

ORACLE CORP  
Form 10-Q  
December 22, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended November 30, 2008**

**OR**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission file number: 000-51788**

**Oracle Corporation  
(Exact name of registrant as specified in its charter)**

**Delaware  
(State or other jurisdiction of  
incorporation or organization)**

**54-2185193  
(I.R.S. Employer  
Identification no.)**

**500 Oracle Parkway  
Redwood City, California 94065  
(Address of principal executive offices, including zip code)**

**(650) 506-7000  
(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large Accelerated filer ☒ x

Accelerated filer ☐ o

Non-accelerated filer ☐ o

Smaller reporting company ☐ o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ o NO ☒ x

The number of shares of registrant's common stock outstanding as of December 15, 2008 was: 5,046,177,000.

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**ORACLE CORPORATION**  
**FORM 10-Q QUARTERLY REPORT**

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**ORACLE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**As of November 30, 2008 and May 31, 2008**  
**(Unaudited)**

(in millions, except per share data)	November 30, 2008	May 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,353	\$ 8,262
Marketable securities	3,293	2,781
Trade receivables, net of allowances of \$301 and \$303 as of November 30, 2008 and May 31, 2008	3,253	5,127
Deferred tax assets	634	853
Prepaid expenses and other current assets	605	1,080
Total current assets	15,138	18,103
Non-current assets:		
Property, net	1,907	1,688
Intangible assets: software support agreements and related relationships, net	3,682	3,797
Intangible assets: other, net	4,419	4,598
Goodwill	18,587	17,991
Other assets	1,069	1,091
Total non-current assets	29,664	29,165
Total assets	\$ 44,802	\$ 47,268

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Notes payable, current and other current borrowings	\$ 1,002	\$ 1,001
Accounts payable	346	383
Accrued compensation and related benefits	1,062	1,770
Deferred revenues	3,881	4,492
Other current liabilities	1,672	2,383
Total current liabilities	7,963	10,029
Non-current liabilities:		

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Notes payable and other non-current borrowings	10,236	10,235
Income taxes payable	1,680	1,566
Deferred tax liabilities	1,062	1,218
Other non-current liabilities	1,040	1,195
Total non-current liabilities	14,018	14,214
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value authorized: 1.0 shares; outstanding: none		
Common stock, \$0.01 par value and additional paid in capital authorized: 11,000 shares; outstanding: 5,046 shares as of November 30, 2008 and 5,150 shares as of May 31, 2008	12,743	12,446
Retained earnings	10,177	9,961
Accumulated other comprehensive (loss) income	(99)	618
Total stockholders' equity	22,821	23,025
Total liabilities and stockholders' equity	\$ 44,802	\$ 47,268

See notes to condensed consolidated financial statements.

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**ORACLE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Three and Six Months Ended November 30, 2008 and 2007**  
**(Unaudited)**

(in millions, except per share data)	Three Months Ended November 30,		Six Months Ended November 30,	
	2008	2007	2008	2007
Revenues:				
New software licenses	\$ 1,626	\$ 1,668	\$ 2,863	\$ 2,756
Software license updates and product support	2,850	2,491	5,785	4,873
Software revenues	4,476	4,159	8,648	7,629
Services	1,131	1,154	2,290	2,213
Total revenues	5,607	5,313	10,938	9,842
Operating expenses:				
Sales and marketing	1,146	1,095	2,258	2,070
Software license updates and product support	257	246	539	474
Cost of services	939	992	1,965	1,922
Research and development	651	674	1,360	1,326
General and administrative	174	206	379	402
Amortization of intangible assets	427	290	839	575
Acquisition related and other	21	22	71	68
Restructuring	17	6	31	6
Total operating expenses	3,632	3,531	7,442	6,843
Operating income	1,975	1,782	3,496	2,999
Interest expense	(157)	(89)	(317)	(183)
Non-operating income, net	8	122	90	199
Income before provision for income taxes	1,826	1,815	3,269	3,015
Provision for income taxes	530	512	896	871
Net income	\$ 1,296	\$ 1,303	\$ 2,373	\$ 2,144
Earnings per share:				
Basic	\$ 0.25	\$ 0.25	\$ 0.46	\$ 0.42
Diluted	\$ 0.25	\$ 0.25	\$ 0.46	\$ 0.41
Weighted average common shares outstanding:				
Basic	5,127	5,125	5,140	5,117
Diluted	5,187	5,232	5,211	5,224

See notes to condensed consolidated financial statements.

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**ORACLE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended November 30, 2008 and 2007**  
**(Unaudited)**

<b>(in millions)</b>	<b>Six Months Ended November 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash Flows From Operating Activities:		
Net income	\$ 2,373	\$ 2,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	134	137
Amortization of intangible assets	839	575
Deferred income taxes	(151)	(72)
Minority interests in income	35	29
Stock-based compensation	186	168
Tax benefits on the exercise of stock options	121	262
Excess tax benefits on the exercise of stock options	(79)	(187)
In-process research and development	6	7
Other gains, net	(2)	(2)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables, net	1,642	937
Decrease in prepaid expenses and other assets	388	27
Decrease in accounts payable and other liabilities	(1,022)	(551)
Decrease in income taxes payable	(273)	(241)
(Decrease) increase in deferred revenues	(207)	70
Net cash provided by operating activities	3,990	3,303
Cash Flows From Investing Activities:		
Purchases of marketable securities and other investments	(5,105)	(1,953)
Proceeds from maturities and sales of marketable securities and other investments	4,362	1,273
Acquisitions, net of cash acquired	(1,065)	(651)
Capital expenditures	(399)	(156)
Net cash used for investing activities	(2,207)	(1,487)
Cash Flows From Financing Activities:		
Payments for repurchases of common stock	(2,344)	(1,023)
Proceeds from issuances of common stock	371	682
Repayments of borrowings	(4)	(1,362)
Excess tax benefits on the exercise of stock options	79	187
Distributions to minority interests	(30)	(28)
Net cash used for financing activities	(1,928)	(1,544)
Effect of exchange rate changes on cash and cash equivalents	(764)	243

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Net (decrease) increase in cash and cash equivalents	(909)	515
Cash and cash equivalents at beginning of period	8,262	6,218
Cash and cash equivalents at end of period	\$ 7,353	\$ 6,733
Non-cash investing and financing transactions:		
Fair value of stock awards assumed in connection with acquisitions	\$ 1	\$ 15
Increase (decrease) in unsettled repurchases of common stock	\$ 152	\$ (23)

See notes to condensed consolidated financial statements.

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**ORACLE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**November 30, 2008**  
**(Unaudited)**

**1. BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS**

**Basis of Presentation**

We have prepared the condensed consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to ensure the information presented is not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

We believe that all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for our fiscal year ending May 31, 2009. There have been no significant changes in our adoption of new accounting pronouncements or in our application of our significant accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2008 other than the impact of our adoption of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*, and certain related FASB staff positions for which we have established a policy and provided disclosures in Note 3.

**Acquisition Related and Other Expenses**

Acquisition related and other expenses consist of in-process research and development expenses, personnel related costs for transitional employees, stock-based compensation expenses, integration related professional services, certain business combination adjustments after the purchase price allocation period has ended, and certain other operating expenses, net. Stock-based compensation included in acquisition related and other expenses resulted from unvested options assumed from acquisitions whose vesting was accelerated upon termination of the employees pursuant to the original terms of those options.