Financial News Details

Oracle Application Sales Up 61%, CRM Sales Up 161% Adjusted Net Income Up 76%, Operating Margin Reaches 41%

June 20, 2000

Oracle passes SAP to become the world's largest applications software company

REDWOOD SHORES, Calif. 20-JUN-2000 06:00 AM Today, Oracle Corporation announced that in its fiscal fourth quarter (Q4) adjusted net income increased 76% to $926 million, or $0.31 per share, while revenue grew to $3.4 billion. This compares to $2.9 billion in revenue, $527 million in adjusted net income, and $0.18 per share in Q4 last year.

Fiscal year 2000 adjusted net income increased 61% to $2.1 billion, or $0.69 per share, while revenue grew to $10.1 billion. Last year revenue was $8.8 billion and adjusted net income was $1.3 billion, or $0.43 per share.

For the quarter, total net income, which includes investment gains, increased to $4.9 billion, or $1.63 per share. This compares with $527 million in total net income, or $0.18 per share in Q4 last year. The investment gains primarily came from the sale of 12% of Oracle's holdings in Oracle Japan, of which Oracle Corporation now owns 74%. This equity reduction was necessary for Oracle Japan to comply with the listing requirements of the Tokyo Stock Exchange (TSE1).

Applications software sales increased 61% to $447 million in Q4, led by CRM sales which grew at a 161% rate. Database software sales increased 12% to $1.2 billion. Consulting, education and support revenues increased 7% to $1.5 billion.

"This past quarter Oracle sold more application software than SAP, $447 million vs. $352 million," said Oracle CEO, Larry Ellison. "Applications Release 11i -- the Oracle e-Business suite -- hurtled us into the number one position in the applications software business. Our e-Business suite is the first complete and integrated set of applications that automate all aspects of a business. The Oracle e-Business suite competes in marketing with Broadvision, sales with Siebel, service with Clarify, supply chain with I2, Internet procurement with Ariba, exchanges with Commerce One, manufacturing and accounting with SAP, and in human resources with Peoplesoft. So, customers can buy all these applications from all these different vendors, and then hire a consulting firm to assemble the different applications and try to make them work together. Or, customers can buy the Oracle e-Business suite, where all the applications already work together -- on the Internet."

"One year ago Oracle set out to save one billion dollars annually by using our own Internet e-Business applications. We did that -- and more," said Oracle Chief Financial Officer, Jeff Henley. "A billion dollars in annual savings translates to a 10 point improvement in our margins. In Q4 our operating margin improved 13.7 points -- from 27.4% to 41.1% percent. As we enter the second year of our e-Business transformation, we are beginning to benefit from the sales and marketing productivity gains that will accelerate revenue growth in fiscal 2001."

Oracle Corporation is the world's second largest software company. With annual sales of more than $10 billion, Oracle provides the software that powers the Internet. For more information about Oracle, please call Investor Relations at 650-506-4073 or visit Oracle on the web at http://www.oracle.com. "Safe Harbor" Statement Under the Private Securities Litigation Reform Act 1995: Information in this release relating to Oracle's future prospects which are "forward-looking statements" are subject to certain risks and uncertainties that could cause actual results to differ materially, including, but not necessarily limited to, the following: (1) Management's ability to manage growth, continuously hire and retain significant numbers of qualified employees, forecast revenues and control expenses, especially on a quarterly basis, continues to be a challenge. An unexpected decline in the growth rate of revenues without a corresponding and timely slowdown in expense growth could have a material adverse effect on results of operations. (2) The market for Oracle's products is intensely competitive and is characterized by rapid technological advances and frequent new product introductions. There can be no assurances that Oracle will continue to introduce new products and new versions of existing products that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. (3) Delays in product delivery or closing of sales can cause quarterly revenues and income to fall significantly short of anticipated levels. (4) Oracle is introducing new products, such as internet procurement and supply chain management software, customer relationship management applications and application hosting services; the market acceptance and contribution to Oracle's revenues of these products cannot be assured. (5) Oracle has recently changed its pricing model which could lead to a decline or delay in sales as its sales force and customers adjust to the new pricing policies. Intense competition in the various markets in which Oracle competes may also put pressure on Oracle to reduce prices on certain products. (6) Oracle is assisting its customers in forming exchanges for a number of business procurement needs; the market acceptance and contribution to Oracle's revenues of these exchanges cannot be assured. Oracle undertakes no obligation to update information contained in this release. For further information regarding risks and uncertainties associated with Oracle's business, please refer to the "Risk Factors" section of Oracle Corporation's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Oracle Corporation's Investor Relations Department at 650-506-4073 or Oracle's Investor Relations website at http://www.oracle.com.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

($ in thousands, except per share data)

(unaudited)

	4th Quarter Ended May 31,		Twelve Months Ended May 31,	
	2000	1999	2000	1999
REVENUES				
Licenses and other	$1,840,609	$1,512,735	$4,446,795	$3,688,366
Services	1,533,701	1,430,543	5,683,333	5,138,886

Total Revenues	3,374,310	2,943,278	10,130,128	8,827,252
OPERATING EXPENSES				
Sales and marketing	852,194	953,792	2,616,749	2,622,379
Cost of services	725,498	812,988	2,942,679	3,064,148
Research and development	270,229	243,307	1,009,882	841,406
General and administrative	137,878	126,892	480,658	426,438
Total Operating Expenses	1,985,799	2,136,979	7,049,968	6,954,371
OPERATING INCOME	1,388,511	806,299	3,080,160	1,872,881
Net investment gains related to marketable securities (1)	6,521,496	--	6,936,955	24,457
Other income (expense), net	48,372	20,721	106,319	84,740
INCOME BEFORE TAXES	7,958,379	827,020	10,123,434	1,982,078
Provision for income taxes (1)	3,045,972	299,600	3,826,631	692,320
NET INCOME	$4,912,407	$527,420	$6,296,803	$1,289,758
EARNINGS PER SHARE (2)				
Basic	$1.74	$0.18	$2.22	$0.45
Diluted	$1.63	$0.18	$2.10	$0.43
SHARES OUTSTANDING				
Basic	2,818,928	2,873,796	2,839,419	2,891,176
Diluted	3,004,793	2,965,618	2,997,921	2,968,449

(1) Net investment gains related to marketable securities in the quarter ended May 31, 2000 of $6,521,496 relate to the gain on sale of existing shares in Oracle Japan in connection with its Secondary Public Offering, gains on sales of other marketable securities, and the Company's equity share in the results of non-consolidated subsidiaries. Excluding the effect of these transactions, the effective income tax rate and provision for income taxes would have been 35.6% and $510,984, respectively, and net income and fully

diluted earnings per share would have been $925,899 and $0.31, respectively.

Net investment gains related to marketable securities in the fiscal year ended May 31, 2000 of $6,936,955 relate to the gain on sale of existing shares in Liberate Technologies and Oracle Japan in connection with Secondary Public Offerings, gains on sales of other marketable securities, and the Company's equity share in the results of non-consolidated subsidiaries. Excluding the effect of these transactions, the effective tax rate and provision for income taxes would have been 35.5% and $1,131,199, respectively, and net income and fully diluted earnings per share for the fiscal year ended May 31, 2000 would have been $2,055,280 and $0.69, respectively.

Net investment gains related to marketable securities in the fiscal year ended May 31, 1999 of $24,457 relate to the gain on sale of shares in existing shares in Oracle Japan in connection with their Initial Public Offering.

(2) All earnings per share and shares outstanding amounts have been adjusted to reflect a 2:1 stock split during the quarter ended February 2000.

ORACLE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
($ in thousands)

	May 31, 2000 (unaudited)	May 31, 1999
ASSETS		
Current Assets		
Cash and short term investments	$7,761,998	$2,562,764
Trade receivables, net	2,533,964	2,238,204
Prepaid and refundable income taxes	212,829	299,670
Other current assets	374,543	346,636
Total Current Assets	10,883,334	5,447,274
Long-term cash investments	110,000	249,547
Property and equipment, net	934,455	987,482
Computer software development costs, net	94,609	98,870
Other assets	1,054,381	476,481
TOTAL ASSETS	$13,076,779	$7,259,654
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable, including current maturities	$2,691	$3,638
Accounts payable	287,495	283,896
Income taxes	2,821,776	277,700
Customer advances and unearned revenues	1,133,482	1,007,149
Other current liabilities	1,616,794	1,474,040
Total Current Liabilities	5,862,238	3,046,423
Long-term debt	298,770	304,140
Long-term liabilities	188,178	77,937
Deferred income taxes	266,130	135,887
Stockholders' equity	6,461,463	3,695,267
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$13,076,779	$7,259,654