ORACLE

Financial News Details

Oracle Q2 Earnings 10 Cents per share; Q2 Operating margin is 34%

December 18, 2002

Q2 Operating margin is 34%

Redwood Shores Calif. 18-DEC-2002 06:00 AM Today, Oracle Corporation announced second quarter revenue of $2.31 billion and net income of $535 million or $0.10 per share. This compares to $2.38 billion in revenue and net income of $549 million and $0.10 per share a year ago. License revenues were $765 million, down 7%, while License updates and product support revenues were $954 million, up 8%. Services revenues were $590 million, down 11%. Second quarter operating margin was 34%, equal to last year.

"Even during an economic downturn Oracle's installed base of customers continues to grow, so our revenues from license update rights continue to rise. That's the underlying strength in our business model. That's what allows us to maintain our profitability at high levels even though we increased research and development spending by 15%," said Oracle CFO Jeff Henley.

"We're pleased that our database business started to grow again this quarter," said Oracle CEO Larry Ellison. "We have never been in a stronger position relative to our competitors. Morgan Stanley's December 2002 Enterprise Software Survey asked CIOs to name their preferred database: 54% chose Oracle, Microsoft was second at 26%, and IBM was a distant third at 9%. This survey shows that Oracle is preferred by more than 2 to 1 over Microsoft, and fully 6 to 1 over IBM."

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 and services, such as Oracle 9i Database, Oracle 9iAS Application Server, E-Business Suite, Oracle Collaboration Suite and Outsourcing; the market acceptance and contribution to Oracle's revenues of these new versions or products and services cannot be assured. (4) Oracle has made changes to its pricing model and sales organization, which could lead to a decline or delay in sales as its sales force and customers adjust to the new pricing policies and organizational changes. 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 November 30,		Six Months Ended November 30,	
	2002	2001	2002	2001
REVENUES				
Licenses and other	$764,887	$819,324	$1,327,921	$1,550,756
License updates and product support (1)	953,622	881,135	1,858,717	1,724,300
Services (1), (2)	589,999	679,978	1,149,418	1,370,436
Total Revenues	2,308,508	2,380,437	4,336,056	4,645,492
OPERATING EXPENSES				
Sales and marketing	512,327	571,152	983,594	1,106,633
Licenses updates and product support	117,377	116,676	234,358	233,235
Services (1)	480,619	516,264	952,929	1,032,588
Research and development	295,331	257,484	581,410	510,783
General and administrative	108,913	98,917	210,708	196,531
Total Operating Expenses	1,514,567	1,560,493	2,962,999	3,079,770

OPERATING INCOME	793,941	819,944	1,373,057	1,565,722
Net investment losses related to equity securities (3)	(21,849)	(3,388)	(102,420)	(6,689)
Other income, net	27,947	28,770	51,126	71,904
INCOME BEFORE TAXES	800,039	845,326	1,321,763	1,630,937
Provision for income taxes (4)	265,173	295,864	444,169	570,828
NET INCOME	$534,866	$549,462	$877,594	$1,060,109
EARNINGS PER SHARE				
Basic	0.10	0.10	0.16	0.19
Diluted	0.10	0.10	0.16	0.18
SHARES OUTSTANDING				
Basic	5,308,868	5,528,372	5,353,843	5,554,092
Diluted	5,419,831	5,695,860	5,467,405	5,737,940

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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 requires reimbursements received for out-of-pocket expenses 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 "Services" expenses. Reimbursable out-of-pocket expenses reclassified as revenues in the three months ended November 30, 2001 were $23,102. Reimbursable out-of-pocket expenses reclassified as revenues in the six months ended November 30, 2001 were $46,112.

(2) Services revenues include consulting, advanced product services and education. Advanced product services was previously included in license updates and product support.

(3) Net investment losses related to equity securities in the three months ended November 30, 2002 of $21,849 include a $15,030 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of the Liberate Technologies impairment charge, the effective income tax rate and provision for

income taxes would have been 33.3% and $271,185, respectively, and net income and fully diluted earnings per share would have been $543,884 and $0.10, respectively. Net investment losses related to equity securities in the six months ended November 30, 2002 of $102,420 include an $87,174 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of the Liberate Technologies impairment charge, the effective income tax rate and provision for income taxes would have been 34% and $479,038 and net income and fully diluted earnings per share would have been $929,899 and $0.17.

(4) Provision for income taxes in the three months ended November 30, 2002 of $265,173 includes a $5,939 cumulative catch-up adjustment related to a decrease in Oracle's effective income tax rate on operating and other income from 35% to 34%. Excluding the effect of this adjustment, the provision for income taxes would have been $ 271,112 and net income and fully diluted earnings per share would

have been $528,927 and $0.10.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS DATA
(unaudited)

Percentage of Revenues	Percentage of Revenues	Percentage Change	Percentage Change
Three Months Ended November 30,	Six Months Ended November 30,	Three Months FY03 vs. Three Months FY02	Six Months FY03 vs. Six Months FY02

	2002	2001	2002	2001		
REVENUES						
Licenses and other	33%	34%	31%	33%	(7%)	(14%)
License updates and product support	41%	37%	43%	37%	8%	8%
Services	26%	29%	26%	30%	(13%)	(16%)
Total Revenues	100%	100%	100%	100%	(3%)	(7%)
OPERATING EXPENSES						
Sales and marketing	22%	24%	24%	24%	(10%)	(11%)
License updates and product support	5%	5%	5%	5%	0%	0%
Services	21%	22%	22%	22%	(7%)	(8%)
Research and development	13%	11%	13%	11%	15%	14%
General and administrative	5%	4%	5%	4%	10%	7%
Total Operating Expenses	66%	66%	69%	66%	(3%)	(4%)
OPERATING INCOME	34%	34%	31%	34%	(3%)	(12%)
Net investment losses related to equity securities	(1%)	0%	(2%)	0%	545%	1431%
Other income, net	1%	1%	1%	1%	(3%)	(29%)
INCOME BEFORE TAXES	34%	35%	30%	35%	(5%)	(19%)
Provision for income taxes	11%	12%	10%	12%	(10%)	(22%)
NET INCOME	23%	23%	20%	23%	(3%)	(17%)

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

	Three Months Ended November 30, 2002			Six Months Ended November 30, 2002		
	GAAP Basis	Adjustment for Impairment Charge for Liberate Technologies	As Adjusted	GAAP Basis	Adjustment for Impairment Charge for Liberate Technologies	As Adjusted
REVENUES						
Licenses and other	$764,887	$--	$764,887	$1,327,921	$--	$1,327,921
License updates						

and product support	953,622	--	953,622	1,858,717		1,858,717
Services	589,999	--	589,999	1,149,418	--	1,149,418
Total Revenues	2,308,508	--	2,308,508	4,336,056	--	4,336,056
OPERATING EXPENSES						
Sales and marketing	512,327	--	512,327	983,594	--	983,594
License updates and product support	117,377	--	117,377	234,358		234,358
Services	480,619	--	480,619	952,929	--	952,929
Research and development	295,331	--	295,331	581,410	--	581,410
General and admini-strative	108,913	--	108,913	210,708	--	210,708
Total Operating Expenses	1,514,567	--	1,514,567	2,962,999	--	2,962,999
OPERATING INCOME	793,941	--	793,941	1,373,057	--	1,373,057
Net investment losses related to equity sec-urities (1)	(21,849)	15,030	(6,819)	(102,420)	87,174	(15,246)
Other income, net	27,947	--	27,947	51,126	--	51,126
INCOME BEFORE TAXES	800,039	15,030	815,069	1,321,763	87,174	1,408,937
Provision for income taxes	265,173	6,012	271,185	444,169	34,869	479,038
NET INCOME	$534,866	$9,018	$543,884	$877,594	$52,305	$929,899
EARNINGS PER SHARE						
Basic	$0.10	$0.00	$0.10	$0.16	$0.01	$0.17
Diluted	$0.10	$0.00	$0.10	$0.16	$0.01	$0.17

(1) Net investment losses related to equity securities in the three months ended November 30, 2002 of $21,849 include a $15,030 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of the Liberate Technologies impairment charge, the effective income tax rate would have been 33.3%. Net investment losses related to equity securities in the six

months ended November 30, 2002 of $102,420 include a $87,174 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of the Liberate Technologies impairment charge, the effective income tax rate would have been 34.0%.

ORACLE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
($ in thousands)

	November 30, 2002	May 31, 2002
	(unaudited)	
ASSETS		
Current Assets		
Cash, cash equivalents and short-term investments	$5,481,336	$5,841,178
Trade receivables, net	1,528,761	2,034,996
Deferred tax assets	447,448	451,994
Other current assets	330,533	399,776

Total Current Assets	7,788,078	8,727,944
Long-term investments	413,648	405,883
Property, net	948,869	986,970
Deferred tax assets	231,612	233,359
Intangible and other assets	369,766	446,206
TOTAL ASSETS	$9,751,973	$10,800,362
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$216,672	$227,393
Income taxes payable	1,011,631	1,091,293
Other current liabilities	1,282,745	1,399,660
Deferred revenues	1,248,307	1,241,471
Total Current Liabilities	3,759,355	3,959,817
Long-term debt	312,543	298,391
Deferred tax liabilities	168,839	204,073
Other long-term liabilities	212,649	220,791
Stockholders' equity	5,298,587	6,117,290
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,751,973	$10,800,362

ORACLE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands)
(unaudited)

	Six Months Ended November 30,	
	2002	2001
Cash Flows From Operating Activities:		
Net income	$877,594	$1,060,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	122,218	124,247
Amortization of intangible assets	43,866	36,647
Net investment losses related to equity securities	102,420	6,689
Changes in assets and liabilities:		
Decrease in trade receivables	528,147	616,247
Decrease in prepaid expenses and other assets	85,847	4,667
(Increase) decrease in tax related assets	9,428	(199,130)
Decrease in accounts payable and accrued liabilities	(95,327)	(208,491)
Increase (decrease) in tax related liabilities	(184,786)	188,154
Increase (decrease) in deferred revenues	(12,623)	(126,848)
Increase (decrease) in other long-term liabilities	(8,164)	7,364
Net cash provided by operating activities	1,468,620	1,509,655
Cash Flows From Investing Activities:		
Purchases of investments	(2,464,610)	(3,503,483)
Proceeds from sale of investments	2,740,190	1,878,883
Capital expenditures	(75,067)	(159,652)
Increase in other assets	(67,544)	(26,510)
Net cash provided by (used for) investing activities	132,969	(1,810,762)
Cash Flows From Financing Activities:		
Payments for repurchase of common stock	(1,707,168)	(1,857,865)
Proceeds from issuance of common stock	147,019	189,287
Settlement of forward contract	(166,260)	--
Payments under notes payable	--	(1,742)
Net cash used for financing activities	(1,726,409)	(1,670,320)
Effect of exchange rate changes on cash and cash		

equivalents	42,607	(10,224)
Net decrease in cash and cash equivalents	(82,213)	(1,981,651)
Cash and cash equivalents at beginning of period	3,095,109	4,449,166
Cash and cash equivalents at end of period	$3,012,896	$2,467,515