ORACLE

Financial News Details

Oracle Reports Q1 Earnings per share of $0.07 Excluding Investment Impairment Charge; GAAP EPS of $0.06

September 17, 2002

Redwood Shores, CA 17-SEP-2002 12:20 PM Today, Oracle Corporation announced first quarter revenue of $2.0 billion and net income of $386 million or $0.07 per share excluding an impairment charge related to Oracle's investment in Liberate Technologies. This compares to net income of $511 million, or $0.09 per share a year ago. Including this charge, net income on a GAAP basis was $343 million, or $0.06 per share. New software license and license updates revenues were $1.2 billion, down 9%. New software license sales were $549 million, down 23% while software license update revenues were $620 million, up 9%. Product support revenue was $349 million, consulting revenue was $432 million, and education revenue was $63 million. First quarter operating margin was 29% versus 33% last year.

"The true sign of the underlying strength of our business is that even in these difficult economic times Oracle's operating cash flow remains strong and our profitability remains at high levels," said Oracle CFO Jeff Henley. "Our installed base of customers continues to grow and as a result our revenues from license update rights and support continue to grow. In addition we are continuing the multi-billion dollar stock buy back we have had in place for the past few years."

"We are pleased by the continued adoption of the Oracle database and the rapid increase in market share," said Oracle CEO Larry Ellison. "According to AMR Research's recent report, Oracle increased its database share under enterprise applications for the second year in a row. The report shows that Oracle increased its share by 4% from 2000 to 2001, while IBM DB2 declined by 4% and Microsoft SQL Server market share remained flat. This was consistent with Morgan Stanley's CIO survey in June 2002 showing Oracle as the Strategic Database Standard 64% of the time, with IBM DB2 only 15% of the time. In addition, Oracle has the highest user loyalty with far more customers moving to it than either Microsoft or IBM."

Oracle expects to file its Form 10-Q for the first quarter within the next several days, well ahead of the SEC's new accelerated deadline for filing quarterly reports. Oracle continues to expand its financial reporting to inform investors in a more complete and timely manner, consistent with the SEC's new emphasis on continuous disclosure. We will make our periodic reports available on the Investor Relations website at http://www.oracle.com.

Oracle is the world's largest enterprise software company. For more information about Oracle, including supplemental financial information, 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 of 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) Economic conditions will continue to adversely affect purchasing decisions for computer software and services throughout the world. Delays in closing of sales, reductions in size of individual sales without an offsetting increase in volume or delays in product delivery can cause quarterly revenues and income to fall significantly short of anticipated levels. (2) Management's ability to forecast revenues and control expenses, especially on a quarterly basis, continues to be a challenge. The economic, political and other uncertainties caused (or exacerbated) by the war on terrorism add to this challenge. An unexpected decline in revenues without a corresponding and timely slowdown in expense growth could have a material adverse effect on results of operations. 3) Oracle is introducing new or revised versions of its products, such as Oracle 9i Database, Oracle 9iAS Application Server, E-Business Suite, Oracle Collaboration Suite and application hosting services; the market acceptance and contribution to Oracle's revenues of these new versions or products cannot be assured. (4) Oracle has made changes to 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. (5) 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. 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)

	Three Months Ended August 31,	
	2002	2001
REVENUES		
Licenses and other	$563,034	$731,432
Services (1)	1,464,514	1,533,623
Total Revenues	2,027,548	2,265,055
OPERATING EXPENSES		
Sales and marketing	471,267	535,481
Cost of services (1)	589,292	632,883
Research and development	286,079	253,299
General and administrative	101,794	97,614

Total Operating Expenses	1,448,432	1,519,277
OPERATING INCOME	579,116	745,778
Net investment losses related to equity securities (2)	(80,571)	(3,301)
Other income, net	23,179	43,134
INCOME BEFORE TAXES	521,724	785,611
Provision for income taxes	178,996	274,964
NET INCOME	$342,728	$510,647
EARNINGS PER SHARE		
Basic	$0.06	$0.09
Diluted	$0.06	$0.09
SHARES OUTSTANDING		
Basic	5,398,818	5,579,811
Diluted	5,514,980	5,780,020

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(1) On March 1, 2002, Oracle adopted Financial Accounting Standards Board Emerging Issues Task Force No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" ("EITF 01-14"). EITF 01-14 requires reimbursements received for out-of-pocket expenses to be reflected as revenues and to reclassify prior period financial statements to conform with the current period presentation. Prior to the adoption of EITF 01-14, reimbursable out-of-pocket expenses were reflected as net amounts in "Cost of Services." Reimbursable out-of-pocket expenses reclassified as revenues in the three months ended August 31, 2001 were $23,010.

(2) Net investment losses related to equity securities in the three months ended August 31, 2002 of $80,571 include a $72,144 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of this charge, the effective income tax rate and provision for income taxes would have been 35% and $207,853, respectively, and net income and fully diluted earnings per share would have been $386,015 and $0.07, respectively.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Percentage of Revenues		Percentage Change
	Three Months Ended August 31,		Three Months FY03 vs. Three Months FY02
	2002	2001	
REVENUES			
Licenses and other	28%	32%	(23%)
Services	72%	68%	(5%)
Total Revenues	100%	100%	(10%)
OPERATING EXPENSES			
Sales and marketing	23%	24%	(12%)
Cost of services	29%	28%	(7%)
Research and development	14%	11%	13%
General and administrative	5%	4%	4%
Total Operating Expenses	71%	67%	(5%)
OPERATING INCOME	29%	33%	(22%)
Net investment losses related to equity securities	(4%)	0%	nm

Other income, net	1%	2%	(46%)
INCOME BEFORE TAXES	26%	35%	(34%)
Provision for income taxes	9%	12%	(35%)
NET INCOME	17%	23%	(33%)

ORACLE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
($ in thousands)

	August 31 2002	May 31, 2002
	(unaudited)	
ASSETS		
Current Assets		
Cash and short term investments	$6,418,419	$5,841,178
Trade receivables, net	1,362,070	2,034,996
Deferred tax assets	448,369	451,994
Other current assets	315,464	399,776
Total Current Assets	8,544,322	8,727,944
Long-term investments	236,733	405,883
Property, net	972,777	986,970
Deferred tax assets	242,745	233,359
Intangible and other assets	415,190	446,206
TOTAL ASSETS	$10,411,767	$10,800,362
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable and current maturities of long-term debt	$2,905	$450
Accounts payable	219,278	226,943
Income taxes payable	1,085,586	1,091,293
Customer advances and unearned revenues	1,513,550	1,275,627
Other current liabilities	1,161,163	1,365,504
Total Current Liabilities	3,982,482	3,959,817
Long-term debt	310,661	298,391
Deferred tax liabilities	174,524	204,073
Other long-term liabilities	208,665	220,791
Stockholders' equity	5,735,435	6,117,290
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,411,767	$10,800,362

ORACLE CORPORATION
SUPPLEMENTAL ANALYSIS OF EFFECT OF
IMPAIRMENT CHARGE FOR EQUITY INVESTMENTS
(unaudited, $ in thousands, except per share data)

	Three Months Ended August 31, 2002	
GAAP Basis	Adjustment for Impairment Charge for Equity Investments	As Adjusted

REVENUES			
Licenses and other	$563,034	$--	$563,034
Services	1,464,514	--	1,464,514
Total Revenues	2,027,548	--	2,027,548
OPERATING EXPENSES			
Sales and marketing	471,267	--	471,267
Cost of services	589,292	--	589,292
Research and development	286,079	--	286,079
General and administrative	101,794	--	101,794
Total Operating Expenses	1,448,432	--	1,448,432
OPERATING INCOME	579,116	--	579,116
Net investment losses related to equity securities (1)	(80,571)	72,144	(8,427)
Other income, net	23,179	--	23,179
INCOME BEFORE TAXES	521,724	72,144	593,868
Provision for income taxes	178,996	28,857	207,853
NET INCOME	$342,728	$43,287	$386,015
EARNINGS PER SHARE			
Basic	$0.06	$0.01	$0.07
Diluted	$0.06	$0.01	$0.07

(1) Net investment losses related to equity securities in the three months ended August 31, 2002 of $80,571 include a $72,144 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of this charge, the effective income tax rate would have been 35%.