



News Release

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ORACLE REPORTS Q4 EARNINGS PER SHARE OF \$0.16 VS. \$0.12 LAST YEAR

Applications Sales Up, Database Sales Up, Total Revenues Up, Operating Margins Record 45%

Redwood Shores, Calif., June 12, 2003-- [<http://www.oracle.com/tellmemore/?1734560>] Today, Oracle Corporation announced financial results for its fiscal fourth quarter and full year 2003.

Fourth quarter net income increased 31% to \$858 million, or \$0.16 per share, compared to net income of \$656 million, or \$0.12 per share for the fourth quarter last year, which included an equity securities impairment charge of \$104 million net of tax, or \$0.02 per share related to Oracle's investment in Liberate Technologies. Total revenues in Q4 increased 2% to \$2.83 billion, new software license and other revenues rose 1% to \$1.2 billion, software license updates and product support increased 12% to \$1.1 billion, and services declined 11% to \$580 million. Operating margin in the quarter reached a record 45% eclipsing the previous record of 44% in the fourth quarter of 2002.

For the full fiscal year 2003, net income increased 4% to \$2.31 billion or \$0.43 per share, compared with net income of \$2.22 billion or \$0.39 per share in fiscal year 2002, while total revenues declined 2% to \$9.5 billion. The annual operating margin was 36%.

"This has been a very strong quarter for us, even with the war in Iraq and the SARS concerns right in the middle of it," said Oracle CFO Jeff Henley. "In light of the continuing tight IT spending environment, we are particularly pleased that we executed well enough to deliver some top line growth in our business while improving both profits and margins."

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“We had a great applications quarter,” said Oracle CEO Larry Ellison. “The strength of our applications business is apparent when you compare our results to the results of our competitors. For the quarter our applications new software license revenues were flat at \$246 million. Many of our major competitors showed significant license revenue decline in their most recently reported quarter. For instance, in PeopleSoft’s most recent quarter their applications new license revenues decreased 39% to \$80 million. We believe that our growth and PeopleSoft’s decline resulted in part from an increase in our competitive win rate over PeopleSoft, and the fact that we are beginning to replace PeopleSoft at a number of major accounts.”

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 www.oracle.com/investor.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Information in this release relating to Oracle's future prospects (other than those statements relating to the tender offer) 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, political and market conditions could continue to adversely affect purchasing decisions for computer software and services throughout the world. The war on terrorism and the potential for war or other hostilities in other parts of the world add to the climate of uncertainty that could adversely affect revenues. 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. 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/investor>.

The solicitation and the offer to buy PeopleSoft's common stock is only made pursuant to the Offer to Purchase and related materials that Oracle Corporation and Pepper Acquisition Corp. filed on June 9, 2003. Stockholders should read the Offer to Purchase and related materials carefully because they contain important information, including the terms and conditions of the offer. Stockholders can obtain the Offer to Purchase and related materials free at the SEC's website at www.sec.gov, from Credit Suisse First Boston LLC, the Dealer Manager for the offer, from MacKenzie Partners, the Information Agent for the offer, or from Oracle Corporation.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (\$ in thousands, except per share data)

| | Three Months Ended May 31, | | Year Ended May 31, | |
|--|-------------------------------|-------------------|-----------------------|---------------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| REVENUES | | | | |
| New software licenses and other | \$ 1,186,859 | \$ 1,172,620 | \$ 3,270,080 | \$ 3,512,954 |
| Software license updates and product support | 1,065,557 | 949,539 | 3,928,587 | 3,540,236 |
| Services | 579,590 | 651,622 | 2,276,290 | 2,619,403 |
| Total Revenues | <u>2,832,006</u> | <u>2,773,781</u> | <u>9,474,957</u> | <u>9,672,593</u> |
| OPERATING EXPENSES | | | | |
| Sales and marketing | 567,324 | 587,532 | 2,071,960 | 2,208,981 |
| Software license updates and product support | 119,497 | 115,644 | 473,914 | 461,575 |
| Cost of services | 461,038 | 452,600 | 1,868,469 | 1,943,936 |
| Research and development | 298,095 | 282,142 | 1,180,261 | 1,076,156 |
| General and administrative | 115,526 | 109,592 | 440,876 | 411,213 |
| Total Operating Expenses | <u>1,561,480</u> | <u>1,547,510</u> | <u>6,035,480</u> | <u>6,101,861</u> |
| OPERATING INCOME | 1,270,526 | 1,226,271 | 3,439,477 | 3,570,732 |
| Net investment losses related to equity securities (1) | (3,085) | (229,316) | (111,243) | (243,515) |
| Other income (expense), net | 6,092 | (1,188) | 96,366 | 80,987 |
| INCOME BEFORE TAXES | 1,273,533 | 995,767 | 3,424,600 | 3,408,204 |
| Provision for income taxes (2) | 415,442 | 339,846 | 1,117,574 | 1,184,199 |
| NET INCOME | <u>\$ 858,091</u> | <u>\$ 655,921</u> | <u>\$ 2,307,026</u> | <u>\$ 2,224,005</u> |
| EARNINGS PER SHARE | | | | |
| Basic | \$ 0.16 | \$ 0.12 | \$ 0.44 | \$ 0.40 |
| Diluted | \$ 0.16 | \$ 0.12 | \$ 0.43 | \$ 0.39 |
| WEIGHTED SHARES OUTSTANDING | | | | |
| Basic | 5,240,182 | 5,471,617 | 5,301,634 | 5,518,024 |
| Diluted | 5,355,760 | 5,610,626 | 5,418,488 | 5,688,960 |

(1) Net investment losses related to equity securities in the three months ended May 31, 2002 includes a \$173,452 impairment charge related to Oracle's investment in Liberate Technologies. Excluding the effect of this charge, net income and diluted earnings per share would have been \$759,992 and \$0.14 per share. Net investment losses related to equity securities in the year ended May 31, 2003 and 2002 include an \$87,174 and \$173,452 impairment charge related to Oracle's investment in Liberate Technologies, respectively. Excluding the effect of this charge, net income and diluted earnings per share would have been \$2,359,330 and \$0.44 per share, and \$2,328,076 and \$0.41 per share for the twelve months ended May 31, 2003 and 2002, respectively.

(2) Provision for income taxes in the three months ended May 31, 2003 of \$415,442 includes a \$17,559 adjustment related to a decrease in Oracle's year to date effective income tax rate on operating and other income from 34% to 33.5%. Excluding the effect of this adjustment, the provision for income taxes would have been \$433,001 for the three months ended May 31, 2003. The change in effective tax rate did not change basic or diluted earnings per share for the three or twelve months ended May 31, 2003. The effective tax rate for the year ended May 31, 2003 is 32.6%, which includes 33.5% on operating and other income, partially offset by the tax benefit of 40% on the impairment charge on Liberate Technologies, as well as a benefit from the release of previously accrued taxes relating to our Foreign Sales Corporation.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

| | <u>Percentage of Revenues</u> | | <u>Percentage of Revenues</u> | | <u>Percentage Change</u> <u>Three Months FY03</u> <u>vs.</u> <u>Three Months FY02</u> | <u>Percentage Change</u> <u>FY 03</u> <u>vs.</u> <u>FY 02</u> |
|--|-------------------------------|-------------|-------------------------------|----------------|--|--|
| | <u>Three Months</u> | | <u>Year Ended</u> | | | |
| | <u>Ended</u> | | <u>May 31,</u> | <u>May 31,</u> | | |
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> | | |
| REVENUES | | | | | | |
| New software licenses and other | 42% | 42% | 35% | 36% | 1% | (7%) |
| Software license updates and product support | 38% | 34% | 41% | 37% | 12% | 11% |
| Services | 20% | 24% | 24% | 27% | (11%) | (13%) |
| Total Revenues | 100% | 100% | 100% | 100% | 2% | (2%) |
| OPERATING EXPENSES | | | | | | |
| Sales and marketing | 20% | 21% | 22% | 23% | (3%) | (6%) |
| Software license updates and product support | 4% | 4% | 5% | 5% | 3% | 3% |
| Cost of services | 16% | 17% | 20% | 20% | 2% | (4%) |
| Research and development | 11% | 10% | 12% | 11% | 6% | 10% |
| General and administrative | 4% | 4% | 5% | 4% | 5% | 7% |
| Total Operating Expenses | 55% | 56% | 64% | 63% | 1% | (1%) |
| OPERATING INCOME | 45% | 44% | 36% | 37% | 4% | (4%) |
| Net investment losses related to equity securities | 0% | (8%) | (1%) | (3%) | (99%) | (54%) |
| Other income (expense), net | 0% | 0% | 1% | 1% | (613%) | 19% |
| INCOME BEFORE TAXES | 45% | 36% | 36% | 35% | 28% | 0% |
| Provision for income taxes | 15% | 12% | 12% | 12% | 22% | (6%) |
| NET INCOME | 30% | 24% | 24% | 23% | 31% | 4% |

ORACLE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (\$ in thousands)

| | <u>May 31,</u> <u>2003</u> | <u>May 31,</u> <u>2002</u> |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 4,737,257 | \$ 3,095,109 |
| Short-term investments | 1,781,763 | 2,746,069 |
| Trade receivables, net | 1,920,291 | 2,034,996 |
| Deferred tax assets | 380,892 | 451,994 |
| Other current assets | <u>407,478</u> | <u>399,776</u> |
| Total Current Assets | 9,227,681 | 8,727,944 |
| Long-term investments | 232,501 | 405,883 |
| Property, net | 1,062,313 | 986,970 |
| Deferred tax assets | 196,773 | 233,359 |
| Intangible and other assets | <u>345,110</u> | <u>446,206</u> |
| TOTAL ASSETS | <u>\$ 11,064,378</u> | <u>\$ 10,800,362</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Current portion of long-term debt | \$ 153,126 | \$ 450 |
| Accounts payable | 227,903 | 226,943 |
| Income taxes payable | 891,967 | 1,091,293 |
| Other current liabilities | 1,476,557 | 1,399,660 |
| Deferred revenues | <u>1,409,234</u> | <u>1,241,471</u> |
| Total Current Liabilities | 4,158,787 | 3,959,817 |
| Long-term debt | 175,455 | 298,391 |
| Deferred tax liabilities | 185,859 | 204,073 |
| Other long-term liabilities | 224,521 | 220,791 |
| Stockholders' equity | <u>6,319,756</u> | <u>6,117,290</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 11,064,378</u> | <u>\$ 10,800,362</u> |

ORACLE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)

| | Year Ended May 31, | |
|---|-----------------------|---------------------|
| | 2003 | 2002 |
| Cash Flows From Operating Activities: | | |
| Net income | \$ 2,307,026 | \$ 2,224,005 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 242,700 | 273,890 |
| Amortization of intangible assets | 83,623 | 89,593 |
| Provision for trade receivable accounts | 128,207 | 194,975 |
| Net investment losses related to equity securities | 111,243 | 243,515 |
| Deferred income taxes | 89,600 | (160,004) |
| Changes in assets and liabilities: | | |
| Decrease in trade receivables | 118,922 | 229,631 |
| (Increase) decrease in prepaid expenses and other assets | 40,731 | (22,886) |
| Decrease in accounts payable and other current liabilities | (87,664) | (339,650) |
| Increase (decrease) in income taxes payable | (80,960) | 383,779 |
| Increase in deferred revenues | 65,489 | 4,609 |
| Increase in other long-term liabilities | 3,951 | 13,820 |
| Net cash provided by operating activities | <u>3,022,868</u> | <u>3,135,277</u> |
| Cash Flows From Investing Activities: | | |
| Purchases of investments | (4,712,942) | (6,087,047) |
| Proceeds from maturities and sale of investments | 5,942,066 | 4,384,419 |
| Capital expenditures | (123,218) | (278,025) |
| Purchase of office buildings | (168,165) | - |
| Increase in other assets | (42,723) | (49,350) |
| Net cash provided by (used for) investing activities | <u>895,018</u> | <u>(2,030,003)</u> |
| Cash Flows From Financing Activities: | | |
| Payments for repurchase of common stock | (2,653,033) | (2,793,198) |
| Proceeds from issuance of common stock | 356,373 | 332,602 |
| Settlement of forward contract | (166,260) | - |
| Borrowings (repayments) under notes payable and long-term debt | 9,050 | (4,945) |
| Net cash used for financing activities | <u>(2,453,870)</u> | <u>(2,465,541)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>178,132</u> | <u>6,210</u> |
| Net increase (decrease) in cash and cash equivalents | 1,642,148 | (1,354,057) |
| Cash and cash equivalents at beginning of period | 3,095,109 | 4,449,166 |
| Cash and cash equivalents at end of period | <u>\$ 4,737,257</u> | <u>\$ 3,095,109</u> |