004 Restructuring Plan amounted to $11.1 million in 2008, $10.8 million in 2007, and $9.7 million in 2006. Actual future cash requirements may differ from the restructuring liability balances as of December 31, 2008, if there are changes to the time period that facilities are vacant, or the actual sublease income is different from current estimates.

2001 Restructuring Plan. Net cash payments for facilities included in the 2001 Restructuring Plan amounted to $1.6 million in 2008, $1.6 million in 2007, and $4.0 million in 2006. Actual future cash requirements may differ from the restructuring liability balances as of December 31, 2008 if we are unable to continue subleasing the excess leased facilities, there are changes to the time period that facilities are vacant, or the actual sublease income is different from current estimates.

Our results of operations have been positively affected since 2004 by a significant decrease in rent expense and decreases to non-cash depreciation and amortization expense for the leasehold improvements and equipment written off. These combined savings were approximately $7 to $11 million annually compared to 2004, after accretion charges, and we anticipate that they will continue through 2013.

In addition, we will continue to evaluate our current facilities requirements to identify facilities that are in excess of our current and estimated future needs. We will also evaluate the assumptions related to estimated future sublease income for excess facilities. Accordingly, any changes to these estimates of excess facilities costs could result in additional charges that could materially affect our consolidated financial position and results of operations. See Note 11. Facilities Restructuring Charges, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Purchased In-Process Research and Development (IPR&D)

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	Percentage Change 2006 to 2007
	(In thousands, except percentages)				
Purchased in-process research and development	$ 390	$ —	$ 1,340	*%	(100) %

* Percentage is not meaningful

In 2008, in conjunction with our acquisition of Identity Systems, Inc., we recorded in-process research and development (IPR&D) charges of $0.4 million. In 2006, in conjunction with our acquisition of Similarity, we recorded IPR&D charges of $1.3 million. We did not incur any IPR&D charges in relation to the Itemfield acquisition. The IPR&D charges were associated with software development efforts in process at the time of the business combination that had not yet achieved technological feasibility and no future alternative uses had been identified. We may further incur IPR&D charges if we make additional acquisitions in the future.

Table of Contents

Patent Related Litigation Proceeds Net of Patent Contingency Accruals

We recorded $11.5 million for patent litigation proceeds net of accruals for patent litigation in 2008.

Interest Income and Other, Net

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	Percentage Change 2006 to 2007
	(In thousands, except percentages)				
Interest income	$ 14,092	$ 21,820	$ 18,188	(35)%	20%
Interest expense	(7,221)	(7,196)	(5,782)	—%	24%
Other income (expense), net	866	613	(583)	41%	(205)%
	$ 7,737	$ 15,237	$ 11,823	(49)%	29%

Interest income and other, net consists primarily of interest income earned on our cash, cash equivalents, short-term investments, and restricted cash balances, as well as foreign exchange transaction gains and losses and, to a lesser degree, interest expenses. Interest income and other, net was $7.7 million, $15.2 million, and $11.8 million in 2008, 2007, and 2006, respectively.

The decrease of $7.5 million (or 49%) in 2008 from 2007 was primarily due to a $7.7 million decrease in interest income received from lower investment yields and a $1.2 million decline in other income, which were partially offset by an increase of $0.4 million in foreign exchange gains and $1.0 million gain on early extinguishment of debt.

The increase of $3.4 million (or 29%) in 2007 from 2006 was primarily due to an increase in cash balances resulting from an increase in cash flows from operating activities, increase in investment yields from interest bearing instruments, and increase in foreign exchange gains partially offset by the interest expense related to the Convertible Senior Notes issued in March 2006. As a result of our revised more conservative investment strategy, we expect lower interest income in the future.

In 2003, we made a minority equity investment in a privately held company that was carried at a cost basis of $0.5 million and was included in other assets. Informatica evaluated this investment in December 2004 and determined that the carrying value of this investment was impaired. In December 2007, this privately held company was acquired, and as a result of this acquisition, Informatica received $125,000 and $883,700 cash proceeds for its share in the equity of the company in 2008 and 2007, respectively. Informatica has recorded these amounts as other income for the years ended December 31, 2008 and 2007.

Income Tax Provision

	Years Ended December 31, 2008	2007	2006	Percentage Change 2007 to 2008	Percentage Change 2006 to 2007

	(In thousands, except percentages)				
Income tax provision	$ 35,993	$ 8,024	$ 5,477	349%	47%
Effective tax rate	39%	13%	13%	26%	—%

Our effective tax rates were 39%, 13% and 13% in 2008, 2007, and 2006, respectively. The effective tax rate of 39% for 2008 differed from the federal statutory rate of 35% primarily due to the non-deductibility of share-based payments as well as the accrual of reserves related to uncertain tax positions offset by the tax credits and tax rate benefits of certain earnings from our operations in lower-tax jurisdictions throughout the world. We have not provided for residual U.S. taxes in any of these jurisdictions since we intend to reinvest these off-shore earnings indefinitely.

The effective tax rate of 13% for 2007 differed from the federal statutory rate of 35% primarily due to non-deductible amortization of deferred share-based payments, as well as the accrual of reserves pursuant to FIN No. 48, Accounting for Uncertainties in Income Taxes—an Interpretation of FASB Statement 109 (“FIN No. 48”), offset by a decrease in our valuation allowance for deferred tax assets and foreign earnings taxed at different rates.

Table of Contents

The effective tax rate of 13% for 2006 differed from the federal statutory rate of 35% primarily due to foreign withholding and income taxes, and non-deductible amortization of deferred share-based payments and intangibles, offset by a decrease in our valuation allowance for deferred tax assets to the extent of tax attributes utilized, as well as provision to return adjustments recorded as discrete items.

We expect our effective tax rate to decline in 2009, but this rate is highly dependent on the result of our international operations as well as the outcome of various tax audits.

Liquidity and Capital Resources

We have funded our operations primarily through cash flows from operations and public offerings of our common stock in the past. As of December 31, 2008, we had $460.9 million in available cash and cash equivalents and short-term investments. Our primary sources of cash are the collection of accounts receivable from our customers and proceeds from the exercise of stock options and stock purchased under our employee stock purchase plan. Our uses of cash include payroll and payroll-related expenses and operating expenses such as marketing programs, travel, professional services, and facilities and related costs. We have also used cash to purchase property and equipment, repurchase common stock from the open market to reduce the dilutive impact of stock option issuances, repurchase our Convertible Senior Notes, and acquire businesses and technologies to expand our product offerings.

Operating Activities: Cash provided by operating activities in 2008 was $99.9 million, representing an increase of $17.9 million from 2007. This increase resulted primarily from a $1.4 million increase in net income (adjusted for non-cash expenses), an increase in accounts receivable cash collections, an increase in income taxes payable, and an increase in accrued liabilities. These increases were offset by payments to reduce our accrual for excess facilities and excess tax benefits from share-based payments. We recognized the excess tax benefits from share-based payments for $5.1 million during the year ended December 31, 2008. This amount is recorded as a use of operating activities and an offsetting amount is recorded as a provision by financing activities. We made cash payments for taxes in different jurisdictions for $25.5 million during the year ended December 31, 2008. Our "days sales outstanding" in accounts receivable increased from 58 days at December 31, 2007 to 64 days at December 31, 2008, due to a higher amount of billings which occurred toward the end of 2008, compared to 2007. Deferred revenues increased primarily due to an increase in deferred maintenance revenues resulting from a larger customer base. Our operating cash flows will also be impacted in the future by the timing of payments to our vendors and payments for taxes.

Cash provided by operating activities in 2007 was $82.0 million, representing an increase of $15.1 million from 2006. This increase resulted primarily from an increase in net income (adjusted for non-cash expenses and increases in deferred revenue), accrued compensation and related expenses, and income taxes payable. These increases were offset by higher balances in accounts receivable, prepaid expense and other assets primarily for insurance and third-party software maintenance, payments to our vendors, and payments on our lease obligations under our facilities restructuring accrual. Our "days sales outstanding" in accounts receivable decreased from 65 days at December 31, 2006 to 58 days at December 31, 2007 due to improvements in our collection program. Our deferred revenues increased primarily due to a larger customer base and a significant license contract that was recognized over the following 12 months.

Cash provided by operating activities in 2006 was $66.9 million, representing an increase of $29.0 million from 2005. This increase resulted primarily from an increase in net income (adjusted for non-cash expenses and increases in deferred revenue), accrued compensation and related expenses, and income taxes payable. These increases were offset by higher accounts receivable, prepaid expense and other assets related to insurance and third-party software maintenance, payments to our vendors, and payments related to our lease obligations under our facilities restructuring accrual. Our "days sales outstanding" in accounts receivable increased from 58 days at December 31, 2005 to 65 days at December 31, 2006 due to a higher amount of billings which occurred toward the end of 2006. Deferred revenues increased primarily due to a larger customer base and assumed deferred revenue in connection with the acquisition of Itemfield in December 2006.

Investing Activities: We acquire property and equipment in our normal course of business. The amount and timing of these purchases and the related cash outflows in future periods depend on a number of factors, including the hiring of employees, the rate of upgrade of computer hardware and software used in our business, as well as our business outlook.

We have identified our investment portfolio as “available for sale” based on Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, and our investment objectives are to preserve principal and provide liquidity while maximizing yields without significantly increasing risk. We may sell an investment at any time if the quality rating of the investment declines, the yield on the investment is no longer attractive, or we need additional cash. We invest only in money

Table of Contents

market funds and short-term marketable securities. We believe that the purchase, maturity, or sale of our investments has no material impact on our overall liquidity. Our revised and more conservative investment strategy has not impacted our liquidity.

We have used cash to acquire businesses and technologies that enhance and expand our product offerings, and we anticipate that we will continue to do so in the future. Due to the nature of these transactions, it is difficult to predict the amount and timing of such cash requirements. In March 2008, we invested $3.0 million in the preferred stock of a privately held company that we account for on a cost basis. On May 15, 2008, we acquired all of the issued and outstanding shares of Identity Systems, Inc., a Delaware corporation and a wholly owned subsidiary of Intellisync Corporation, for $85.6 million in cash, including transaction costs of $0.9 million and acquired cash of $5.8 million. On October 1, 2008, Informatica Nederland B.V., a wholly owned subsidiary of Informatica, purchased all of the issued and outstanding shares of PowerData Iberica, S.L., a company organized under the laws of Spain for $7.1 million in cash, including transaction costs of $0.4 million.

As of June 2008, we were no longer required to maintain certificates of deposits for the $12.0 million letter of credit that a financial institution issued in 2001 for our former corporate headquarters leases at the Pacific Shores Center in Redwood City, California. Accordingly, we classified the release of such restricted cash associated with such certificates of deposits from investing activities to operating activities.

Financing Activities: We receive cash from the exercise of common stock options and the sale of common stock under our employee stock purchase plan (ESPP). Net cash used in financing activities in 2008 was $32.1 million due to repurchases and retirement of our common stock for $57.0 million and our Convertible Senior Notes for $7.8 million. These repurchases were offset by the issuance of common stock to option holders and to participants of our ESPP program for $27.6 million, and $5.1 million of excess tax benefits from share-based payments.

Net cash provided by financing activities in 2007 was $4.2 million due to the issuance of common stock to option holders and to participants of our ESPP program for $27.7 million, and $5.5 million of excess tax benefits from share-based payments, which were partially offset by a $28.9 million repurchase and retirement of common stock.

Net cash provided by financing activities in 2006 was $169.1 million including issuance of convertible debt for $230 million and issuance of common stock to option holders and participants of ESPP for $23.8 million, which were partially offset by a $78.5 million repurchase and retirement of common stock and a $6.2 million payment of debt issuance costs. Although we expect to continue to receive some proceeds from the issuance of common stock to option holders and participants of ESPP in future periods, the timing and amount of such proceeds are difficult to predict and are contingent on a number of factors, including the price of our common stock, the number of employees participating in our stock option plans and our employee stock purchase plan, and general market conditions.

In March 2006, we issued and sold Convertible Senior Notes with an aggregate principal amount of $230 million due in 2026 (“Notes”). We used approximately $50 million of the net proceeds from the offering to fund the purchase of 3,232,000 shares of our common stock concurrently with the offering of the Notes. We intend to use the balance of the net proceeds for working capital and general corporate purposes, which may include the acquisition of businesses, products, product rights or technologies, strategic investments, or additional purchases of common stock or Convertible Senior Notes.

In April 2006, our Board of Directors authorized a stock repurchase program of up to $30 million of our common stock at any time until April 2007. As of April 30, 2007, we repurchased 2,238,000 shares of our common stock for $30 million. In April 2007, our Board of Directors authorized an additional repurchase of $50 million of our common stock under the existing stock repurchase program. We repurchased 3,204,000 shares of our common stock for $50 million in 2007 and 2008. In April 2008, our Board of Directors authorized an additional repurchase of $75 million of our common stock under the stock repurchase program. In October 2008, Informatica's Board of Directors authorized, under the existing stock repurchase program, the repurchase of a portion of its outstanding Notes due in 2026 in privately negotiated transactions with holders of the Notes. As of December 31, 2008, we repurchased 3,797,000 shares of our stock at a cost of $57.0 million, and we retired $9.0 million of our Convertible Senior Notes at a cost of $7.8 million. We have approximately $32.6 million remaining available to repurchase shares of our stock or Convertible Senior Notes under this program as of December 31, 2008. This repurchase program does not have an expiration date.

Purchases can be made from time to time in the open market and will be funded from our available cash. The primary purpose of these programs is to enhance shareholder value by partially offsetting the dilutive impact of stock based incentive plans. The number of shares to be purchased and the timing of purchases are based on several factors, including the price of our common stock, our liquidity and working capital needs, general business and market conditions, and other investment opportunities. The repurchased shares are retired and reclassified as authorized and unissued shares of common stock. See Part II, Item 5 of this Report for more

Table of Contents

information regarding the stock and Convertible Senior Notes repurchase program. We may continue to repurchase shares and Convertible Senior Notes from time to time, as determined by management under programs approved by the Board of Directors.

We believe that our cash balances and the cash flows generated by operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. Given our cash balances, it is less likely but still possible that we may require or desire additional funds for purposes such as acquisitions, and we may raise such additional funds through public or private equity or debt financing or from other sources. Beginning on March 15, 2011 and then upon March 15, 2016, and March 15, 2021, or upon the occurrence of certain events including a change in control, holders of the Notes may require the Company to repurchase all or a portion of their Notes at a purchase price in cash equal to the full principal amount of the Notes plus any accrued and unpaid interest as of the relevant date. We may not be able to obtain adequate or favorable financing at that time, and any financing we obtain might be dilutive to our stockholders.

Contractual Obligations and Operating Leases

The following table summarizes our significant contractual obligations, including future minimum lease payments at December 31, 2008, under non-cancelable operating leases with original terms in excess of one year, and the effect of such obligations on our liquidity and cash flows in the future periods (in thousands):

	Payment Due by Period				
	Total	2009	2010 and 2011	2012 and 2013	2014 and Beyond
Operating lease obligations:					
Operating lease payments	$ 100,142	$ 24,771	$ 43,255	$ 31,291	$ 825
Future sublease income	(11,801)	(2,344)	(5,312)	(4,145)	—
Net operating lease obligations	88,341	22,427	37,943	27,146	825
Debt obligations:					
Principal payments*	221,000	—	—	—	221,000
Interest payments	116,025	6,630	13,260	13,260	82,875
Other obligations**	3,400	850	1,700	850	—
	$ 428,766	$ 29,907	$ 52,903	$ 41,256	$ 304,700

* Holders of the Notes may require us to repurchase all or a portion of their Notes at a purchase price in cash equal to the full principle amount of the Notes plus any accrued and unpaid interest on March 15, 2011, March 15, 2016, and March 15, 2021, or upon the occurrence of certain events including a change in control. We have the right to redeem some or all of the Notes after March 15, 2011.

** Other purchase obligations and commitments include minimum royalty payments under license agreements and do not include purchase obligations discussed below.

Our contractual obligations at December 31, 2008 include the lease term for our headquarters office in Redwood City, California, which is from December 15, 2004 to December 31, 2010. Minimum contractual lease payments are $4.0 million and $4.2 million for the years ending December 31, 2009, and 2010, respectively.

The above commitment table does not include approximately $20.2 million of long-term income tax liabilities recorded in accordance with FIN No. 48 because we are unable to reasonably estimate the timing of these potential future payments.

Contractual Obligations

Purchase orders or contracts for the purchase of certain goods and services are not included in the preceding table. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current needs and are fulfilled by our vendors within short time horizons. We also enter into contracts for outsourced services; however, the obligations under these contracts were not significant and the contracts generally

Table of Contents

contain clauses allowing for cancellation without significant penalty. Contractual obligations that are contingent upon the achievement of certain milestones are not included in the table above.

We adopted FIN No. 48 effective January 1, 2007. We are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of tax audit outcomes. As a result, this amount is not included in the table above. For further information, see Note 13, Income Taxes, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

We estimate the expected timing of payment of the obligations discussed above on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

Operating Leases

We lease certain office facilities and equipment under non-cancelable operating leases. During 2004, we recorded facilities restructuring charges related to the consolidation of excess leased facilities in Redwood City, California. Operating lease payments in the table above include approximately $76.7 million, net of actual sublease income, for operating lease commitments for those facilities that are included in accrued facilities restructuring charges. See Note 11. Facilities Restructuring Charges and Note 15. Commitments and Contingencies, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Of these future minimum lease payments, we have $64.5 million recorded in accrued facilities restructuring charges at December 31, 2008. This accrual, in addition to minimum lease payments of $76.7 million, includes estimated operating expenses of $23.4 million, is net of estimated sublease income of $27.5 million, and is net of the present value impact of $8.1 million recorded in accordance with Statement of Financial Accounting Standards Board No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS No. 146"). We estimated sublease income and the related timing thereof based on existing sublease agreements and current market conditions, among other factors. Our estimates of sublease income may vary significantly from actual amounts realized depending, in part, on factors that may be beyond our control, such as the time periods required to locate and contract suitable subleases and the market rates at the time of such subleases.

In relation to our excess facilities, we may decide to negotiate and enter into lease termination agreements, if and when the circumstances are appropriate. These lease termination agreements would likely require that a significant amount of the remaining future lease payments be paid at the time of execution of the agreement, but would release us from future lease payment obligations for the abandoned facility. The timing of a lease termination agreement and the corresponding payment could materially affect our cash flows in the period of payment.

The expected timing of payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different.

We have sublease agreements for leased office space at the Pacific Shores Center in Redwood City, California. In the event the sublessees are unable to fulfill their obligations, we would be responsible for rent due under the leases. We expect at this time that the sublessees will fulfill their obligations under the terms of the current lease agreements.

In February 2000, we entered into two lease agreements for two buildings at the Pacific Shores Center in Redwood City, California (our former corporate headquarters), which we occupied from August 2001 through December 2004. These two lease agreements will expire in July 2013.

Other Uses of Cash

In October and May 2008, and January and December 2006, in connection with the PowerData, Identity Systems, Inc, Similarity and Itemfield acquisitions, we used approximately $7.1 million, $85.6 million, $48.3 million, and $52.1 million cash, respectively, as part of the consideration. A portion of our cash may be further used to acquire or invest in other complementary businesses or products or to obtain the right to use other complementary technologies. From time to time, in the ordinary course of business, we may evaluate potential acquisitions of such businesses, products, or technologies. The nature of these transactions makes it difficult to

Table of Contents

predict the amount and timing of such cash requirements. We may also be required to raise additional financing to complete future acquisitions.

Letters of Credit

In 2001, a financial institution issued a $12.0 million letter of credit, which required us to maintain certificates of deposit as collateral until the leases expire in 2013. As of June 2008, however, we were no longer required to maintain certificates of deposits for this letter of credit related to our former corporate headquarters leases at the Pacific Shores Center in Redwood City, California.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements, transactions, or relationships with “special purpose entities.”

Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 2. Summary of Significant Accounting Policies, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

We market and sell our software and services through our direct sales force and indirect channel partners in North America, Europe, Asia-Pacific, and Latin America. Accordingly, we are subject to exposure from adverse movements in foreign currency exchange rates. The functional currency of our foreign subsidiaries is their local currency, except for Informatica Cayman Ltd., which is in euros. Our exposure to foreign exchange risk is related to the magnitude of foreign net profits and losses denominated in foreign currencies, in particular the euro and British pound, as well as our net position of monetary assets and monetary liabilities in those foreign currencies. These exposures have the potential to produce either gains or losses within our consolidated results. Our foreign operations, however, in most instances act as a natural hedge since both operating expenses as well as revenues are generally denominated in their respective local currency. In these instances, although an unfavorable change in the exchange rate of foreign currencies against the U.S. dollar will result in lower revenues when translated into U.S. dollars, the operating expenditures will be lower as well.

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Indian rupee, Israeli shekel, euro, British pound sterling, Canadian dollar, Japanese yen, Brazilian real, and Australian dollar. Beginning in the fourth quarter of 2008, we have attempted to minimize the impact of certain foreign currency fluctuations through hedging programs for the foreign subsidiaries where we do not have a natural hedge. The purpose of these programs is to reduce volatility of identified cash flow and earnings caused by movement in certain foreign currency exchange rates, in particular, Indian rupee and Israeli shekel foreign currency exchange rates. Any gain or loss from settling these contracts is offset by the gain or loss derived from the underlying balance sheet exposures upon payment.

Cash Flow Hedge Activities

Beginning in the fourth quarter of 2008, we have attempted to minimize the impact of certain foreign currency fluctuations through initiation of certain cash flow hedge programs. The purpose of these programs is to reduce volatility in cash flows and earnings caused by movement in certain foreign currency exchange rates, in particular Indian rupee and Israeli shekel foreign currency exchange rates.

Table of Contents

The table below presents the notional amounts of the foreign exchange forward contracts that the Company committed to purchase in the fourth quarter of 2008 for Indian rupees and Israeli shekels (in thousands):

Functional currency	Foreign Amount	USD Equivalent
Indian rupee	332,990	$ 6,497
Israeli shekel	13,105	3,414
		$ 9,911

We record changes in the intrinsic value of these cash flow hedges in accumulated other comprehensive income (loss), until the forecasted transaction occurs. When the forecasted transaction occurs, we reclassify the effective portion related gain or loss on the cash flow hedge to operating expenditures. If the underlying forecasted transaction does not occur for any reason, or it becomes probable that it will not occur, we reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income (loss) to other income (expense) in the consolidated statements of operations.

We did not incur any gains or losses in the other income or expense in 2008 due to occurrence of ineffectiveness in our previously forecasted hedging transactions.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio. The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. Our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure to any single issue, issuer, or type of investment. Our investments consist primarily of U.S. government notes and bonds, corporate bonds, commercial paper and municipal securities. All investments are carried at market value, which approximates cost. See Note 3. Cash, Cash Equivalents, and Short-Term Investments, of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

The following table presents the fair value of cash equivalents and short-term investments that are subject to interest rate risk and the average interest rate as of December 31, 2008 and 2007 (dollars in thousands):

	December 31,	
	2008	2007
Cash and short-term investments	$ 348,338	$ 381,921
Average rate of return	3.0%	5.1%

Our cash equivalents and short-term investments are subject to interest rate risk and will decline in value if market interest rates increase. As of December 31, 2008, we had net unrealized gains of $1.4 million associated with these securities. If market interest rates were to change immediately and uniformly by 100 basis points from levels as of December 31, 2008, the fair market value of the portfolio would change by approximately $1.4 million. Additionally, we have the ability to hold our investments until maturity and, therefore, we would not necessarily expect to realize an adverse impact on income or cash flows. At this time, we expect our average rate of return to drop by approximately 100 to 150 basis points during 2009.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements, and the related notes thereto, of Informatica Corporation and the Reports of Independent Registered Public Accounting Firm are filed as a part of this Form 10-K.

Table of Contents

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Informatica is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Informatica's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements due to human error, or the improper circumvention or overriding of internal controls. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may change over time.

Management assessed the effectiveness of Informatica's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on its assessment of internal control over financial reporting, management has concluded that, as of December 31, 2008, Informatica's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Informatica's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of Informatica's internal control over financial reporting. Its report appears immediately after this report.

/s/ SOHAIB ABBASI
Sohaib Abbasi
Chief Executive Officer
February 25, 2009

/s/ EARL FRY
Earl Fry
Chief Financial Officer
February 25, 2009

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Informatica Corporation

We have audited Informatica Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Informatica Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Informatica Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Informatica Corporation as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008 of Informatica Corporation and our report dated February 25, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Francisco, California
February 25, 2009

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Informatica Corporation

We have audited the accompanying consolidated balance sheets of Informatica Corporation as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Informatica Corporation at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for uncertain tax positions as of January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Informatica Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Francisco, California
February 25, 2009

Table of Contents

INFORMATICA CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 179,874	$ 203,661
Short-term investments	281,055	281,197
Accounts receivable, net of allowances of $2,558 in 2008 and $1,299 in 2007	87,492	72,643
Deferred tax assets	22,336	18,294
Prepaid expenses and other current assets	12,498	14,693
Total current assets	583,255	590,488
Restricted cash	—	12,122
Property and equipment, net	9,063	10,124
Goodwill	219,063	166,916
Other intangible assets, net	35,529	12,399
Long-term deferred tax assets	7,294	462
Other assets	8,908	6,133
Total assets	$ 863,112	$ 798,644
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 7,376	$ 4,109
Accrued liabilities	34,541	25,381
Accrued compensation and related expenses	29,365	33,053
Income taxes payable	—	248
Accrued facilities restructuring charges	19,529	18,007
Deferred revenues	120,892	99,415
Total current liabilities	211,703	180,213
Convertible senior notes	221,000	230,000
Accrued facilities restructuring charges, less current portion	44,939	56,235
Long-term deferred revenues	8,847	13,686
Long-term income taxes payable	20,668	5,968
Total liabilities	507,157	486,102
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, $0.001 par value; 200,000 shares authorized; 86,660 shares and 87,475 shares issued and outstanding at December 31, 2008 and 2007, respectively	87	87
Additional paid-in capital	374,091	377,277
Accumulated other comprehensive income (loss)	(3,741)	5,640
Accumulated deficit	(14,482)	(70,462)
Total stockholders' equity	355,955	312,542
Total liabilities and stockholders' equity	$ 863,112	$ 798,644

See accompanying notes to consolidated financial statements.

Table of Contents

INFORMATICA CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years Ended December 31,		
	2008	2007	2006
Revenues:			
License	$ 195,769	$ 175,318	$