

ORACLE CORP  
Form 10-Q  
March 23, 2009

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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 February 28, 2009**

**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  NO

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

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

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  NO

The number of shares of registrant's common stock outstanding as of March 16, 2009 was: 4,983,414,000.

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

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**ORACLE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**As of February 28, 2009 and May 31, 2008**  
**(Unaudited)**

(in millions, except per share data)	February 28, 2009	May 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,211	\$ 8,262
Marketable securities	3,083	2,781
Trade receivables, net of allowances of \$281 and \$303 as of February 28, 2009 and May 31, 2008	3,025	5,127
Deferred tax assets	635	853
Prepaid expenses and other current assets	657	1,080
Total current assets	15,611	18,103
Non-current assets:		
Property, net	1,914	1,688
Intangible assets: software support agreements and related relationships, net	3,550	3,797
Intangible assets: other, net	4,154	4,598
Goodwill	18,642	17,991
Other assets	1,078	1,091
Total non-current assets	29,338	29,165
Total assets	\$ 44,949	\$ 47,268

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Notes payable, current and other current borrowings	\$ 1,002	\$ 1,001
Accounts payable	272	383
Accrued compensation and related benefits	1,073	1,770
Deferred revenues	3,952	4,492
Other current liabilities	1,673	2,383
Total current liabilities	7,972	10,029
Non-current liabilities:		

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Notes payable and other non-current borrowings	10,236	10,235
Income taxes payable	1,802	1,566
Deferred tax liabilities	942	1,218
Other non-current liabilities	920	1,195
 Total non-current liabilities	 13,900	 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: 4,983 shares as of February 28, 2009 and 5,150 shares as of May 31, 2008	12,758	12,446
Retained earnings	10,468	9,961
Accumulated other comprehensive (loss) income	(149)	618
 Total stockholders' equity	 23,077	 23,025
 Total liabilities and stockholders' equity	 \$ 44,949	 \$ 47,268

See notes to condensed consolidated financial statements.

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**ORACLE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Three and Nine Months Ended February 28, 2009 and February 29, 2008**  
**(Unaudited)**

(in millions, except per share data)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28,</b>	<b>February 29,</b>	<b>February 28,</b>	<b>February 29,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenues:				
New software licenses	\$ 1,516	\$ 1,616	\$ 4,379	\$ 4,371
Software license updates and product support	2,917	2,624	8,702	7,497
Software revenues	4,433	4,240	13,081	11,868
Services	1,020	1,109	3,310	3,323
Total revenues	5,453	5,349	16,391	15,191
Operating expenses:				
Sales and marketing	1,054	1,083	3,312	3,153
Software license updates and product support	256	254	795	729
Cost of services	855	989	2,820	2,911
Research and development	677	682	2,037	2,007
General and administrative	192	206	571	608
Amortization of intangible assets	437	292	1,276	867
Acquisition related and other	27	(40)	98	28
Restructuring	15	8	46	14
Total operating expenses	3,513	3,474	10,955	10,317
Operating income	1,940	1,875	5,436	4,874
Interest expense	(154)	(82)	(471)	(265)
Non-operating income, net	24	84	114	284
Income before provision for income taxes	1,810	1,877	5,079	4,893
Provision for income taxes	481	537	1,377	1,409
Net income	\$ 1,329	\$ 1,340	\$ 3,702	\$ 3,484
Earnings per share:				
Basic	\$ 0.27	\$ 0.26	\$ 0.73	\$ 0.68
Diluted	\$ 0.26	\$ 0.26	\$ 0.72	\$ 0.67
Weighted average common shares outstanding:				
Basic	5,005	5,148	5,095	5,128
Diluted	5,056	5,235	5,159	5,228



See notes to condensed consolidated financial statements.

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**ORACLE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended February 28, 2009 and February 29, 2008**  
**(Unaudited)**

(in millions)	<b>Nine Months Ended</b>	
	<b>February 28, 2009</b>	<b>February 29, 2008</b>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 3,702	\$ 3,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	198	202
Amortization of intangible assets	1,276	867
Deferred income taxes	(302)	(130)
Minority interests in income	58	45
Stock-based compensation	274	233
Tax benefits on the exercise of stock options	141	492
Excess tax benefits on the exercise of stock options	(92)	(403)
In-process research and development	10	7
Other gains, net		(64)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables, net	1,848	980
Decrease in prepaid expenses and other assets	336	61
Decrease in accounts payable and other liabilities	(1,097)	(482)
Decrease in income taxes payable	(51)	(273)
(Decrease) increase in deferred revenues	(54)	88
<b>Net cash provided by operating activities</b>	<b>6,247</b>	<b>5,107</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of marketable securities and other investments	(6,906)	(3,629)
Proceeds from maturities and sales of marketable securities and other investments	6,397	2,532
Acquisitions, net of cash acquired	(1,165)	(700)
Capital expenditures	(491)	(195)
Proceeds from sale of property		153
<b>Net cash used for investing activities</b>	<b>(2,165)</b>	<b>(1,839)</b>
<b>Cash Flows From Financing Activities:</b>		
Payments for repurchases of common stock	(3,704)	(1,520)
Proceeds from issuances of common stock	448	1,047
Repayments of borrowings	(4)	(1,362)
Excess tax benefits on the exercise of stock options	92	403
Distributions to minority interests	(53)	(49)
<b>Net cash used for financing activities</b>	<b>(3,221)</b>	<b>(1,481)</b>

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Effect of exchange rate changes on cash and cash equivalents	(912)		404
Net (decrease) increase in cash and cash equivalents	(51)		2,191
Cash and cash equivalents at beginning of period	8,262		6,218
Cash and cash equivalents at end of period	\$ 8,211	\$	8,409
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	\$ 4	\$	(21)

See notes to condensed consolidated financial statements.

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**ORACLE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**February 28, 2009**  
**(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 that 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. 161, *Disclosures about Derivative Instruments and Hedging Activities*, an amendment of FASB Statement No. 133, for which we have provided disclosures in Note 7 and 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 and other 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 (income), 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.

(in millions)	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
In-process research and development	\$ 4	\$	\$ 10	\$ 7
Transitional and other employee related costs	8	6	39	27
Stock-based compensation	3	3	14	39
Professional fees and other, net	12	3	24	7
Business combination adjustments		5	11	5
Gain on sale of property		(57)		(57)

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Total acquisition related and other expenses	\$	27	\$	(40)	\$	98	\$	28
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In December 2007, we sold certain of our land and buildings for \$153 million in cash. Concurrent with the sale, we leased the property back from the buyer for a period of up to three years. We have accounted for this transaction in accordance with FASB Statement No. 28, *Accounting for Sales with Leasebacks*, FASB Statement No. 66, *Accounting for Sales of Real Estate*, and FASB Statement No. 98, *Accounting for Leases, et al.* We deferred \$19 million of the gain on the sale representing the present value of the operating lease commitment and recognized a gain of approximately \$57 million during the three and nine months ended February 29, 2008.

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**Non-Operating Income, net**

Non-operating income, net consists primarily of interest income, net foreign currency exchange gains (losses), the minority owners' shares in the net profits of our majority-owned subsidiaries (Oracle Financial Services Software Limited, formerly i-flex solutions limited, and Oracle Japan), and other income (losses), net, including net realized gains and losses related to all of our investments and net unrealized gains and losses related to the small portion of our investment portfolio that we classify as trading.

(in millions)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28, 2009</b>	<b>February 29, 2008</b>	<b>February 28, 2009</b>	<b>February 29, 2008</b>
Interest income	\$ 58	\$ 89	\$ 243	\$ 253
Foreign currency (losses) gains, net	(9)	20	(22)	47
Minority interests in income	(23)	(17)	(58)	(45)
Other (losses) income, net	(2)	(8)	(49)	29
Total non-operating income, net	\$ 24	\$ 84	\$ 114	\$ 284

**Comprehensive Income**

Comprehensive income consists of the following, net of income tax effects: net income, foreign currency translation gains and losses, gains and losses related to certain of our derivative financial instruments that are reflected in stockholders' equity instead of net income, and unrealized gains and losses on marketable debt and equity securities that we classify as available-for-sale. The following table sets forth the calculation of comprehensive income:

(in millions)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28, 2009</b>	<b>February 29, 2008</b>	<b>February 28, 2009</b>	<b>February 29, 2008</b>
Net income	\$ 1,329	\$ 1,340	\$ 3,702	\$ 3,484
Foreign currency translation (losses) gains, net	(56)	78	(739)	287
Unrealized gains (losses) on derivative financial instruments, net	10	(40)	(34)	(92)
Unrealized (losses) gains on marketable securities, net	(4)		6	1
Comprehensive income	\$ 1,279	\$ 1,378	\$ 2,935	\$ 3,680

**Recent Accounting Pronouncements**

**Equity Method Investment Accounting:** In November 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 08-6, *Equity Method Investment Accounting Considerations*. EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. We do not currently have any investments that are accounted for under the equity method. The pending adoption of EITF 08-6 is not expected to have an impact on our consolidated financial statements.

**Defensive Intangible Assets:** In November 2008, the FASB ratified Emerging Issues Task Force Issue No. 08-7, *Accounting for Defensive Intangible Assets*. EITF 08-7 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over the period the asset diminishes in value. EITF 08-7 is effective for fiscal years beginning after December 15, 2008, with early adoption

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prohibited. We are currently evaluating the impact of the pending adoption of EITF 08-7 on our consolidated financial statements.

***Determination of the Useful Life of Intangible Assets:*** In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, *Determination of the Useful Life of Intangible Assets*. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. We are currently evaluating the impact of the pending adoption of FSP FAS 142-3 on our consolidated financial statements.

***Business Combinations:*** In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations*. The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition related restructuring liabilities, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. Statement 141(R) is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. We are currently evaluating the impact of the pending adoption of Statement 141(R) on our consolidated financial statements. We currently believe that the adoption of Statement 141(R) will result in the recognition of certain types of expenses in our results of operations that are currently capitalized pursuant to existing accounting standards, amongst other potential impacts.

***Accounting and Reporting of Noncontrolling Interests:*** In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. The standard changes the accounting for noncontrolling (minority) interests in consolidated financial statements including the requirements to classify noncontrolling interests as a component of consolidated stockholders' equity, and the elimination of minority interest accounting in results of operations with earnings attributable to noncontrolling interests reported as a part of consolidated earnings and to apply these financial statement presentation requirements retrospectively. Additionally, Statement 160 revises the accounting for both increases and decreases in a parent's controlling ownership interest. Statement 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. We are currently evaluating the impact of the pending adoption of Statement 160 on our consolidated financial statements.

***Fair Value Measurements:*** In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. Statement 157 defines fair value, establishes a framework for measuring fair value and expands fair value measurement disclosures. In February 2008, the FASB issued FASB Staff Position No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* and FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*. Collectively, the Staff Positions defer the effective date of Statement 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value on a recurring basis at least annually, and amend the scope of Statement 157. In addition, in October 2008 the FASB issued FASB Staff Position FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarified the application of how the fair value of a financial asset is determined when the market for that financial asset



is inactive. FSP No. 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. As described in Note 3, we have adopted Statement 157 and the related FASB staff positions except for those items specifically deferred under FSP No. FAS 157-2. We are currently evaluating the impact of the full adoption of Statement 157 on our consolidated financial statements.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**2. ACQUISITIONS**

**Fiscal 2009 Acquisitions**

During the first nine months of fiscal 2009, we acquired several companies and purchased certain technology and development assets primarily to expand our product offerings. These acquisitions were not individually significant. We have included the financial results of these companies in our fiscal 2009 consolidated results from their respective acquisition dates. In the aggregate, the total purchase price for these acquisitions was approximately \$1.2 billion, which consisted of \$1.2 billion in cash, \$1 million for the fair value of stock awards assumed and \$11 million for transaction costs. In allocating the total purchase price for these acquisitions based on estimated fair values, we preliminarily recorded \$703 million of goodwill, \$585 million of identifiable intangible assets, \$95 million of net tangible liabilities (resulting primarily from deferred tax and restructuring liabilities assumed as a part of these transactions) and \$10 million of in-process research and development. The preliminary allocations of the various purchase prices were based upon preliminary valuations and our estimates and assumptions are subject to change. The primary areas of the purchase price allocations that were not yet finalized relate to certain restructuring liabilities, intangible assets, legal matters, income and non-income based taxes and residual goodwill.

**Fiscal 2008 Acquisitions**

***BEA Systems, Inc.***

We acquired BEA Systems, Inc. on April 29, 2008 by means of a merger of one of our wholly-owned subsidiaries with and into BEA such that BEA became a wholly-owned subsidiary of Oracle. We acquired BEA to, among other things, expand our offering of middleware products. We have included the financial results of BEA in our consolidated financial results effective April 29, 2008.

The total purchase price for BEA was \$8.6 billion which consisted of \$8.3 billion in cash paid to acquire the outstanding common stock of BEA, \$225 million for the fair value of BEA options assumed and restricted stock awards exchanged and \$10 million for acquisition related transaction costs. In allocating the purchase price based on estimated fair values, we preliminarily recorded approximately \$4.4 billion of goodwill, \$3.3 billion of identifiable intangible assets, \$856 million of net tangible assets and \$17 million of in-process research and development. The preliminary allocation of the purchase price was based upon a preliminary valuation and our estimates and assumptions are subject to change. The primary areas of those purchase price allocations that are not yet finalized relate to certain restructuring liabilities, legal matters, income and non-income based taxes and residual goodwill.

***Other Acquisitions***

During fiscal 2008, we acquired several other companies and purchased certain technology and development assets. Our fiscal 2008 acquisitions, other than BEA, were not significant individually or in the aggregate. We have included the effects of these transactions in our results of operations prospectively from the respective dates of the acquisitions. The preliminary purchase price allocations for each of these acquisitions were based upon a preliminary valuation and our estimates and assumptions for certain of these acquisitions are subject to change. The primary areas of those purchase price allocations that are not yet finalized relate to income and non-income based taxes and residual

goodwill.

**Unaudited Pro Forma Financial Information**

The unaudited pro forma financial information in the table below summarizes the combined results of operations for Oracle, BEA and certain other companies that we acquired since the beginning of fiscal 2008 (which were collectively significant for purposes of unaudited pro forma financial information disclosure) as though the

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companies were combined as of the beginning of fiscal 2008. The pro forma financial information for all periods presented also includes the business combination accounting effects resulting from these acquisitions including amortization charges from acquired intangible assets, stock-based compensation charges for unvested stock awards assumed, adjustments to interest expense for borrowings and the related tax effects as though the aforementioned companies were combined as of the beginning of fiscal 2008. The pro forma financial information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions and any borrowings undertaken to finance these acquisitions had taken place at the beginning of fiscal 2008.

The unaudited pro forma financial information for the three and nine months ended February 28, 2009 combined the historical results of Oracle for the three and nine months ended February 28, 2009 and the historical results of certain other companies that we acquired since the beginning of fiscal 2009 (which were collectively significant for purposes of unaudited pro forma financial information disclosure) based upon their respective previous reporting periods and the dates that these companies were acquired by us, and the effects of the pro forma adjustments listed above.

The unaudited pro forma financial information for the three and nine months ended February 29, 2008 combined the historical results of Oracle for the three and nine months ended February 29, 2008 and, due to differences in our reporting periods, the historical results of BEA for the three and nine months ended January 31, 2008, and the historical results of certain other companies that we acquired since the beginning of fiscal 2008 (which were collectively significant for purposes of unaudited pro forma financial information disclosure) based upon their respective previous reporting periods and the dates these companies were acquired by us, and the effects of the pro forma adjustments listed above. The unaudited pro forma financial information was as follows for the three and nine months ended February 28, 2009 and February 29, 2008:

(in millions, except per share data)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28, 2009</b>	<b>February 29, 2008</b>	<b>February 28, 2009</b>	<b>February 29, 2008</b>
Total revenues	\$ 5,455	\$ 5,865	\$ 16,510	\$ 16,626
Net income	\$ 1,329	\$ 1,277	\$ 3,685	\$ 3,218
Basic earnings per share	\$ 0.27	\$ 0.25	\$ 0.72	\$ 0.63
Diluted earnings per share	\$ 0.26	\$ 0.24	\$ 0.71	\$ 0.61

**3. FAIR VALUE MEASUREMENTS**

On June 1, 2008, we adopted FASB Statement No. 157, *Fair Value Measurements* and subsequently adopted certain related FASB staff positions. The adoption of Statement 157 and related positions did not have a material impact on our consolidated financial statements. Statement 157 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of

nonperformance.

Statement 157 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization

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within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Statement 157 establishes three levels of inputs that may be used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Our significant financial assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, consisted of the following types of instruments as of February 28, 2009 (Level 1 and 2 inputs are defined above):

(in millions)	Fair Value Measurements Using Input Type		
	Level 1	Level 2	Total
Assets:			
Money market funds	\$ 955	\$	\$ 955
U.S. Treasury, U.S. government and U.S. government agency debt securities	1,839		1,839
Commercial paper debt securities		2,666	2,666
Corporate debt securities and other		1,251	1,251
Total financial assets	\$ 2,794	\$ 3,917	\$ 6,711
Liabilities:			
Derivative financial instrument liabilities	\$	\$ 50	\$ 50
Total financial liabilities	\$	\$ 50	\$ 50

Our valuation techniques used to measure the fair values of our money market funds and U.S. Treasury, U.S. government and U.S. government agency debt securities were derived from quoted market prices as substantially all of these instruments have maturity dates (if any) within one year from our date of purchase and active markets for these instruments exist. Our valuation techniques used to measure the fair values of all other instruments listed in the

table above, substantially all of which mature within one year and the counterparties to which have high credit ratings, were derived from the following: non-binding market consensus prices that are corroborated by observable market data; quoted market prices for similar instruments; or pricing models, such as discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data. Our discounted cash flow techniques use observable market inputs, such as LIBOR-based yield curves, and currency spot and forward rates.

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**4. GOODWILL AND INTANGIBLE ASSETS**

The changes in intangible assets for fiscal 2009 and the net book value of intangible assets at February 28, 2009 and May 31, 2008 were as follows:

(Dollars in millions)	Intangible Assets, Gross		Accumulated Amortization				Intangible Assets, Net		Weighted Average Useful Life
	May 31, 2008	February 28, 2009	May 31, 2008	Expense	February 28, 2009	May 31, 2008	February 28, 2009		
Software support agreements and related relationships	\$ 4,849	\$ 163	\$ 5,012	\$ (1,052)	\$ (410)	\$ (1,462)	\$ 3,797	\$ 3,550	9 years
Developed technology	3,607	236	3,843	(1,203)	(538)	(1,741)	2,404	2,102	5 years
Core technology	1,427	75	1,502	(432)	(190)	(622)	995	880	6 years
Customer relationships	1,183	101	1,284	(170)	(111)	(281)	1,013	1,003	8 years
Trademarks	262	10	272	(76)	(27)	(103)	186	169	7 years
Total	\$ 11,328	\$ 585	\$ 11,913	\$ (2,933)	\$ (1,276)	\$ (4,209)	\$ 8,395	\$ 7,704	

Total amortization expense related to our intangible assets was \$437 million and \$1.3 billion for the three and nine months ended February 28, 2009, respectively, and \$292 million and \$867 million for the three and nine months ended February 29, 2008, respectively. As of February 28, 2009, estimated future amortization expense related to our intangible assets was \$453 million for the remainder of fiscal 2009, \$1.7 billion in fiscal 2010, \$1.4 billion in fiscal 2011, \$1.2 billion in fiscal 2012, \$1.1 billion in fiscal 2013, \$881 million in fiscal 2014 and \$1.1 billion thereafter.

The changes in the carrying amount of goodwill, which is generally not deductible for tax purposes, by operating segment for the nine months ended February 28, 2009, were as follows:

	New Software	Software License Updates and Product
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(in millions)	Licenses	Support	Services	Other <sup>(1)</sup>	Total
Balances as of May 31, 2008	\$ 4,058	\$ 8,028	\$ 1,550	\$ 4,355	\$ 17,991
Allocation of goodwill <sup>(1)</sup>	1,258	2,907	190	(4,355)	
Other acquisition goodwill	369	280	54		703
Goodwill adjustments <sup>(2)</sup>	(14)	(31)	(7)		(52)
Balances as of February 28, 2009	\$ 5,671	\$ 11,184	\$ 1,787	\$	\$ 18,642

- (1) Represents the goodwill allocation associated with certain acquisitions that was allocated to our operating segments upon the completion of certain valuations.
- (2) Pursuant to our business combinations accounting policy, we record goodwill adjustments for the effect on goodwill of changes to net assets acquired during the purchase price allocation period (generally, up to one year from date of acquisition).

## 5. RESTRUCTURING ACTIVITIES

### Fiscal 2009 Oracle Restructuring Plan

During the third quarter of fiscal 2009, our management approved, committed to and initiated plans to restructure and further improve efficiencies in our Oracle-based operations (the 2009 Plan). The total estimated restructuring costs associated with the 2009 Plan are \$213 million and will be recorded to the restructuring expense line item within our consolidated statements of operations as they are recognized. In the first nine months of fiscal 2009 we recorded \$18 million of restructuring expenses in connection with the 2009 Plan. We expect to incur the majority of the remaining \$195 million during the remainder of calendar 2009. Any changes to the estimates of executing the 2009 Plan will be reflected in our future results of operations.

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**Fiscal 2008 Oracle Restructuring Plan**

During the second quarter of fiscal 2008, our management approved, committed to and initiated plans to restructure and improve efficiencies in our Oracle-based operations as a result of certain management and organizational changes and our recent acquisitions (the 2008 Plan). During the fourth quarter of fiscal 2008, the 2008 Plan was amended to include the Oracle-based effects resulting from our acquisition of BEA. During the third quarter of fiscal 2009, we further refined our estimates of total costs that we expect to incur pursuant to the 2008 Plan. Estimated restructuring costs relating to employees included in the 2008 plan that had not yet been notified as of the third quarter of fiscal 2009 were transferred to the 2009 Plan. The total estimated restructuring costs (primarily related to employee severance) associated with the 2008 Plan were \$69 million; these costs were recorded to the restructuring expense line item within our consolidated statements of operations. In the first nine months of fiscal 2009 we recorded \$28 million of restructuring expenses and in fiscal year 2008 we recorded \$41 million of restructuring expenses in connection with the 2008 Plan. Any changes to the estimates of executing the 2008 Plan will be reflected in our future results of operations.

**Acquisition Related Restructuring Plans**

During the fourth quarter of fiscal 2008, fourth quarter of fiscal 2007 and third quarter of fiscal 2006, our management approved, committed to and initiated plans to restructure certain pre-acquisition operations of BEA (BEA Restructuring Plan), Hyperion Solutions Corporation (Hyperion Restructuring Plan) and Siebel Systems, Inc. (Siebel Restructuring Plan), respectively. Our management initiated these plans in connection with our acquisitions of these companies in order to improve the cost efficiencies in our operations. The total estimated restructuring costs associated with exiting activities of BEA were \$229 million, consisting of estimated severance, excess facilities obligations through fiscal 2014 as well as other restructuring costs. The total restructuring costs associated with exiting activities of Hyperion were \$109 million, consisting of severance, excess facilities obligations through fiscal 2016, as well as other restructuring costs. The total restructuring costs associated with exiting activities of Siebel were \$584 million, consisting of severance, excess facilities obligations through fiscal 2022, and other restructuring costs.

These costs were originally recognized as liabilities assumed in each of the respective business combinations and included in the allocation of the cost to acquire these companies and, accordingly, have resulted in an increase to goodwill. Our restructuring expenses may change as our management executes the approved plans. Future decreases to the estimates of executing the restructuring plans will be recorded as an adjustment to goodwill indefinitely. Increases to the estimates of the BEA Restructuring Plan will be recorded as an adjustment to goodwill during the purchase accounting allocation period and as an adjustment to operating expenses thereafter. Increases to the estimates of the Hyperion and Siebel Restructuring Plans will be recorded to operating expenses.

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**Summary of Restructuring Plans**

(in millions)	Nine Months Ended February 28,					Feb. 28, 2009 <sup>(2)</sup>	Total	Total
	Accrued	2009			Accrued		Costs	Expected
	May 31, 2008 <sup>(2)</sup>	Initial Costs <sup>(3)</sup>	Adj. to Cost <sup>(4)</sup>	Cash Payments	Other <sup>(5)</sup>		Feb. 28, 2009 <sup>(2)</sup>	to Date
<b>Fiscal 2009 Oracle Restructuring Plan</b>								
New software licenses	\$	\$ 10	\$	\$ (7)	\$	\$ 3	\$ 10	\$ 86
Software license updates and product support								9
Services		2		(1)		1	2	85
Other <sup>(1)</sup>		6		(2)		4	6	33
Total Fiscal 2009 Oracle Restructuring	\$	\$ 18	\$	\$ (10)	\$	\$ 8	\$ 18	\$ 213
<b>Fiscal 2008 Oracle Restructuring Plan</b>								
New software licenses	\$	10	\$ 11	\$	\$ (15)	\$	\$ 6	\$ 28
Software license updates and product support		5	1		(3)		3	7
Services		6	14		(18)		2	24
Other <sup>(1)</sup>		2	2		(3)		1	10
Total Fiscal 2008 Oracle Restructuring	\$	23	\$ 28	\$	\$ (39)	\$	\$ 12	\$ 69
<b>BEA Restructuring Plan</b>								
Severance	\$	112	\$ (1)	\$	\$ (45)	\$ (3)	\$ 63	\$ 152
Facilities		63			(17)	(4)	42	63
Contracts and other		14	(1)		(5)		8	14
Total BEA Restructuring	\$	189	\$ (2)	\$	\$ (67)	\$ (7)	\$ 113	\$ 229
<b>Hyperion Restructuring Plan</b>								
Severance	\$	33	\$	\$	\$ (8)	\$ (3)	\$ 22	\$ 47
Facilities		34		(9)	(10)	(6)	9	41
Contracts and other		14			(1)		13	21

Total Hyperion Restructuring	\$ 81	\$	\$ (9)	\$ (19)	\$ (9)	\$ 44	\$ 109	\$ 109
<b>Siebel Restructuring Plan</b>								
Severance	\$ 1	\$	\$	\$	\$ 1	\$ 60	\$ 60	
Facilities	179		9	(32)	(19)	137	483	483
Contracts and other	12					12	41	41
Total Siebel Restructuring	\$ 192	\$	\$ 9	\$ (32)	\$ (19)	\$ 150	\$ 584	\$ 584
Total Other Restructuring Plans	\$ 83	\$	\$ 4	\$ (21)	\$ (4)	\$ 62		
<b>Total Restructuring Plans<sup>(6)</sup></b>	<b>\$ 568</b>	<b>\$ 44</b>	<b>\$ 4</b>	<b>\$ (188)</b>	<b>\$ (39)</b>	<b>\$ 389</b>		

- (1) Includes severance costs associated with research and development, general and administrative functions, and certain other facility related costs.
- (2) Accrued restructuring at February 28, 2009 and May 31, 2008 was \$389 million and \$568 million, respectively. The balances include \$214 million and \$308 million recorded in other current liabilities and \$175 million and \$260 million recorded in other non-current liabilities in the accompanying condensed consolidated balance sheets at February 28, 2009 and May 31, 2008, respectively.
- (3) Initial costs recorded for the respective restructuring plans.
- (4) Adjustment increases to the Siebel Restructuring Plan were included in our condensed consolidated statement of operations (acquisition related and other expenses) for the first nine months of fiscal 2009. Adjustment decreases to the Hyperion Restructuring Plan were recorded to goodwill.
- (5) Primarily represents foreign currency translation adjustments.
- (6) Restructuring plans included in this footnote represent those plans that management has deemed significant.

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**6. DEFERRED REVENUES**

Deferred revenues consisted of the following:

(in millions)	February 28, 2009	May 31, 2008
Software license updates and product support	\$ 3,509	\$ 3,939
Services	261	333
New software licenses	182	220
Deferred revenues, current	3,952	4,492
Deferred revenues, non-current	198	262
Total deferred revenues	\$ 4,150	\$ 4,754

Deferred software license updates and product support revenues represent customer payments made in advance for annual support contracts. Software license updates and product support contracts are typically billed on a per annum basis in advance and revenues are recognized ratably over the support periods. Deferred service revenues include prepayments for consulting, On Demand and education services. Revenue for these services is recognized as the services are performed. Deferred new software license revenues typically result from undelivered products or specified enhancements, customer specific acceptance provisions, software license transactions that cannot be segmented from consulting services or certain extended payment term arrangements.

In connection with the purchase price allocations related to our acquisitions, we have estimated the fair values of the support obligations assumed. The estimated fair values of the support obligations assumed were determined using a cost build-up approach. The cost build-up approach determines fair value by estimating the costs relating to fulfilling the obligations plus a normal profit margin. The sum of the costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligations. These fair value adjustments reduce the revenues recognized over the support contract term of our acquired contracts and, as a result, we did not recognize software license updates and product support revenues related to support contracts assumed from our acquisitions in the amount of \$51 million and \$22 million for the three months ended February 28, 2009 and February 29, 2008, respectively, and \$222 million and \$138 million for the nine months ended February 28, 2009 and February 29, 2008, respectively, which would have been otherwise recorded by our acquired businesses as independent entities.

**7. COMMITMENTS AND CONTINGENCIES****Derivative Financial Instruments**

On December 1, 2008, we adopted FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133*. The adoption of Statement 161 had no financial impact on our consolidated financial statements and only required additional financial statement disclosures. We have applied the requirements of Statement 161 on a prospective basis. Accordingly, disclosures related to interim periods prior to the date of adoption have not been presented.

***Interest Rate Swap Agreements***

We use interest rate swaps to manage the economic effect of variable interest obligations associated with our floating rate senior notes so that the interest payable on the senior notes effectively becomes fixed at a certain rate, thereby reducing the impact of future interest rate changes on our future interest expense. As of February 28, 2009, we have two interest rate swap agreements that have the economic effect of modifying the variable interest obligations associated with our floating rate senior notes due in May 2009 and May 2010 so that the interest payable

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on the senior notes effectively becomes fixed at a rate of 4.62% and 4.59%, respectively. The critical terms of the interest rate swap agreements and the senior notes due in May 2009 and May 2010 match, including the notional amounts, interest rate reset dates, maturity dates and underlying market indices. Accordingly, we have designated these swaps as qualifying instruments and are accounting for these swaps as cash flow hedges pursuant to FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The unrealized losses on these interest rate swaps are included in accumulated other comprehensive (loss) income and the corresponding fair value payables are included in other current liabilities in our consolidated balance sheet. The periodic interest settlements, which occur at the same interval as the senior notes due in May 2009 and May 2010, are recorded as interest expense.

***Net Investment Hedges***

Periodically, we hedge net assets of certain of our international subsidiaries using foreign currency forward contracts to offset the translation and economic exposures related to our foreign currency-based investments in these subsidiaries. These contracts have been designated as net investment hedges pursuant to Statement 133. We use the spot method to measure the effectiveness of our net investment hedges. Under this method for each reporting period, the change in fair value of the forward contracts attributable to the changes in spot exchange rates (the effective portion) is reported in accumulated other comprehensive (loss) income on our consolidated balance sheet and the remaining change in fair value of the forward contract (the ineffective portion, if any) is recognized in non-operating income, net, in our consolidated statement of operations. We record settlements under these forward contracts in a similar manner. The fair value of the effective and ineffective portions is recorded to our consolidated balance sheet as prepaid expenses and other current assets for amounts receivable from the counterparties or other current liabilities for amounts payable to the counterparties.

As of February 28, 2009, we had one net investment hedge in Japanese Yen. The Yen investment hedge minimizes currency risk arising from net assets held in Yen as a result of equity capital raised during the initial public offering and secondary offering of our majority owned subsidiary, Oracle Japan. As of February 28, 2009, the fair value of our net investment hedge in Japanese Yen was nominal and had a notional amount of \$681 million.

***Foreign Currency Forward Contracts Not Designated as Hedges***

We transact business in various foreign currencies and have established a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. Under this program, our strategy is to have increases or decreases in our foreign currency exposures offset by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses. These foreign currency exposures typically arise from intercompany sublicense fees and other intercompany transactions. Our foreign currency forward contracts generally settle within 90 days. We do not use these forward contracts for trading purposes. We do not designate these forward contracts as hedging instruments pursuant to Statement 133. Accordingly, we record the fair value of these contracts as of the end of our reporting period to our consolidated balance sheet with changes in fair value recorded in our consolidated statement of operations. The balance sheet classification for the fair values of these forward contracts is to prepaid expenses and other current assets for unrealized gains and to other current liabilities for unrealized losses. The statement of operations classification for the fair values of these forward contracts is to non-operating income, net, for both realized and unrealized gains and losses.

As of February 28, 2009, the notional amounts of the forward contracts we held to purchase and sell U.S. Dollars in exchange for other major international currencies were \$783 million and \$997 million, respectively, and the notional amounts of the foreign currency forward contracts we held to purchase European Euros in exchange for other major international currencies were 109 million.



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The effects of derivative instruments on our condensed consolidated financial statements were as follows as of February 28, 2009 and for the three months then ended (amounts presented exclude any income tax effects):

***Fair Value of Derivative Instruments in Condensed Consolidated Balance Sheet***

(in millions)	<b>February 28, 2009</b>	
	<b>Balance Sheet Location</b>	<b>Fair Value</b>
Interest rate swap agreements designated as cash flow hedges	Other current liabilities	\$ 45
Foreign currency forward contracts designated as net investment hedges	Other current liabilities	
Total derivatives designated as hedging instruments		\$ 45
Foreign currency forward contracts not designated as hedges	Other current liabilities	\$ 5
Total derivatives		\$ 50

***Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)***

(in millions)	<b>Amount of Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion) Three Months Ended February 28, 2009</b>	<b>Amount and Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended February 28, 2009</b>	<b>Amount and Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Three Months Ended February 28, 2009</b>
	<b>Cash flow hedges:</b>		
Interest rate swaps	\$ 3	\$ (13) Interest Expense	\$ Non-operating Income, net
<b>Net investment hedges:</b>			
Foreign currency forward contracts	\$ 10	\$ Not Applicable	\$ 3 Non-operating Income, net

**Amount and Location of Gain (Loss)  
Recognized in Income on Derivative  
Three Months Ended  
February 28, 2009**

(in millions)

**Derivatives Not Designated as Hedges:**

Foreign currency forward contracts	\$	(25)	Non-operating income, net
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**Peoplesoft Customer Assurance Program**

In June 2003, in response to our tender offer, PeopleSoft, Inc. implemented what it referred to as the customer assurance program (CAP). The CAP incorporated a provision in PeopleSoft's standard licensing arrangement that purports to contractually burden Oracle, as a result of our acquisition of PeopleSoft, with a contingent obligation to make payments to PeopleSoft customers should we fail to take certain business actions for a fixed period. PeopleSoft ceased using the CAP on December 29, 2004, the date on which we acquired a controlling interest in PeopleSoft. The contingent payment obligation, which typically expires four years from the date of the contract, is fixed at an amount generally between two and five times the license and first year support fees paid to PeopleSoft in the applicable license transaction. PeopleSoft customers retain rights to the licensed products whether or not the CAP payments are triggered. As of February 28, 2009, substantially all of our contingent obligations related to the CAP had expired, and we do not believe it is probable that our post-acquisition activities have triggered any obligations to make any payments pursuant to the CAP.

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**8. STOCKHOLDERS EQUITY****Stock Repurchases**

Our Board of Directors has approved a program for Oracle to repurchase shares of our common stock. On October 20, 2008, we announced that our Board of Directors had approved the expansion of our repurchase program by \$8.0 billion and as of February 28, 2009, approximately \$6.5 billion was available for share repurchases pursuant to our stock repurchase program. We repurchased approximately 211.6 million shares for \$3.7 billion during the nine months ended February 28, 2009 (including approximately 1.7 million shares for \$28 million that were repurchased but not settled at February 28, 2009) and 73.2 million shares for \$1.5 billion during the nine months ended February 29, 2008 (including approximately 1.3 million shares for \$26 million that were repurchased but not settled at February 29, 2008) under the applicable repurchase programs authorized.

Our stock repurchase authorization does not have an expiration date and the pace of our repurchase activity will depend on factors such as our working capital needs, our cash requirements for acquisitions and dividend payments (see Note 13), our debt repayment obligations or repurchases of our debt, our stock price, and economic and market conditions. Our stock repurchases may be effected from time to time through open market purchases or pursuant to a Rule 10b5-1 plan. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

**Stock-Based Compensation Expense and Valuation of Awards**

Stock-based compensation is included in the following operating expense line items in our condensed consolidated statements of operations:

(in millions)	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Sales and marketing	\$ 16	\$ 12	\$ 51	\$ 38
Software license updates and product support	3	1	10	8
Cost of services	3	2	9	9
Research and development	39	31	121	84
General and administrative	24	16	69	55
Acquisition related and other	3	3	14	39
Total stock-based compensation	\$ 88	\$ 65	\$ 274	\$ 233

Quarterly, we assess whether there have been any significant changes in facts and circumstances that would affect our estimated forfeiture rate. The net effect of forfeiture adjustments based upon actual results was a decrease of \$5 million and an increase of \$8 million to our stock-based compensation expense for the nine months ended February 28, 2009 and February 29, 2008, respectively (nominal for all other periods presented).

We estimate the fair value of our share-based payments using the Black-Scholes-Merton option-pricing model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models, including the Black-Scholes-Merton option-pricing model, require the input of assumptions, including stock price volatility. Changes in the input assumptions can materially affect the fair value estimates and ultimately how much we recognize as stock-based compensation expense. The fair values of our stock options were estimated at the date of grant or date of acquisition for acquired options assumed. The weighted

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average input assumptions used and resulting fair values were as follows for the three and nine months ended February 28, 2009 and February 29, 2008:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28, 2009</b>	<b>February 29, 2008</b>	<b>February 28, 2009</b>	<b>February 29, 2008</b>
Expected life (in years)	4.9	4.7	5.3	5.3
Risk-free interest rate	2.1%	2.8%	3.3%	5.0%
Volatility	46%	32%	37%	27%
Dividend yield				
Weighted average fair value of grants	\$ 6.76	\$ 6.89	\$ 7.89	\$ 7.10

The expected life input is based on historical exercise patterns and post-vesting termination behavior, the risk-free interest rate input is based on United States Treasury instruments and the volatility input is calculated based on the implied volatility of our longest-term, traded options. Our expected dividend yield input is zero as we did not historically pay cash dividends on our common stock and, as of the date of grant, did not anticipate doing so for the foreseeable future.

**9. INCOME TAXES**

The effective tax rate for the periods presented is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Our provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due primarily to state taxes and earnings considered as indefinitely reinvested in foreign operations. Our effective tax rate was 26.6% and 27.1% for the three and nine months ended February 28, 2009, respectively, and 28.6% and 28.8% for the three and nine months ended February 29, 2008, respectively. The decreases in our effective tax rate were the result of a higher proportion of our worldwide taxable income being earned in lower tax rate jurisdictions, driven by transfer pricing adjustments. The effective tax rate was also impacted by a decrease attributable to changes in tax laws. These decreases were offset, in part, by an increase in income taxes attributable to unfavorable changes in foreign currency exchange rates which disproportionately affected our profits in relatively low-tax jurisdictions.

Domestically, U.S. federal and state taxing authorities are currently examining income tax returns of Oracle and various acquired entities for years through fiscal 2006. Our U.S. federal and, with some exceptions, our state income tax returns have been examined for all years prior to fiscal 2000, and we are no longer subject to audit for those periods.

Internationally, tax authorities for numerous non-U.S. jurisdictions are also examining returns affecting unrecognized tax benefits. With some exceptions, we are generally no longer subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal 1998.

We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax audits and that any settlement will not have a material adverse effect on our consolidated financial position or results of operations; however, there can be no assurances as to the actual outcomes.

We previously negotiated three unilateral Advance Pricing Agreements with the U.S. Internal Revenue Service (IRS) that cover many of our intercompany transfer pricing issues and preclude the IRS from making a transfer pricing adjustment within the scope of these agreements. These agreements are effective for fiscal years through May 31, 2006. We have submitted to the IRS a request for renewal of this Advance Pricing Agreement for the years ending May 31, 2007 through May 31, 2011. However, these agreements do not cover all elements of our transfer pricing and do not bind tax authorities outside the United States. We have finalized one bilateral Advance Pricing Agreement, which was effective for the years ending May 31, 2002 through May 31, 2006 and we have submitted a

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renewal for the years ending May 31, 2007 through May 31, 2011. There can be no guarantee that renewal negotiations will result in an agreement. We concluded an additional bilateral agreement to cover the period from June 1, 2001 through January 25, 2008.

**10. SEGMENT INFORMATION**

FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chief Executive Officer. We are organized geographically and by line of business. While our Chief Executive Officer evaluates results in a number of different ways, the line of business management structure is the primary basis for which the allocation of resources and financial results are assessed. We have two businesses, software and services, which are further divided into five operating segments. Our software business is comprised of two operating segments: (1) new software licenses and (2) software license updates and product support. Our services business is comprised of three operating segments: (1) consulting, (2) On Demand and (3) education.

The new software license line of business is engaged in the licensing of database and middleware software as well as applications software. Database and middleware software includes database management software, application server software, business intelligence software, identification and access management software, analytics software, content management software, development tools and data integration software. Applications software provides enterprise information that enables companies to manage their business cycles and provide intelligence in functional areas such as customer relationship management, enterprise performance management, financials, human resources, maintenance management, manufacturing, marketing, order fulfillment, product lifecycle management, procurement, projects, sales, services, enterprise resource planning and supply chain planning. The software license updates and product support line of business provides customers with rights to unspecified software product upgrades and maintenance releases, internet access to technical content, as well as internet and telephone access to technical support personnel during the support period. In addition, the software license updates and product support line of business offers customers Oracle Unbreakable Linux Support, which provides enterprise level support for the Linux operating system, and also offers support for Oracle VM server virtualization software.

The consulting line of business provides services to customers in business strategy and analysis, business process optimization, and the implementation, deployment and upgrade of our database, middleware and applications software. On Demand includes Oracle On Demand, CRM On Demand and Advanced Customer Services. Oracle On Demand provides multi-featured software and hardware management and maintenance services for customers that deploy our database, middleware and applications software either at our data center facilities, at select partner data centers or at customer facilities. CRM On Demand is a service offering that provides our customers with our CRM software functionality delivered via a hosted solution that we manage. Advanced Customer Services consists of solution support centers, business critical assistance, technical account management, expert services, configuration and performance analysis, personalized support and annual on-site technical services. The education line of business provides instructor-led, media-based and internet-based training in the use of our database, middleware and applications software.

We do not track our assets by operating segments. Consequently, it is not practical to show assets by operating segments.



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The following table presents a summary of our businesses and operating segments:

(in millions)	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
New software licenses:				
Revenues <sup>(1)</sup>	\$ 1,513	\$ 1,612	\$ 4,370	\$ 4,362
Sales and distribution expenses	908	927	2,856	2,701
Margin <sup>(2)</sup>	\$ 605	\$ 685	\$ 1,514	\$ 1,661
Software license updates and product support:				
Revenues <sup>(1)</sup>	\$ 2,968	\$ 2,647	\$ 8,924	\$ 7,634
Cost of services	239	234	744	676
Margin <sup>(2)</sup>	\$ 2,729	\$ 2,413	\$ 8,180	\$ 6,958
Total software business:				
Revenues <sup>(1)</sup>	\$ 4,481	\$ 4,259	\$ 13,294	\$ 11,996
Expenses	1,147	1,161	3,600	3,377
Margin <sup>(2)</sup>	\$ 3,334	\$ 3,098	\$ 9,694	\$ 8,619
Consulting:				
Revenues <sup>(1)</sup>	\$ 754	\$ 837	\$ 2,447	\$ 2,504
Cost of services	621	727	2,060	2,124
Margin <sup>(2)</sup>	\$ 133	\$ 110	\$ 387	\$ 380
On Demand:				
Revenues <sup>(1)</sup>	\$ 191	\$ 174	\$ 576	\$ 501
Cost of services	134	142	416	419
Margin <sup>(2)</sup>	\$ 57	\$ 32	\$ 160	\$ 82
Education:				
Revenues <sup>(1)</sup>	\$ 78	\$ 101	\$ 296	\$ 328
Cost of services	63	74	216	230
Margin <sup>(2)</sup>	\$ 15	\$ 27	\$ 80	\$ 98
Total services business:				
Revenues <sup>(1)</sup>	\$ 1,023	\$ 1,112	\$ 3,319	\$ 3,333
Cost of services	818	943	2,692	2,773
Margin <sup>(2)</sup>	\$ 205	\$ 169	\$ 627	\$ 560
Totals:				

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Revenues <sup>(1)</sup>	\$	5,504	\$	5,371	\$	16,613	\$	15,329
Expenses		1,965		2,104		6,292		6,150
Margin <sup>(2)</sup>	\$	3,539	\$	3,267	\$	10,321	\$	9,179

- (1) Operating segment revenues differ from the external reporting classifications due to certain software license products that are classified as service revenues for management reporting purposes. Additionally, software license updates and product support revenues for management reporting included \$51 million and \$22 million of revenues that we did not recognize in the accompanying condensed consolidated statements of operations for the three months ended February 28, 2009 and February 29, 2008, respectively, and \$222 million and \$138 million for the nine months ended February 28, 2009 and February 29, 2008, respectively. See Note 6 for an explanation of these adjustments and the following table for a reconciliation of operating segment revenues to total revenues.
- (2) The margins reported reflect only the direct controllable costs of each line of business and do not represent the actual margins for each operating segment because they do not contain an allocation of product development, information technology, marketing and partner programs, and corporate and general and administrative expenses incurred in support of the lines of business. Additionally, the margins do not reflect the amortization of intangible assets, restructuring costs, acquisition related and other expenses or stock-based compensation.

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The following table reconciles operating segment revenues to total revenues as well as operating segment margin to income before provision for income taxes:

(in millions)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 28,</b>	<b>February 29,</b>	<b>February 28,</b>	<b>February 29,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Total revenues for reportable segments	\$ 5,504	\$ 5,371	\$ 16,613	\$ 15,329
Software license updates and product support revenues <sup>(1)</sup>	(51)	(22)	(222)	(138)
<b>Total revenues</b>	<b>\$ 5,453</b>	<b>\$ 5,349</b>	<b>\$ 16,391</b>	<b>\$ 15,191</b>
Total margin for reportable segments	\$ 3,539	\$ 3,267	\$ 10,321	\$ 9,179
Software license updates and product support revenues <sup>(1)</sup>	(51)	(22)	(222)	(138)
Product development and information technology expenses	(729)	(749)	(2,194)	(2,208)
Marketing and partner program expenses	(102)	(108)	(312)	(322)
Corporate and general and administrative expenses	(151)	(170)	(461)	(502)
Amortization of intangible assets	(437)	(292)	(1,276)	(867)
Acquisition related and other	(27)	40	(98)	(28)
Restructuring	(15)	(8)	(46)	(14)
Stock-based compensation	(85)	(62)	(260)	(194)
Interest expense	(154)	(82)	(471)	(265)
Non-operating income, net	22	63	98	252
<b>Income before provision for income taxes</b>	<b>\$ 1,810</b>	<b>\$ 1,877</b>	<b>\$ 5,079</b>	<b>\$ 4,893</b>

<sup>(1)</sup> Software license updates and product support revenues for management reporting include \$51 million and \$22 million of revenues that we did not recognize in the accompanying condensed consolidated statements of operations for the three months ended February 28, 2009 and February 29, 2008, respectively and \$222 million and \$138 million for the nine months ended February 28, 2009 and February 29, 2008, respectively. See Note 6 for an explanation of these adjustments and this table for a reconciliation of operating segment revenues to total revenues.

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**11. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period, plus the dilutive effect of outstanding stock awards and shares issuable under the employee stock purchase plan using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share:

(in millions, except per share data)	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Net income	\$ 1,329	\$ 1,340	\$ 3,702	\$ 3,484
Weighted average common shares outstanding	5,005	5,148	5,095	5,128
Dilutive effect of employee stock plans	51	87	64	100
Diluted weighted average common shares outstanding	5,056	5,235	5,159	5,228
Basic earnings per share	\$ 0.27	\$ 0.26	\$ 0.73	\$ 0.68
Diluted earnings per share	\$ 0.26	\$ 0.26	\$ 0.72	\$ 0.67
Shares subject to anti-dilutive stock options excluded from calculation <sup>(1)</sup>	185	99	171	97

<sup>(1)</sup> These weighted shares relate to anti-dilutive stock options as calculated using the treasury stock method (described above) and could be dilutive in the future.

**12. LEGAL PROCEEDINGS****Securities Class Action**

Stockholder class actions were filed in the United States District Court for the Northern District of California against us and our Chief Executive Officer on and after March 9, 2001. Between March 2002 and March 2003, the court dismissed plaintiffs consolidated complaint, first amended complaint and a revised second amended complaint. The last dismissal was with prejudice. On September 1, 2004, the United States Court of Appeals for the Ninth Circuit reversed the dismissal order and remanded the case for further proceedings. The revised second amended complaint named our Chief Executive Officer, our then Chief Financial Officer (who currently is Chairman of our Board of Directors) and a former Executive Vice President as defendants. This complaint was brought on behalf of purchasers of our stock during the period from December 14, 2000 through March 1, 2001. Plaintiffs alleged that the defendants made false and misleading statements about our actual and expected financial performance and the performance of

certain of our applications products, while certain individual defendants were selling Oracle stock in violation of federal securities laws. Plaintiffs further alleged that certain individual defendants sold Oracle stock while in possession of material non-public information. Plaintiffs also allege that the defendants engaged in accounting violations. On July 26, 2007, defendants filed a motion for summary judgment, and plaintiffs filed a motion for partial summary judgment against all defendants and a motion for summary judgment against our Chief Executive Officer. On August 7, 2007, plaintiffs filed amended versions of these motions. On October 5, 2007, plaintiffs filed a motion seeking a default judgment against defendants or various other sanctions because of defendants' alleged destruction of evidence. A hearing on all these motions was held on December 20, 2007. On April 7, 2008, the case was reassigned to a new judge. On June 27, 2008, the court ordered supplemental briefing on plaintiffs' sanctions motion. On September 2, 2008, the court issued an order denying plaintiffs' motion for partial summary judgment against all defendants. The order also denied in part and granted in part plaintiffs' motion for sanctions. The court denied plaintiffs' request that judgment be entered in plaintiffs' favor due to the alleged destruction of evidence, and the court found that no sanctions were appropriate for several categories of evidence. The court found that sanctions in the form of adverse inferences were appropriate for two categories of evidence: e-mails from our Chief Executive Officer's account, and materials that had been

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created in connection with a book regarding our Chief Executive Officer. The court then denied defendants' motion for summary judgment and plaintiffs' motion for summary judgment against our Chief Executive Officer and directed the parties to revise and re-file these motions to clearly specify the precise contours of the adverse inferences that should be drawn, and to take these inferences into account with regard to the propriety of summary judgment. The court also directed the parties to address certain legal issues in the briefing. On October 20, 2008, defendants filed a motion for summary judgment, and plaintiffs filed a motion for summary judgment against our Chief Executive Officer. The parties also filed several motions challenging the admissibility of the testimony of various expert witnesses. Opposition briefs were filed on November 17, 2008 and reply briefs were filed on December 12, 2008. On October 13, 2008, the parties participated in a court-ordered mediation, which did not result in a settlement. A trial date has been set for March 30, 2009. Plaintiffs seek unspecified damages plus interest, attorneys' fees and costs, and equitable and injunctive relief. We believe that we have meritorious defenses against this action, and we will continue to vigorously defend it.

**EpicRealm Intellectual Property Litigation**

On June 30, 2006, we filed a declaratory judgment action against EpicRealm Licensing, LP (EpicRealm) in the United States District Court, District of Delaware, seeking a judicial declaration of noninfringement and invalidity of U.S. Patent Nos. 5,894,554 (the 554 Patent) and 6,415,335B1 (the 335 Patent). We filed the lawsuit following the resolution of an indemnification claim by one of our customers related to EpicRealm's assertion of the 554 Patent and 335 Patent against the customer in a patent infringement case in the United States District Court for the Eastern District of Texas.

On April 13, 2007, EpicRealm filed an Answer and Counterclaim in which it: (1) denies our noninfringement and invalidity allegations; (2) alleges that we have willfully infringed, and are willfully infringing, the 554 Patent and 335 Patent; and (3) requests a permanent injunction, an award of unspecified money damages, interest, attorneys' fees, and costs. On May 7, 2007, we filed an Answer to EpicRealm's infringement counterclaim, denying EpicRealm's infringement allegations and asserting affirmative defenses.

The parties have completed discovery and filed briefing on claim construction and summary judgment motions. A Markman hearing and oral argument on summary judgment motions were held October 3, 2008. A court-ordered mediation was held on October 8, 2008, which did not result in a settlement. On December 4, 2008, the court issued an order granting summary judgment that our Web Cache, Internet Application Server, and RAC Database do not infringe the patents. The court also denied our motion for summary judgment that the patents are invalid, and denied in part and granted in part EpicRealm's motion for summary judgment that certain prior art references do not invalidate the patents through anticipation. Trial was scheduled to begin on January 12, 2009, on issues of invalidity and inequitable conduct. On December 23, 2008, the parties reached an agreement allowing EpicRealm to immediately appeal the court's summary judgment order and preserving Oracle's invalidity and inequitable conduct claims in the event that the matter is remanded for trial at a later time. On January 23, 2009, EpicRealm filed a notice of appeal. Appellate briefs will be filed over the next several months. We will continue to pursue this action vigorously.

**SAP Intellectual Property Litigation**

On March 22, 2007, Oracle Corporation, Oracle USA, Inc. and Oracle International Corporation (collectively, Oracle) filed a complaint in the United States District Court for the Northern District of California against SAP AG, its wholly owned subsidiary, SAP America, Inc., and its wholly owned subsidiary, TomorrowNow, Inc., (collectively, the SAP Defendants) alleging violations of the Federal Computer Fraud and Abuse Act and the California Computer Data Access and Fraud Act, civil conspiracy, trespass, conversion, violation of the California Unfair Business Practices Act, and intentional and negligent interference with prospective economic advantage. Oracle alleged that SAP unlawfully accessed Oracle's Customer Connection support website and improperly took and used

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Oracle's intellectual property, including software code and knowledge management solutions. The complaint seeks unspecified damages and preliminary and permanent injunctive relief. On June 1, 2007, Oracle filed its First Amended Complaint, adding claims for infringement of the federal Copyright Act and breach of contract, and dropping the conversion and separately pled conspiracy claims. On July 2, 2007 the SAP Defendants filed their Answer and Affirmative Defenses, acknowledging that TomorrowNow had made some inappropriate downloads and otherwise denying the claims alleged in the First Amended Complaint. The parties are engaged in discovery and continue to negotiate a Preservation Order. At case management conferences held on February 12, 2008 and April 24, 2008, Oracle advised the Court that Oracle intended to file a Second Amended Complaint, based on new facts learned during the course of discovery.

On July 28, 2008, Oracle filed a Second Amended Complaint, which added additional allegations based on facts learned during discovery. Among the new allegations contained in the Second Amended Complaint, Oracle alleges that TomorrowNow's business model relied on illegal copies of Oracle's underlying software applications and that TomorrowNow used these copies as generic software environments that TomorrowNow then used to create fixes and updates, to service customers and to train employees. The Second Amended Complaint also alleges that these practices may have extended to other Oracle products, including Siebel products.

On October 8, 2008, Oracle filed a Third Amended Complaint pursuant to stipulation. The Third Amended Complaint made some changes relating to the Oracle plaintiff entities (removing Oracle Corporation and adding Oracle Systems Corporation, Oracle EMEA Ltd., and J.D. Edwards Europe Ltd.) but did not change the substantive allegations. On October 15, 2008, the SAP Defendants filed a motion to dismiss portions of the Third Amended Complaint, and after full briefing, the court heard oral argument on November 26, 2008. On December 15, 2008, the court issued an order granting in part and denying in part the motion. The court dismissed with prejudice the claims asserted by plaintiffs JD Edwards Europe Ltd. and Oracle Systems Corporation, and denied the motion in all other respects. The parties are engaged in discovery. The case is scheduled for trial in February 2010.

**Other Litigation**

We are party to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including proceedings and claims that relate to acquisitions we have completed or to companies we have acquired or are attempting to acquire. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any of these claims will have a materially adverse effect on our consolidated financial position, results of operations or cash flows.

**13. SUBSEQUENT EVENTS**

**Revolving Credit Agreements**

***2008 364-Day Revolving Credit Agreement***

On March 17, 2009, our \$2.0 billion 364-Day Revolving Credit Agreement dated March 18, 2008, among Oracle; Wachovia Bank, National Association (Wachovia), as administrative agent; and the other agents and lenders named therein (the 2008 Credit Agreement) terminated pursuant to its terms. No debt was outstanding pursuant to the 2008



Credit Agreement as of February 28, 2009, or as of its date of termination.

***2009 364-Day Revolving Credit Agreement***

On March 17, 2009, Oracle entered into a new \$2.0 billion 364-Day Revolving Credit Agreement (the 2009 Credit Agreement) among Oracle; the lenders named therein; Wachovia, as administrative agent; BNP Paribas, as syndication agent; the documentation agents named therein; and Wachovia Capital Markets, LLC, and BNP Paribas Securities Corp., as joint lead arrangers and joint bookrunners.

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The 2009 Credit Agreement provides for an unsecured \$2.0 billion 364-day revolving credit facility (the 2009 Facility) to Oracle in order to backstop any commercial paper that Oracle may issue and for working capital and other general corporate purposes. Subject to certain conditions stated in the 2009 Credit Agreement, Oracle may borrow, prepay and reborrow amounts under the 2009 Facility at any time during the term of the 2009 Credit Agreement. All amounts under the 2009 Credit Agreement are due on March 16, 2010, unless (i) the commitments are terminated earlier either at the request of Oracle or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events) or (ii) the 2009 Facility is extended as described below. Interest is based on, at Oracle's election, either (x) the sum of (A) adjusted LIBOR plus (B) a margin equal to the published 30-day moving average credit default swap mid-rate spread for Oracle for a one-year period, subject to a maximum and minimum rate based on Oracle's credit rating, or (y) a base rate calculated as the highest of (I) Wachovia's prime rate, (II) the federal funds effective rate plus 0.50% and (III) adjusted LIBOR plus a margin determined in the manner described in clause (x)(B) above. Oracle may, upon the agreement of a combination of then existing lenders and additional banks not currently party to the 2009 Credit Agreement, extend the termination date of the 2009 Facility by an additional 364 days.

The 2009 Credit Agreement contains certain customary representations and warranties, covenants and events of default, including the requirement that the total net debt to total capitalization ratio of Oracle not exceed 45%. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the 2009 Credit Agreement may be declared immediately due and payable and the commitments may be terminated.

Oracle has not borrowed any funds under the 2009 Credit Agreement.

**Dividends on Common Stock**

In March 2009, our Board of Directors declared a quarterly cash dividend of \$0.05 per share of outstanding common stock payable on May 8, 2009, to stockholders of record as of the close of business on April 8, 2009. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations with an overview of our key operating business segments and significant trends. This overview is followed by a summary of our critical accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. We then provide a more detailed analysis of our results of operations and financial condition.

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties that could cause our actual results to differ materially. When used in this report, the words expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions are generally identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly Report. We undertake no obligation to publicly release any revisions to the forward-looking statements after the date of this document. You should carefully review the risk factors described in other documents we file from time to time with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for our fiscal year ended May 31, 2008 and our other Quarterly Reports on Form 10-Q to be filed by us in our fiscal year 2009, which runs from June 1, 2008 to May 31, 2009.

#### **Business Overview**

We are the world's largest business software company. We develop, manufacture, market, distribute and service database and middleware software as well as applications software designed to help our customers manage and grow their business operations. We believe our organic growth and continued innovation with respect to our software products and services offerings provide the foundation for our long-term strategic plan. These offerings are enhanced by our acquisitions. We invest billions of dollars in research and development each year to enhance our existing portfolio of products and services and to develop new products, features and services.

We are organized into two businesses, software and services, which are further divided into five operating segments. Each of these operating segments has unique characteristics and faces different opportunities and challenges. Although we report our actual results in U.S. Dollars, we conduct a significant number of transactions in currencies other than U.S. Dollars. Therefore, we present constant currency information to provide a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. An overview of our five operating segments follows.

#### **Software Business**

Our software business, which represented 81% of our total revenues on a trailing 4-quarter basis, is comprised of two operating segments: (1) new software license revenues and (2) software license updates and product support revenues. We expect that our software business revenues will continue to increase due to continued demand for our products, including the high percentage of customers that renew their software license updates and product support contracts, and due to our acquisitions, which should allow us to grow our profits and continue to make investments in research and development.

***New Software Licenses:*** We license our database and middleware as well as our applications software to businesses of many sizes, government agencies, educational institutions and resellers. The growth in new software license revenues that we report is affected by the strength of general economic and business conditions, governmental budgetary constraints, the competitive position of our software products, our acquisitions and foreign currency fluctuations. Our new software license business is also characterized by long sales cycles. The timing of a few large software license transactions can substantially affect our quarterly new software license revenues. Since our new

software license revenues in a particular quarter can be difficult to predict as a result of the timing of a few large software license transactions, we believe that analysis of new software license revenues on a trailing 4-quarter period provides additional visibility into the underlying performance of our new software license business. New software license revenues represented 32% of our total revenues on a trailing 4-quarter basis. Our new software license margins have historically trended upward over the course of the four quarters within a particular fiscal year due to the historical upward trend of our revenues over those quarterly periods and because certain of our costs are

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predominantly fixed in the short term. However, our new software license margins have been and will continue to be affected by the amortization of intangible assets associated with companies that we have acquired.

Competition in the software business is intense. Our goal is to maintain a first or second position in each of our software product categories and certain industry segments as well as to grow our software revenues faster than our competitors. We believe that the features and functionality of our software products are as strong as they have ever been. We have focused on lowering the total cost of ownership of our software products by improving integration, decreasing installation times, lowering administration costs and improving the ease of use. In addition, our broad portfolio of product offerings (many of which have been acquired in recent years) helps us to offer customers the ability to gain efficiencies by consolidating their IT software stack with a single vendor, which reduces the number of disparate software vendors with which customers interact. Reducing the total cost of ownership of our products provides our customers with a higher return on their IT investments, which we believe creates more demand for our products and services and provides us with a competitive advantage. We have also continued to focus on improving the overall quality of our software products and service levels. We believe this will lead to higher customer satisfaction and loyalty and help us achieve our goal of becoming our customers' leading technology advisor.

***Software License Updates and Product Support:*** Customers that purchase software license updates and product support are granted rights to unspecified product upgrades and maintenance releases issued during the support period, as well as technical support assistance. In addition, we offer Oracle Unbreakable Linux Support, which provides enterprise level support for the Linux operating system, and also offer support for our Oracle VM server virtualization software. Substantially all of our customers renew their software license updates and product support contracts annually. The growth of software license updates and product support revenues is primarily influenced by three factors: (1) the percentage of our support contract customer base that renews its support contracts, (2) the amount of new support contracts sold in connection with the sale of new software licenses, and (3) the number and amount of support contracts assumed from companies we have acquired.

Software license updates and product support revenues, which represented approximately 49% of our total revenues on a trailing 4-quarter basis, is our highest margin business unit. Support margins over the trailing 4-quarters were 84%, and account for 79% of our total margins over the same respective period. Our software license update and product support margins have been affected by fair value adjustments relating to support obligations assumed in business acquisitions (described further below) and by amortization of intangible assets. However, over the longer term, we believe that software license updates and product support revenues and margins will grow for the following reasons:

substantially all of our customers, including customers from acquired companies, renew their support contracts when eligible for renewal;

substantially all of our customers purchase license updates and product support contracts when they buy new software licenses, resulting in a further increase in our support contract base. Even if new software license revenue growth was flat, software license updates and product support revenues would continue to grow in comparison to the corresponding prior year period assuming renewal and cancellation rates and foreign currency rates remained relatively constant since substantially all new software license transactions add to our support contract base; and

our acquisitions have increased our support contract base, as well as the portfolio of products available to be licensed and supported.

We record adjustments to reduce support obligations assumed in business acquisitions to their estimated fair values at the acquisition dates. As a result, as required by business combination accounting rules, we did not recognize software

license updates and product support revenues related to support contracts that would have been otherwise recorded by the acquired businesses as independent entities in the amount of \$51 million and \$22 million in the three months ended February 28, 2009 and February 29, 2008, respectively, and \$222 million and \$138 million in the nine months ended February 28, 2009 and February 29, 2008, respectively. To the extent underlying support contracts are renewed with us following an acquisition, we will recognize the revenues for the full value of the support contracts over the support periods, the majority of which are one year.

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### **Services Business**

Our services business consists of consulting, On Demand and education. Our services business, which represented 19% of our total revenues on a trailing 4-quarter basis, has significantly lower margins than our software business.

**Consulting:** Our consulting line of business provides services to customers in business strategy and analysis, business process optimization, and the implementation, deployment and upgrade of our database, middleware and applications software. The amount of consulting revenues recognized tends to lag software revenue recognition by several quarters since consulting services, if purchased, are typically performed after the purchase of new software licenses. Our consulting revenues are dependent upon general economic conditions and the level of new software license sales, particularly our application product sales. To the extent we are able to grow our new software license revenues, in particular our application product revenues, we would also expect to be able to grow our consulting revenues.

**On Demand:** On Demand includes Oracle On Demand, CRM On Demand and our Advanced Customer Services offerings. We believe that our On Demand offerings provide our customers flexibility in how they manage their IT environments and an additional opportunity to lower their total cost of ownership and therefore provide us with a competitive advantage. We have made and plan to continue to make investments in our On Demand business to support current and future revenue growth, which historically has negatively impacted On Demand margins and may continue to do so in the future.

**Education:** The purpose of our education services is to further the adoption and usage of our software products by our customers and to create opportunities to grow our software revenues. Education revenues are impacted by general economic conditions, personnel reductions in our customers' information technology departments, tighter controls over discretionary spending and greater use of outsourcing solutions.

### **Acquisitions**

An active acquisition program is another important element of our corporate strategy. In recent years, we have invested billions of dollars to acquire a number of complementary companies, products, services and technologies such as BEA Systems, Inc. in fiscal 2008, Hyperion Solutions Corporation in fiscal 2007, Siebel Systems, Inc. in fiscal 2006 and PeopleSoft, Inc. in fiscal 2005. We believe our acquisition program supports our long-term strategic direction, strengthens our competitive position, expands our customer base, provides greater scale to accelerate innovation, grows our revenues and earnings, and increases stockholder value. We expect to continue to acquire companies, products, services and technologies. See Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to our recent acquisitions.

We believe we can fund additional acquisitions with our internally available cash, cash equivalents and marketable securities, cash generated from operations, amounts available under our existing debt capacity, additional borrowings or from the issuance of additional securities. We estimate the financial impact of any potential acquisition with regard to earnings, operating margin, cash flow and return on invested capital targets before deciding to move forward with an acquisition.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported

amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition



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Business Combinations

Goodwill and Intangible Assets Impairment Assessments

Accounting for Income Taxes

Legal and Other Contingencies

Stock-Based Compensation

Allowances for Doubtful Accounts

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Our senior management has reviewed these critical accounting policies and related disclosures with the Finance and Audit Committee of the Board of Directors.

During the first nine months of fiscal 2009, there were no significant changes in our critical accounting policies and estimates. You should refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended May 31, 2008 for a more complete discussion of our critical accounting policies and estimates.

**Results of Operations**

***Impact of Acquisitions***

The comparability of our operating results in the third quarter and first nine months of fiscal 2009 compared with the same periods in fiscal 2008 is impacted by our acquisitions, primarily the acquisition of BEA in our fourth quarter of fiscal 2008.

In our discussion of changes in our results of operations from the third quarter and first nine months of fiscal 2009 compared to the corresponding periods in the prior year, we quantify the contribution of our acquired products (for acquisitions that were completed since the beginning of the third quarter of fiscal 2008) to the growth in new software license revenues and to the growth in software license updates and product support revenues. We also present supplemental disclosures related to certain charges and gains. Although certain revenue and expense contributions from our acquisitions are quantifiable, we are unable to identify the following:

the contribution of the significant majority of our services revenues from acquired companies during the third quarter and first nine months of fiscal 2009 as the significant majority of these services had been fully integrated into our existing operations; and

the contribution of the significant majority of the expenses associated with acquired products and services during the third quarter and first nine months of fiscal 2009 as the significant majority of these expenses had been fully integrated into our existing operations.

We caution readers that the contribution from BEA products, which already have been integrated with Oracle's Fusion Middleware and are sold together, to our total database and middleware revenues during the third quarter and first

nine months of fiscal 2009 are based on our internal allocations consistent with previous quarters.

We further caution readers that, while pre- and post-acquisition comparisons as well as the quantified amounts themselves may provide indications of general trends, the information has inherent limitations for the following reasons:

the quantifications cannot address the substantial effects attributable to our sales force integration efforts, in particular the effect of having a single sales force offer similar products. We believe that if our sales forces had not been integrated, the relative mix of products sold would have been different;

our acquisitions in the periods presented did not result in our entry into a new line of business or product category therefore, we provided multiple products with substantially similar features and functionality; and

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although substantially all of our customers, including customers from acquired companies, renew their software license updates and product support contracts when the contracts are eligible for renewal, amounts shown as support deferred revenues in our supplemental disclosure related to certain charges and gains (see below) are not necessarily indicative of revenue improvements we will achieve upon contract renewal to the extent customers do not renew.

**Seasonality**

Our quarterly revenues have historically been affected by a variety of seasonal factors, including the structure of our sales force incentive compensation plans, which are common in the software industry. The operating margins of our businesses are affected by seasonal factors in a similar manner as our revenues (in particular, our new software licenses business) as certain expenses within our cost structure are relatively fixed in the short term.

**Constant Currency Presentation**

Our international operations have provided and will continue to provide a significant portion of our total revenues and expenses. As a result, total revenues and expenses will continue to be affected by changes in the U.S. Dollar against major international currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the percent change in the results from one period to another period in this Quarterly Report using constant currency disclosure. To present this information, current and comparative prior period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rate in effect on May 31, 2008, which was the last day of our prior fiscal year, rather than the actual exchange rates in effect during the respective periods. For example, if an entity reporting in Euros had revenues of 1.0 million Euros from products sold on February 28, 2009 and February 29, 2008, our financial statements would reflect revenues of \$1.27 million in the first nine months of fiscal 2009 (using 1.27 as the month-end average exchange rate for the period) and \$1.51 million in the first nine months of fiscal 2008 (using 1.51 as the month-end average exchange rate for the period). The constant currency presentation would translate the results for the three and nine months ended February 28, 2009 and February 29, 2008 using the May 31, 2008 exchange rate and indicate, in this example, no change in revenues during the period. In each of the tables below, we present the percent change based on actual, unrounded results in reported currency and in constant currency.

**Total Revenues and Operating Expenses**

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	February 29, 2009	February 28, 2008	February 29, 2008	February 28, 2009	February 29, 2009	February 28, 2008	February 29, 2008
<b>Total Revenues by Geography:</b>								
Americas	\$ 2,846	5%	10%	\$ 2,707	\$ 8,437	9%	11%	\$ 7,756
EMEA <sup>(1)</sup>	1,824	-3%	14%	1,871	5,535	5%	13%	5,265
Asia Pacific <sup>(2)</sup>	783	1%	9%	771	2,419	11%	15%	2,170
Total revenues	5,453	2%	11%	5,349	16,391	8%	12%	15,191
<b>Total Operating Expenses</b>								
	3,513	1%	8%	3,474	10,955	6%	10%	10,317

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<b>Total Operating Margin</b>	\$ 1,940	4%	17%	\$ 1,875	\$ 5,436	12%	18%	\$ 4,874
<b>Total Operating Margin %</b>	36%			35%	33%			32%
<b>% Revenues by Geography:</b>								
Americas	52%			51%	51%			51%
EMEA	33%			35%	34%			35%
Asia Pacific	15%			14%	15%			14%
<b>Total Revenues by Business:</b>								
Software	\$ 4,433	5%	14%	\$ 4,240	\$ 13,081	10%	15%	\$ 11,868
Services	1,020	-8%	2%	1,109	3,310	0%	5%	3,323
Total revenues	\$ 5,453	2%	11%	\$ 5,349	\$ 16,391	8%	12%	\$ 15,191
<b>% Revenues by Business:</b>								
Software	81%			79%	80%			78%
Services	19%			21%	20%			22%

(1) Comprised of Europe, the Middle East and Africa

(2) Asia Pacific includes Japan

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***Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:*** Our operating results for the third quarter of fiscal 2009 were significantly impacted by the strengthening of the U.S. Dollar relative to other major international currencies. These currency variances resulted in a reduction to our total revenues growth of 9 percentage points during the third quarter of fiscal 2009. On a constant currency basis, total revenues increased in the third quarter of fiscal 2009 primarily due to higher software license update and product support revenues in all regions due to the high attachment rate of support contracts to our new software licenses and the renewal of substantially all of our eligible customer support contracts, increased demand for our On Demand service offerings and incremental revenues from our recent acquisitions, primarily our acquisition of BEA in the fourth quarter of fiscal 2008. On a constant currency basis, new software license revenues contributed 8% to the growth in total revenues, software license updates and product support revenues contributed 89% and services revenues contributed 3%. Excluding the effect of currency rate fluctuations, the Americas contributed 43% to the increase in total revenues, EMEA contributed 46% and Asia Pacific contributed 11%.

Currency variances resulted in a reduction to our total operating expense growth of 7 percentage points during the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, the increase in operating expenses in the third quarter of fiscal 2009 is primarily due to higher salary expenses associated with increased headcount levels from acquisitions (primarily BEA), higher stock-based compensation expenses (resulting from our assumption of BEA stock options and a higher fair value associated with our fiscal 2009 grants that is primarily attributable to a higher volatility input) and higher amortization of intangible assets resulting from our acquisitions (primarily BEA) that we completed since the third quarter of fiscal 2008. In addition, acquisition related and other expenses increased during the third quarter of fiscal 2009 due to a \$57 million gain on property sale recognized in the third quarter of fiscal 2008, which decreased operating expenses in that period. These increases were partially offset by constant currency decreases in our commissions and bonus expenses.

Currency variances resulted in a reduction of 13 percentage points to our total operating margin growth during the third quarter of fiscal 2009. On a constant currency basis and reported currency basis, total operating margin and total operating margin as a percentage of total revenues increased during the third quarter of fiscal 2009 as the growth rate of our total revenues exceeded the growth rate of our total operating expenses (which were significantly impacted by an increase in our intangible asset expenses from our recent acquisitions, primarily BEA).

***First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:*** Currency variances resulted in a reduction to our total revenue growth of 4 percentage points during the first nine months of fiscal 2009. Excluding these currency variances, total revenues increased in the first nine months of fiscal 2009 for reasons similar to those noted above as well as stronger revenue growth from our database and middleware products during the first half of fiscal 2009. Excluding the effects of currency rate fluctuations, new software license revenues contributed 13% to the growth in total revenues, software license updates and product support revenues contributed 79% and services revenues contributed 8%. Excluding the effect of currency rate fluctuations, the Americas contributed 45% to the increase in total revenues, EMEA contributed 38% and Asia Pacific contributed 17%.

On a constant currency basis, the increase in operating expenses was generally due to the same reasons as noted above and was also due to an increase in travel expenses during the first half of fiscal 2009 (a portion of which are rebillable to customers as revenues) as a result of increased headcount from our acquisitions, primarily BEA. Operating margin and operating margin as a percentage of revenues increased in the first nine months of fiscal 2009, for reasons similar to those noted above.

**Supplemental Disclosure Related to Certain Charges and Gains**

To supplement our consolidated financial information we believe the following information is helpful to an overall understanding of our past financial performance and prospects for the future. You should review the introduction under Results of Operations, Impact of Acquisitions (above) for a discussion of the inherent limitations in comparing pre- and post-acquisition information.

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Our operating results include the following business combination accounting adjustments and expenses related to acquisitions as well as certain other significant expense and income items:

(in millions)	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Support deferred revenues <sup>(1)</sup>	\$ 51	\$ 22	\$ 222	\$ 138
Amortization of intangible assets <sup>(2)</sup>	437	292	1,276	867
Acquisition related charges <sup>(3)(5)</sup>	27	(40)	98	28
Restructuring <sup>(4)</sup>	15	8	46	14
Stock-based compensation <sup>(5)</sup>	85	62	260	194
Income tax effect <sup>(6)</sup>	(164)	(98)	(535)	(357)
	\$ 451	\$ 246	\$ 1,367	\$ 884

- (1) In connection with purchase price allocations related to our acquisitions, we have estimated the fair values of the support obligations assumed. Due to our application of business combination accounting rules, we did not recognize software license updates and product support revenues related to support contracts that would have otherwise been recorded by the acquired businesses as independent entities, in the amounts of \$51 million and \$22 million for the three months ended February 28, 2009 and February 29, 2008, respectively, and \$222 million and \$138 million for the nine months ended February 28, 2009 and February 29, 2008, respectively. Approximately \$20 million and \$21 million of estimated software license updates and product support revenues related to support contracts assumed will not be recognized during the remainder of fiscal 2009 and fiscal 2010, respectively, that would otherwise be recognized by the acquired businesses as independent entities due to the application of these business combination accounting rules. To the extent customers renew these support contracts, we expect to recognize revenues for the full contract value over the support renewal period.
- (2) Represents the amortization of intangible assets acquired in connection with our acquisitions, primarily BEA, Hyperion, Siebel and PeopleSoft. As of February 28, 2009, estimated future amortization expenses related to intangible assets are as follows (in millions):

Remainder of Fiscal 2009	\$ 453
Fiscal 2010	1,653
Fiscal 2011	1,364
Fiscal 2012	1,216
Fiscal 2013	1,084
Fiscal 2014	881
Thereafter	1,053
Total	\$ 7,704

- (3) Acquisition related and other expenses primarily consist of in-process research and development expenses, stock-based compensation expenses, integration related professional services, personnel related costs for

transitional and other employees, certain business combination adjustments after the purchase price allocation period has ended, and certain other operating expenses (income), net. For the three and nine months ended February 29, 2008, acquisition related and other expenses include a gain on property sale of \$57 million.

- (4) Restructuring expenses during the first nine months of fiscal 2009 and fiscal 2008 relate to Oracle employee severance in connection with our Fiscal 2009 Oracle Restructuring Plan that was initiated in the third quarter of fiscal 2009 and our Fiscal 2008 Oracle Restructuring Plan that was initiated in the second quarter, and amended in the fourth quarter, of fiscal 2008 and further refined during the third quarter of fiscal 2009.
- (5) Stock-based compensation is included in the following operating expense line items of our condensed consolidated statements of operations (in millions):

	Three Months Ended		Nine Months Ended	
	February 28, 2009	February 29, 2008	February 28, 2009	February 29, 2008
Sales and marketing	\$ 16	\$ 12	\$ 51	\$ 38
Software license updates and product support	3	1	10	8
Cost of services	3	2	9	9
Research and development	39	31	121	84
General and administrative	24	16	69	55
Subtotal	85	62	260	194
Acquisition related and other	3	3	14	39
Total	\$ 88	\$ 65	\$ 274	\$ 233

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 terms of those options.

- (6) The income tax effects presented were calculated as if the above described charges were not included in our results of operations for each of the respective periods presented. Income tax effects were calculated reflecting an effective tax rate of 27.4% for the first nine months of fiscal 2009 instead of 27.1%, which represented our effective tax rate as derived per our condensed consolidated statement of operations, due to the exclusion of the effect of an adjustment to our non-current deferred tax liability associated with acquired intangible assets.



**Table of Contents****Software**

Software includes new software licenses and software license updates and product support.

**New Software Licenses:** New software license revenues represent fees earned from granting customers licenses to use our database and middleware as well as our application software products. We continue to place significant emphasis, both domestically and internationally, on direct sales through our own sales force. We also continue to market our products through indirect channels. Sales and marketing expenses are largely personnel related and include commissions earned by our sales force for the sale of our software products, and also include marketing program costs and amortization of intangible assets.

(Dollars in millions)	Three Months Ended			Nine Months Ended					
	February 28, 2009	Percent Change Actual	Constant	February 28, 2008	February 28, 2009	Percent Change Actual	Constant	February 29, 2008	
<b><i>New Software License Revenues:</i></b>									
Americas	\$ 673	-9%	-4%	\$ 737	\$ 1,959	-1%	2%	\$ 1,987	
EMEA	571	-3%	12%	588	1,548	-1%	8%	1,565	
Asia Pacific	272	-6%	1%	291	872	6%	10%	819	
Total revenues	1,516	-6%	3%	1,616	4,379	0%	6%	4,371	
<b><i>Expenses:</i></b>									
Sales and marketing <sup>(1)</sup>	1,038	-3%	5%	1,071	3,261	5%	9%	3,115	
Stock-based compensation	16	38%	38%	12	51	36%	36%	38	
Amortization of intangible assets <sup>(2)</sup>	211	57%	57%	134	608	54%	54%	395	
Total expense	1,265	4%	11%	1,217	3,920	10%	14%	3,548	
<b><i>Total Margin</i></b>	\$ 251	-37%	-23%	\$ 399	\$ 459	-44%	-30%	\$ 823	
<b><i>Total Margin %</i></b>	17%			25%	10%			19%	

***% Revenues by Geography:***

Americas	44%			46%	45%			45%
EMEA	38%			36%	35%			36%
Asia Pacific	18%			18%	20%			19%

**Revenues by Product:**

Database and middleware	\$ 1,106	-4%	5%	\$ 1,153	\$ 3,141	6%	12%	\$ 2,949
Applications	396	-12%	-4%	451	1,195	-13%	-9%	1,380
Total revenues by product	1,502	-6%	3%	1,604	4,336	0%	6%	4,329
Other revenues	14	17%	25%	12	43	1%	3%	42
Total new software license revenues	\$ 1,516	-6%	3%	\$ 1,616	\$ 4,379	0%	6%	\$ 4,371

**% Revenues by Product:**

Database and middleware	74%			72%	72%			68%
Applications	26%			28%	28%			32%

(1) Excluding stock-based compensation

(2) Included as a component of Amortization of Intangible Assets in our condensed consolidated statements of operations

**Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:** New software license revenues growth was unfavorably affected by foreign currency rate fluctuations of 9 percentage points in the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, total new software license revenues increased by 3% in the third quarter of fiscal 2009 as a result of a 5% increase in database and middleware revenues, partially offset by a 4% decrease in applications revenues. On a constant currency basis, substantially all of the growth in new software licenses was attributable to the EMEA region, with slight growth in the Asia Pacific region. New software license revenues in the Americas decreased by 4% on a constant currency basis.

Excluding the effect of currency rate fluctuations of 9 percentage points, database and middleware revenues grew 5% in the third quarter of fiscal 2009 due to our recently acquired products, primarily those of BEA. In reported currency, BEA products contributed \$140 million, and other recently acquired products contributed \$5 million to the total database and middleware revenues growth in the third quarter of fiscal 2009. The revenue contributions from BEA products, which already have been integrated with Oracle's Fusion Middleware and are sold together, are

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based on our internal allocations consistent with previous quarters. In constant currency, database and middleware revenues grew 13% over the trailing 4-quarters as a result of increased demand for our database and middleware products primarily during the fourth quarter of fiscal 2008 and first quarter of fiscal 2009, as well as incremental revenues from acquired companies.

Excluding the effect of currency rate fluctuations of 8 percentage points, application new software license revenues decreased in the third quarter of fiscal 2009. In reported currency, our recently acquired products contributed \$20 million to our applications revenues in the third quarter of fiscal 2009. On a constant currency basis, applications revenues increased by 5% over the trailing 4-quarters due to strong demand in our fourth quarter of fiscal 2008 and incremental revenues from our recent acquisitions, partially offset by lower revenues during the first nine months of fiscal 2009 that we believe were primarily caused by weaker global economic conditions.

In reported currency, new software license revenues earned from transactions over \$0.5 million declined by 3% in the third quarter of fiscal 2009, primarily due to unfavorable currency variations, and increased to 46% of new software license revenues in the third quarter of fiscal 2009 from 44% in the third quarter of fiscal 2008.

Total sales and marketing expenses were favorably impacted by 7 percentage points of currency variations during the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, sales and marketing expenses increased in the third quarter of fiscal 2009 primarily due to higher salaries from increased headcount and higher amortization of intangible assets. In addition, sales and marketing expenses were \$24 million lower during the third quarter of fiscal 2008 due to a benefit that was recorded as a result of a settlement and partial accrual reversal of certain litigation, which decreased expenses in that period. These constant currency increases were partially offset by constant currency decreases to our travel expenses as a result of cost management efforts and a reduction in certain other travel related accruals, and a reduction in our commissions and bonus expenses.

Total new software license margin and margin as a percentage of revenues decreased as our total new software license expenses growth, in particular higher amortization of intangible assets, exceeded our revenue growth.

***First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:*** New software license revenues growth was unfavorably affected by foreign currency rate fluctuations of 6 percentage points. Excluding the effect of currency rate fluctuations, total new software license revenues increased by 6% in the first nine months of fiscal 2009 due to a 12% increase in database and middleware revenues as well as incremental revenues from acquired companies. These increases were partially offset by a 9% constant currency decrease in applications revenues caused by the high applications growth rate in fiscal 2008 with which our fiscal 2009 results are compared and weaker global economic conditions. Excluding the effect of currency rate fluctuations, the Americas contributed 12%, EMEA contributed 54% and Asia Pacific contributed 34% to the increase in new software license revenues.

In reported currency, BEA products contributed an estimated \$351 million, and other recently acquired products contributed \$12 million to the total database and middleware revenue growth in the first nine months of fiscal 2009. The revenue contributions from BEA products, which already have been integrated with Oracle's Fusion Middleware and are sold together, are based on our internal allocations consistent with previous quarters. Applications products from recently acquired companies contributed an incremental \$35 million in reported currency during the first nine months of fiscal 2009.

New software license revenues earned from transactions over \$0.5 million increased by 3% in the first nine months of fiscal 2009 and increased to 46% of new software license revenues in the first nine months of fiscal 2009 from 44% in the first nine months of fiscal 2008.

Total sales and marketing expenses were favorably affected by 4 percentage points of currency variations during the first nine months of fiscal 2009. In constant currency, sales and marketing expenses increased in the first nine months of fiscal 2009 for reasons similar to those noted above as well as increased travel related expenses.

Total new software license margin and margin as a percentage of revenues decreased for reasons similar to those noted above.

***Software License Updates and Product Support:*** Software license updates grant customers rights to unspecified software product upgrades and maintenance releases issued during the support period. Product support includes internet access to technical content as well as internet and telephone access to technical support personnel in our

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global support centers. Expenses associated with our software license updates and product support line of business include the cost of providing the support services, largely personnel related expenses, and the amortization of our intangible assets associated with software support contracts and customer relationships obtained from our acquisitions.

(Dollars in millions)	Three Months Ended			Nine Months Ended				
	February 28, 2009	Percent Change Actual	February 28, 2008	February 28, 2009	Percent Change Actual	February 29, 2008	Percent Change Actual	February 29, 2008
<b>Software License Updates and Product Support</b>								
<b>Revenues:</b>								
Americas	\$ 1,656	15%	19%	\$ 1,436	\$ 4,788	17%	19%	\$ 4,097
EMEA	904	3%	21%	879	2,846	13%	21%	2,509
Asia Pacific	357	15%	21%	309	1,068	20%	22%	891
Total revenues	2,917	11%	20%	2,624	8,702	16%	20%	7,497
<b>Expenses:</b>								
Software license updates and product support <sup>(1)</sup>	253	0%	8%	253	785	9%	13%	721
Stock-based compensation	3	237%	237%	1	10	21%	21%	8
Amortization of intangible assets <sup>(2)</sup>	213	48%	48%	144	628	46%	46%	431
Total expenses	469	18%	23%	398	1,423	23%	25%	1,160
<b>Total Margin</b>	<b>\$ 2,448</b>	<b>10%</b>	<b>20%</b>	<b>\$ 2,226</b>	<b>\$ 7,279</b>	<b>15%</b>	<b>19%</b>	<b>\$ 6,337</b>
<b>Total Margin %</b>	<b>84%</b>			<b>85%</b>	<b>84%</b>			<b>85%</b>
<b>% Revenues by Geography:</b>								
Americas	57%			55%	55%			55%
EMEA	31%			33%	33%			33%
Asia Pacific	12%			12%	12%			12%

(1) Excluding stock-based compensation

(2) Included as a component of Amortization of Intangible Assets in our condensed consolidated statements of operations

**Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:** The growth in our software license updates and product support revenues was unfavorably affected by foreign currency rate fluctuations of 9 percentage points in the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, software license updates and product support revenues increased in the third quarter of fiscal 2009 as a result of new software licenses sold with substantially all customers electing to purchase support contracts during the trailing 4-quarter period (in particular our fourth quarter of fiscal 2008, which was our largest new software license sales quarter during the trailing 4-quarter period), the renewal of substantially all of the customer base eligible for renewal in the current fiscal year and incremental revenues from the expansion of our customer base from acquisitions. Excluding the effect of currency rate

fluctuations, the Americas contributed 52%, EMEA contributed 36% and Asia Pacific contributed 12% to the increase in software license updates and product support revenues.

In reported currency, software license updates and product support revenues in the third quarter of fiscal 2009 include incremental revenues of \$158 million from BEA and \$16 million from other recently acquired companies. As a result of our acquisitions, we recorded adjustments to reduce support obligations assumed to their estimated fair values at the acquisition dates. Due to our application of business combination accounting rules, software license updates and product support revenues related to support contracts in the amounts of \$51 million and \$22 million that would have been otherwise recorded by our acquired businesses as independent entities, were not recognized in the third quarter of fiscal 2009 and 2008, respectively. Historically, substantially all of our customers, including customers from acquired companies, renew their support contracts when such contracts are eligible for renewal. To the extent these underlying support contracts are renewed, we will recognize the revenues for the full value of these contracts over the support periods, the substantial majority of which are one year.

Total software license updates and product support expenses were favorably impacted by 5 percentage points of currency variations during the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations,

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software license updates and product support expenses increased due to higher salary expenses associated with increased headcount to support the expansion of our customer base and higher amortization expenses resulting from additional intangible assets acquired since the beginning of the third quarter of fiscal 2008 (primarily our acquisition of BEA).

Total software license updates and product support margin increased due to an increase in revenues, while margin as a percentage of revenues decreased slightly as the growth in our amortization of intangible assets exceeded our revenues growth.

**First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:** On a constant currency basis, the growth in our software license updates and product support revenues and expenses is primarily attributable to the same reasons noted above. On a constant currency basis, the Americas contributed 51%, EMEA contributed 36% and Asia Pacific contributed 13% to the increase in software license updates and product support revenues. Software license updates and product support revenues in the first nine months of fiscal 2009 included reported currency, incremental contributions of \$395 million from BEA and \$47 million from other recently acquired companies. Software license updates and product support revenues related to support contracts in the amounts of \$222 million and \$138 million that would have been otherwise recorded by our acquired businesses as independent entities, were not recognized in the first nine months of fiscal 2009 and 2008, respectively, for the reasons noted above.

On a constant currency basis, software license updates and product support expenses, margin and margin as a percentage of revenues fluctuated for reasons consistent with those described above.

**Services**

Services consist of consulting, On Demand and education.

**Consulting:** Consulting revenues are earned by providing services to customers in the design, implementation, deployment and upgrade of our database and middleware software products as well as application software products. The cost of providing consulting services consists primarily of personnel related expenditures.

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Actual	Constant	February 28, 2008	February 28, 2009	Actual	Constant	February 29, 2008
<b>Consulting Revenues:</b>								
Americas	\$ 378	-6%	-1%	\$ 400	\$ 1,252	-1%	2%	\$ 1,265
EMEA	271	-13%	4%	311	872	-5%	3%	915
Asia Pacific	109	-17%	-8%	132	341	0%	6%	340
Total revenues	758	-10%	0%	843	2,465	-2%	3%	2,520
<b>Expenses:</b>								
Cost of services <sup>(1)</sup>	640	-15%	-6%	753	2,131	-3%	2%	2,197
Stock-based compensation	2	175%	175%	1	5	-4%	-4%	5
Amortization of intangible assets <sup>(2)</sup>	10	-8%	-7%	11	30	-1%	0%	31
Total expenses	652	-15%	-6%	765	2,166	-3%	2%	2,233

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<b>Total Margin</b>	\$	106	36%	58%	\$	78	\$	299	4%	14%	\$	287
<b>Total Margin %</b>			14%			9%		12%				11%
<b>% Revenues by Geography:</b>												
Americas			50%			47%		51%				50%
EMEA			36%			37%		35%				36%
Asia Pacific			14%			16%		14%				14%

(1) Excluding stock-based compensation

(2) Included as a component of Amortization of Intangible Assets in our condensed consolidated statements of operations



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**Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:** Consulting revenues were unfavorably affected by foreign currency rate fluctuations of 10 percentage points in the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, consulting revenues were flat, reflecting the impact of global economic conditions.

Consulting expenses were favorably impacted by 9 percentage points of currency variations during the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, consulting expenses decreased due to lower salary, commissions and bonus expenses.

On a constant currency basis, total consulting margin and margin as a percentage of revenues increased during the third quarter of fiscal 2009 as a result of expense decreases.

**First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:** Excluding the effect of currency rate fluctuations, the growth in consulting revenues was generally due to an increase in software implementations that we delivered during the first six months of fiscal 2009 associated with the sales of certain of our application software products, and incremental contributions from our acquisitions. In constant currency, the Americas contributed 32%, EMEA contributed 42% and Asia Pacific contributed 26% to the growth in consulting revenues.

In constant currency, consulting expenses increased during the first nine months of fiscal 2009 as a result of higher infrastructure, external contractor and travel expenses (the majority of travel expenses are rebillable to customers). These increases were partially offset by constant currency decreases in salary, commissions and bonus expenses.

On a constant currency basis, consulting margin and margin as a percentage of revenues increased slightly as our revenues growth rate exceeded our expenses growth rate.

**On Demand:** On Demand includes our Oracle On Demand, CRM On Demand and Advanced Customer Services offerings. Oracle On Demand provides multi-featured software and hardware management, and maintenance services for our database and middleware as well as our applications software delivered either at our data center facilities, at select partner data centers, or at customer facilities. CRM On Demand is a service offering that provides our customers with our CRM software functionality delivered via a hosted solution that we manage. Advanced Customer Services consists of configuration and performance analysis, personalized support and on-site technical services. The cost of providing On Demand services consists primarily of personnel related expenditures, technology infrastructure expenditures and facilities costs.

(Dollars in millions)	Three Months Ended			Nine Months Ended				
	February 28, 2009	Actual	Constant	February 28, 2008	February 28, 2009	Actual	Constant	February 29, 2008
<b>On Demand Revenues:</b>								
Americas	\$ 109	14%	19%	\$ 95	\$ 319	16%	18%	\$ 274
EMEA	53	-5%	13%	57	171	6%	14%	161
Asia Pacific	29	27%	39%	22	85	31%	37%	65
Total revenues	191	10%	19%	174	575	15%	19%	500
<b>Expenses:</b>								
Cost of services <sup>(1)</sup>	147	-6%	3%	157	457	-2%	2%	467
Stock-based compensation	1	-27%	-27%	1	3	-4%	-4%	3
	3	0%	0%	3	10	0%	0%	10

Amortization of intangible  
assets<sup>(2)</sup>

Total expenses	151	-6%	2%	161	470	-2%	2%	480
<b>Total Margin</b>	\$ 40	200%	223%	\$ 13	\$ 105	433%	399%	\$ 20
<b>Total Margin %</b>	21%			8%	18%			4%
<b>% Revenues by Geography:</b>								
Americas	57%			54%	55%			55%
EMEA	28%			33%	30%			32%
Asia Pacific	15%			13%	15%			13%

(1) Excluding stock-based compensation

(2) Included as a component of Amortization of Intangible Assets in our condensed consolidated statements of operations

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**Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:** On Demand revenue growth was unfavorably affected by foreign currency rate fluctuations of 9 percentage points in the third quarter of fiscal 2009. On Demand revenues increased in the third quarter of fiscal 2009 due to an increase in each service category's subscription base as a greater number of customers engaged us to provide IT services and outsourcing solutions. On a constant currency basis, Advanced Customer Services, Oracle On Demand and CRM On Demand contributed 47%, 35% and 18% to our On Demand revenues growth, respectively. Excluding the effect of currency rate fluctuations, the Americas contributed 52%, EMEA contributed 22% and Asia Pacific contributed 26% to the increase in On Demand revenues.

Excluding the effect of favorable currency rate fluctuations of 8 percentage points, On Demand expenses increased slightly in the third quarter of fiscal 2009 due to higher personnel related costs resulting from additional employees hired to support the increase in On Demand revenues. This expense increase was almost entirely offset by a shift of certain U.S. based costs to global support centers in lower cost countries and decreases in bonus expenses.

Total On Demand margin and margin as a percentage of revenues improved primarily as a result of our Oracle On Demand business, which increased revenues while managing operating expenses to a lower level than in the third quarter of fiscal 2008. Our Advanced Customer Services and CRM On Demand margin percentages also improved in comparison to the third quarter of fiscal 2008.

**First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:** On a constant currency basis, On Demand revenues, expenses, margin and margin as a percentage of revenues increased for similar reasons as noted above. Excluding the effect of currency rate fluctuations, Advanced Customer Services, Oracle On Demand and CRM On Demand contributed 44%, 33% and 23%, respectively, to the growth in On Demand revenues. In constant currency, the Americas contributed 51% to the growth in On Demand revenues, EMEA contributed 24% and Asia Pacific contributed 25%.

**Education:** Education revenues are earned by providing instructor-led, media-based and internet-based training in the use of our database and middleware software products as well as applications software products. Education expenses primarily consist of personnel related expenditures, facilities and external contractor costs.

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Percent Change Actual	Constant	February 29, 2008	February 28, 2009	Percent Change Actual	Constant	February 29, 2008
<b>Education Revenues:</b>								
Americas	\$ 30	-22%	-18%	\$ 39	\$ 118	-11%	-9%	\$ 133
EMEA	25	-31%	-20%	36	99	-14%	-9%	115
Asia Pacific	16	-8%	-2%	17	53	-3%	0%	55
Total revenues	71	-23%	-16%	92	270	-11%	-8%	303
<b>Expenses:</b>								
Cost of services <sup>(1)</sup>	65	-15%	-7%	77	223	-6%	-3%	238
Stock-based compensation		*	*		1	-4%	-4%	1
Total expenses	65	-15%	-7%	77	224	-6%	-3%	239
<b>Total Margin</b>	\$ 6	-61%	-59%	\$ 15	\$ 46	-28%	-26%	\$ 64

<b>Total Margin %</b>	8%	16%	17%	21%
<b>% Revenues by Geography:</b>				
Americas	43%	42%	43%	44%
EMEA	34%	39%	37%	38%
Asia Pacific	23%	19%	20%	18%

(1) Excluding stock-based compensation

\* Not meaningful

Excluding the effect of unfavorable currency rate fluctuations of 7 percentage points, education revenues decreased in the third quarter of fiscal 2009 as customers reduced spending on discretionary services such as our educational program offerings in all geographic regions.

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Excluding the effect of favorable currency rate fluctuations of 8 percentage points, education expenses declined in comparison to the third quarter of fiscal 2008, primarily as a result of headcount reductions.

Education margin and margin as a percentage of revenues decreased in the third quarter of fiscal 2009 due to a reduction in revenues.

Excluding the effect of currency rate fluctuations, the decreases for education revenues, expenses, margin and margin as a percentage of revenues for the first nine months of fiscal 2009 were due generally to the same reasons as noted above.

**Research and Development Expenses:** Research and development expenses consist primarily of personnel related expenditures. We intend to continue to invest significantly in our research and development efforts because, in our judgment, they are essential to maintaining our competitive position.

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Percent Change Actual	Constant	February 29, 2008	February 28, 2009	Percent Change Actual	Constant	February 29, 2008
Research and development <sup>(1)</sup>	\$ 638	-2%	2%	\$ 651	\$ 1,916	0%	2%	\$ 1,923
Stock-based compensation	39	27%	27%	31	121	45%	45%	84
Total expenses	\$ 677	-1%	3%	\$ 682	\$ 2,037	1%	4%	\$ 2,007
% of Total Revenues	12%			13%	12%			13%

<sup>(1)</sup> Excluding stock-based compensation

Total research and development expenses were favorably affected by 4 percentage points of currency variations during the third quarter of fiscal 2009. On a constant currency basis, total research and development expenses increased modestly as salary expenses from higher headcount and increased stock-based compensation expenses were partially offset by a decrease in bonus expenses. The increase in our headcount was the combined result of our recent acquisitions and our hiring of additional personnel to develop new functionality for our existing products. Research and development headcount as of the end of the third quarter of fiscal 2009 increased by approximately 2,300 employees, or 12%, in comparison to the third quarter of fiscal 2008. During the first nine months of fiscal 2009, research and development expenses increased for similar reasons as those noted for the third quarter of fiscal 2009.

**General and Administrative Expenses:** General and administrative expenses primarily consist of personnel related expenditures for information technology, finance, legal and human resources support functions.

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Percent Change Actual	Constant	February 29, 2008	February 28, 2009	Percent Change Actual	Constant	February 29, 2008
	\$ 168	-11%	-4%	\$ 190	\$ 502	-9%	-6%	\$ 553

General and administrative <sup>(1)</sup>									
Stock-based compensation	24	50%	50%	16	69	24%	24%	55	
Total expenses	\$ 192	-7%	-1%	\$ 206	\$ 571	-6%	-3%	\$ 608	
<i>% of Total Revenues</i>	4%			4%	4%			4%	

<sup>(1)</sup> Excluding stock-based compensation

Total general and administrative expenses were affected by 6 percentage points of favorable currency variations during the third quarter of fiscal 2009. Excluding the effect of currency rate fluctuations, general and administrative expenses decreased slightly during the third quarter of fiscal 2009 as a result of a decrease in salary, bonus and certain of our benefits expenses. These decreases were partially offset by increased professional services fees and increased stock-based compensation expenses. During the first nine months of fiscal 2009, general and administrative expenses decreased for similar reasons as those noted for the third quarter of fiscal 2009.

**Table of Contents*****Amortization of Intangible Assets:***

(Dollars in millions)	Three Months Ended			Nine Months Ended				
	February 28, 2009	Percent Change Actual	Constant	February 29, 2008	February 28, 2009	Percent Change Actual	Constant	February 29, 2008
Software support agreements and related relationships	\$ 139	42%	42%	\$ 98	\$ 410	40%	40%	\$ 292
Developed technology	184	47%	47%	126	538	45%	45%	370
Core technology	65	49%	51%	43	190	47%	47%	129
Customer relationships	39	117%	117%	17	111	113%	113%	52
Trademarks	10	25%	25%	8	27	13%	13%	24
Total amortization of intangible assets	\$ 437	49%	50%	\$ 292	\$ 1,276	47%	47%	\$ 867

Amortization of intangible assets increased in the fiscal 2009 periods presented above due to the amortization of acquired intangibles from BEA and other acquisitions that we consummated since the beginning of the third quarter of fiscal 2008. See Note 4 of Notes to Condensed Consolidated Financial Statements for additional information regarding our intangible assets (including weighted average useful lives) and related amortization expenses.

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

(Dollars in millions)	Three Months Ended			Nine Months Ended				
	February 28, 2009	Percent Change Actual	Constant	February 29, 2008	February 28, 2009	Percent Change Actual	Constant	February 29, 2008
In-process research and development	\$ 4	*	*	\$	\$ 10	38%	38%	\$ 7
Transitional and other employee related costs	8	40%	51%	6	39	44%	47%	27
Stock-based compensation	3	-5%	-5%	3	14	-64%	-64%	39
Professional fees and other, net	12	289%	333%	3	24	254%	215%	7
Business combination adjustments		-100%	-100%	5	11	129%	140%	5
Gain on sale of property		-100%	-100%	(57)		-100%	-100%	(57)
Total acquisition related charges	\$ 27	166%	169%	\$ (40)	\$ 98	252%	250%	\$ 28

\* Not meaningful

***Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:*** Acquisition related charges and other expenses increased during the third quarter of fiscal 2009 primarily due to a \$57 million gain that was recognized on a property sale in the corresponding period of the prior year (see Note 1 to our condensed consolidated financial statements for additional information).

***First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:*** On a constant currency basis, acquisition related charges and other expenses increased due to higher transitional and other employee related expenses resulting primarily from our acquisition of BEA and an increase in professional fees. The increase was also attributable to the aforementioned property sale that was recognized as a gain in the corresponding period of the prior year. These increases were partially offset by lower stock-based compensation expenses caused primarily by the timing of stock option accelerations for certain former Hyperion employees that were incurred in the first quarter of fiscal 2008.

***Restructuring expenses:*** Restructuring expenses consist primarily of Oracle employee severance costs and may include charges for duplicate facilities in order to improve our Oracle-based cost structure prospectively. For additional information regarding our Oracle-based restructuring plans, as well as restructuring activities of our acquired companies, please see Note 5 of Notes to Condensed Consolidated Financial Statements.



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(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Percent Change Actual	February 29, 2008	Constant	February 28, 2009	Percent Change Actual	February 29, 2008	Constant
Restructuring expenses	\$ 15	83%	110%	\$ 8	\$ 46	227%	272%	\$ 14

During the third quarter of fiscal 2009, our management approved, committed to and initiated a plan to restructure and further improve efficiencies in our Oracle-based operations (2009 Plan). The total estimated restructuring costs associated with the 2009 Plan are \$213 million and will be recorded to the restructuring expense line item within our consolidated statements of operations as they are recognized. In the third quarter and first nine months of fiscal 2009, we recorded \$18 million of restructuring expenses in connection with the 2009 Plan. We expect to incur the majority of the remaining \$195 million during the remainder of calendar 2009. Our estimated costs are preliminary and may be subject to change in future periods.

During the second quarter of fiscal 2008, our management approved, committed to and initiated a plan to restructure and improve efficiencies in our Oracle-based operations as a result of certain management and organizational changes and our recent acquisitions (the 2008 Plan). The 2008 Plan was amended in the fourth quarter of fiscal 2008 to include the Oracle-based effects resulting from our acquisition of BEA and was further refined in the third quarter of fiscal 2009. The total estimated costs associated with the 2008 Plan are approximately \$69 million, of which a benefit of \$3 million (resulting from an adjustment to the accrual balance) and expense of \$8 million were incurred during the third quarter of fiscal 2009 and 2008, respectively, and expenses of \$28 million and \$14 million were incurred during the first nine months of fiscal 2009 and 2008, respectively.

**Interest Expense:**

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Percent Change Actual	February 29, 2008	Constant	February 28, 2009	Percent Change Actual	February 29, 2008	Constant
Interest expense	\$ 154	87%	87%	\$ 82	\$ 471	78%	78%	\$ 265

Interest expense increased in the fiscal 2009 periods presented above due to higher average borrowings resulting from our issuance of \$5.0 billion of senior notes in April 2008.

**Non-Operating Income, net:** Non-operating income, net consists primarily of interest income, net foreign currency exchange gains and losses, the minority owners' share in the net profits of our majority-owned Oracle Financial Services Software Limited (formerly i-flex solutions limited) and Oracle Japan subsidiaries, and other income (losses), net, including net realized gains and losses related to all of our investments and net unrealized gains and losses related to the small portion of our investment portfolio that we classify as trading.

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	February 28, 2009	Percent Change Actual	February 29, 2008	Constant	February 28, 2009	Percent Change Actual	February 29, 2008	Constant

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Interest income	\$	58	-35%	-26%	\$	89	\$	243	-4%	2%	\$	253
Foreign currency (losses) gains, net		(9)	-146%	-107%		20		(22)	-146%	-107%		47
Minority interests in income		(23)	-38%	-50%		(17)		(58)	-29%	-36%		(45)
Other (losses) income, net		(2)	82%	84%		(8)		(49)	-266%	-257%		29
Total non-operating income, net	\$	24	-72%	-54%	\$	84	\$	114	-60%	-48%	\$	284

***Fiscal Third Quarter 2009 Compared to Fiscal Third Quarter 2008:*** Non-operating income, net decreased during the third quarter of fiscal 2009 as a result of a reduction in our interest income, primarily due to lower market rates that affected the yields earned on our investment portfolio and foreign currency transaction losses of \$9 million in comparison to net foreign currency transaction gains of \$20 million in the corresponding prior year period.

***First Nine Months Fiscal 2009 Compared to First Nine Months Fiscal 2008:*** Non-operating income, net decreased during the first nine months of fiscal 2009 due to similar reasons noted above and was also affected by changes in our investments that we classify as trading that support our deferred compensation plan obligations. The majority of these changes occurred in the second quarter of fiscal 2009 and these amounts are included in Other

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income (losses), net in the table above. We account for our deferred compensation plan assets and obligations pursuant to EITF 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested*, which requires that the changes in obligations associated with our deferred compensation plan be recorded in our operating expenses while the corresponding change in the plan assets be recorded in non-operating income, net. The changes in obligations and asset values of the plan are equal and offsetting, such that there is no impact to our income before provision for income taxes during the first nine months of fiscal 2009 or any other periods presented.

**Provision for Income Taxes:** The effective tax rate in all periods presented is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. The provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due primarily to state taxes and earnings considered as indefinitely reinvested in foreign operations. Future effective tax rates could be adversely affected if earnings are lower than anticipated in countries where we have lower statutory rates, by unfavorable changes in tax laws and regulations, or by adverse rulings in tax related litigation.

(Dollars in millions)	Three Months Ended			Nine Months Ended				
	February 28, 2009	Percent Change Actual Constant	February 29, 2008	February 28, 2009	Percent Change Actual Constant	February 29, 2008		
Provision for income taxes	\$ 481	-10%	3%	\$ 537	\$ 1,377	-2%	5%	\$ 1,409
<b>Effective tax rate</b>	26.6%			28.6%	27.1%			28.8%

The provision for income taxes decreased during the fiscal 2009 periods presented above in comparison to the corresponding periods of fiscal 2008. The decreases were the result of a higher proportion of our worldwide taxable income being earned in lower tax rate jurisdictions, driven by transfer pricing adjustments. The decreases were also attributable to changes in tax laws. These decreases were offset, in part, by an increase in income taxes attributable to unfavorable changes in foreign currency exchange rates which disproportionately affected our profits in relatively low tax jurisdictions.

**Liquidity and Capital Resources**

(Dollars in millions)	February 28, 2009	Change	May 31, 2008
Working capital	\$ 7,639	-5%	\$ 8,074
Cash, cash equivalents and marketable securities	\$ 11,294	2%	\$ 11,043

**Working capital:** The decrease in working capital as of February 28, 2009 in comparison to May 31, 2008 was primarily due to an increase in our stock repurchases during the first nine months of fiscal 2009 in comparison to recent periods (we used \$3.7 billion of cash for stock repurchases during the first nine months of fiscal 2009 in comparison to \$1.5 billion used for stock repurchases during the first nine months of fiscal 2008), cash used for our acquisitions, and from the decline in value of our net current assets held by certain of our foreign subsidiaries as a result of the strengthening of the U.S. Dollar during the first nine months of fiscal 2009 (the offset to which is recorded to accumulated other comprehensive (loss) income on our consolidated balance sheet). Our working capital may be impacted by all three of the aforementioned factors in future periods, the amounts and timing of which are

variable. These decreases were mostly offset by the favorable impact to our net current assets of our net income generated during the first nine months of fiscal 2009.

***Cash, cash equivalents and marketable securities:*** Cash and cash equivalents primarily consist of deposits held at major banks, money market funds, Tier-1 commercial paper, U.S. Treasury obligations, U.S. government agency and government sponsored enterprise obligations, and other securities with original maturities of 90 days or less. Marketable securities primarily consist of time deposits held at major banks, Tier-1 commercial paper, corporate notes, U.S. Treasury obligations and U.S. government agency and government sponsored enterprise obligations. Cash, cash equivalents and marketable securities include \$10.1 billion held by our foreign subsidiaries as of February 28, 2009. The amount of cash, cash equivalents and marketable securities that we report in U.S. Dollars for a significant portion of the cash held by these subsidiaries is subject to translation variance caused by changes in foreign currency exchange rates as of the end of each respective reporting period (the offset to which is recorded to accumulated other comprehensive (loss) income on our consolidated balance sheet). As the U.S. Dollar

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strengthened against most major international currencies during the first nine months of fiscal 2009, the amount of cash, cash equivalents and marketable securities that we reported in U.S. Dollars for these subsidiaries declined relative to what we would have reported using a constant currency rate as of May 31, 2008. The decrease in cash, cash equivalents and marketable securities at February 28, 2009 in comparison to May 31, 2008 was also due to cash used for our acquisitions and repurchases of our common stock (see discussion above), partially offset by an increase in our operating cash flows resulting primarily from the collection of our trade receivables generated from our higher sales volumes.

Days sales outstanding, which is calculated by dividing period end accounts receivable by average daily sales for the quarter, was 49 days at February 28, 2009 compared with 63 days at May 31, 2008. The days sales outstanding calculation excludes the adjustment that reduces our acquired software license updates and product support obligations to fair value. Our decline in days sales outstanding is primarily due to the collection, in our first nine months of fiscal 2009, of large license and support balances outstanding as of May 31, 2008.

(Dollars in millions)	Nine Months Ended		
	February 28, 2009	Change	February 29, 2008
Cash provided by operating activities	\$ 6,247	22%	\$ 5,107
Cash used for investing activities	\$ (2,165)	18%	\$ (1,839)
Cash used for financing activities	\$ (3,221)	118%	\$ (1,481)

**Cash flows from operating activities:** Our largest source of operating cash flows is cash collections from our customers following the purchase and renewal of their software license updates and product support agreements. Payments from customers for software license updates and product support agreements are generally received near the beginning of the contracts terms, which are generally one year in length. We also generate significant cash from new software license sales and, to a lesser extent, services. Our primary uses of cash from operating activities are for personnel related expenditures as well as payments related to taxes and leased facilities.

Net cash provided by operating activities increased in the first nine months of fiscal 2009 primarily due to higher net income and the collection of fourth quarter fiscal 2008 and fiscal 2009 trade receivables associated with higher sales volumes.

**Cash flows from investing activities:** The changes in cash flows from investing activities primarily relate to acquisitions and the timing of purchases, maturities and sales of our investments in marketable securities. We also use cash to invest in capital and other assets to support our growth.

Net cash used for investing activities increased in the first nine months of fiscal 2009 due to an increase in cash used for acquisitions, net of cash acquired, and higher capital expenditures primarily related to real estate assets purchased for operational use. These increases were partially offset by decreases in cash used to purchase marketable securities, net of proceeds received from sales and maturities.

**Cash flows from financing activities:** The changes in cash flows from financing activities primarily relate to borrowings and payments under debt obligations as well as stock repurchases and proceeds from stock option exercise activity.

Net cash used for financing activities in the first nine months of fiscal 2009 increased compared to the first nine months of fiscal 2008 due to increased stock repurchases (see discussion in Working Capital above and in Note 8 of

Notes to Condensed Consolidated Financial Statements for additional information). This increase was partially offset by a reduction in the amount of debt repayments made (the commercial paper issued to finance the fiscal 2007 acquisition of Hyperion was repaid in the first quarter of fiscal 2008) and a reduction in proceeds from the exercise of employee stock options during fiscal 2009.

**Free cash flow:** To supplement our statements of cash flows presented on a GAAP basis, we use non-GAAP measures of cash flows on a trailing 4-quarter basis to analyze cash flows generated from our operations. We believe free cash flow is also useful as one of the bases for comparing our performance with our competitors. The presentation of non-GAAP free cash flow is not meant to be considered in isolation or as an alternative to net income

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as an indicator of our performance, or as an alternative to cash flows from operating activities as a measure of liquidity. We calculate free cash flows as follows:

<b>(Dollars in millions)</b>	<b>Trailing 4-Quarters Ended</b>		
	<b>February 28, 2009</b>	<b>Change</b>	<b>February 29, 2008</b>
Cash provided by operating activities	\$ 8,542	17%	\$ 7,322
Capital expenditures <sup>(1)</sup>	(539)	63%	(331)
Free cash flow	\$ 8,003	14%	\$ 6,991
Net income	\$ 5,739		\$ 5,088
Free cash flow as a percent of net income	139%		137%

<sup>(1)</sup> Represents capital expenditures as reported in cash flows from investing activities in our condensed consolidated statements of cash flows presented in accordance with U.S. generally accepted accounting principles.

***Long-Term Customer Financing***

We offer certain of our customers the option to acquire our software products and service offerings through separate long-term payment contracts. We generally sell contracts that we have financed on a non-recourse basis to financial institutions. We record the transfers of amounts due from customers to financial institutions as sales of financial assets because we are considered to have surrendered control of these financial assets. In the first nine months of fiscal 2009 and 2008, \$644 million and \$468 million, respectively, or approximately 15% and 11%, respectively, of our new software license revenues were financed through our financing division.

**Table of Contents****Contractual Obligations**

The contractual obligations presented in the table below represent our estimates of future payments under fixed contractual obligations and commitments. Changes in our business needs, cancellation provisions, changing interest rates and other factors may result in actual payments differing from these estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our information within the context of our consolidated financial position, results of operations and cash flows. The following is a summary of our contractual obligations as of February 28, 2009:

(Dollars in millions)	Total	Year Ending May 31,						
		2009	2010	2011	2012	2013	2014	Thereafter
Principal payments on borrowings <sup>(1)</sup>	\$ 11,250	\$ 1,000	\$ 1,000	\$ 2,250	\$	\$ 1,250	\$	\$ 5,750
Capital leases <sup>(2)</sup>	2		2					
Interest payments on borrowings <sup>(1)</sup>	5,073	166	552	506	392	392	330	2,735
Operating leases <sup>(3)</sup>	1,303	109	348	268	192	127	73	186
Purchase obligations <sup>(4)</sup>	162	39	99	6	3	3	3	9
Funding commitments <sup>(5)</sup>	3	3						
Total contractual obligations	\$ 17,793	\$ 1,317	\$ 2,001	\$ 3,030	\$ 587	\$ 1,772	\$ 406	\$ 8,680

(1) Our borrowings (excluding capital leases) consist of the following as of February 28, 2009:

	Principal Balance
Floating rate senior notes due May 2009	\$ 1,000
Floating rate senior notes due May 2010	1,000
5.00% senior notes due January 2011, net of discount of \$3	2,247
4.95% senior notes due April 2013	1,250
5.25% senior notes due January 2016, net of discount of \$8	1,992
5.75% senior notes due April 2018, net of discount of \$1	2,499
6.50% senior notes due April 2038, net of discount of \$2	1,248
Total borrowings	\$ 11,236

Our floating rate senior notes due May 2009 and May 2010 bore interest at a rate of 1.26% and 1.30%, respectively, as of February 28, 2009. In fiscal 2008, we entered into two interest rate swap agreements that have the economic effect of modifying the variable interest obligations associated with our floating rate senior notes due May 2009 and May 2010 so that the interest payable on the senior notes effectively became fixed at a rate of 4.62% and 4.59%, respectively. Interest payments were calculated based on terms of the related agreements and include estimates based on the effective interest rates as of February 28, 2009 for variable rate borrowings after consideration of the



aforementioned interest rate swap agreements.

- (2) Represents remaining payments under capital leases assumed from acquisitions.
- (3) Primarily represents leases of facilities and includes future minimum rent payments for facilities that we have vacated pursuant to our restructuring and merger integration activities. We have approximately \$241 million in facility obligations, net of estimated sublease income, in accrued restructuring for these locations in our condensed consolidated balance sheet at February 28, 2009.
- (4) Represents amounts associated with agreements that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payment.
- (5) Represents the maximum additional capital we may need to contribute toward our venture fund investments, which are payable upon demand.

As of February 28, 2009, we have \$1.8 billion of unrecognized tax benefits recorded on our condensed consolidated balance sheet. We have reached certain settlement agreements with relevant taxing authorities to pay approximately \$77 million of these liabilities (these amounts have been excluded from the table above due to the uncertainty of when they might be settled). Although it remains unclear as to when payments pursuant to these agreements will be made, some or all may be made in fiscal 2009. We cannot make a reasonably reliable estimate of the period in which the remainder of our unrecognized tax benefits will be settled or released with the relevant tax authorities, although we believe it is reasonably possible that certain of these liabilities could be settled or released during fiscal 2009.

We believe that our current cash, cash equivalents and marketable securities and cash generated from operations will be sufficient to meet our working capital, capital expenditures and contractual obligations. In addition, we believe we could fund any future acquisitions and dividend payments and repurchase common stock with our

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internally available cash, cash equivalents and marketable securities, cash generated from operations, our existing available debt capacity, additional borrowings or from the issuance of additional securities.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

***Recent Financing Activities***

**Revolving Credit Agreements**

***2008 364-Day Revolving Credit Agreement***

On March 17, 2009, our \$2.0 billion 364-Day Revolving Credit Agreement dated March 18, 2008, among Oracle; Wachovia Bank, National Association (Wachovia), as administrative agent; and the other agents and lenders named therein (the 2008 Credit Agreement) terminated pursuant to its terms. No debt was outstanding pursuant to the 2008 Credit Agreement as of February 28, 2009, or as of its date of termination.

***2009 364-Day Revolving Credit Agreement***

On March 17, 2009, Oracle entered into a new \$2.0 billion 364-Day Revolving Credit Agreement (the 2009 Credit Agreement) among Oracle; the lenders named therein; Wachovia, as administrative agent; BNP Paribas, as syndication agent; the documentation agents named therein; and Wachovia Capital Markets, LLC, and BNP Paribas Securities Corp., as joint lead arrangers and joint bookrunners.

The 2009 Credit Agreement provides for an unsecured \$2.0 billion 364-day revolving credit facility (the 2009 Facility) to Oracle in order to backstop any commercial paper that Oracle may issue and for working capital and other general corporate purposes. Subject to certain conditions stated in the 2009 Credit Agreement, Oracle may borrow, prepay and reborrow amounts under the 2009 Facility at any time during the term of the 2009 Credit Agreement. All amounts under the 2009 Credit Agreement are due on March 16, 2010, unless (i) the commitments are terminated earlier either at the request of Oracle or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events) or (ii) the 2009 Facility is extended as described below. Interest is based on, at Oracle's election, either (x) the sum of (A) adjusted LIBOR plus (B) a margin equal to the published 30-day moving average credit default swap mid-rate spread for Oracle for a one-year period, subject to a maximum and minimum rate based on Oracle's credit rating, or (y) a base rate calculated as the highest of (I) Wachovia's prime rate, (II) the federal funds effective rate plus 0.50% and (III) adjusted LIBOR plus a margin determined in the manner described in clause (x)(B) above. Oracle may, upon the agreement of a combination of then existing lenders and additional banks not currently party to the 2009 Credit Agreement, extend the termination date of the 2009 Facility by an additional 364 days.

The 2009 Credit Agreement contains certain customary representations and warranties, covenants and events of default, including the requirement that the total net debt to total capitalization ratio of Oracle not exceed 45%. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the 2009 Credit Agreement may be declared immediately due and payable and the commitments may be terminated.

Oracle has not borrowed any funds under the 2009 Credit Agreement.

Dividends on Common Stock

In March 2009, our Board of Directors declared a quarterly cash dividend of \$0.05 per share of outstanding common stock payable on May 8, 2009, to stockholders of record as of the close of business on April 8, 2009. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of Oracle's Board of Directors.

**Table of Contents****Stock Options**

Our stock option program is a key component of the compensation package we provide to attract and retain certain of our talented employees and align their interests with the interests of existing stockholders. We recognize that options dilute existing stockholders and have sought to control the number of options granted while providing competitive compensation packages. Consistent with these dual goals, our cumulative potential dilution since June 1, 2005 has been a weighted average annualized rate of 1.5% per year. The potential dilution percentage is calculated as the average annualized new options granted and assumed, net of options forfeited by employees leaving the company, divided by the weighted average outstanding shares during the calculation period. This maximum potential dilution will only result if all options are exercised. Some of these options, which generally have 10 year exercise periods, have exercise prices substantially higher than the current market price of our common stock. At February 28, 2009, 50% of our outstanding stock options had exercise prices in excess of the current market price. Consistent with our historical practices, we do not expect that dilution from future grants before the effect of our stock repurchase program will exceed 2% per year for our ongoing business. In recent years, our stock repurchase program has more than offset the dilutive effect of our stock option program; however, we may reduce the level of our stock repurchases in the future as we may use our available cash for acquisitions, to pay dividends, to repay indebtedness or for other purposes. At February 28, 2009, the maximum potential dilution from all outstanding and unexercised option awards, regardless of when granted and regardless of whether vested or unvested and including options where the strike price is higher than the current market price, was 7.9%.

The Compensation Committee of the Board of Directors reviews and approves the organization-wide stock option grants to selected employees, all stock option grants to executive officers and any individual stock option grants in excess of 100,000 shares. A separate Plan Committee, which is an executive officer committee, approves individual stock option grants up to 100,000 shares to non-executive officers and employees. Stock option activity from June 1, 2005 through February 28, 2009 is summarized as follows (shares in millions):

Options outstanding at May 31, 2005	469
Options granted	258
Options assumed	144
Options exercised	(370)
Forfeitures and cancellations	(106)
Options outstanding at February 28, 2009	395
Average annualized options granted and assumed, net of forfeitures	75
Average annualized stock repurchases	170
Shares outstanding at February 28, 2009	4,983
Basic weighted average shares outstanding from June 1, 2005 through February 28, 2009	5,152
Options outstanding as a percent of shares outstanding at February 28, 2009	7.9%
In the money options outstanding (based on our February 28, 2009 stock price) as a percent of shares outstanding at February 28, 2009	4.0%
Weighted average annualized options granted and assumed, net of forfeitures and before stock repurchases, as a percent of weighted average shares outstanding from June 1, 2005 through February 28, 2009	1.5%
Weighted average annualized options granted and assumed, net of forfeitures and after stock repurchases, as a percent of weighted average shares outstanding from June 1, 2005 through February 28, 2009	-1.8%

Our Compensation Committee approves the annual organization-wide option grants to certain key employees. These annual option grants are made during the ten business day period following the second trading day after the announcement of our fiscal fourth quarter earnings report. During the first nine months of fiscal 2009, we made our annual grant of stock options on July 3, 2008 and made or assumed other grants totaling 69 million shares, which were partially offset by forfeitures of 9 million shares.

**Recent Accounting Pronouncements**

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1 of Notes to Condensed Consolidated Financial Statements.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

During the first nine months of fiscal 2009, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our Annual Report on Form 10-K for our fiscal year ended May 31, 2008 for a more complete discussion of the market risks we encounter.

**Item 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures.*** Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

***Changes in Internal Control over Financial Reporting.*** There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls.*** Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed and operated to be effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

The material set forth in Note 12 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this quarterly report on Form 10-Q is incorporated herein by reference.

**Item 1A. Risk Factors**

***The effects of the recent global economic crisis may impact our business, operating results or financial condition.***

The recent global economic crisis has caused a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, and extreme volatility in credit, equity and fixed income markets. These macroeconomic developments could negatively affect our business, operating results or financial condition in a number of ways. For example, current or potential customers may be unable to fund software purchases, which could cause them to delay, decrease or cancel purchases of our products and services or to not pay us or to delay paying us for previously purchased products and services. In some financial markets, institutions may decrease or discontinue their purchase of the long-term customer financing contracts that we have traditionally sold on a non-recourse basis. As a result, we may hold more of these contracts ourselves or require more customers to purchase our products and services on a cash basis. In addition, financial institution failures may cause us to incur increased expenses or make it more difficult either to utilize

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our existing debt capacity or otherwise obtain financing for our operations, investing activities (including the financing of any future acquisitions), or financing activities (including the timing and amount of any repurchases of our common stock or debt we may make in the future). Finally, our investment portfolio, which includes short-term debt securities, is generally subject to general credit, liquidity, counterparty, market and interest rate risks that may be exacerbated by the recent global financial crisis. If the banking system or the fixed income, credit or equity markets continue to deteriorate or remain volatile, our investment portfolio may be impacted and the values and liquidity of our investments could be adversely affected.

In addition to the above and other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended May 31, 2008. The risks discussed in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Our Board of Directors has approved a program to repurchase shares of our common stock to reduce the dilutive effect of our stock option and stock purchase plans and to repurchase shares opportunistically. On October 20, 2008, we announced that our Board of Directors had approved the expansion of our repurchase program by \$8.0 billion and as of February 28, 2009, approximately \$6.5 billion was available for share repurchases pursuant to our stock repurchase program.

Our stock repurchase authorization does not have an expiration date and the pace of our repurchase activity will depend on factors such as our working capital needs, our cash requirements for acquisitions, our debt repayment obligations or repurchases of our debt, our stock price, and economic and market conditions. Our stock repurchases may be effected from time to time through open market purchases or pursuant to a Rule 10b5-1 plan. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

The following table summarizes the stock repurchase activity for the three months ended February 28, 2009 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

<b>(in millions, except per share amounts)</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program</b>
December 1, 2008 – December 31, 2008	34.4	\$ 16.64	34.4	\$ 7,139.6
January 1, 2009 – January 31, 2009	25.1	\$ 17.31	25.1	\$ 6,705.5
February 1, 2009 – February 28, 2009	11.9	\$ 17.03	11.9	\$ 6,501.8
<b>Total</b>	<b>71.4</b>	<b>\$ 16.94</b>	<b>71.4</b>	



**Item 5. Other Information**

***2009 364-Day Revolving Credit Agreement***

On March 17, 2009, Oracle entered into a new \$2.0 billion 364-Day Revolving Credit Agreement (the 2009 Credit Agreement) among Oracle; the lenders named therein; Wachovia, as administrative agent; BNP Paribas, as syndication agent; the documentation agents named therein; and Wachovia Capital Markets, LLC, and BNP Paribas Securities Corp., as joint lead arrangers and joint bookrunners.

The 2009 Credit Agreement provides for an unsecured \$2.0 billion 364-day revolving credit facility (the 2009 Facility) to Oracle in order to backstop any commercial paper that Oracle may issue and for working capital and other general corporate purposes. Subject to certain conditions stated in the 2009 Credit Agreement, Oracle may borrow, prepay and reborrow amounts under the 2009 Facility at any time during the term of the 2009 Credit Agreement. All amounts under the 2009 Credit Agreement are due on March 16, 2010, unless (i) the commitments are terminated earlier either at the request of Oracle or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events) or (ii) the 2009 Facility is extended as described below. Interest is

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based on, at Oracle's election, either (x) the sum of (A) adjusted LIBOR plus (B) a margin equal to the published 30-day moving average credit default swap mid-rate spread for Oracle for a one-year period, subject to a maximum and minimum rate based on Oracle's credit rating, or (y) a base rate calculated as the highest of (I) Wachovia's prime rate, (II) the federal funds effective rate plus 0.50% and (III) adjusted LIBOR plus a margin determined in the manner described in clause (x)(B) above. Oracle may, upon the agreement of a combination of then existing lenders and additional banks not currently party to the 2009 Credit Agreement, extend the termination date of the 2009 Facility by an additional 364 days.

The 2009 Credit Agreement contains certain customary representations and warranties, covenants and events of default, including the requirement that the total net debt to total capitalization ratio of Oracle not exceed 45%. If any of the events of default occur and are not cured within applicable grace periods or waived, any unpaid amounts under the 2009 Credit Agreement may be declared immediately due and payable and the commitments may be terminated.

Oracle has not borrowed any funds under the 2009 Credit Agreement.

The description above is a summary and is qualified in its entirety by the 2009 Credit Agreement, which is filed as Exhibit 10.26 to this report. Certain lenders under the 2009 Credit Agreement, or one or more of their affiliates or branches, have provided investment banking and trustee/paying agency services to Oracle, are lenders or agents under other credit facilities of Oracle or provide Oracle and its subsidiaries with cash management services, foreign exchange services, global custody agent services and fixed income brokerage services.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Title</b>
10.01	Oracle Corporation 1993 Deferred Compensation Plan, as amended and restated as of January 1, 2008
10.25	Employment Agreement of Loic Le Guisquet dated November 18, 1999
10.26	\$2,000,000,000 364-Day Revolving Credit Agreement dated as of March 17, 2009, among Oracle Corporation and the lenders and agents named therein
31.01	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act Lawrence J. Ellison
31.02	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act Jeff Epstein
32.01	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Oracle Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ORACLE CORPORATION**

Date: March 23, 2009

By: /s/ Jeff Epstein

Jeff Epstein  
Executive Vice President and  
Chief Financial Officer

Date: March 23, 2009

By: /s/ William Corey West

William Corey West  
Senior Vice President, Corporate Controller and  
Chief Accounting Officer