ORACLE

Financial News Details

Oracle Corporation Reports Profits Up 46 Percent in Record Second Quarter

December 10, 1998

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Total Revenue Tops $2 Billion; EPS, $0.28

REDWOOD SHORES, Calif., Dec. 10, 1998 -- Oracle Corporation (Nasdaq: ORCL) today announced record second quarter results for the period ended November 30, 1998. Revenues for the second quarter increased 27 percent (28 percent in local currencies) to $2.1 billion from $1.6 billion in the same period last year. Net income for the period increased 46 percent to $274 million, or $0.28 per share, compared to net income of $187 million, or $0.19 per share, in the same period last year.

Revenue from Oracle's two businesses, database and applications, totaled $8.0 billion in the last four quarters. The database business, including database, tools and related services, grew 25 percent to $1.5 billion in revenues for the quarter and $5.8 billion for the last four quarters, continuing its position as the largest database business in the world. Revenues from the applications business and related services grew 35 percent to $578 million in revenues for the second fiscal quarter and $2.1 billion for the last four quarters, continuing Oracle's position as the second largest applications business in the world.

Product related revenues (license and support) in the second quarter grew by 25 percent versus the same period last year, led by strong growth in database products. Oracle's Education and Consulting services revenue increased 34 percent during the quarter, indicating continued strong demand for both businesses.

Oracle reported continued strong growth in Americas and EMEA (Europe, Middle East and Africa) and significant improvement in Asia Pacific. Americas revenue was up 30 percent (31 percent in local currencies) in the second quarter versus the same period last year. EMEA was up 31 percent (29 percent in local currencies), versus the same period last year. Asia Pacific was up 7 percent in reported dollars (up 14 percent in local currencies) versus the same period last year, reflecting modest improvement in both economic conditions and currency impact in Asia Pacific.

"Our database revenue growth accelerated as Oracle has become the database of choice for Internet commerce," said Lawrence J. Ellison, Chairman and Chief Executive Officer. "Nine of the top ten business-to-business e-commerce web sites use the Oracle database. Ten of the top ten consumer e-commerce web sites use the Oracle database. Virtually every big web site in the world uses Oracle because of Oracle's ability to handle large numbers of users and huge amounts of data reliably, securely and economically."

"Release 11 of our applications, the only enterprise applications that are 100% accessible through an Internet browser, is now live at 21 customers including Oracle's own U.S. business and shipments to over 1,300 customers have been made to date," said Jeffrey O. Henley, Executive Vice President and Chief Financial Officer. "Oracle's Americas application license growth rebounded to 31% growth in its second quarter. This is a very encouraging trend particularly in light of the fact that historically, performance in the Americas has been a leading indicator of international adoption rates."

Oracle made a number of significant announcements during the quarter:

- * Oracle8i was formally launched to more than 18,000 customers, partners, and developers at Oracle Open World on November 11, 1998. Oracle8i has been in beta testing at more than 200 customer and partner sites since August. Oracle8i extends Oracle's proven technology leadership in the areas of transaction processing, data warehousing, mobile computing and high availability systems. Oracle8i is the centerpiece of Oracle's Internet computing platform which also includes Oracle Application Server 4.0 and specialized development tools. This powerful combination of technologies will deliver scalable, reliable and cost effective computing to businesses.
- * Oracle announced that hundreds of leading hardware vendors, independent software vendors (ISVs), and systems integrators (SIs) are delivering breakthrough applications and services based on Oracle8i, the world's only database for Internet computing. Together, Oracle and its partners are delivering products and services in virtually every major industry category that make Internet computing a reality.
- * Collaborative Research survey revealed 69 percent of the world's top Web sites are using Oracle technology, and an impressive 70 percent of the remaining non-Oracle sites plan to evaluate Oracle products within the next six months.
- * Oracle announced over 1,300 customers have been shipped Oracle Applications Release 11 since it became available in April. All of the more than 45 modules are web-enabled, allowing them to be deployed on corporate Intranets with no software other than a browser required on users' desktops. This architecture allows companies to shift the complexity of application management, maintenance and upgrading from users' desktops onto centralized, professionally managed servers, thereby dramatically reducing the cost of deploying and administering software.
- * Oracle announced Oracle Front Office Version 3.0, its latest version of front office applications that provides full call center functionality to enable sales, service and marketing capabilities, including the first mobile sales and service applications for the Palm Pilot, that are unmatched by competitive offerings.
- * Oracle agreed to acquire Concentra Corporation, a leading configurator software provider, for $43 million in cash. This acquisition will give Oracle the industry's most powerful configurator engine which Oracle will use as a core technology for its electronic commerce, sales automation, and unassisted selling in manufacturing businesses ranging from simple assembly to complex engineer-to-order products.
- vendor of computer telephony integration (CTI)-enabled customer interaction software, for $12 million in cash. This acquisition enhances our front office call center offering and continues our strategy of integrating powerful sales and marketing solutions with our ERP application suite.
- * Oracle announced a pilot program for its Oracle Business OnLine hosting service for enterprise business applications. Business OnLine frees subscribing customers from having to worry about hardware and software upgrades, capacity planning, hiring of scarce IT personnel, or disaster recovery, as all such issues will be managed at the data center, transparently to customers. Subscribers will receive a flexible service that offers high availability and predictable costs, that can be expanded with their needs.

Oracle Corporation is the world's leading supplier of software for information management, and the world's second largest independent software company. With annual revenues of over $8.0 billion, the company offers its database, tools and application products, along with related consulting, education, and support services, in more than 145 countries around the world. For more information about Oracle, please call Oracle Investor Relations at 650-506-4073 or see Oracle's World Wide Web page: 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 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) Intense competition in the various

markets in which Oracle competes may put pressure on Oracle to reduce prices on certain products, particularly in the departmental database marketplace. (4) Delays in product delivery or closing of sales can cause quarterly revenues and income to fall significantly short of anticipated levels. (5) Oracle is introducing new products, such as web applications servers and network computing software; the market acceptance and contribution to Oracle's revenues of these products cannot be assured. (6) A significant amount of current demand for applications software may be generated by customers in the process of replacing and upgrading applications in order to accommodate the change in date to the year 2000. Once such customers have completed such preparations, the software industry and Oracle may experience a significant deceleration from the strong annual growth rates recently experienced in the applications software marketplace. In addition, Oracle may generally experience increased expenses in addressing issues associated with the transition to software that is year 2000 compliant. 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/. NOTE: Oracle is a registered trademark of Oracle Corporation. All other trademarks are property of their respective holders.

ORACLE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
($ in thousands, except per share data)
(unaudited)

	2nd Quarter Ended November 30		Six Months Ended November 30	
	1998	1997	1998	1997
REVENUES				
Licenses and other	$767,428	$645,366	$1,349,893	$1,176,008
Services	1,288,516	968,361	2,455,162	1,806,548
Total Revenues	2,055,944	1,613,727	3,805,055	2,982,556
OPERATING EXPENSES				
Sales and marketing	591,754	528,490	1,101,830	977,941
Cost of services	779,847	548,631	1,459,137	1,016,798
Research and development (B)	200,678	183,217	388,301	342,884
General and administrative	101,598	81,383	195,883	156,897
Acquired in-process research and development (A)	--	--	--	167,054
Total Operating Expenses	1,673,877	1,341,721	3,145,151	2,661,574
OPERATING INCOME	382,067	272,006	659,904	320,982
Other income (expense) (A)	28,654	16,248	50,819	56,222
INCOME BEFORE TAXES	410,721	288,254	710,723	377,204
Provision for income taxes	136,645	100,930	241,646	181,409
NET INCOME (A)	$274,076	$187,324	$469,077	$195,795
EARNINGS PER SHARE (A)				
Basic	$0.28	$0.19	$0.48	$0.20
Diluted	$0.28	$0.19	$0.48	$0.19
Shares Outstanding				
Basic	963,840	982,491	968,367	980,888
Diluted	983,270	1,008,558	986,210	1,007,412

(A) Acquisition charges incurred in the first quarter of fiscal 1998 included in-process research and development charges of $91,500 and $75,554, respectively, for the Treasury Services Corporation and Navio Communications, Inc. merger transactions that closed in August, 1997. Excluding the effect of these transactions, which also included a credit of $25,726 for minority interest in other income (expense), the provision for income taxes would have been 35% and net income and earnings per share for the six months ended November 30, 1997 would have been $337,123 and $0.33 per share, respectively.

(B) In accordance with Statement of Financial Accounting Standards No. 86, $7,783 and $12,895 were capitalized in the quarters ended November 30, 1998 and 1997, respectively. Amortization of capitalized software costs was $7,749 and $12,804 in the quarters ended November 30, 1998 and 1997, respectively.

ORACLE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
($ in thousands)

	November 30, 1998 (unaudited)	May 31, 1998
ASSETS		
Current Assets		
Cash and short term investments	$1,908,067	$1,919,199
Trade receivables, net	1,604,336	1,857,480
Prepaid and refundable income taxes	314,849	260,624
Other current assets	260,621	285,747
Total Current Assets	4,087,873	4,323,050
Long-term cash investments	152,128	186,511
Property and equipment, net	976,662	934,350
Computer software development costs, net	98,867	99,012
Other assets	331,061	276,088
TOTAL ASSETS	$5,646,591	$5,819,011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable, including current maturities	$7,878	$2,924
Accounts payable	296,963	239,698
Income taxes	99,762	181,354
Customer advances and unearned revenues	800,214	877,087
Other current liabilities	1,047,649	1,183,102
Total Current Liabilities	2,252,466	2,484,165
Long-term debt	304,201	304,337
Long-term liabilities	58,265	57,095
Deferred income taxes	16,349	15,856
Stockholders' equity	3,015,310	2,957,558
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,646,591	$5,819,011