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Financial News Details

Oracle Reports Q4 Earnings per Share of \$0.14 Excluding Investment Impairment Charge; GAAP EPS of \$0.12

June 18, 2002

Redwood Shores, Calif. 18-JUN-2002 06:00 AM Today, Oracle Corporation announced financial results for its fiscal fourth quarter and full year 2002.

Fourth quarter net income was \$760 million, or \$0.14 per share excluding an impairment charge related to Oracle's investment in Liberate Technologies. This compares to net income of \$0.15 per share a year ago. Including this charge, net income on a GAAP basis was \$656 million, or \$0.12 per share. Operating margin in the quarter reached a record 44% versus 39% in the fourth quarter of 2001.

Fourth quarter revenue was \$2.8 billion. New software license sales were \$1.15 billion while software license update sales were \$643 million. Product support revenue was \$385 million, consulting revenue was \$487 million, and education and other revenue was \$109 million.

For the full fiscal year 2002, revenue was \$9.7 billion, while net income and earnings per share excluding the impairment charge were \$2.3 billion, and \$0.41, respectively. Including the charge, net income on a GAAP basis was \$2.2 billion, and earnings per share were \$0.39. This compares to \$11 billion in revenue and \$2.6 billion in net income, or \$0.44 per share, for fiscal year 2001. The annual operating margin was a record 37%, compared to the previous historical high of 35% in the prior fiscal year.

"The true test of a management team is how well it performs in tough times," said Oracle CFO Jeff Henley. "During the worst technology recession I've seen in more than 20 years, Oracle's operating income margins increased to record levels and our operating income declined only 6% this fiscal year. This management team proved it can preserve profits even when times are tough."

"Database is the foundation of our software business and our database market position has never been stronger," said Oracle CEO Larry Ellison. "The latest database user surveys confirm that Oracle is the database used with 72% to 81% of enterprise applications among Fortune 100 companies. In addition, Oracle remains the overwhelming choice of users for future development, being four times more popular than IBM's DB2. With this huge lead in usage intentions the Oracle database should continue to gain market share in the years to come."

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) The slow economic recovery 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 terrorist attacks upon the United States 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, eBusiness 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

(amounts in thousands, except per share data)

	Three Months Ended May 31,		Twelve Months Ended May 31,	
	2002	2001	2002	2001
REVENUES				
Licenses and other	\$1,172,620	\$1,656,238	\$3,512,954	\$4,706,797
Services (1)	1,601,161	1,633,992	6,159,639	6,253,895
Total revenues	2,773,781	3,290,230	9,672,593	10,960,692
OPERATING EXPENSES				
Sales and marketing	587,532	811,888	2,208,981	2,691,322
Cost of services (1)	568,244	744,896	2,405,511	2,897,060
Research and development	282,142	319,829	1,076,156	1,138,591
General and administrative	109,592	118,691	411,213	456,628

Total operating expenses	1,547,510	1,995,304	6,101,861	7,183,601
OPERATING INCOME	1,226,271	1,294,926	3,570,732	3,777,091
Net investment gains (losses) related to equity securities (2)	(229,316)	3,385	(243,515)	(17,087)
Other income (loss), net	(1,188)	27,364	80,987	211,226
INCOME BEFORE TAXES	995,767	1,325,675	3,408,204	3,971,230
Provision for income taxes	339,846	470,781	1,184,199	1,410,134
NET INCOME	\$655,921	\$854,894	\$2,224,005	\$2,561,096
EARNINGS PER SHARE				
Basic	\$0.12	\$0.15	\$0.40	\$0.46
Diluted	\$0.12	\$0.15	\$0.39	\$0.44
WEIGHTED SHARES OUTSTANDING				
Basic	5,471,617	5,602,590	5,518,024	5,596,721
Diluted	5,610,626	5,800,032	5,688,960	5,864,806

(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 for the three months ending May 31, 2001, the twelve months ended May 31, 2001, and the nine months ended February 28, 2002 were \$26,346, \$101,020 and \$70,089, respectively.

(2) Net investment gains (losses) related to equity securities in the quarter ended May 31, 2002 of \$229,316 include a \$173,452 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 \$409,227, respectively, and net income and diluted earnings per share would have been \$759,992 and \$0.14, respectively. For the year ended May 31,

2002, the effective income tax rate and provision for income taxes would have been 35% and \$1,253,580, respectively, and net income and diluted earnings per share would have been \$2,328,076 and \$0.41, respectively.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Percentage of Revenues				Percentage Change	
					Twelve Months	
	Three Months Ended May 31,		Twelve Months Ended May 31,		Q4 FY02 vs. Q4 FY01	FY02 vs. Twelve Months FY01
	2002	2001	2002	2001		
REVENUES						
Licenses and other	42.3%	50.3%	36.3%	42.9%	(29.2%)	(25.4%)
Services	57.7%	49.7%	63.7%	57.1%	(2.0%)	(1.5%)
Total						

revenues	100.0%	100.0%	100.0%	100.0%	(15.7%)	(11.8%)
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OPERATING EXPENSES						
Sales and marketing	21.2%	24.7%	22.8%	24.6%	(27.6%)	(17.9%)
Cost of services	20.5%	22.6%	24.9%	26.4%	(23.7%)	(17.0%)
Research and development	10.2%	9.7%	11.1%	10.4%	(11.8%)	(5.5%)
General and administrative	4.0%	3.6%	4.3%	4.2%	(7.7%)	(9.9%)
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Total operating expenses	55.8%	60.6%	63.1%	65.5%	(22.4%)	(15.1%)
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OPERATING INCOME	44.2%	39.4%	36.9%	34.5%	(5.3%)	(5.5%)
Net investment gains (losses) related to equity securities						
	(8.3%)	0.1%	(2.5%)	(0.2%)	nm	nm
Other income (loss), net	0.0%	0.8%	0.8%	1.9%	(104.3%)	(61.7%)
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INCOME BEFORE TAXES	35.9%	40.3%	35.2%	36.2%	(24.9%)	(14.2%)
Provision for income taxes						
	12.3%	14.3%	12.2%	12.9%	(27.8%)	(16.0%)
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NET INCOME	23.6%	26.0%	23.0%	23.4%	(23.3%)	(13.2%)
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ORACLE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ in thousands)

	May 31, 2002 ----	May 31, 2001 ----
ASSETS		
Current Assets		
Cash and short term investments	\$5,841,178	\$5,887,661
Trade receivables, net	2,034,996	2,432,131
Prepaid and refundable income taxes	451,994	272,742
Other current assets	399,776	370,616
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Total Current Assets	8,727,944	8,963,150
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Long-term cash investments	405,883	--
Property and equipment, net	986,970	974,751
Prepaid taxes	233,359	376,030
Other assets	446,206	716,229
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TOTAL ASSETS	\$10,800,362	\$11,030,160
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable, including current maturities	\$450	\$2,849
Accounts payable	226,943	270,112
Income taxes	1,091,293	767,087
Customer advances and unearned revenues	1,275,627	1,213,529
Other current liabilities	1,365,504	1,663,042
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Total Current Liabilities	3,959,817	3,916,619

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Long-term debt	298,391	300,847
Deferred income taxes	204,073	327,788
Other long-term liabilities	220,791	207,135
Stockholders' equity	6,117,290	6,277,771
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,800,362	\$11,030,160
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