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

FORM 10-Q

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

For the quarterly period ended August 31, 2017

or

☐ **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: 001-35992

Oracle Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

**500 Oracle Parkway
Redwood City, California**
(Address of principal executive offices)

54-2185193
(I.R.S. Employer
Identification No.)

94065
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒
Non-accelerated filer ☐
(Do not check if a smaller reporting company)
Emerging growth company ☐

Accelerated filer ☐
Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 September 11, 2017 was: 4,173,053,000.

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

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Cautionary Note on Forward-Looking Statements

For purposes of this Quarterly Report, the terms “Oracle,” “we,” “us” and “our” refer to Oracle Corporation and its consolidated subsidiaries. This Quarterly Report on Form 10-Q contains statements that are not historical in nature, are predictive in nature, or that depend upon or refer to future events or conditions or otherwise contain forward-looking statements within the meaning of Section 21 of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These include, among other things, statements regarding:

- our expectation that we will continue to acquire companies, products, services and technologies to further our corporate strategy;
- our belief that our acquisitions enhance the products and services that we can offer to customers, expand our customer base, provide greater scale to accelerate innovation, grow our revenues and earnings, and increase stockholder value;
- our expectation that, on a constant currency basis, our total cloud and on-premise software revenues generally will continue to increase due to expected growth from our cloud software as a service (SaaS) and cloud platform as a service (PaaS) and infrastructure as a service (IaaS) offerings, continued demand for our on-premise software products and software license updates and product support offerings, and contributions from acquisitions;
- our expectation that we will continue to place significant strategic emphasis on growing our cloud SaaS and cloud PaaS and IaaS offerings, which has affected the growth of our new software license revenues and hardware revenues and to a lesser extent, has also affected the growth of our software license updates and product support revenues;
- our intention that we will renew our cloud SaaS and cloud PaaS and IaaS contracts when they are eligible for renewal;
- our expectation that our hardware business will have lower operating margins as a percentage of revenues than our cloud and on-premise software business;
- our expectation that we will continue to make significant investments in research and development and related product opportunities, including those related to hardware products and services, and our belief that research and development efforts are essential to maintaining our competitive position;
- our expectation that our international operations will continue to provide a significant portion of our total revenues and expenses;
- the sufficiency of our sources of funding for working capital, capital expenditures, contractual obligations, acquisitions, dividends, stock repurchases, debt repayments and other matters;
- our belief that we have adequately provided under U.S. generally accepted accounting principles for outcomes related to our tax audits and that the final outcome of our tax related examinations, agreements or judicial proceedings will not have a material effect on our results of operations, and our belief that our net deferred tax assets will be realized in the foreseeable future;
- our belief that the outcome of certain legal proceedings and claims to which we are a party will not, individually or in the aggregate, result in losses that are materially in excess of amounts already recognized, if any;
- the possibility that certain legal proceedings to which we are a party could have a material impact on our future cash flows and results of operations;
- our expectations regarding the timing and amount of expenses relating to the Fiscal 2017 Oracle Restructuring Plan and the improved efficiencies in our operations that such plan will create;
- the timing and amount of our stock repurchases, including our expectation that the levels of our future stock repurchase activity may be modified in comparison to past periods in order to use available cash for other purposes;
- our expectations regarding the impact of recent accounting pronouncements on our consolidated financial statements;

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- our expectation that to the extent customers renew support contracts or cloud SaaS and cloud PaaS and IaaS contracts from companies that we have acquired, we will recognize revenues for the full contracts' values over the respective renewal periods;
- our ability to predict quarterly hardware revenues;

as well as other statements regarding our future operations, financial condition and prospects, and business strategies. Forward-looking statements may be preceded by, followed by or include the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “strives,” “estimates,” “will,” “should,” “is designed to” and similar expressions. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about our business that could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in “Risk Factors” included in documents we file from time to time with the U.S. Securities and Exchange Commission (the SEC), including our Annual Report on Form 10-K for our fiscal year ended May 31, 2017 and our other Quarterly Reports on Form 10-Q to be filed by us in our fiscal year 2018, which runs from June 1, 2017 to May 31, 2018.

We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. New information, future events or risks could cause the forward-looking events we discuss in this Quarterly Report not to occur. You should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this Quarterly Report.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

ORACLE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
As of August 31, 2017 and May 31, 2017
(Unaudited)

(in millions, except per share data)	August 31, 2017	May 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,321	\$ 21,784
Marketable securities	45,576	44,294
Trade receivables, net of allowances for doubtful accounts of \$336 and \$319 as of August 31, 2017 and May 31, 2017, respectively	3,591	5,300
Inventories	312	300
Prepaid expenses and other current assets	2,535	2,837
Total current assets	<u>73,335</u>	<u>74,515</u>
Non-current assets:		
Property, plant and equipment, net	5,586	5,315
Intangible assets, net	7,186	7,679
Goodwill, net	43,020	43,045
Deferred tax assets	1,181	1,143
Other assets	3,289	3,294
Total non-current assets	<u>60,262</u>	<u>60,476</u>
Total assets	<u>\$ 133,597</u>	<u>\$ 134,991</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable and other borrowings, current	\$ 4,998	\$ 9,797
Accounts payable	593	599
Accrued compensation and related benefits	1,517	1,966
Deferred revenues	10,269	8,233
Other current liabilities	2,849	3,583
Total current liabilities	<u>20,226</u>	<u>24,178</u>
Non-current liabilities:		
Notes payable and other borrowings, non-current	48,293	48,112
Income taxes payable	5,891	5,681
Other non-current liabilities	2,821	2,774
Total non-current liabilities	<u>57,005</u>	<u>56,567</u>
Commitments and contingencies		
Oracle Corporation 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: 4,171 shares and 4,137 shares as of August 31, 2017 and May 31, 2017, respectively	28,089	27,065
Retained earnings	28,586	27,598
Accumulated other comprehensive loss	(716)	(803)
Total Oracle Corporation stockholders' equity	<u>55,959</u>	<u>53,860</u>
Noncontrolling interests	407	386
Total equity	<u>56,366</u>	<u>54,246</u>
Total liabilities and equity	<u>\$ 133,597</u>	<u>\$ 134,991</u>

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended August 31, 2017 and 2016
(Unaudited)

(in millions, except per share data)	Three Months Ended August 31,	
	2017	2016
Revenues:		
Cloud software as a service	\$ 1,067	\$ 657
Cloud platform as a service and infrastructure as a service	400	312
Total cloud revenues	1,467	969
New software licenses	966	1,030
Software license updates and product support	4,951	4,792
Total on-premise software revenues	5,917	5,822
Total cloud and on-premise software revenues	7,384	6,791
Hardware revenues	943	996
Services revenues	860	808
Total revenues	9,187	8,595
Operating expenses:		
Cloud software as a service ⁽¹⁾	374	283
Cloud platform as a service and infrastructure as a service ⁽¹⁾	227	132
Software license updates and product support ⁽¹⁾	257	275
Hardware ⁽¹⁾	373	391
Services ⁽¹⁾	702	695
Sales and marketing ⁽¹⁾	1,992	1,919
Research and development	1,574	1,520
General and administrative	320	315
Amortization of intangible assets	411	311
Acquisition related and other	12	14
Restructuring	124	99
Total operating expenses	6,366	5,954
Operating income	2,821	2,641
Interest expense	(469)	(416)
Non-operating income, net	233	148
Income before provision for income taxes	2,585	2,373
Provision for income taxes	375	541
Net income	\$ 2,210	\$ 1,832
Earnings per share:		
Basic	\$ 0.53	\$ 0.44
Diluted	\$ 0.52	\$ 0.43
Weighted average common shares outstanding:		
Basic	4,156	4,119
Diluted	4,284	4,221
Dividends declared per common share	\$ 0.19	\$ 0.15

⁽¹⁾ Exclusive of amortization of intangible assets, which is shown separately.

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended August 31, 2017 and 2016
(Unaudited)

(in millions)	Three Months Ended August 31,	
	2017	2016
Net income	\$ 2,210	\$ 1,832
Other comprehensive income (loss), net of tax:		
Net foreign currency translation gains	38	133
Net unrealized gains on defined benefit plans	7	5
Net unrealized gains on marketable securities	64	143
Net unrealized (losses) gains on cash flow hedges	(22)	2
Total other comprehensive income, net	87	283
Comprehensive income	<u>\$ 2,297</u>	<u>\$ 2,115</u>

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended August 31, 2017 and 2016
(Unaudited)

(in millions)	Three Months Ended August 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 2,210	\$ 1,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	285	222
Amortization of intangible assets	411	311
Deferred income taxes	159	145
Stock-based compensation	403	319
Other, net	47	39
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables, net	1,752	1,993
Increase in inventories	(11)	(75)
Decrease in prepaid expenses and other assets	555	435
Decrease in accounts payable and other liabilities	(1,062)	(1,013)
Increase (decrease) in income taxes payable	32	(94)
Increase in deferred revenues	1,785	1,761
Net cash provided by operating activities	6,566	5,875
Cash flows from investing activities:		
Purchases of marketable securities and other investments	(7,671)	(5,513)
Proceeds from maturities and sales of marketable securities and other investments	6,326	1,752
Acquisitions, net of cash acquired	—	(1,143)
Capital expenditures	(473)	(299)
Net cash used for investing activities	(1,818)	(5,203)
Cash flows from financing activities:		
Payments for repurchases of common stock	(502)	(2,002)
Proceeds from issuances of common stock	1,014	487
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(331)	(170)
Payments of dividends to stockholders	(788)	(618)
Proceeds from borrowings, net of issuance costs	—	13,932
Repayments of borrowings	(4,800)	(3,750)
Distributions to noncontrolling interests	(34)	(167)
Net cash (used for) provided by financing activities	(5,441)	7,712
Effect of exchange rate changes on cash and cash equivalents	230	78
Net (decrease) increase in cash and cash equivalents	(463)	8,462
Cash and cash equivalents at beginning of period	21,784	20,152
Cash and cash equivalents at end of period	\$ 21,321	\$ 28,614
Non-cash investing and financing transactions:		
Fair values of restricted stock-based awards and stock options assumed in connection with acquisitions	\$ —	\$ 6
Decrease in unsettled repurchases of common stock	\$ (2)	\$ (3)
Decrease in unsettled investment purchases	\$ (138)	\$ (95)

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017
(Unaudited)

1. BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

We have prepared the condensed consolidated financial statements included herein 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 (GAAP) have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures herein are adequate to ensure the information presented is not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017.

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, 2018. Certain prior year balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, operating income or net income.

During the first three months of fiscal 2017, we adopted Accounting Standards Update (ASU) 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which did not have a material impact to our reported financial position or results of operations. There have been no significant changes in our reported financial position or results of operations and cash flows as a result of our adoption of new accounting pronouncements or changes to our significant accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017.

Cash, Cash Equivalents and Restricted Cash

Restricted cash that was included within cash and cash equivalents as presented within our condensed consolidated balance sheets as of August 31, 2017 and May 31, 2017 and our condensed consolidated statements of cash flows for the three months ended August 31, 2017 and 2016 was nominal.

Acquisition Related and Other Expenses

Acquisition related and other expenses consist of personnel related costs and stock-based compensation for transitional and certain other employees, integration related professional services, certain business combination adjustments including certain adjustments after the measurement period has ended and certain other operating items, net.

(in millions)	Three Months Ended August 31,	
	2017	2016
Transitional and other employee related costs	\$ 9	\$ 8
Stock-based compensation	1	—
Professional fees and other, net	3	5
Business combination adjustments, net	(1)	1
Total acquisition related and other expenses	<u>\$ 12</u>	<u>\$ 14</u>

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
August 31, 2017
(Unaudited)

Non-Operating Income, net

Non-operating income, net consists primarily of interest income, net foreign currency exchange gains (losses), the noncontrolling interests in the net profits of our majority-owned subsidiaries (primarily Oracle Financial Services Software Limited and Oracle Japan) and net other income (losses), 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)	Three Months Ended August 31,	
	2017	2016
Interest income	\$ 257	\$ 177
Foreign currency losses, net	(4)	(13)
Noncontrolling interests in income	(47)	(35)
Other income (loss), net	27	19
Total non-operating income, net	<u>\$ 233</u>	<u>\$ 148</u>

Sales of Financing Receivables

We offer certain of our customers the option to acquire our software products, hardware products and services offerings through separate long-term payment contracts. We generally sell these contracts that we have financed for our customers on a non-recourse basis to financial institutions within 90 days of the contracts' dates of execution. We record the transfers of amounts due from customers to financial institutions as sales of financing receivables because we are considered to have surrendered control of these financing receivables. During the three months ended August 31, 2017 and 2016, \$818 million and \$898 million of financing receivables were sold to financial institutions, respectively.

Recent Accounting Pronouncements

Derivatives and Hedging: In August 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. ASU 2017-12 is effective for us in the first quarter of fiscal 2020, and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2017-12 on our consolidated financial statements.

Retirement Benefits: In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07), which provides guidance on the capitalization, presentation and disclosure of net benefit costs. ASU 2017-07 is effective for us in the first quarter of fiscal 2019. We are currently evaluating the impact of our pending adoption of ASU 2017-07 on our consolidated financial statements.

Income Taxes: In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (ASU 2016-16), which changes the timing of when certain intercompany transactions are recognized within the provision for income taxes. ASU 2016-16 is effective for us in our first quarter of fiscal 2019 on a modified retrospective basis, and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2016-16 on our consolidated financial statements.

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
August 31, 2017
(Unaudited)

Financial Instruments: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for us in our first quarter of fiscal 2021, and earlier adoption is permitted beginning in the first quarter of fiscal 2020. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for us in our first quarter of fiscal 2019, and earlier adoption is not permitted except for certain provisions. We currently do not expect that our pending adoption of ASU 2016-01 will have a material effect on our consolidated financial statements.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. ASU 2016-02 is effective for us in our first quarter of fiscal 2020 on a modified retrospective basis, and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2016-02 on our consolidated financial statements. We currently expect that most of our operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon our adoption of ASU 2016-02, which will increase our total assets and total liabilities that we report relative to such amounts prior to adoption.

Revenue Recognition: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers: Topic 606* and issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016, May 2016, December 2016 and May 2017 within ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, ASU 2016-20 and ASU 2017-10, respectively, and collectively Topic 606. Topic 606 supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Topic 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, among others. Topic 606 also provides guidance on the recognition of costs related to obtaining customer contracts. Topic 606 is effective for us as of our first quarter of fiscal 2019 using either of two methods: (1) retrospective application of Topic 606 to each prior reporting period presented with the option to elect certain practical expedients as defined within Topic 606 or (2) retrospective application of Topic 606 with the cumulative effect of initially applying Topic 606 recognized at the date of initial application and providing certain additional disclosures as defined per Topic 606. The accounting for the recognition of costs related to obtaining customer contracts under Topic 606 is significantly different than our current capitalization policy. The adoption of Topic 606 will result in additional types of costs that will be capitalized. Additionally, all amounts capitalized will be amortized over a period longer than our current policy. We plan to adopt Topic 606 in the first quarter of fiscal 2019 pursuant to the aforementioned adoption method (1) and we do not believe there will be a material impact to our revenues upon adoption. We are continuing to evaluate the impact to our revenues and costs related to our pending adoption of Topic 606 and our preliminary assessments are subject to change.

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
August 31, 2017
(Unaudited)

2. ACQUISITIONS

Fiscal 2017 Acquisition of NetSuite Inc., a Related Party

On November 7, 2016, we completed our acquisition of NetSuite Inc. (NetSuite), a provider of cloud-based enterprise resource planning (ERP) software and related applications and a related party to Oracle. We acquired NetSuite to, among other things, expand our cloud software as a service offerings with a complementary set of cloud ERP and related cloud software applications for customers.

Lawrence J. Ellison, Oracle's Chairman of the Board and Chief Technology Officer and Oracle's largest stockholder, is an affiliate of NetSuite's largest stockholder, NetSuite Restricted Holdings LLC (a single member LLC investment entity whose interests are beneficially owned by a trust controlled by Mr. Ellison), which owned approximately 40% of the issued and outstanding NetSuite Shares immediately prior to the conclusion of the merger.

The total preliminary purchase price for NetSuite was approximately \$9.1 billion, which consisted of approximately \$9.0 billion in cash and \$78 million for the fair values of restricted stock-based awards and stock options assumed. In allocating the purchase price based on estimated fair values, we recorded approximately \$6.7 billion of goodwill, \$3.2 billion of identifiable intangible assets and \$816 million of net tangible liabilities. The primary areas that remain preliminary relate to the fair values of intangible assets acquired, certain tangible assets and liabilities acquired, certain legal matters, income and non-income based taxes and residual goodwill. We expect to continue to obtain information to assist us in determining the fair values of the net assets acquired during the measurement period. See Note 2 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017 for additional information regarding our acquisition of NetSuite.

Other Fiscal 2017 Acquisitions

During fiscal 2017, we acquired certain companies and purchased certain technology and development assets primarily to expand our products and services offerings. These acquisitions were not significant individually or in the aggregate. We have included the financial results of the acquired companies in our condensed consolidated financial statements from their respective acquisition dates, and the results from each of these companies were not individually material to our condensed consolidated financial statements. In the aggregate, the total preliminary purchase price for these acquisitions was approximately \$3.0 billion, which consisted of approximately \$3.0 billion in cash and \$13 million for the fair values of restricted stock-based awards and stock options assumed. We preliminarily recorded \$241 million of net tangible assets and \$948 million of identifiable intangible assets, based on their estimated fair values, and \$1.8 billion of residual goodwill.

The preliminary fair value estimates for the assets acquired and liabilities assumed for our completed acquisitions were based upon preliminary calculations and valuations, and our estimates and assumptions for these acquisitions are subject to change as we obtain additional information during the respective measurement periods (up to one year from the respective acquisition dates). The primary areas of those preliminary estimates that are not yet finalized relate to certain tangible assets and liabilities acquired, identifiable intangible assets, certain legal matters, 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, NetSuite and certain other companies that we acquired since the beginning of fiscal 2017 that were considered relevant for the purposes of unaudited pro forma financial information disclosure as if the companies were combined as of the beginning of fiscal 2017. The unaudited pro forma financial information for all periods

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
August 31, 2017
(Unaudited)

presented included the business combination accounting effects resulting from these acquisitions, including amortization charges from acquired intangible assets (certain of which are preliminary), stock-based compensation charges for unvested restricted stock-based awards and stock options assumed, if any, and the related tax effects as though the aforementioned companies were combined as of the beginning of fiscal 2017. The unaudited pro forma financial information as presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of fiscal 2017.

The unaudited pro forma financial information for the three months ended August 31, 2017 includes only the historical results of Oracle and is included below for comparative purposes only.

The unaudited pro forma financial information for the three months ended August 31, 2016 combined the historical results of Oracle for the three months ended August 31, 2016, the historical results of NetSuite for the three months ended September 30, 2016 (due to differences in reporting periods) and the historical results of certain other companies that we acquired since the beginning of fiscal 2017 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:

(in millions, except per share data)	Three Months Ended August 31,	
	2017	2016
Total revenues	\$ 9,187	\$ 8,856
Net income	\$ 2,210	\$ 1,666
Basic earnings per share	\$ 0.53	\$ 0.40
Diluted earnings per share	\$ 0.52	\$ 0.39

3. FAIR VALUE MEASUREMENTS

We perform fair value measurements in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. ASC 820 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 their fair values, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions and risk of nonperformance.

ASC 820 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. An asset's or a liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 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 values of the assets or liabilities.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, consisted of the following (Level 1 and Level 2 inputs are defined above):

(in millions)	August 31, 2017			May 31, 2017		
	Fair Value Measurements Using Input Types		Total	Fair Value Measurements Using Input Types		Total
	Level 1	Level 2		Level 1	Level 2	
Assets:						
Corporate debt securities and other	\$ 427	\$ 43,153	\$ 43,580	\$ 580	\$ 41,038	\$41,618
Commercial paper debt securities	—	4,210	4,210	—	5,053	5,053
Money market funds	1,502	—	1,502	3,302	—	3,302
Derivative financial instruments	—	40	40	—	40	40
Total assets	<u>\$ 1,929</u>	<u>\$ 47,403</u>	<u>\$ 49,332</u>	<u>\$ 3,882</u>	<u>\$ 46,131</u>	<u>\$50,013</u>
Liabilities:						
Derivative financial instruments	<u>\$ —</u>	<u>\$ 106</u>	<u>\$ 106</u>	<u>\$ —</u>	<u>\$ 191</u>	<u>\$ 191</u>

Our marketable securities investments consist of Tier 1 commercial paper debt securities, corporate debt securities and certain other securities. As of August 31, 2017 and May 31, 2017, approximately 28% and 32%, respectively, of our marketable securities investments mature within one year and 72% and 68%, respectively, mature within one to six years. Our valuation techniques used to measure the fair values of our marketable securities that were classified as Level 1 in the table above were derived from quoted market prices and active markets for these instruments that exist. Our valuation techniques used to measure the fair values of Level 2 instruments listed in the table above, the counterparties to which have high credit ratings, were derived from the following: non-binding market consensus prices that were 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 including LIBOR-based yield curves, among others.

Based on the trading prices of the \$53.1 billion and \$54.0 billion of senior notes and the related fair value hedges that were outstanding as of August 31, 2017 and May 31, 2017, respectively, the estimated fair values of the senior notes and the related fair value hedges using Level 2 inputs at August 31, 2017 and May 31, 2017 were \$55.9 billion and \$56.5 billion, respectively.

4. INVENTORIES

Inventories consisted of the following:

(in millions)	August 31, 2017	May 31, 2017
Raw materials	\$ 158	\$ 186
Work-in-process	34	42
Finished goods	120	72
Total inventories	<u>\$ 312</u>	<u>\$ 300</u>

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5. INTANGIBLE ASSETS AND GOODWILL

The changes in intangible assets for fiscal 2018 and the net book value of intangible assets as of August 31, 2017 and May 31, 2017 were as follows:

(Dollars in millions)	Intangible Assets, Gross			Accumulated Amortization			Intangible Assets, Net	
	May 31, 2017	Additions & Adjustments, net	August 31, 2017	May 31, 2017	Expense	August 31, 2017	May 31, 2017	August 31, 2017
Developed technology	\$ 5,397	\$ (214)	\$ 5,183	\$ (2,295)	\$ (190)	\$ (2,485)	\$ 3,102	\$ 2,698
SaaS, PaaS and IaaS agreements and related relationships	4,105	114	4,219	(1,089)	(151)	(1,240)	3,016	2,979
Software support agreements and related relationships	1,565	—	1,565	(559)	(31)	(590)	1,006	975
Other	1,998	18	2,016	(1,443)	(39)	(1,482)	555	534
Total intangible assets, net	\$ 13,065	\$ (82)	\$ 12,983	\$ (5,386)	\$ (411)	\$ (5,797)	\$ 7,679	\$ 7,186

Total amortization expense related to our intangible assets was \$411 million and \$311 million for the three months ended August 31, 2017 and 2016, respectively. As of August 31, 2017, estimated future amortization expenses related to intangible assets were as follows (in millions):

Remainder of fiscal 2018	\$ 1,179
Fiscal 2019	1,408
Fiscal 2020	1,207
Fiscal 2021	1,021
Fiscal 2022	918
Fiscal 2023	567
Thereafter	886
Total intangible assets, net	\$ 7,186

The changes in the carrying amounts of goodwill, net, which is generally not deductible for tax purposes, for our operating segments for the three months ended August 31, 2017 were as follows:

(in millions)	Cloud and On-Premise Software	Hardware	Services	Total Goodwill, net
Balances as of May 31, 2017	\$ 38,791	\$ 2,367	\$ 1,887	\$ 43,045
Goodwill adjustments, net ⁽¹⁾	(25)	—	—	(25)
Balances as of August 31, 2017	\$ 38,766	\$ 2,367	\$ 1,887	\$ 43,020

⁽¹⁾ Pursuant to our business combinations accounting policy, we recorded goodwill adjustments for the effects on goodwill of changes to net assets acquired during the period that such a change is identified, provided that any such change is within the measurement period (up to one year from the date of the acquisition).

6. RESTRUCTURING ACTIVITIES

Fiscal 2017 Oracle Restructuring Plan

During fiscal 2017, our management approved, committed to and initiated plans to restructure and further improve efficiencies in our operations due to our recent acquisitions and certain other operational activities (2017

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Restructuring Plan). In the first quarter of fiscal 2018, our management supplemented the 2017 Restructuring Plan to reflect additional actions that we expect to take. The total estimated restructuring costs associated with the 2017 Restructuring Plan are up to \$1.1 billion and will be recorded to the restructuring expense line item within our condensed consolidated statements of operations as they are incurred. We recorded \$124 million of restructuring expenses in connection with the 2017 Restructuring Plan in the first three months of fiscal 2018 and we expect to incur the majority of the estimated remaining \$475 million through the end of fiscal 2018. Any changes to the estimates of executing the 2017 Restructuring Plan will be reflected in our future results of operations.

Summary of All Plans

		Three Months Ended August 31, 2017						
(in millions)	Accrued May 31, 2017 ⁽²⁾	Initial Costs ⁽³⁾	Adj. to Cost ⁽⁴⁾	Cash Payments	Others ⁽⁵⁾	Accrued August 31, 2017 ⁽²⁾	Total Costs Accrued to Date	Total Expected Program Costs
Fiscal 2017 Oracle Restructuring Plan ⁽¹⁾								
Cloud and on-premise software	\$ 85	\$ 54	\$ (2)	\$ (70)	\$ 5	\$ 72	\$ 230	\$ 300
Hardware	31	28	(3)	(26)	2	32	113	241
Services	25	12	(1)	(22)	1	15	69	130
Other	44	41	(6)	(23)	—	56	197	413
Total Fiscal 2017 Oracle Restructuring Plan	\$ 185	\$ 135	\$ (12)	\$ (141)	\$ 8	\$ 175	\$ 609	\$ 1,084
Total other restructuring plans ⁽⁶⁾	\$ 79	\$ 1	\$ —	\$ (15)	\$ 3	\$ 68		
Total restructuring plans	\$ 264	\$ 136	\$ (12)	\$ (156)	\$ 11	\$ 243		

- (1) Restructuring costs recorded for individual line items primarily related to employee severance costs.
- (2) The balances at August 31, 2017 and May 31, 2017 included \$217 million and \$242 million, respectively, recorded in other current liabilities, and \$26 million and \$22 million, respectively, recorded in other non-current liabilities.
- (3) Costs recorded for the respective restructuring plans during the current period presented.
- (4) All plan adjustments were changes in estimates whereby increases and decreases in costs were generally recorded to operating expenses in the period of adjustments.
- (5) Represents foreign currency translation and certain other adjustments.
- (6) Other restructuring plans presented in the table above included condensed information for other Oracle based plans and other plans associated with certain of our acquisitions whereby we continued to make cash outlays to settle obligations under these plans during the period presented but for which the periodic impact to our condensed consolidated statements of operations was not significant.

7. DEFERRED REVENUES

Deferred revenues consisted of the following:

(in millions)	August 31, 2017	May 31, 2017
Software license updates and product support	\$ 7,690	\$ 5,952
Cloud SaaS, PaaS and IaaS	1,397	1,192
Hardware	716	640
Services	407	382
New software licenses	59	67
Deferred revenues, current	10,269	8,233
Deferred revenues, non-current (in other non-current liabilities)	653	602
Total deferred revenues	<u>\$ 10,922</u>	<u>\$ 8,835</u>

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Deferred software license updates and product support revenues and deferred hardware revenues substantially represent customer payments made in advance for support contracts that are typically billed on a per annum basis in advance with corresponding revenues being recognized ratably over the support periods. Deferred cloud software as a service (SaaS) and deferred cloud platform as a service (PaaS) and infrastructure as a service (IaaS) revenues generally resulted from customer payments made in advance for our cloud-based offerings that are recognized over the corresponding contractual term. Deferred services revenues include prepayments for our services business and revenues for these services are generally recognized as the services are performed. Deferred new software licenses revenues typically resulted from customer payments that relate to undelivered products or specified enhancements, customer specific acceptance provisions, time-based license arrangements and software license transactions that cannot be separated from undelivered consulting or other services.

In connection with our acquisitions, we have estimated the fair values of the cloud SaaS, cloud PaaS and IaaS and software license updates and product support obligations, among others, assumed from our acquired companies. We generally have estimated the fair values of these obligations assumed using a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related 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 these acquired obligations. These aforementioned fair value adjustments recorded for obligations assumed from our acquisitions reduced the cloud SaaS, cloud PaaS and IaaS and software license updates and product support deferred revenues balances that we recorded as liabilities from these acquisitions and also reduced the resulting revenues that we recognized or will recognize over the terms of the acquired obligations during the post-combination periods.

8. DERIVATIVE FINANCIAL INSTRUMENTS

We held certain derivative and non-derivative instruments that were accounted for pursuant to ASC 815, *Derivatives and Hedging* (ASC 815) and that were utilized in a consistent manner as of August 31, 2017, May 31, 2017 and August 31, 2016 and during the three months ended August 31, 2017 and 2016. These instruments include:

- interest rate swap agreements, which are used to protect us against changes in the fair values of certain of our fixed-rate borrowings due to benchmark interest rate movements and are accounted for as fair value hedges;
- cross-currency swap agreements, which are used to manage foreign currency exchange risk by converting certain of our fixed-rate Euro-denominated borrowings to fixed-rate U.S. Dollar denominated debt and are accounted for as cash flow hedges; and
- foreign currency borrowings, which are used to reduce the volatility in stockholders' equity caused by the changes in the foreign currency exchange rates of the Euro with respect to the U.S. Dollar and are accounted for as net investment hedges.

We also held certain foreign currency contracts that were not designated as hedges pursuant to ASC 815. As of August 31, 2017 and May 31, 2017, the notional amounts of such forward contracts we held to purchase U.S. Dollars in exchange for other major international currencies were \$3.3 billion and \$3.4 billion, respectively, and the notional amount of forward contracts we held to sell U.S. Dollars in exchange for other major international currencies were \$1.2 billion and \$1.4 billion, respectively. The fair values of our outstanding foreign currency forward contracts were nominal as of August 31, 2017 and May 31, 2017. The cash flows related to these foreign currency contracts are classified as operating activities. Net gains or losses related to these forward contracts are included in non-operating income, net.

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See Note 11 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017 for additional information regarding the purpose, accounting and classification of our derivative and non-derivative instruments. None of our derivative instruments are used for trading purposes. The effects of derivative and non-derivative instruments designated as hedges on certain of our condensed consolidated financial statements were as follows as of or for each of the respective periods presented below (amounts presented exclude any income tax effects):

Fair Values of Derivative and Non-Derivative Instruments Designated as Hedges in Condensed Consolidated Balance Sheets

(in millions)	Balance Sheet Location	Fair Value as of	
		August 31, 2017	May 31, 2017
Interest rate swap agreements designated as fair value hedges	Other assets	\$ 40	\$ 40
Cross-currency swap agreements designated as cash flow hedges	Other non-current liabilities	\$ (106)	\$ (191)
Foreign currency borrowings designated as net investment hedge	Notes payable, non-current	\$ (938)	\$ (980)

Effects of Derivative and Non-Derivative Instruments Designated as Hedges on Income and Other Comprehensive Income (OCI) or Loss (OCL)

(in millions)	Amount of Gain (Loss) Recognized in Accumulated OCI or OCL (Effective Portion)		Location and Amount of Gain (Loss) Reclassified from Accumulated OCI or OCL into Income (Effective Portion)	Three Months Ended August 31,	
	Three Months Ended August 31,			Three Months Ended August 31,	
	2017	2016		2017	2016
Cross-currency swap agreements designated as cash flow hedges	\$ 85	\$ 3	Non-operating income (expense), net	\$ 107	\$ 1
Foreign currency borrowings designated as net investment hedge	\$ (64)	\$ (1)	Not applicable	\$ —	\$ —

(in millions)	Location and Amount of Gain (Loss) Recognized in Income on Derivative			Location and Amount of Gain (Loss) on Hedged Item Recognized in Income Attributable to Risk Being Hedged		
		Three Months Ended August 31,			Three Months Ended August 31,	
		2017	2016		2017	2016
Interest rate swap agreements designated as fair value hedges	Interest expense	\$ —	\$ 9	Interest expense	\$ —	\$ (9)

9. STOCKHOLDERS' EQUITY

Common Stock Repurchases

Our Board of Directors has approved a program for us to repurchase shares of our common stock. As of August 31, 2017, approximately \$4.8 billion remained available for stock repurchases pursuant to our stock repurchase program. We repurchased 10.2 million shares for \$500 million during the three months ended August 31, 2017 (including 0.5 million shares for \$23 million that were repurchased but not settled) and 49.3 million shares for \$2.0 billion during the three months ended August 31, 2016 under the stock repurchase program.

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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, 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.

Dividends on Common Stock

During the three months ended August 31, 2017, our Board of Directors declared cash dividends of \$0.19 per share of our outstanding common stock, which we paid during the same period.

In September 2017, our Board of Directors declared a quarterly cash dividend of \$0.19 per share of our outstanding common stock. The dividend is payable on October 25, 2017 to stockholders of record as of the close of business on October 11, 2017. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

Fiscal 2018 Stock-Based Awards Activity, Valuation and Compensation Expense

During the first quarter of fiscal 2018, we issued 34 million restricted stock-based awards and 77 million stock options (consisting of 8 million service-based stock options (SOs) and 69 million performance-based and market-based stock options (PSOs)). Substantially all of the awards were issued as a part of our annual stock-based award process and are subject to service-based vesting restrictions, with the PSOs primarily having performance-based and market-based vesting restrictions. Our fiscal 2018 stock-based awards issuances were partially offset by forfeitures and cancellations of 7 million shares during the first quarter of fiscal 2018.

The RSUs and SOs that were granted during the three months ended August 31, 2017 have vesting restrictions, valuations and contractual lives of a similar nature to those described in Note 14 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017.

The fiscal 2018 PSOs granted consist of seven numerically equivalent vesting tranches that potentially may vest. Each of six of the individual vesting tranches are governed by an “all or nothing” vesting schedule requiring the attainment of both a performance metric and a market capitalization metric, which may be achieved at any time, in order for each individual tranche to fully vest during a five year performance period, assuming continued employment and service through the date the Compensation Committee of the Board of Directors certifies that last of the two metrics for a particular tranche is attained. The seventh vesting tranche requires a market-based metric to be achieved at any time during a five year performance period and continued employment and service through the vesting date. The PSOs have contractual lives of eight years in comparison to the ten year contractual lives for the fiscal 2018 SOs issued. We estimated the fair values of the PSOs using a Monte Carlo simulation approach with the following assumptions: risk-free interest rate of 2.14%, expected term of 7 years, expected volatility of 22.44% and dividend yield of 1.49%. Stock-based compensation expense is to be recognized for each of the six performance-based and market-based tranches once each vesting tranche becomes probable of achievement over the longer of the estimated implicit service period for performance-metric achievement or derived service period for market-based metric achievement. We have preliminarily estimated service periods for those tranches that have been deemed probable of achievement to be approximately three to five years. Stock-based compensation for the market-based tranche will be recognized using the derived service period for the market-based metric achievement, which we have initially estimated to be approximately three years.

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

(in millions)	Three Months Ended August 31,	
	2017	2016
Cloud SaaS	\$ 9	\$ 5
Cloud PaaS and IaaS	2	1
Software license updates and product support	7	6
Hardware	3	3
Services	14	8
Sales and marketing	89	63
Research and development	234	195
General and administrative	44	38
Acquisition related and other	1	—
Total stock-based compensation	<u>\$ 403</u>	<u>\$ 319</u>

10. 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 certain earnings considered as indefinitely reinvested in foreign operations, state taxes, the U.S. research and development tax credit, changes in unrecognized tax benefits due to settlements with tax authorities and other events, the tax effects of stock-based compensation and the U.S. domestic production activity deduction. Our effective tax rate was 14.5% and 22.8% for the three months ended August 31, 2017 and 2016, respectively.

Our net deferred tax assets were \$693 million and \$683 million as of August 31, 2017 and May 31, 2017, respectively. We believe that it is more likely than not that the net deferred tax assets will be realized in the foreseeable future. Realization of our net deferred tax assets is dependent upon our generation of sufficient taxable income in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences, net operating loss carryforwards and tax credit carryforwards. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

Domestically, U.S. federal and state taxing authorities are currently examining income tax returns of Oracle and various acquired entities for years through fiscal 2016. Our U.S. federal income tax returns have been examined for all years prior to fiscal 2007, and we are no longer subject to audit for those periods. Our U.S. state income tax returns, with some exceptions, have been examined for all years prior to fiscal 2004, 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 our 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 1997.

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. A final decision has yet to be issued by the Tax Court due to other outstanding issues related to the case. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. We have reviewed this case and its impact on Oracle and concluded that no adjustment to the consolidated financial statements is appropriate at this time. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

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We are under audit by the IRS and various other domestic and foreign tax authorities with regards to income tax and indirect tax matters and are involved in various challenges and litigation in a number of countries, including, in particular, Australia, Brazil, India, Korea, Spain and the United Kingdom, where the amounts under controversy are significant. In some, although not all, cases, we have reserved for potential adjustments to our provision for income taxes and accrual of indirect taxes that may result from examinations by, or any negotiated agreements with, these tax authorities or final outcomes in judicial proceedings, and we believe that the final outcome of these examinations, agreements or judicial proceedings will not have a material effect on our results of operations. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period we determine the liabilities are no longer necessary. If our estimates of the federal, state, and foreign income tax liabilities and indirect tax liabilities are less than the ultimate assessment, it could result in a further charge to expense.

We believe that we have adequately provided under GAAP for outcomes related to our tax audits. However, there can be no assurances as to the possible outcomes or any related financial statement effect thereof.

11. SEGMENT INFORMATION

ASC 280, *Segment Reporting*, 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 makers (CODMs) are our Chief Executive Officers and Chief Technology Officer. We are organized by line of business and geographically. While our CODMs evaluate 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. In recent periods, customer demand has increased at a greater rate for cloud-based IT deployment models relative to on-premise IT deployment models. Our CODMs view the operating results of our three businesses and allocate resources in a manner that is consistent with the changing market dynamics that we have experienced. As a result, in the fourth quarter of fiscal 2017, we updated our operating segments. The footnote information below presents the financial information provided to our CODMs for their review and assists our CODMs with evaluating the Company's performance and allocating Company resources.

We have three businesses—cloud and on-premise software, hardware and services—each of which is comprised of a single operating segment.

Our cloud and on-premise software line of business markets, sells and delivers a broad spectrum of applications, platform and infrastructure technologies through our cloud offerings and on-premise software offerings. Our Oracle Cloud SaaS and Cloud PaaS and IaaS offerings deliver certain of our applications, platform and infrastructure technologies on a subscription basis via cloud-based deployment models that we host, manage and support. Our IaaS offerings also include Oracle Managed Cloud Services, which are designed to provide comprehensive software and hardware management, maintenance and security services for on-premise, cloud-based or hybrid IT infrastructures. Our cloud and on-premise software business also licenses our software products, generally on a perpetual basis, including Oracle Applications, Oracle Database, Oracle Fusion Middleware and Java, among others, for on-premise and other IT environments. Customers that license our software have the option to purchase software license updates and product support contracts, which provide customers with rights to unspecified software product upgrades and maintenance releases, patch releases, internet access to technical content, as well as internet and telephone access to technical support personnel during the support period.

Our hardware business provides Oracle Engineered Systems, servers, storage, industry-specific hardware, virtualization software, operating systems including the Oracle Solaris Operating System and management

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software to support diverse IT environments. Our hardware business also includes hardware support, which provides customers with software updates for the software components that are essential to the functionality of the hardware products, such as Oracle Solaris and certain other software, and can include product repairs, maintenance services and technical support services.

Our services business provides services to customers and partners to help maximize the performance of their investments in Oracle applications, platform and infrastructure technologies.

We do not track our assets for each business. Consequently, it is not practical to show assets by operating segment.

The following table presents summary results for each of our three businesses (fiscal 2017 results have been recast to conform to the current year's presentation):

(in millions)	Three Months Ended August 31,	
	2017	2016
Cloud and on-premise software:		
Revenues ⁽¹⁾	\$ 7,409	\$ 6,809
Cloud SaaS, PaaS and IaaS expenses	580	401
Software license updates and product support expenses	240	257
Sales and marketing expenses	1,684	1,596
Margin ⁽²⁾	\$ 4,905	\$ 4,555
Hardware:		
Revenues	\$ 943	\$ 996
Hardware products and support expenses	366	381
Sales and marketing expenses	170	203
Margin ⁽²⁾	\$ 407	\$ 412
Services:		
Revenues	\$ 860	\$ 808
Services expenses	665	665
Margin ⁽²⁾	\$ 195	\$ 143
Totals:		
Revenues ⁽¹⁾	\$ 9,212	\$ 8,613
Expenses	3,705	3,503
Margin ⁽²⁾	<u>\$ 5,507</u>	<u>\$ 5,110</u>

⁽¹⁾ Cloud and on-premise software revenues for management reporting included revenues related to cloud and on-premise software obligations that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our consolidated statements of operations for the periods presented due to business combination accounting requirements. See Note 7 for an explanation of these adjustments and the table below for a reconciliation of our total operating segment revenues to our total consolidated revenues as reported in our consolidated statements of operations.

⁽²⁾ The margins reported reflect only the direct controllable costs of each line of business and do not include allocations of product development, general and administrative and certain other allocable expenses. Additionally, the margins reported above do not reflect amortization of intangible assets, acquisition related and other expenses, restructuring expenses, stock-based compensation, interest expense or certain other non-operating income, net.

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

(in millions)	Three Months Ended August 31,	
	2017	2016
Total revenues for operating segments	\$ 9,212	\$ 8,613
Cloud and on-premise software revenues ⁽¹⁾	(25)	(18)
Total revenues	<u>\$ 9,187</u>	<u>\$ 8,595</u>
Total margin for operating segments	\$ 5,507	\$ 5,110
Cloud and on-premise software revenues ⁽¹⁾	(25)	(18)
Research and development	(1,574)	(1,520)
General and administrative	(320)	(315)
Amortization of intangible assets	(411)	(311)
Acquisition related and other	(12)	(14)
Restructuring	(124)	(99)
Stock-based compensation for operating segments	(124)	(86)
Expense allocations and other, net	(96)	(106)
Interest expense	(469)	(416)
Non-operating income, net	233	148
Income before provision for income taxes	<u>\$ 2,585</u>	<u>\$ 2,373</u>

⁽¹⁾ Cloud and on-premise software revenues for management reporting included revenues related to cloud and on-premise software obligations that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our consolidated statements of operations for the periods presented due to business combination accounting requirements. See Note 7 for an explanation of these adjustments and this table for a reconciliation of our total operating segment revenues to our total consolidated revenues as reported in our consolidated statements of operations.

12. 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 restricted stock-based awards, stock options, 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 August 31,	
	2017	2016
Net income	\$ 2,210	\$ 1,832
Weighted average common shares outstanding	4,156	4,119
Dilutive effect of employee stock plans	128	102
Dilutive weighted average common shares outstanding	<u>4,284</u>	<u>4,221</u>
Basic earnings per share	\$ 0.53	\$ 0.44
Diluted earnings per share	\$ 0.52	\$ 0.43
Shares subject to anti-dilutive restricted stock-based awards and stock options excluded from calculation ⁽¹⁾	31	72

⁽¹⁾ These weighted shares relate to anti-dilutive restricted service based stock-based awards and stock options (as calculated using the treasury stock method) and contingently issuable shares under PSO and PSU arrangements. Such shares could be dilutive in the future.

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13. LEGAL PROCEEDINGS

Hewlett-Packard Company Litigation

On June 15, 2011, Hewlett-Packard Company, now Hewlett Packard Enterprise Company (HP), filed a complaint in the California Superior Court, County of Santa Clara against Oracle Corporation alleging numerous causes of action including breach of contract, breach of the covenant of good faith and fair dealing, defamation, intentional interference with prospective economic advantage, and violation of the California Unfair Business Practices Act. The complaint alleged that when Oracle announced on March 22 and 23, 2011 that it would no longer develop future versions of its software to run on HP's Itanium-based servers, it breached a settlement agreement signed on September 20, 2010 between HP and Mark Hurd (the Hurd Settlement Agreement), who is our Chief Executive Officer and was both HP's former chief executive officer and chairman of HP's board of directors. HP sought a judicial declaration of the parties' rights and obligations under the Hurd Settlement Agreement and other equitable and monetary relief.

Oracle answered the complaint and filed a cross-complaint, which was amended on December 2, 2011. The amended cross-complaint alleged claims including violation of the Lanham Act. Oracle alleged that HP had secretly agreed to pay Intel to continue to develop and manufacture the Itanium microprocessor, and had misrepresented to customers that the Itanium microprocessor had a long roadmap, among other claims. Oracle sought equitable rescission of the Hurd Settlement Agreement, and other equitable and monetary relief.

The court bifurcated the trial and tried HP's causes of action for declaratory relief and promissory estoppel without a jury in June 2012. The court issued a final statement of decision on August 28, 2012, finding that the Hurd Settlement Agreement required Oracle to continue to develop certain of its software products for use on HP's Itanium-based servers and to port such products at no cost to HP for as long as HP sells those servers (the Phase One Ruling). A jury trial began on May 23, 2016. On June 30, 2016, the jury returned a verdict in favor of HP on its claims for breach of contract and breach of the implied covenant of good faith and fair dealing and against Oracle on its claim for violation of the Lanham Act (the Phase Two Jury Verdict). The jury awarded HP damages in the amount of \$3.0 billion, and HP is entitled to post-judgment interest on this award. On August 30, 2016, the court denied HP's motion for pre-judgment interest. Judgment was entered on October 20, 2016. Oracle posted certain court-mandated surety bonds with the court in order to proceed with its motion for a new trial and entered into related indemnification agreements with each of the surety bond issuing companies. Oracle filed a motion for a new trial on November 14, 2016, which was denied.

Oracle filed its notice of appeal on January 17, 2017, specifying that it was appealing the trial court's Phase One Ruling and Phase Two Jury Verdict. On February 2, 2017, HP filed a notice of appeal of the trial court's denial of pre-judgment interest. No amounts have been paid or recorded to our results of operations either prior to or subsequent to the Phase One Ruling or Phase Two Jury Verdict. We continue to believe that we have meritorious defenses against HP's claims, and we intend to present these defenses to the appellate court. Among the arguments we expect to make on appeal are the following: the trial court misapplied fundamental principles of contract law and misinterpreted the Hurd Settlement Agreement, including by disregarding the context of the Hurd Settlement Agreement and the evidence of the parties' mutual intentions; that HP's breach of contract claim should fail as a matter of law because HP does not claim and did not prove that Oracle failed to deliver any software under the trial court's interpretation of the contract; that awarding HP both damages for breach of the Hurd Settlement Agreement and specific performance of that agreement constitutes an improper double recovery; and that the damages award is excessive, unsupported by the evidence, and contrary to law. We cannot currently estimate a reasonably possible range of loss for this action due to the complexities and uncertainty

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surrounding the appeal process and the nature of the claims. Litigation is inherently unpredictable, and the outcome of the appeal process related to this action is uncertain. It is possible that the resolution of this action could have a material impact to our future cash flows and results of operations.

Derivative Litigation

On May 3, 2017, a stockholder derivative lawsuit was filed in the Court of Chancery of the State of Delaware. The derivative suit is brought by an alleged stockholder of Oracle, purportedly on Oracle's behalf, against Oracle, our Chairman of the Board of Directors and Chief Technology Officer in his capacities as a director, officer and an alleged controlling stockholder, one of our Chief Executive Officers (who is also a director), three other directors, and Oracle as a nominal defendant. Plaintiff alleges that the defendants breached their fiduciary duties by causing Oracle to agree to purchase NetSuite Inc. (NetSuite) at an excessive price. Plaintiff seeks declaratory relief, an order rescinding or reforming the NetSuite transaction, unspecified monetary damages (including interest), attorneys' fees and costs, and disgorgement of various unspecified profits, fees, compensation, and benefits. On July 19, 2017, defendants moved to dismiss this complaint.

On July 18, 2017, a second stockholder derivative lawsuit was filed in the Court of Chancery of the State of Delaware, brought by another alleged stockholder of Oracle, purportedly on Oracle's behalf. The suit is brought against all current members and one former member of our Board of Directors, and Oracle as a nominal defendant. Plaintiff alleges that the defendants breached their fiduciary duties by causing Oracle to agree to purchase NetSuite at an excessive price. Plaintiff seeks declaratory relief, unspecified monetary damages (including interest), and attorneys' fees and costs.

On August 9, 2017, the court consolidated the two derivative cases, and vacated the scheduling order relating to defendants' motion to dismiss the first case. In a September 7, 2017, order, the court appointed plaintiff's counsel in the second case as lead plaintiffs' counsel and designated the July 18, 2017 complaint as the operative complaint. The parties will confer regarding the timing of defendants' response to this complaint.

While Oracle continues to evaluate these claims, we do not believe this litigation will have a material impact on our financial position or results of operations.

Other Litigation

We are party to various other 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 matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized, if any.

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 businesses 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.

Business Overview

Oracle Corporation provides products and services that address all aspects of corporate information technology (IT) environments—applications, platform and infrastructure. Our products are delivered to over 400,000 worldwide customers through a variety of flexible and interoperable IT deployment models including on-premise, cloud-based or hybrid that enable customer choice and that best meet customer IT needs.

Our Oracle Cloud offerings provide a comprehensive and fully integrated stack of applications, platform, compute, storage and networking services in all three primary layers of the cloud: Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS). Our on-premise IT offerings include Oracle Applications, Oracle Database and Oracle Fusion Middleware software, among others; hardware products including Oracle Engineered Systems, servers, storage and industry-specific products, among others; and related support and services. We provide our cloud and on-premise offerings to businesses of many sizes, government agencies, educational institutions and resellers with a sales force positioned to offer the combinations that best suit customer needs.

Our comprehensive and fully integrated stack of Oracle Cloud SaaS, PaaS and IaaS offerings integrate the software, hardware and services on the customers' behalf in IT environments that we deploy, support and manage for the customer. Our integrated Oracle Cloud offerings are designed to be rapidly deployable to enable customers shorter time to innovation; easily maintainable to reduce integration and testing work; connectable among differing deployment models to enable interchangeability and extendibility between cloud and on-premise IT environments; compatible to easily move workloads between on-premise IT environments and the Oracle Cloud; cost-effective by requiring lower upfront customer investment; and to be secure, standards-based and reliable. We are a leader in the core technologies of cloud IT environments, including database and middleware software as well as enterprise applications, virtualization, clustering, large-scale systems management and related infrastructure. Our products and services are the building blocks of our Oracle Cloud services, our partners' cloud services and our customers' cloud IT environments.

In addition to providing a broad spectrum of cloud offerings, we develop and sell our applications, platform and infrastructure products and services to our customers worldwide for use in their global data centers and on-premise IT environments. An important element of our corporate strategy is to continue our investments in, and innovation with respect to, our products and services that we offer through our cloud and on-premise software, hardware and services businesses. We have a deep understanding as to how applications, platform and infrastructure technologies interact and function with one another within IT environments. We focus our development efforts on improving the performance, security, operation and integration of these differing technologies to make them more cost-effective and easier to deploy, manage and maintain for our customers and to improve their computing performance relative to our competitors. After the initial purchase of Oracle products and services, our customers can continue to benefit from our research and development efforts and deep IT expertise by purchasing and renewing Oracle support offerings for their on-premise deployments, which may include unspecified product enhancements that we periodically deliver to our products, and by renewing their cloud SaaS, PaaS and IaaS contracts with us.

As customers deploy with the Oracle Cloud, many are adopting a hybrid IT model whereby certain of their IT instances are deployed using the Oracle Cloud, while other of their IT instances are deployed using Oracle on-premise offerings, with both instances designed with capabilities to be managed as a single instance. Our Oracle Cloud at Customer program provides another deployment option for customers to utilize the Oracle Cloud Machine and Oracle Database Exadata Cloud Machine to bring certain Oracle Cloud SaaS, PaaS and IaaS offerings to a customer's on-premise IT environment to meet data sovereignty, data residency, data protection

and regulatory business policy requirements, among others, while benefiting from the many advantages of a cloud service.

A selective and active acquisition program is another important element of our corporate strategy. We believe that our acquisitions enhance the products and services that we can offer to customers, expand our customer base, provide greater scale to accelerate innovation, grow our revenues and earnings, and increase stockholder value. In recent years, we have invested billions of dollars to acquire a number of companies, products, services and technologies that add to, are complementary to, or have otherwise enhanced our existing offerings. We expect to continue to acquire companies, products, services and technologies to further our corporate strategy.

In recent periods, customer demand has increased at a greater rate for cloud-based IT deployment models relative to on-premise IT deployment models. To address this demand, we have increased our investments in and focus on the development, marketing and sale of our cloud-based applications, platform and infrastructure technologies resulting in higher growth of our cloud SaaS and cloud PaaS and IaaS revenues as customer preferences have pivoted to the Oracle Cloud for new deployments and as customers migrate to and expand with the Oracle Cloud for their existing on-premise workloads. We expect these trends to continue. We believe that offering customers broad, comprehensive, flexible and interoperable deployment models for our applications, platform and infrastructure technologies is important to our growth strategy and better addresses customer needs relative to our competitors, many of whom provide fewer offerings and more restrictive deployment models. We enable our customers to evolve and transform to substantially any IT deployment model at whatever pace is most appropriate for them.

We have three businesses: cloud and on-premise software; hardware; and services; each of which comprises a single operating segment. Our chief operating decision makers (CODMs), which include our Chief Executive Officers and Chief Technology Officer, view the operating results of our three businesses and allocate resources in a manner that is consistent with the changing market dynamics that we have experienced in recent periods. As a result, during the fourth quarter of fiscal 2017, we updated our operating segments. The discussion and analysis of financial condition and results of operations presented below provides the current view that is utilized by our CODMs to evaluate performance and determine resource allocations and the prior period results presented below were recast to conform to the current period's presentation. In addition to the discussion below, Note 11 of Notes to Condensed Consolidated Financial Statements, included elsewhere in this Quarterly Report, provides additional information related to our businesses and operating segments, including the recasting of our segments' financial information from prior periods to conform to the current year's presentation.

Cloud and On-Premise Software Business

Our cloud and on-premise software line of business, which represented 80% of our total revenues on a trailing 4-quarter basis, markets, sells and delivers a broad spectrum of applications, platform and infrastructure technologies through our cloud and on-premise software offerings.

Our Oracle Cloud SaaS, PaaS and IaaS offerings deliver applications, platform and infrastructure technologies via cloud-based deployment models that we host, manage and support and that customers access by entering into a subscription agreement with us for a stated period. Our IaaS offerings also include Oracle Managed Cloud Services, which are designed to provide comprehensive software and hardware management, maintenance and security services for on-premise, cloud-based, or hybrid IT infrastructure for a stated period. The majority of our SaaS, PaaS and IaaS arrangements have an average duration of approximately three years and we strive to renew these contracts when they are eligible for renewal.

We offer customers the ability to license our software products including Oracle Applications, Oracle Database, Oracle Fusion Middleware and Java, among others, for on-premise and other IT environments. Our new software license transactions are generally perpetual in nature and the timing of a few large software license transactions can substantially affect our quarterly new software licenses revenues, which is different than the typical revenue recognition pattern for our cloud-based offerings in which revenues are generally recognized ratably over the subscription period. New software license customers have the option to purchase software license updates and product support contracts, which grant rights to unspecified product upgrades and maintenance releases and patches released during the term of the support period, as well as technical support assistance. Our software

license updates and product support contracts are generally one year in duration and are generally billed in advance of the service being performed and are generally recognized as revenues as the software support services are delivered.

Our cloud SaaS, cloud PaaS and IaaS revenues and new software licenses revenues are affected by the strength of general economic and business conditions, governmental budgetary constraints, the strategy for and competitive position of our offerings, our acquisitions, our ability to deliver and renew our cloud contracts with our existing customers and foreign currency rate fluctuations. In recent periods, we have placed significant strategic emphasis on growing our cloud SaaS and cloud PaaS and IaaS revenues, which represented 16% and 11% our total consolidated revenues during the first quarter of fiscal 2018 and 2017, respectively. This emphasis has affected the growth of our new software licenses revenues and, to a lesser extent, has also affected the growth of our software license updates and product support revenues. We expect these trends will continue with the mix of this business' revenues continuing to shift toward cloud-based services.

Our software license updates and product support revenues growth is primarily influenced by four factors: (1) the percentage of our software support contract customer base that renews its software support contracts; (2) the pricing of new software support contracts sold in connection with the sale of new software licenses; (3) the pricing of new software licenses sold; and (4) the amount of software support contracts assumed from companies we have acquired. Substantially all of our customers purchase software license updates and product support contracts when they acquire on-premise new software licenses and renew their software license updates and product support contracts when eligible in order to benefit from Oracle's research and development investments that are utilized as a part of unspecified periodic software updates that may be released and that customers with current software support contracts are entitled to.

On a constant currency basis, we expect that our total cloud and on-premise software revenues generally will continue to increase due to:

- expected growth in our cloud SaaS offerings and our cloud PaaS and IaaS offerings;
- continued demand for our on-premise software products and related software support, including the high percentage of customers that purchase and renew their software license updates and product support contracts; and
- contributions from our acquisitions.

We believe all of these factors should contribute to future growth in our cloud and on-premise software revenues, which should enable us to continue to make investments in research and development to develop and improve our cloud and on-premise software products and services.

Our cloud and on-premise software business' margin has historically trended upward over the course of the four quarters within a particular fiscal year due to the historical upward trend of our new software licenses revenues over those quarterly periods and because the majority of our costs for this business are generally fixed in the short term.

Hardware Business

Our hardware business, which represented 11% of our total revenues on a trailing 4-quarter basis, provides a broad selection of hardware products and hardware-related software products including Oracle Engineered Systems, servers, storage, industry-specific hardware, virtualization software, operating systems, and management software that are generally recognized as revenues upon delivery to the customer provided all other revenue recognition criteria are met, and also include related hardware support. We expect to make investments in research and development to improve existing hardware products and services and to develop new hardware products and services. The majority of our hardware products are sold through indirect channels, including independent distributors and value-added resellers. Our hardware support offerings provide customers with software updates for software components that are essential to the functionality of our hardware products, such as Oracle Solaris and certain other software products, and can include product repairs, maintenance services and technical support services. Hardware support contracts are generally priced as a percentage of the net hardware products fees and are generally recognized as revenues as the hardware support services are delivered.

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We generally expect our hardware business to have lower operating margins as a percentage of revenues than our cloud and on-premise software business due to the incremental costs we incur to produce and distribute these products and to provide support services, including direct materials and labor costs.

Our quarterly hardware revenues are difficult to predict. Our hardware revenues, cost of hardware and hardware operating margins that we report are affected by: our ability to timely manufacture or deliver a few large hardware transactions; our strategy for and the competitive position of our hardware products relative to competitor offerings; customer demand for competing offerings such as PaaS and IaaS; the strength of general economic and business conditions; governmental budgetary constraints; whether customers decide to purchase hardware support contracts at or in close proximity to the time of hardware product sale; the percentage of our hardware support contract customer base that renews its support contracts and the close association between hardware products, which have a finite life, and customer demand for related hardware support as hardware products age; customer decisions to either maintain or upgrade their existing hardware infrastructure to newly developed technologies that are available; certain of our acquisitions; and foreign currency rate fluctuations.

Services Business

Our services business helps customers and partners maximize the performance of their investments in Oracle applications, platform and infrastructure technologies. We believe that our services are differentiated based on our focus on Oracle technologies, extensive experience, and broad sets of intellectual property and best practices. Our services offerings include consulting services, advanced support services and education services and represented 9% of our total revenues on a trailing 4-quarter basis. Our services business has lower margins than our cloud and on-premise software and hardware businesses. Our services revenues are impacted by our strategy for and the competitive position of our services; customer demand for our cloud and on-premise software and hardware offerings and the associated services for these offerings; our strategic emphasis on growing our cloud revenues; certain of our acquisitions; general economic conditions; governmental budgetary constraints; personnel reductions in our customers' IT departments; and tighter controls over discretionary spending.

Acquisitions

Our selective and 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, including NetSuite Inc. in the second quarter of fiscal 2017.

We expect to continue to acquire companies, products, services and technologies in furtherance of our corporate strategy. Note 2 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report provides additional information related to our recent acquisitions.

We believe that we can fund any future acquisitions with our internally available cash, cash equivalents and marketable securities, cash generated from operations, 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) as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC), and we consider the various staff accounting bulletins and other applicable guidance issued by the U.S. Securities and Exchange Commission. GAAP, as set forth within the ASC, requires 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 that there are 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:

- Revenue Recognition;
- Business Combinations;
- Goodwill and Intangible Assets—Impairment Assessments;
- Accounting for Income Taxes; and
- Legal and Other Contingencies.

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 our critical accounting policies and related disclosures with the Finance and Audit Committee of the Board of Directors.

During the first quarter of fiscal 2018, there were no significant changes to our critical accounting policies and estimates. 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, 2017 provides a more complete discussion of our critical accounting policies and estimates.

Results of Operations

Impacts of Acquisitions

The comparability of our operating results in the first quarter of fiscal 2018 compared to the same period of fiscal 2017 was impacted by our recent acquisitions, including our acquisition of NetSuite Inc. during the second quarter of fiscal 2017. In our discussion of changes in our results of operations from the first quarter of fiscal 2018 compared to the same period of fiscal 2017, we may qualitatively disclose the impact of our acquired products and services (for the one-year period subsequent to the acquisition date) to the growth in certain of our businesses’ revenues where such qualitative discussions would be meaningful for an understanding of the factors that influenced the changes in our results of operations. When material, we may also provide quantitative disclosures related to such acquired products and services. Expense contributions from our recent acquisitions for each of the respective period comparisons may not be separately identifiable due to the integration of these businesses into our existing operations, and/or were insignificant to our results of operations during the periods presented.

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

- any qualitative and quantitative disclosures cannot specifically address or quantify the substantial effects attributable to changes in business strategies, including our sales force integration efforts. We believe that if our acquired companies had operated independently and sales forces had not been integrated, the relative mix of products and services sold would have been different; and
- although substantially all of our on-premise software license customers, including customers from acquired companies, renew their software license updates and product support contracts when the contracts are eligible for renewal, and we strive to renew cloud SaaS, PaaS and IaaS contracts, the amounts shown as cloud and on-premise software deferred revenues in our “Supplemental Disclosure Related to Certain Charges” (presented below) are not necessarily indicative of revenue improvements we will achieve upon contract renewals 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 technology industry. In each fiscal year,

our total revenues and operating margins are typically highest in our fourth fiscal quarter and lowest in our first fiscal quarter. The operating margins of our businesses, in particular, our cloud and on-premise software business and hardware business, are generally affected by seasonal factors in a similar manner as our revenues as certain expenses within our cost structure are relatively fixed in the short term.

Presentation of Operating Segment Results and Other Financial Information

In our results of operations discussion below, we provide an overview of our total consolidated revenues, total consolidated expenses and total consolidated operating margin, all of which are presented on a GAAP basis. We also present a GAAP-based discussion below for substantially all of the other expense items as presented in our condensed consolidated statement of operations that are not directly attributable to our three businesses.

In addition, we discuss below the results of each of our three businesses—cloud and on-premise software, hardware and services—which are our operating segments as defined pursuant to ASC 280, *Segment Reporting*. The financial reporting for our three businesses that is presented below is presented in a manner that is consistent with that used by our CODMs. Our operating segment presentation below reflects revenues, direct costs and sales and marketing expenses that correspond to and are directly attributable to each of our three businesses. We also utilize these inputs to calculate and present a segment margin for each business in the discussion below.

Consistent with our internal management reporting processes, the below operating segment presentation includes revenues adjustments related to cloud and on-premise software contracts that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our consolidated statements of operations for the periods presented due to business combination accounting requirements. Refer to “Supplemental Disclosure Related to Certain Charges” below for additional discussion of these items and Note 11 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report for a reconciliation of the summations of our total operating segment revenues as presented in the discussion below to total revenues as presented per our condensed consolidated statements of operations for all periods presented.

In addition, research and development expenses, general and administrative expenses, stock-based compensation expenses, amortization of intangible assets, certain other expense allocations, acquisition related and other expenses, restructuring expenses, interest expense, non-operating income, net and provision for income taxes are not attributed to our operating segments because our management does not view the performance of our businesses including such items and/or it is impractical to do so. Refer to “Supplemental Disclosure Related to Certain Charges” below for additional discussion of certain of these items and Note 11 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report for a reconciliation of the summations of total segment margin as presented in the discussion below to total income before provision of income taxes as presented per our condensed consolidated statements of operations for all periods presented.

Constant Currency Presentation

Our international operations have provided and are expected to continue to provide a significant portion of each of our businesses’ revenues and expenses. As a result, each businesses’ revenues and expenses and our 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 effects of foreign currency rate 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 constant exchange rates (i.e., the rates in effect on May 31, 2017, 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 August 31, 2017 and 2016, our financial statements would reflect reported revenues of \$1.20 million in the first quarter of fiscal 2018 (using 1.20 as the month-end average exchange rate for the period) and \$1.11 million in the first quarter of fiscal 2017 (using 1.11 as the month-end average exchange rate for the period). The constant currency presentation, however, would translate the results for the first quarter of fiscal 2018 and 2017 using the May 31, 2017 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

	Three Months Ended August 31,			
(Dollars in millions)		Percent Change		
	2017	Actual	Constant	2016
Total Revenues by Geography:				
Americas	\$ 5,173	7%	7%	\$ 4,817
EMEA ⁽¹⁾	2,539	5%	2%	2,413
Asia Pacific ⁽²⁾	1,475	8%	8%	1,365
Total revenues	9,187	7%	6%	8,595
Total Operating Expenses	6,366	7%	6%	5,954
Total Operating Margin	<u>\$ 2,821</u>	7%	6%	<u>\$ 2,641</u>
Total Operating Margin %	31%			31%
% Revenues by Geography:				
Americas	56%			56%
EMEA	28%			28%
Asia Pacific	16%			16%
Total Revenues by Business:				
Cloud and on-premise software	\$ 7,384	9%	8%	\$ 6,791
Hardware	943	-5%	-6%	996
Services	860	6%	5%	808
Total revenues	<u>\$ 9,187</u>	7%	6%	<u>\$ 8,595</u>
% Revenues by Business:				
Cloud and on-premise software	81%			79%
Hardware	10%			12%
Services	9%			9%

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

(2) The Asia Pacific region includes Japan

Excluding the effects of foreign currency rate variations, our total revenues increased in the first quarter of fiscal 2018 due to growth in our cloud and on-premise software revenues and services revenues, partially offset by a decrease in our hardware revenues. The constant currency increase in our cloud and on-premise software revenues during the first quarter of fiscal 2018 was attributable to growth in our cloud SaaS and cloud PaaS and IaaS revenues, growth in our software license updates and product support revenues, and revenue contributions from our recent acquisitions, and was partially offset by a decrease in our new software licenses revenues. The constant currency increase in our services revenues during the first quarter of fiscal 2018 was primarily attributable to our recent acquisitions. The constant currency decrease in our hardware revenues during the first quarter of fiscal 2018 was due to reductions in our hardware products revenues and hardware support revenues as we continued to place emphasis on the development, marketing and sale of our cloud-based infrastructure technologies. In constant currency, the Americas region contributed 67%, the EMEA region contributed 11% and the Asia Pacific region contributed 22% to the growth in our total revenues during the first quarter of fiscal 2018.

Excluding the effects of foreign currency rate variations, our total operating expenses increased during the first quarter of fiscal 2018 relative to the prior year period due to higher cloud SaaS and cloud PaaS and IaaS expenses resulting primarily from increased headcount and infrastructure expenses to support the increase in our cloud SaaS and cloud PaaS and IaaS revenues; higher sales and marketing expenses, which were primarily attributable to increased headcount in our cloud and on-premise software business; increased stock-based compensation expenses; and higher intangible asset amortization due to additional amortization from intangible assets that we acquired in connection with our acquisition of NetSuite and other recently acquired companies. These constant currency expense increases in the first quarter of fiscal 2018 were partially offset by lower hardware product costs and lower employee related expenses for our hardware business due to lower hardware

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revenues; and lower software support costs due primarily to lower headcount; each in the first quarter of fiscal 2018 relative to the corresponding prior year period. In constant currency, our total operating margin increased during the first quarter of fiscal 2018, relative to the first quarter of fiscal 2017, due to the increase in our total revenues, and our total operating margin as a percentage of total revenues for the first quarter of fiscal 2018 was flat as compared to the first quarter of fiscal 2017.

Supplemental Disclosure Related to Certain Charges

To supplement our condensed consolidated financial information, we believe that 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 “Impact of Acquisitions” (above) for a discussion of the inherent limitations in comparing pre- and post-acquisition information.

Our operating results reported pursuant to GAAP included the following business combination accounting adjustments and expenses related to acquisitions, as well as certain other expense and income items that (increased) or reduced our GAAP net income:

(in millions)	Three Months Ended August 31,	
	2017	2016
Cloud and on-premise software deferred revenues ⁽¹⁾	\$ 25	\$ 18
Acquired deferred sales commissions amortization ⁽²⁾	(11)	—
Amortization of intangible assets ⁽³⁾	411	311
Acquisition related and other ⁽⁴⁾⁽⁶⁾	12	14
Restructuring ⁽⁵⁾	124	99
Stock-based compensation, operating segments ⁽⁶⁾	124	86
Stock-based compensation, R&D and G&A ⁽⁶⁾	278	233
Income tax effects ⁽⁷⁾	(512)	(258)
	<u>\$ 451</u>	<u>\$ 503</u>

(1) In connection with our acquisitions, we have estimated the fair values of the cloud SaaS and cloud PaaS and IaaS subscription obligations assumed. Due to our application of business combination accounting rules, we did not recognize the cloud SaaS and cloud PaaS and IaaS, revenue amounts as presented in the above table that would have otherwise been recorded by the acquired businesses as independent entities upon delivery of the contractual obligations. To the extent customers for which these contractual obligations pertain renew these contracts with us, we expect to recognize revenues for the full contracts' values over the respective contracts' renewal periods.

(2) Certain acquired companies capitalized sales commissions associated with subscription agreements and amortized these amounts over the related contractual terms. Business combination accounting rules generally require us to eliminate these acquired capitalized sales commissions balances as of the acquisition date and our post-combination GAAP sales and marketing expenses generally do not reflect the amortization of these acquired deferred sales commissions balances. This adjustment is intended to include, and thus reflect, the full amount of amortization related to such balances as though the acquired companies operated independently in the periods presented.

(3) Represents the amortization of intangible assets, substantially all of which were acquired in connection with our acquisitions. As of August 31, 2017, estimated future amortization expenses related to intangible assets were as follows (in millions):

Remainder of fiscal 2018	\$ 1,179
Fiscal 2019	1,408
Fiscal 2020	1,207
Fiscal 2021	1,021
Fiscal 2022	918
Fiscal 2023	567
Thereafter	886
Total intangible assets, net	<u>\$ 7,186</u>

(4) Acquisition related and other expenses primarily consist of personnel related costs and stock-based compensation expenses for transitional and certain other employees, integration related professional services, certain business combination adjustments including certain adjustments after the measurement period has ended and certain other operating items, net.

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- (5) Restructuring expenses during the first quarter of fiscal 2018 and 2017 primarily related to employee severance in connection with our Fiscal 2017 Oracle Restructuring Plan (2017 Restructuring Plan). Additional information regarding certain of our restructuring plans is provided in the discussion below under “Restructuring Expenses”, Note 6 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, and in Note 9 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017.
- (6) Stock-based compensation was included in the following operating expense line items of our condensed consolidated statements of operations (in millions):

	Three Months Ended August 31,	
	2017	2016
Cloud SaaS	\$ 9	\$ 5
Cloud PaaS and IaaS	2	1
Software license updates and product support	7	6
Hardware	3	3
Services	14	8
Sales and marketing	89	63
Stock-based compensation, operating segments	124	86
Research and development	234	195
General and administrative	44	38
Acquisition related and other	1	—
Total stock-based compensation	\$ 403	\$ 319

Stock-based compensation included in acquisition related and other expenses resulted from unvested stock options and restricted stock-based awards assumed from acquisitions whose vesting was accelerated upon termination of the employees pursuant to the terms of those stock options and restricted stock-based awards.

- (7) 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 for the first quarter of fiscal 2018 and 2017 were calculated based on the applicable jurisdictional tax rates applied to the items within the table above and resulted in effective tax rates of 25.0% and 25.5%, respectively, instead of 14.5% and 22.8%, respectively, which represented our effective tax rates as derived per our condensed consolidated statements of operations, primarily due to the net tax effects for stock-based compensation expense and acquisition related items, including the tax effects of amortization of intangible assets.

Cloud and On-Premise Software Business

Our cloud and on-premise software business engages in the sale, marketing and delivery of our cloud SaaS and cloud PaaS and IaaS offerings and the licensing of our software for on-premise and other IT environments with the option to purchase software license updates and product support contracts. Our cloud SaaS and cloud PaaS and IaaS offerings are generally subscription based and generally recognized as revenues over the subscription period. New software licenses revenues represent fees earned from granting customers licenses, generally on a perpetual basis, to use our database and middleware and our applications software products within on-premise and other IT environments and are generally recognized when unrestricted access to the software license is granted provided all other revenue recognition criteria are met. Software license updates and product support revenues are typically generated through the sale of software support contracts related to on-premise new software licenses purchased by our customers at their option and are generally recognized as revenues ratably over the contractual term. We continue to place significant emphasis, both domestically and internationally, on direct sales through our own sales force. We also continue to market our offerings through indirect channels. Costs associated with our cloud and on-premise software business are included in cloud SaaS, PaaS and IaaS expenses, software license updates and product support expenses, and sales and marketing expenses. These costs are largely personnel and infrastructure related including the cost of providing our cloud SaaS, PaaS, IaaS and software support offerings, salaries and commissions earned by our sales force for the sale of our cloud and software offerings, and marketing program costs.

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Cloud and On-Premise Software Revenues:				
Americas ⁽¹⁾	\$ 4,277	10%	10%	\$ 3,895
EMEA ⁽¹⁾	2,020	6%	3%	1,903
Asia Pacific ⁽¹⁾	1,112	10%	10%	1,011
Total revenues ⁽¹⁾	7,409	9%	8%	6,809
Expenses:				
Cloud SaaS, PaaS and IaaS ⁽²⁾	580	45%	44%	401
Software license updates and product support ⁽²⁾	240	-6%	-7%	257
Sales and marketing ⁽²⁾	1,684	6%	4%	1,596
Total expenses ⁽²⁾	2,504	11%	10%	2,254
Total Margin	<u>\$ 4,905</u>	8%	7%	<u>\$ 4,555</u>
Total Margin %	66%			67%
% Revenues by Geography:				
Americas	58%			57%
EMEA	27%			28%
Asia Pacific	15%			15%
Revenues by Offerings:				
Cloud software as a service ⁽¹⁾	\$ 1,089	62%	61%	\$ 674
Cloud platform as a service and infrastructure as a service ⁽¹⁾	403	29%	28%	312
New software licenses	966	-6%	-7%	1,030
Software license updates and product support ⁽¹⁾	4,951	3%	2%	4,793
Total cloud and on-premise software revenues ⁽¹⁾	<u>\$ 7,409</u>	9%	8%	<u>\$ 6,809</u>
% Revenues by Offerings:				
Cloud software as a service ⁽¹⁾	15%			10%
Cloud platform as a service and infrastructure as a service ⁽¹⁾	5%			5%
New software licenses	13%			15%
Software license updates and product support ⁽¹⁾	67%			70%

(1) Includes cloud and on-premise software revenue adjustments related to certain cloud and software support contracts that would have otherwise been recorded as revenues by the acquired businesses as independent entities but were not recognized in our GAAP-based consolidated statements of operations for the periods presented due to business combination accounting requirements. Such revenue adjustments were included in our operating segment results for purposes of reporting to and review by our CODMs. See "Presentation of Operating Segment Results and Other Financial Information" above for additional information.

(2) Excludes stock-based compensation and certain allocations. Also excludes amortization of intangible assets and certain other GAAP-based expenses, which were not allocated to our operating segment results for purposes of reporting to and review by our CODMs, as further described under "Presentation of Operating Segment Results and Other Financial Information" above.

Excluding the effects of currency rate fluctuations, total revenues from our cloud and on-premise software business increased in the first quarter of fiscal 2018 relative to the corresponding prior year period due to growth in our cloud SaaS and cloud PaaS and IaaS revenues, growth in our software license updates and product support revenues and revenue contributions from our recent acquisitions, including our acquisition of NetSuite. These increases in revenues during the first quarter of fiscal 2018 were partially offset by decreases in our new software licenses revenues. The increases in our cloud SaaS and cloud PaaS and IaaS revenues and decreases in our new software licenses revenues during the first quarter of fiscal 2018 were primarily due to the continued strategic emphasis we placed on selling, marketing and growing our cloud offerings and we expect these revenue trends will continue. The increase in our first quarter of fiscal 2018 software license updates and product support revenues was a result of substantially all customers electing to purchase software support contracts in conjunction with their purchase of new software licenses, and due to the renewal of substantially all of the software support customer base eligible for renewal during the trailing 4-quarter period. During the first quarter

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of fiscal 2018, the Americas, EMEA and Asia Pacific regions contributed constant currency regional growth of 70%, 11% and 19%, respectively.

In constant currency, total cloud and on-premise software expenses increased in the first quarter of fiscal 2018 primarily due to higher cloud SaaS, PaaS and IaaS expenses resulting primarily from increased headcount and technology infrastructure expenses that were incurred to support the related cloud SaaS and cloud PaaS and IaaS revenues increases; and higher sales and marketing expenses resulting from increased headcount. These expense increases were partially offset by lower software license updates and product support expenses during the first quarter of fiscal 2018 due primarily to lower employee related expenses resulting from lower headcount.

Excluding the effects of currency rate fluctuations, our cloud software and on-premise software segment's total margin increased during the first quarter of fiscal 2018 due to the increase in revenues. In constant currency, total margin as a percentage of revenues decreased during the first quarter of fiscal 2018 relative to the first quarter of fiscal 2017 as our total expenses grew at a faster rate than our total revenues for this business.

Hardware Business

Our hardware business revenues are generated from the sales of our Oracle Engineered Systems, computer server, storage, and industry-specific hardware products for on-premise IT environments that are generally recognized as revenues upon delivery to the customer provided all other revenue recognition criteria are met. Our hardware business also earns revenues from the sale of hardware support contracts purchased by our customers at their option and are generally recognized as revenues ratably as the services are delivered over the contractual term. The majority of our hardware products are sold through indirect channels such as independent distributors and value-added resellers and we also market and sell our hardware products through our direct sales force. Operating expenses associated with our hardware business include the cost of hardware products, which consists of expenses for materials and labor used to produce these products by our internal manufacturing operations or by third-party manufacturers, warranty expenses and the impact of periodic changes in inventory valuation, including the impact of inventory determined to be excess and obsolete; the cost of materials used to repair customer products; the cost of labor and infrastructure to provide support services; and sales and marketing expenses, which are largely personnel related and include variable compensation earned by our sales force for the sales of our hardware offerings.

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Hardware Revenues:				
Americas	\$ 485	-8%	-8%	\$ 527
EMEA	271	-1%	-4%	274
Asia Pacific	187	-4%	-4%	195
Total revenues	943	-5%	-6%	996
Expenses:				
Hardware products and support ⁽¹⁾	366	-4%	-5%	381
Sales and marketing ⁽¹⁾	170	-	-	203
Total expenses ⁽¹⁾	536	-8%	-9%	584
Total Margin	\$ 407	-1%	-2%	\$ 412
Total Margin %	43%			41%
% Revenues by Geography:				
Americas	51%			53%
EMEA	29%			28%
Asia Pacific	20%			19%

⁽¹⁾ Excludes stock-based compensation and certain allocations. Also excludes amortization of intangible assets and certain other GAAP-based expenses, which were not allocated to our operating segment results for purposes of reporting to and review by our CODMs, as further described under "Presentation of Operating Segments and Other Financial Information" above.

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Excluding the effects of currency rate fluctuations, total hardware revenues decreased in the first quarter of fiscal 2018, relative to the first quarter of fiscal 2017, due to our continued emphasis on the development, marketing and sale of our cloud-based infrastructure technologies, which resulted in reduced sales volumes of most of our on-premise hardware product lines during the first quarter of fiscal 2018 and also impacted the volume of customers that purchase hardware support contracts.

Excluding the effects of currency rate fluctuations, total hardware products expenses decreased in the first quarter of fiscal 2018, relative to the first quarter of fiscal 2017, due primarily to lower hardware products costs and lower employee related expenses, which aligned to lower hardware revenues.

In constant currency, total margin for our hardware segment decreased on a constant currency basis in comparison to the corresponding prior year period primarily due to the decrease in our total revenues for this segment. In constant currency, total margin as a percentage of revenues increased for our hardware segment in the first quarter of fiscal 2018 due to lower expenses.

Services Business

We offer services to customers and partners to help to maximize the performance of their investments in Oracle applications, platform and infrastructure technologies. Services revenues are generally recognized as the services are performed. The cost of providing our services consists primarily of personnel related expenses, technology infrastructure expenditures, facilities expenses and external contractor expenses.

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Services Revenues:				
Americas	\$ 435	5%	5%	\$ 413
EMEA	248	6%	3%	236
Asia Pacific	177	11%	12%	159
Total revenues	860	6%	6%	808
Total Expenses ⁽¹⁾	665	0%	-1%	665
Total Margin	\$ 195	37%	38%	\$ 143
Total Margin %	23%			18%
% Revenues by Geography:				
Americas	51%			51%
EMEA	29%			29%
Asia Pacific	20%			20%

⁽¹⁾ Excludes stock-based compensation and certain allocations. Also excludes certain other GAAP-based expenses, which were not allocated to our operating segment results for purposes of reporting to and review by our CODMs, as further described under "Presentation of Operating Segments and Other Financial Information" above.

Excluding the effects of currency rate fluctuations, our total services revenues increased in the first quarter of fiscal 2018 relative to the first quarter of fiscal 2017 due to constant currency increases in our consulting revenues, which were primarily attributable to our recent acquisitions. During the first quarter of fiscal 2018, the Americas, EMEA and Asia Pacific regions contributed constant currency regional growth of 37%, 17% and 46%, respectively.

In constant currency, total services expenses increased during the first quarter of fiscal 2018 primarily due to an increase in headcount related expenses associated with our consulting offerings, primarily attributable to higher consulting expense contributions from our recent acquisitions. These constant currency expense increases during the first quarter of fiscal 2018 were partially offset due to a \$30 million charge recorded during the first quarter of fiscal 2017 which increased our expenses in the corresponding prior year period.

In constant currency, total services margin and total margin as a percentage of total services revenues increased in the first quarter of fiscal 2018, relative to the first quarter of fiscal 2017, primarily due to the increase in

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revenues in the first quarter of fiscal 2018 and the \$30 million charge that was recorded during the first quarter of fiscal 2017.

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 August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Research and development ⁽¹⁾	\$ 1,340	1%	0%	\$ 1,325
Stock-based compensation	234	20%	20%	195
Total expenses	\$ 1,574	4%	3%	\$ 1,520
% of Total Revenues	17%			17%

(1) Excluding stock-based compensation

On a constant currency basis, total research and development expenses increased during the first quarter of fiscal 2018 relative to the corresponding prior year period primarily due to higher stock-based compensation.

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

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
General and administrative ⁽¹⁾	\$ 276	0%	-1%	\$ 277
Stock-based compensation	44	16%	16%	38
Total expenses	\$ 320	2%	1%	\$ 315
% of Total Revenues	3%			4%

(1) Excluding stock-based compensation

On a constant currency basis, total general and administrative expenses increased during the first quarter of fiscal 2018 relative to the corresponding prior year period due primarily to increased employee related expenses associated with higher headcount and higher stock-based compensation expenses, partially offset by lower professional services expenses that were primarily legal related.

Amortization of Intangible Assets: Substantially all of our intangible assets are acquired through our business combinations. We amortize our intangible assets over, and monitor the appropriateness of, the estimated useful lives of these assets. We also periodically review these intangible assets for potential impairment based upon relevant facts and circumstances. Note 5 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report has additional information regarding our intangible assets and related amortization.

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Developed technology	\$ 190	40%	40%	\$ 136
SaaS, PaaS and IaaS agreements and related relationships	151	140%	140%	63
Software support agreements and related relationships	31	-3%	-3%	32
Other	39	-51%	-51%	80
Total amortization of intangible assets	\$ 411	32%	32%	\$ 311

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Amortization of intangible assets increased during the first quarter of fiscal 2018 relative to the corresponding prior year period due to additional amortization from intangible assets that we acquired in connection with our recent acquisitions, primarily our acquisition of NetSuite.

Acquisition Related and Other Expenses: Acquisition related and other expenses consist of personnel related costs and stock-based compensation for transitional and certain other employees, integration related professional services, and certain business combination adjustments including certain adjustments after the measurement period has ended and certain other operating items, net. Stock-based compensation expenses included in acquisition related and other expenses resulted from unvested restricted stock-based awards and stock options assumed from acquisitions whereby vesting was accelerated upon termination of the employees pursuant to the original terms of those restricted stock-based awards and stock options.

	Three Months Ended August 31,			
		Percent Change		
(Dollars in millions)	2017	Actual	Constant	2016
Transitional and other employee related costs	\$ 9	15%	12%	\$ 8
Stock-based compensation	1	*	*	—
Professional fees and other, net	3	-33%	-33%	5
Business combination adjustments, net		-		
	(1)	256%	-239%	1
Total acquisition related and other expenses	\$ 12	-17%	-17%	\$ 14

* Not meaningful

On a constant currency basis, acquisition related and other expenses decreased in the first quarter of fiscal 2018 primarily due to lower professional fees and the favorable impacts of business combination adjustments.

Restructuring Expenses: Restructuring expenses resulted from the execution of management approved restructuring plans that were generally developed to improve our cost structure and/or operations, often in conjunction with our acquisition integration strategies. Restructuring expenses consist of employee severance costs and may also include charges for duplicate facilities and other contract termination costs to improve our cost structure prospectively. For additional information regarding our restructuring plans, see Note 6 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report and Note 9 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2017.

	Three Months Ended August 31,			
		Percent Change		
(Dollars in millions)	2017	Actual	Constant	2016
Restructuring expenses	\$ 124	25%	22%	\$ 99

Restructuring expenses in the first quarter of fiscal 2018 and 2017 primarily related to our 2017 Restructuring Plan. Our management approved, committed to and initiated the 2017 Restructuring Plan in order to restructure and further improve efficiencies in our operations. In the first quarter of fiscal 2018, our management supplemented the 2017 Restructuring Plan in to reflect additional actions that we expect to take. The total estimated restructuring costs associated with the 2017 Restructuring Plan are up to \$1.1 billion and will be recorded to the restructuring expense line item within our condensed consolidated statements of operations as they are incurred. The total estimated remaining restructuring costs associated with the 2017 Restructuring Plan were approximately \$475 million as of August 31, 2017 and the majority of the remaining costs are expected to be incurred through the end of fiscal 2018. Our estimated costs are subject to change in future periods.

The majority of the initiatives undertaken by our 2017 Restructuring Plan were effected to implement our continued move toward developing, marketing and selling our cloud-based offerings. These initiatives impacted certain of our sales and marketing and research and development operations that supported our on-premise business. Cost savings that are expected to be realized pursuant to our 2017 Restructuring Plan initiatives are primarily expected to be offset by investments in resources and geographies that best address the development, marketing and sale of our cloud-based offerings as customer preferences pivot to the Oracle Cloud.

Interest Expense:

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Interest expense	\$ 469	13%	13%	\$ 416

Interest expense increased in the first quarter of fiscal 2018, relative to the first quarter of fiscal 2017, primarily due to higher average borrowings resulting from our issuance of \$14.0 billion of senior notes in July 2016. This increase in interest expense during the first quarter of fiscal 2018 was partially offset by a reduction in interest expense resulting from the maturity and repayment of \$1.0 billion of floating rate senior notes in July 2017.

Non-Operating Income, net: Non-operating income, net consists primarily of interest income, net foreign currency exchange gains (losses), the noncontrolling interests in the net profits of our majority-owned subsidiaries (primarily Oracle Financial Services Software Limited and Oracle Japan) and net other income (losses), 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 August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Interest income	\$ 257	45%	45%	\$ 177
Foreign currency losses, net	(4)	-	-	(13)
Noncontrolling interests in income	(47)	32%	32%	(35)
Other income (loss), net	27	37%	37%	19
Total non-operating income, net	\$ 233	57%	57%	\$ 148

On a constant currency basis, our non-operating income, net for the first quarter of fiscal 2018 increased, relative to the first quarter of fiscal 2017, primarily due to higher interest income resulting from higher cash, cash equivalent and short-term investment balances and higher interest rates.

Provision for Income Taxes: Our effective tax rate in all periods 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 certain earnings considered as indefinitely reinvested in foreign operations, state taxes, the U.S. research and development tax credit, settlements with tax authorities, the tax effects of stock-based compensation and the U.S. domestic production activity deduction. Future effective tax rates could be adversely affected by an unfavorable shift of earnings weighted to jurisdictions with higher tax rates, by unfavorable changes in tax laws and regulations, by adverse rulings in tax related litigation, or by shortfalls in stock-based compensation realized by employees relative to stock-based compensation that was recorded for book purposes, among others.

(Dollars in millions)	Three Months Ended August 31,			
	2017	Percent Change		2016
		Actual	Constant	
Provision for income taxes	\$ 375	31%	-31%	\$ 541
Effective tax rate	14.5%			22.8%

Provision for income taxes in the first quarter of fiscal 2018 decreased, relative to the first quarter of fiscal 2017 in substantial part to the favorable impact of excess tax benefits recognized on stock-based compensation expense and a favorable change in jurisdictional mix of our earnings recognized in the first quarter of fiscal 2018. This favorable impact was partially offset by higher income before provision for income tax during the first quarter of fiscal 2018.

Liquidity and Capital Resources

(Dollars in millions)	August 31, 2017	Change	May 31, 2017
Working capital	\$ 53,109	6%	\$ 50,337
Cash, cash equivalents and marketable securities	\$ 66,897	1%	\$ 66,078

Working capital: The increase in working capital as of August 31, 2017 in comparison to May 31, 2017 was primarily due to the favorable impacts to our net current assets resulting from our net income during the first quarter of fiscal 2018 and proceeds from stock option exercises. These favorable working capital movements were partially offset by cash used for repurchases of our common stock and cash used to pay dividends to our stockholders during the first quarter of fiscal 2018. Our working capital may be impacted by some or all of the aforementioned factors in future periods, the amounts and timing of which are variable.

Cash, cash equivalents and marketable securities: Cash and cash equivalents primarily consist of deposits held at major banks, Tier-1 commercial paper and other securities with original maturities of 90 days or less. Marketable securities consist of Tier-1 commercial paper debt securities, corporate debt securities and certain other securities. The increase in cash, cash equivalents and marketable securities at August 31, 2017 in comparison to May 31, 2017 was primarily due to cash inflows generated by our operations and cash inflows from stock option exercises during the first quarter of fiscal 2018 and were partially offset by certain cash outflows, primarily the repayment of \$4.8 billion of borrowings, repurchases of our common stock, payments of cash dividends to our stockholders and cash used for capital expenditures. Cash, cash equivalents and marketable securities included \$58.3 billion held by our foreign subsidiaries as of August 31, 2017, a significant portion of which was generated from the earnings of these foreign subsidiaries that we consider as indefinitely reinvested in our foreign operations outside the United States. These undistributed earnings that are considered as indefinitely reinvested overseas would be subject to U.S. income tax if repatriated to the United States. The amount of cash, cash equivalents and marketable securities that we report in U.S. Dollars for a significant portion of the cash, cash equivalents and marketable securities balances held by our foreign subsidiaries is subject to translation adjustments caused by changes in foreign currency exchange rates as of the end of each respective reporting period (the offset to which is substantially recorded to accumulated other comprehensive loss in our condensed consolidated balance sheets and is also presented as a line item in our condensed consolidated statements of comprehensive income included elsewhere in this Quarterly Report). As the U.S. Dollar generally weakened against certain major international currencies during the first quarter fiscal 2018, the amount of cash, cash equivalents and marketable securities that we reported in U.S. Dollars for these subsidiaries increased on a net basis as of August 31, 2017 relative to what we would have reported using constant currency rates from the May 31, 2017 balance sheet date.

Days sales outstanding, which we calculate by dividing period end accounts receivable by average daily sales for the quarter, was 35 days at August 31, 2017 compared with 44 days at May 31, 2017. The days sales outstanding calculation excludes the impact of any revenue adjustments resulting from business combinations that reduced our acquired cloud and on-premise software obligations to fair value.

(Dollars in millions)	Three Months Ended August 31,		
	2017	Change	2016
Net cash provided by operating activities	\$ 6,566	12%	\$ 5,875
Net cash used for investing activities	\$ (1,818)	-65%	\$ (5,203)
Net cash (used for) provided by financing activities	\$ (5,441)	171%	\$ 7,712

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 these support agreements are generally received near the beginning of the contracts' terms, which are generally one year in length. Over the course of a fiscal year, we also have historically generated cash from the sales of new software licenses, cloud SaaS, PaaS and IaaS offerings, hardware offerings and services. Our primary uses of cash from operating activities are for employee related expenditures, material and manufacturing costs related to the production of our hardware products, taxes and leased facilities.

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Net cash provided by operating activities increased during the first quarter of fiscal 2018 due primarily to higher net income during the first quarter of fiscal 2018 relative to the corresponding prior year period.

Cash flows from investing activities: The changes in cash flows from investing activities primarily relate to our acquisitions, the timing of our purchases, maturities and sales of our investments in marketable debt securities and investments in capital and other assets, including certain intangible assets, to support our growth.

Net cash used for investing activities decreased in the first quarter of fiscal 2018 relative to the first quarter of fiscal 2017 primarily due to a decrease in cash used to purchase marketable securities and other investments, net of proceeds received from sales and maturities and a decrease in cash used for acquisitions, net of cash acquired.

Cash flows from financing activities: The changes in cash flows from financing activities primarily relate to borrowings and repayments related to our debt instruments as well as stock repurchases, dividend payments and net proceeds related to employee stock programs.

Net cash used in financing activities in the first quarter of fiscal 2018 was \$5.4 billion in comparison to net cash provided by financing activities of \$7.7 billion during the first quarter of fiscal 2017. The change in financing activities cash flows in the first quarter of fiscal 2018 relative to the corresponding prior year period was primarily related to debt related cash flows for which we had debt repayments of \$4.8 billion in the first quarter of fiscal 2018 in comparison to \$10.2 billion of cash inflows from borrowings, net of repayments, in the first quarter of fiscal 2017. These unfavorable financing cash flows during the first quarter of fiscal 2018 relative to the corresponding prior year period were partially offset by higher cash inflows from stock option exercises and lower cash outflows related to stock repurchases, each during the first quarter of fiscal 2018 relative to the corresponding prior year period.

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 that 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 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 flow as follows:

(Dollars in millions)	Trailing 4-Quarters Ended August 31,		
	2017	Change	2016
Net cash provided by operating activities	\$ 14,817	8%	\$ 13,679
Capital expenditures	(2,195)	111%	(1,042)
Free cash flow	\$ 12,622	0%	\$ 12,637
Net income	\$ 9,713		\$ 8,986
Free cash flow as percent of net income	130%		141%

Long-Term Customer Financing: We offer certain of our customers the option to acquire our software products, hardware products and services offerings through separate long-term payment contracts. We generally sell these contracts that we have financed for our customers on a non-recourse basis to financial institutions within 90 days of the contracts' dates of execution. We generally record the transfers of amounts due from customers to financial institutions as sales of financing receivables because we are considered to have surrendered control of these financing receivables. We financed \$191 million and \$107 million, respectively, or approximately 20% and 10%, respectively, of our new software licenses revenues in the first quarters of fiscal 2018 and 2017.

Contractual Obligations: During the first quarter of fiscal 2018, there were no significant changes to our estimates of future payments under our fixed contractual obligations and commitments as presented in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for our fiscal year ended May 31, 2017.

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 obligation requirements. In

addition, we believe that we could fund any future acquisitions, dividend payments and repurchases of common stock or debt with our internally available cash, cash equivalents and marketable securities, cash generated from operations, 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.

Restricted Stock-Based Awards and Stock Options

Our stock-based compensation 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 restricted stock-based awards and stock options dilute existing stockholders and have sought to control the number of stock-based awards granted while providing competitive compensation packages. Consistent with these dual goals, our cumulative potential dilution since June 1, 2014 has been a weighted-average annualized rate of 1.2% per year. The potential dilution percentage is calculated as the average annualized new restricted stock-based awards or stock options granted and assumed, net of restricted stock-based awards and stock 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 restricted stock-based awards vest and all stock options are exercised. Of the outstanding stock options at August 31, 2017, which generally have a ten-year exercise period, 14.9% have exercise prices higher than the market price of our common stock on such date. In recent years, our stock repurchase program has more than offset the dilutive effect of our stock-based compensation program. However, we have recently reduced the level of our stock repurchases and we may modify the levels of our stock repurchases in the future depending on a number of factors, including the amount of cash we have available for acquisitions, to pay dividends, to repay or repurchase indebtedness or for other purposes. At August 31, 2017, the maximum potential dilution from all outstanding restricted stock-based awards and unexercised stock options, regardless of when granted and regardless of whether vested or unvested and including stock options where the strike price is higher than the market price as of such date, was 10.8%.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, if any, and the impact of these pronouncements on our consolidated financial statements, if any, see Note 1 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no significant changes to our quantitative and qualitative disclosures about market risk during the first three months of fiscal 2018. 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, 2017 for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: Based on our management's evaluation (with the participation of our Principal Executive Officers, one of whom is our Principal Financial Officer), as of the end of the period covered by this Quarterly Report, our Principal Executive Officers have concluded that our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) were effective to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management (including our Principal Executive Officers) as appropriate to allow timely decisions regarding required disclosure.

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 Principal Executive Officers (one of whom is our Principal Financial Officer), believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are 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 10 (pertaining to information regarding contingencies related to our income taxes) and Note 13 (pertaining to information regarding legal contingencies) 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

In addition to the other information set forth in this Quarterly 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, 2017. 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 insignificant also may materially and adversely affect our business, financial condition or operating results in the future.

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

Our Board of Directors has approved a program for us to repurchase shares of our common stock. On March 15, 2016, we announced that our Board of Directors approved an expansion of our stock repurchase program by an additional \$10.0 billion. As of August 31, 2017, approximately \$4.8 billion remained available for stock 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 and dividend payments, 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 August 31, 2017 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

<u>(in millions, except per share amounts)</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program</u>
June 1, 2017—June 30, 2017	3.6	\$ 46.99	3.6	\$ 5,180.2
July 1, 2017—July 31, 2017	3.0	\$ 50.34	3.0	\$ 5,026.3
August 1, 2017—August 31, 2017	3.6	\$ 49.30	3.6	\$ 4,849.4
Total	10.2	\$ 48.80	10.2	

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Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed By
10.05*‡	Form of Stock Option Agreement under the Amended and Restated 2000 Long-Term Equity Incentive Plan for U.S. Executive Vice Presidents and Section 16 Officers					
10.16*‡	Form of Performance-Based Stock Option Agreement under the Amended and Restated 2000 Long-Term Equity Incentive Plan for Named Executive Officers					
10.17*‡	Form of Stock Unit Award Agreement under the Amended and Restated 2000 Long-Term Equity Incentive Plan for U.S. Employees (Including Section 16 Officers)					
31.01‡	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer					
31.02‡	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive and Financial Officer					
32.01†	Section 1350 Certification of Principal Executive Officers and Principal Financial Officer					
101‡	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of August 31, 2017 and May 31, 2017, (ii) Condensed Consolidated Statements of Operations for the three months ended August 31, 2017 and 2016, (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended August 31, 2017 and 2016, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended August 31, 2017 and 2016 and (v) Notes to Condensed Consolidated Financial Statements					

* Indicates management contract or compensatory plan or arrangement.

‡ Filed herewith.

† Furnished herewith.

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: September 18, 2017

By: /s/ S AFRA A. C ATZ
Safr A. Catz
Chief Executive Officer and Director
(Principal Executive and Financial Officer)

Date: September 18, 2017

By: /s/ W ILLIAM C OREY W EST
William Corey West
Executive Vice President, Corporate Controller
and Chief Accounting Officer

**ORACLE CORPORATION
STOCK OPTION AGREEMENT
AMENDED AND RESTATED 2000 LONG-TERM EQUITY INCENTIVE PLAN
U.S. NON-QUALIFIED STOCK OPTION
FOR U.S. EXECUTIVE VICE PRESIDENTS AND SECTION 16 OFFICERS**

1. Grant. Oracle Corporation (the “Company”) has granted to the optionee (“Optionee”) named above a U.S. non-qualified option (the “Option”) to purchase the total number of shares of Common Stock set forth above (the “Shares”) at the exercise price per share set forth above (the “Exercise Price”). This Option is subject to the terms set forth below in this stock option agreement (the “Agreement”) and in the Company’s Amended and Restated 2000 Long-Term Equity Incentive Plan (the “Plan”). In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. All capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.
2. Restrictions on Exercise. Subject to the terms of the Plan and this Agreement, the Option may be exercised in increments on or after each vesting date specified above, provided that in no event may the Option be exercised after the last date to exercise specified above (the “Expiration Date”). In addition, this Option may not be exercised as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable.

Optionee agrees to comply with the Insider Trading Policy restrictions applicable to the Company’s officers for one fiscal quarter following Optionee’s termination of his/her employment relationship with the Company or any Parent, Subsidiary or Affiliate, regardless of the reason for such termination. Under these restrictions, Optionee may be prohibited from trading in the Company’s securities from the 15th day of the last month of the fiscal quarter and until one full trading day following the Company’s earnings announcement for that fiscal quarter. Notwithstanding the foregoing, this Option is subject to the time limitations on exercise set forth in Section 6(i) of the Plan and Section 3 below (the “Remaining Option Exercise Period”); provided that if any “No Trading” period under Oracle’s Insider Trading Policy occurs during the Remaining Option Exercise Period and Optionee is prohibited from trading during such period, the Remaining Option Exercise Period shall be extended by the number of days equivalent to any such period such that the total amount of time Optionee shall have to exercise the vested portion of this Option shall be equal to the original Remaining Option Exercise Period (except that, if the Expiration Date of the Option occurs during this additional extension period, such Option shall still expire on the Expiration Date and the additional extension period shall not be extended beyond the Expiration Date).

3. Termination of Option.
 - a) This Option shall cease vesting upon termination of Optionee’s employment relationship with Optionee’s employer (the “Employer”) (excluding a transfer to the Company or any Parent, Subsidiary or Affiliate) and shall not be extended by any notice or equivalent period mandated under local law (e.g., a period of “garden leave” or similar period pursuant to local law) or as may be required by the terms of an employment agreement. Optionee’s employment relationship shall be considered to have terminated, and Optionee to have ceased to be employed by the Company or its Parent, Subsidiary or Affiliate, on the earliest of:

- (1) the date on which the Employer delivers to Optionee notice terminating the employment relationship (regardless of whether the notice or termination is lawful or unlawful or is in breach of any contract of employment) unless Optionee is transferring employment to the Company, or any Parent, Subsidiary or Affiliate;
- (2) the date on which Optionee delivers notice to his or her Employer that Optionee is terminating the employment relationship (regardless of whether the notice or termination is lawful or unlawful or is in breach of any contract of employment) unless Optionee is transferring employment to the Company, or any Parent, Subsidiary or Affiliate;
- (3) the date on which Optionee ceases to provide services to the Company, or any Parent, Subsidiary or Affiliate, as appropriate, except where Optionee is on an authorized leave of absence; or
- (4) the date on which Optionee ceases to be considered an “employee” under Applicable Laws.

The committee of the Board of Directors of the Company administering the Plan (the “Committee”) shall have discretion to determine whether Optionee has ceased to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, and the effective date on which such employment terminated.

In addition, subject to Applicable Laws, the Committee in its sole discretion may suspend vesting of the Option if Optionee takes a leave of absence from employment with the Company or its Parent, Subsidiary or Affiliate.

- b) If Optionee ceases to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, for any reason except death or Disability, this Option may be exercised to the extent (and only to the extent) that it would have been exercisable upon the date of termination of Optionee’s employment, within three (3) months after the date of termination, subject to Section 2 above, but in any event no later than the Expiration Date of the Option. The date of termination of Optionee’s employment for purposes of this Agreement and any right to exercise this Option post-termination shall not be extended by any notice period mandated under local law, by contract or otherwise and shall be determined in accordance with Section 3(a) herein. If employment ceases because of death or Disability, this Option may be exercised to the extent (and only to the extent) specified in the Plan, subject to Section 2 above.

4. Manner of Exercise; Automatic Exercise; Consideration.

- a) The Option may be exercised by delivery to the Company of the stock option exercise agreements in the form then approved by the Committee, stating the number of Shares being purchased, the restrictions imposed on the Shares, if any, and such representations and agreements, as may be required by the Company to comply with applicable laws, together with payment in a form allowed under the Plan. The current forms of stock option exercise form and stock option exercise notice and agreement (the “Exercise Agreement”) are available upon request by emailing stock_us@oracle.com.

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- b) The Company, at its discretion, may implement an automatic exercise feature pursuant to which the Option will be automatically exercised on the Expiration Date (or on the last trading day immediately prior to the Expiration Date if the Expiration Date is not a trading day) (the “Automatic Exercise Date”) if (i) the Optionee has not exercised the Option prior to the Automatic Exercise Date, (ii) the Fair Market Value of a Share on the Automatic Exercise Date exceeds the Exercise Price per Share by an amount equal to or more than the value of one Share on the Automatic Exercise Date, and (iii) Optionee has not specified in writing that he or she does not want to exercise the Option. If the Company elects to implement this automatic exercise feature, it shall do so according to such procedures as the Company shall specify from time to time; provided, however, that the Company shall not apply the automatic exercise to the Option in circumstances where the Company determines, in its sole discretion, that it is not feasible or advisable due to legal or administrative reasons. Therefore, Optionee should not rely on this feature.
- c) Due to administrative restrictions, paying the Exercise Price by means of the surrender of Shares having a Fair Market Value equal to the applicable Exercise Price of the Option is not an available method of exercise under this Agreement.
5. Compliance with Laws and Regulations. The issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal, state, local or foreign securities and other laws and with all applicable requirements of any stock exchange or national market system on which the Common Stock may be listed at the time of such issuance or transfer.
6. Transferability of Option. This Option may not be transferred in any manner other than (i) by will, or (ii) by the laws of descent and distribution, provided however, a U.S. Optionee may transfer a vested portion of the Option for no consideration to or for the benefit of one or more members of Optionee’s Immediate Family (including, without limitation, to a trust for the benefit of Optionee’s Immediate Family) (a “Transferee”), subject to such limits as the Committee may establish, and such Transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. Optionee will continue to be treated as the holder of the Option for purposes of the Company’s record keeping and for other purposes deemed appropriate by the Company, including the right to consent to amendments to this Agreement, notwithstanding that the economic benefits and dispositive control have been transferred to the Transferee. Optionee agrees, on behalf of each Transferee, to exercise the Option upon the direction and arrangement of payment by such Transferee and further agrees to forward all information provided by the Company (including but not limited to those required under the U.S. securities laws) with respect to the Option to the Transferee. In the discretion of the Committee, the foregoing right to transfer shall apply to the right to transfer ancillary rights associated with the Option. The term “Immediate Family” shall mean Optionee’s spouse, qualified same-sex domestic partner, parents, children, stepchildren, adoptive relationships, sisters, brothers and grandchildren (and, for this purpose, shall also include Optionee). Optionee acknowledges that Optionee will continue to be liable for any Tax-Related Items (as defined in Section 8 below).

7. **Tax Consequences**. The general U.S. federal income tax consequences of the grant and exercise and transfer of the Option, as well as upon disposition of the Shares following exercise, are set forth in the Plan prospectus made available at the Company's web site at:

<http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html>

If Optionee is subject to tax in any other country besides the U.S., the tax treatment in the other country may differ from that reflected in the Plan prospectus.

8. **Tax Withholding Responsibility**. Optionee acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax (including federal, state, local and foreign tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Optionee's participation in the Plan and legally applicable to Optionee or deemed by the Company or the Employer in its discretion to be an appropriate charge to Optionee even if legally applicable to the Company or the Employer ("Tax-Related Items"), is and remains Optionee's responsibility and may exceed the amount actually withheld by the Company and/or the Employer. Optionee further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Optionee's liability for Tax-Related Items or to achieve any particular tax result. Further, if Optionee is subject to Tax-Related Items in more than one jurisdiction, Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, Optionee agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, if Optionee is not subject to Section 16 of the Exchange Act, Optionee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from Optionee's wages or other cash compensation paid to Optionee by the Company and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by the Company (on Optionee's behalf pursuant to this authorization without further consent); or (3) withholding in Shares subject to the exercised Option. If Optionee is subject to Section 16 of the Exchange Act, the Company will satisfy the obligations with regard to all Tax-Related Items by withholding Shares otherwise issuable upon settlement of the Award, unless the use of such withholding method is prevented by Applicable Laws or has adverse tax or accounting consequences, in which case Optionee may: (1) elect to have the Company or Employer withhold from Participant's wages or other cash compensation paid to Optionee by the Company and/or the Employer; or (2) elect to have the Company withhold from proceeds of the sale of Shares acquired upon the exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by the Company (on Optionee's behalf pursuant to this authorization).

The Company may withhold or account for Tax-Related Items at maximum applicable rates, which in the case of withholding in Shares may involve use of a statutory withholding rate not to exceed the maximum statutory tax rate for the applicable tax jurisdiction, to the extent consistent with Applicable Laws. To the extent that the obligation for the Tax-Related Items is satisfied by withholding in Shares or withholding from proceeds of the sale of Shares and the Company determines the withholding amount using maximum applicable rates, Optionee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. Further, if the obligation for the Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Optionee is deemed to have been issued the full number of Shares subject to the exercised Option, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Optionee's participation in the Plan.

Finally, Optionee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to honor the exercise and refuse to deliver the Shares or the proceeds from the sale of Shares if Optionee fails to comply with his or her obligations in connection with the Tax-Related Items as described in this section.

9. Nature of the Grant. By entering into this Agreement and accepting the grant of an Option evidenced hereby, Optionee acknowledges that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time unless otherwise provided in the Plan and this Agreement; (ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) Optionee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Optionee's employment relationship at any time; (v) Optionee's participation in the Plan is voluntary; (vi) the Option and the Shares subject to the Option, and the income and value of same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of Optionee's employment contract, if any; (vii) the Option and the Shares subject to the Option, and the income and value of same, are not part of normal or expected compensation or salary for any purpose including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or welfare or retirement benefits (including the 401(k) Savings and Investment Plan and the Deferred Compensation Plan) or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Parent, Subsidiary or Affiliate; (viii) the Option and the Shares subject to the Option, and the income and value of same, are not intended to replace any pension rights or compensation; (ix) the vesting of any Option ceases upon termination of the employment relationship as described in Section 6(i)(iv) of the Plan except as may otherwise be explicitly provided in the Plan document; (x) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty, and if Optionee exercises the Option and obtains Shares, the value of

those Shares may increase or decrease, even below the Exercise Price; (xi) if the underlying Shares do not increase in value, the Option will have no value; (xii) the Option grant and Optionee's participation in the Plan shall not be interpreted to form an employment contract or relationship with the Company or any Parent, Subsidiary or Affiliate; and furthermore, the Option grant shall not be interpreted to form an employment contract with the Employer; (xiii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Optionee's employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any); (xiv) in the event of termination of Optionee's employment as described in Section 3 of this Agreement (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any), Optionee shall not have any right to receive any future options under the Plan; (xv) unless otherwise agreed with the Company, the Option and Shares subject to the Option, and the income and value of same, are not granted as consideration for, or in connection with, any service Optionee may provide as a director of any Parent, Subsidiary or Affiliate; and (xvi) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares.

10. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Optionee's participation in the Plan, or Optionee's acquisition or sale of the underlying Shares. Optionee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
11. **Data Privacy Consent.** *As a condition of the grant of the Option, Optionee hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this paragraph by and among, as applicable, the Employer and the Company and any Parent, Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing Optionee's participation in the Plan.*

Optionee understands that the Employer, the Company and any Parent, Subsidiary or Affiliate may hold certain personal information about Optionee, including, but not limited to, Optionee's name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, passport number, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Optionee's favor, for the purpose of managing and administering the Plan (" Data ").

Optionee acknowledges that Data will be transferred to the Company's stock plan service provider, Fidelity, or such other stock plan service provider or broker as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan, provided that the Company ensures that the recipient maintains a level of privacy broadly equivalent to

the standard set forth in the Company's Internal Privacy Policy. Optionee accepts that these recipients may be located in the United States or the European Economic Area or elsewhere and the recipient's country may have different data privacy laws and protections than Optionee's country. Optionee authorizes the Company, its broker and any possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Optionee's participation in the Plan, including any requisite transfer of Data to a designated broker or other third party with whom Optionee may elect to deposit any Shares acquired upon exercise of the Option, as such Data may be required for the administration of the Plan and/or the subsequent holding of Shares on Optionee's behalf. Further, Optionee understands that Optionee is providing the consents herein on a purely voluntary basis. If Optionee does not consent, or later seeks to revoke consent, Optionee's employment status or service and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant Optionee Options or other equity awards or administer or maintain such awards. Therefore, Optionee understands that refusing or withdrawing consent may affect Optionee's ability to participate in the Plan.

Additional details regarding data privacy are included in the Notice of Stock Option Grant and in Oracle's Internal Privacy Policy at:

<http://my.oracle.com/site/legal/cnt337893.pdf>.

12. Entire Agreement; Interpretation. The Plan made available at the Company's web site at <http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html> is incorporated herein by reference. This Agreement and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. The Committee may amend this Agreement and the Plan from time to time. Optionee understands and agrees that the terms of the Option can only be amended in writing. Optionee agrees that the terms of the Plan govern the Option and that all interpretations and determinations made by the Company (or its Board of Directors and any committee of the Board administering the Plan) with respect to the Plan and this Agreement shall be final and binding on all persons. This Agreement is governed by Delaware law except for that body of law pertaining to conflict of laws. Unless Optionee is subject to a mutual agreement to arbitrate with the Company, Optionee agrees to institute any legal action or legal proceeding relating to this Agreement or the Plan in state court in San Mateo County, California or in federal court in San Francisco, California, United States of America, and no other courts, where this grant is made and/or to be performed. Optionee agrees to submit to the jurisdiction of and agrees that venue is proper in the aforesaid courts in any such action or proceeding and waives, to the fullest extent permitted by law, any objection that the laying of venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in any such court is improper or that such proceedings have been brought in an inconvenient forum.
13. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or to request Optionee's consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party designated by the Company.

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14. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
15. 409A Disclaimer. This Agreement shall be interpreted in accordance with, and incorporates the terms and conditions required by, Section 409A of the U.S. Internal Revenue Code (the “Code”). The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including amendments or actions that would result in reduction in benefits under the Option, as the Company determines are necessary or appropriate to ensure that this Option qualifies for exemption from, or complies with the requirements of, Code Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code; provided, however, that the Company makes no representation that the Option will be exempt from, or will comply with, Section 409A of the Code, and makes no undertakings to preclude Section 409A of the Code from applying to the Option or to ensure that it complies with Section 409A of the Code. For the avoidance of doubt, Optionee hereby acknowledges and agrees, that the Company will have no liability to Optionee or any other party if the grant, vesting, or exercise of the Option, the issuance of Shares or any other transaction under this Agreement is not exempt from, or compliant with, Code Section 409A, or for any action taken by the Company with respect thereto.
16. Recoupment. As an additional condition of receiving the Option, Optionee agrees that the Option and any benefits or proceeds Optionee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with Applicable Laws, including, without limitation, pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as may be reflected in a recoupment or “clawback” policy adopted by the Company. Further, if Optionee receives any amount in excess of what Optionee should have received under the terms of the Option for any reason (including without limitation by reason of a financial restatement, mistake in calculations or administrative error), all as determined by the Committee, then Optionee shall be required to promptly repay any such excess amount to the Company.
17. Country-Specific Terms/Notifications. If Optionee relocates to one of the countries included in Exhibit A to the non U.S. option agreement for options granted in 2017, the special terms for such country will apply to him or her, to the extent the Company determines that the application of such terms is necessary or advisable for legal or administrative reasons. As a result, Optionee should review the specific terms/notifications that apply to him or her in his or her particular country to which he/she transfers. These country specific alerts/notifications are available at the Company’s web site at:
<http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html>
18. Additional Terms. The Company reserves the right to impose other requirements on Optionee’s participation in the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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19. Waiver. Optionee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Optionee or any other Participant.

By clicking on the “Accept” button, Optionee accepts the Option and agrees to be bound by its terms as set forth in the Plan and this Agreement.

These terms apply to grants made on or after July 10, 2017.

ORACLE CORPORATION
AMENDED AND RESTATED
2000 LONG-TERM EQUITY INCENTIVE PLAN
PERFORMANCE-BASED STOCK OPTION AGREEMENT
FOR NAMED EXECUTIVE OFFICERS

1. Grant. Oracle Corporation (the “Company”) has granted to the optionee (“Optionee”) named above a U.S. non-qualified option (the “Option”) to purchase the total number of shares of Common Stock set forth above (the “Shares”). The Shares may be purchased at the exercise price per share set forth above (the “Exercise Price”), which will be the higher of the Fair Market Value (a) on July 10, 2017, or (b) on the Grant Date (as defined in Exhibit A). This Option is subject to the terms set forth below in this stock option agreement, including Exhibit A (the “Agreement”) and in the Company’s Amended and Restated 2000 Long-Term Equity Incentive Plan (the “Plan”). In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. All capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.
2. Restrictions on Exercise. Subject to the terms of the Plan and this Agreement, the Option shall vest and become exercisable on the applicable Vesting Dates specified in Exhibit A (i) to the extent the Performance Goals (as set forth in Exhibit A) applicable to the Performance Period (as specified in Exhibit A) are attained, and (ii) subject to Section 3(d), as long as the Optionee remains continuously employed by the Company or any Parent, Subsidiary or Affiliate from the date of grant of the Option through the applicable Vesting Date, provided that in no event may the Option be exercised after the Expiration Date (as specified in Exhibit A). In addition, this Option may not be exercised as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable.

Optionee agrees to comply with the Insider Trading Policy restrictions applicable to the Company’s officers for one fiscal quarter following Optionee’s termination of his/her employment relationship with the Company or any Parent, Subsidiary or Affiliate, regardless of the reason for such termination. Under these restrictions, Optionee may be prohibited from trading in the Company’s securities from the 15th day of the last month of the fiscal quarter and until one full Trading Day (as defined in Exhibit A) following the Company’s earnings announcement for that fiscal quarter. Notwithstanding the foregoing, this Option is subject to the time limitations on exercise set forth in Section 6(i) of the Plan and Section 3 below (the “Remaining Option Exercise Period”); provided that if any “No Trading” period under Oracle’s Insider Trading Policy occurs during the Remaining Option Exercise Period and Optionee is prohibited from trading during such period, the Remaining Option Exercise Period shall be extended by the number of days equivalent to any such period such that the total amount of time Optionee shall have to exercise the vested portion of this Option shall be equal to the original Remaining Option Exercise Period (except that, if the Expiration Date of the Option occurs during this additional extension period, such Option shall still expire on the Expiration Date and the additional extension period shall not be extended beyond the Expiration Date).

3. Termination of Option.

- a) This Option shall cease vesting upon termination of Optionee's employment relationship with Optionee's employer (the "Employer") (excluding a transfer to the Company or any Parent, Subsidiary or Affiliate) and shall not be extended by any notice or equivalent period mandated under local law (e.g. , a period of "garden leave" or similar period pursuant to local law) or as may be required by the terms of an employment agreement. Optionee's employment relationship shall be considered to have terminated, and Optionee to have ceased to be employed by the Company or its Parent, Subsidiary or Affiliate, on the earliest of:
- (1) the date on which the Employer delivers to Optionee notice terminating the employment relationship (regardless of whether the notice or termination is lawful or unlawful or is in breach of any contract of employment) unless Optionee is transferring employment to the Company, or any Parent, Subsidiary or Affiliate;
 - (2) the date on which Optionee delivers notice to his or her Employer that Optionee is terminating the employment relationship (regardless of whether the notice or termination is lawful or unlawful or is in breach of any contract of employment) unless Optionee is transferring employment to the Company, or any Parent, Subsidiary or Affiliate;
 - (3) the date on which Optionee ceases to provide services to the Company, or any Parent, Subsidiary or Affiliate, as appropriate, except where Optionee is on an authorized leave of absence; or
 - (4) the date on which Optionee ceases to be considered an "employee" under Applicable Laws.

For the avoidance of doubt if Optionee ceases to be an employee but remains a director of the Company, Optionee's employment relationship shall be considered to have terminated for purposes of this Section 3.

- b) If Optionee ceases to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, for any reason except death or Disability, this Option may be exercised to the extent (and only to the extent) that it would have been exercisable upon the date of termination of Optionee's employment, within three (3) months after the date of termination, subject to Section 2 above, but in any event no later than the Expiration Date of the Option. The date of termination of Optionee's employment for purposes of this Agreement and any right to exercise this Option post-termination shall not be extended by any notice period mandated under local law, by contract or otherwise and shall be determined in accordance with Section 3(a) herein.
- c) If Optionee ceases to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, due to Optionee's Disability, this Option may be exercised to the extent (and only to the extent) specified in the Plan, subject to Section 2 above.

- d) If Optionee ceases to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, due to Optionee's death, and notwithstanding the terms of Section 6(i)(iii) of the Plan, this Option shall vest (if at all) in the same number of Shares under the Option as would have vested had Optionee remained employed by Employer through the Vesting Date (as specified in Exhibit A) immediately after his or her death but all other unvested Shares under the Option shall be forfeited. The Optionee's vested Shares under the Option may be exercised by the Optionee's legal representative within twelve (12) months after the final Vesting Date following Optionee's death but in any event no later than the Expiration Date of the Option, provided such person provides proof, to the Company's satisfaction, of his or her entitlement to act on behalf of Optionee's estate.

The committee of the Board of Directors of the Company administering the Plan (the "Committee") shall have discretion to determine whether Optionee has ceased to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, and the effective date on which such employment terminated.

4. Manner of Exercise; Automatic Exercise; Consideration.

- a) The Option may be exercised by delivery to the Company of the stock option exercise agreements in the form then approved by the Committee, stating the number of Shares being purchased, the restrictions imposed on the Shares, if any, and such representations and agreements, as may be required by the Company to comply with applicable laws, together with payment in a form allowed under the Plan. The current forms of stock option exercise form and stock option exercise notice and agreement (the "Exercise Agreement") are available upon request by emailing stock_us@oracle.com.
- b) The Company, at its discretion, may implement an automatic exercise feature pursuant to which the Option will be automatically exercised on the Expiration Date (or on the last Trading Day immediately prior to the Expiration Date if the Expiration Date is not a Trading Day) (the "Automatic Exercise Date") if (i) the Optionee has not exercised the Option prior to the Automatic Exercise Date, (ii) the Fair Market Value of a Share on the Automatic Exercise Date exceeds the Exercise Price per Share by an amount equal to or more than the value of one Share on the Automatic Exercise Date, and (iii) Optionee has not specified in writing that he or she does not want to exercise the Option. If the Company elects to implement this automatic exercise feature, it shall do so according to such procedures as the Company shall specify from time to time; provided, however, that the Company shall not apply the automatic exercise to the Option in circumstances where the Company determines, in its sole discretion, that it is not feasible or advisable due to legal or administrative reasons. Therefore, Optionee should not rely on this feature.
- c) Due to administrative restrictions, paying the Exercise Price by means of the surrender of Shares having a Fair Market Value equal to the applicable Exercise Price of the Option is not an available method of exercise under this Agreement.

5. Compliance with Laws and Regulations. The issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal, state, local or foreign securities and other laws and with all applicable requirements of any stock exchange or national market system on which the Common Stock may be listed at the time of such issuance or transfer.

6. Transferability of Option. This Option may not be transferred in any manner other than (i) by will, or (ii) by the laws of descent and distribution, provided however, a U.S. Optionee may transfer a vested portion of the Option for no consideration to or for the benefit of one or more members of Optionee's Immediate Family (including, without limitation, to a trust for the benefit of Optionee's Immediate Family) (a "Transferee"), subject to such limits as the Committee may establish, and such Transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. Optionee will continue to be treated as the holder of the Option for purposes of the Company's record keeping and for other purposes deemed appropriate by the Company, including the right to consent to amendments to this Agreement, notwithstanding that the economic benefits and dispositive control have been transferred to the Transferee. Optionee agrees, on behalf of each Transferee, to exercise the Option upon the direction and arrangement of payment by such Transferee and further agrees to forward all information provided by the Company (including but not limited to those required under the U.S. securities laws) with respect to the Option to the Transferee. In the discretion of the Committee, the foregoing right to transfer shall apply to the right to transfer ancillary rights associated with the Option. The term "Immediate Family" shall mean Optionee's spouse, qualified same-sex domestic partner, parents, children, stepchildren, adoptive relationships, sisters, brothers and grandchildren (and, for this purpose, shall also include Optionee). Optionee acknowledges that Optionee will continue to be liable for any Tax-Related Items (as defined in Section 8 below).
7. Tax Consequences. The general U.S. federal income tax consequences of the grant and exercise and transfer of the Option, as well as upon disposition of the Shares following exercise, are set forth in the Plan prospectus made available at the Company's web site at:
<http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html>
- If Optionee is subject to tax in any other country besides the U.S., the tax treatment in the other country may differ from that reflected in the Plan prospectus.
8. Tax Withholding Responsibility. Optionee acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax (including federal, state, local and foreign tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Optionee's participation in the Plan and legally applicable to Optionee or deemed by the Company or the Employer in its discretion to be an appropriate charge to Optionee even if legally applicable to the Company or the Employer ("Tax-Related Items"), is and remains Optionee's responsibility and may exceed the amount actually withheld by the Company and/or the Employer. Optionee further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Optionee's liability for Tax-Related Items or to achieve any particular tax result. Further, if Optionee is subject to Tax-Related Items in more than one jurisdiction, Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, Optionee agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, if Optionee is not subject to Section 16 of the Exchange Act, Optionee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from Optionee's wages or other cash compensation paid to Optionee by the Company and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by the Company (on Optionee's behalf pursuant to this authorization without further consent); or (3) withholding in Shares subject to the exercised Option. If Optionee is subject to Section 16 of the Exchange Act, the Company will satisfy the obligations with regard to all Tax-Related Items by withholding Shares otherwise issuable upon settlement of the Option, unless the use of such withholding method is prevented by Applicable Laws or has adverse tax or accounting consequences, in which case Optionee may: (1) elect to have the Company or Employer withhold from Optionee's wages or other cash compensation paid to Optionee by the Company and/or the Employer; or (2) elect to have the Company withhold from proceeds of the sale of Shares acquired upon exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by the Company (on Optionee's behalf pursuant to this authorization).

The Company may withhold or account for Tax-Related Items at maximum applicable rates, which in the case of withholding in Shares may involve use of a statutory withholding rate not to exceed the maximum statutory tax rate for the applicable tax jurisdiction, to the extent consistent with Applicable Laws. To the extent that the obligation for the Tax-Related Items is satisfied by withholding in Shares or withholding from proceeds of the sale of Shares and the Company determines the withholding amount using maximum applicable rates, Optionee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. Further, if the obligation for the Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Optionee is deemed to have been issued the full number of Shares subject to the exercised Option, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Optionee's participation in the Plan.

Finally, Optionee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to honor the exercise and refuse to deliver the Shares or the proceeds from the sale of Shares if Optionee fails to comply with his or her obligations in connection with the Tax-Related Items as described in this section.

9. Nature of the Grant. By entering into this Agreement and accepting the grant of an Option evidenced hereby, Optionee acknowledges that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified,

amended, suspended or terminated by the Company at any time unless otherwise provided in the Plan and this Agreement; (ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) Optionee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Optionee's employment relationship at any time; (v) Optionee's participation in the Plan is voluntary; (vi) the Option and the Shares subject to the Option, and the income and value of same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of Optionee's employment contract, if any; (vii) the Option and the Shares subject to the Option, and the income and value of same, are not part of normal or expected compensation or salary for any purpose including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or welfare or retirement benefits (including the 401(k) Savings and Investment Plan and the Deferred Compensation Plan) or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Parent, Subsidiary or Affiliate; (viii) the Option and the Shares subject to the Option, and the income and value of same, are not intended to replace any pension rights or compensation; (ix) the vesting of any Option ceases upon termination of the employment relationship as described in Section 6(i)(iv) of the Plan except as may otherwise be explicitly provided in the Plan document; (x) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty, and if Optionee exercises the Option and obtains Shares, the value of those Shares may increase or decrease, even below the Exercise Price; (xi) if the underlying Shares do not increase in value, the Option will have no value; (xii) the Option grant and Optionee's participation in the Plan shall not be interpreted to form an employment contract or relationship with the Company or any Parent, Subsidiary or Affiliate; and furthermore, the Option grant shall not be interpreted to form an employment contract with the Employer; (xiii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Optionee's employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any); (xiv) in the event of termination of Optionee's employment as described in Section 3 of this Agreement (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Optionee is employed or the terms of Optionee's employment agreement, if any), Optionee shall not have any right to receive any future options under the Plan; (xv) unless otherwise agreed with the Company, the Option and Shares subject to the Option, and the income and value of same, are not granted as consideration for, or in connection with, any service Optionee may provide as a director of any Parent, Subsidiary or Affiliate; and (xvi) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares.

10. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Optionee's participation in the Plan, or Optionee's acquisition or sale of the underlying Shares. Optionee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. **Data Privacy Consent.** *As a condition of the grant of the Option, Optionee hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this paragraph by and among, as applicable, the Employer and the Company and any Parent, Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing Optionee's participation in the Plan.*

Optionee understands that the Employer, the Company and any Parent, Subsidiary or Affiliate may hold certain personal information about Optionee, including, but not limited to, Optionee's name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, passport number, job title, any Shares or directorships held in the Company, details of all options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Optionee's favor, for the purpose of managing and administering the Plan ("Data").

Optionee acknowledges that Data will be transferred to the Company's stock plan service provider, Fidelity, or such other stock plan service provider or broker as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan, provided that the Company ensures that the recipient maintains a level of privacy broadly equivalent to the standard set forth in the Company's Internal Privacy Policy. Optionee accepts that these recipients may be located in the United States or the European Economic Area or elsewhere and the recipient's country may have different data privacy laws and protections than Optionee's country. Optionee authorizes the Company, its broker and any possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Optionee's participation in the Plan, including any requisite transfer of Data to a designated broker or other third party with whom Optionee may elect to deposit any Shares acquired upon exercise of the Option, as such Data may be required for the administration of the Plan and/or the subsequent holding of Shares on Optionee's behalf. Further, Optionee understands that Optionee is providing the consents herein on a purely voluntary basis. If Optionee does not consent, or later seeks to revoke consent, Optionee's employment status or service and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant Optionee Options or other equity awards or administer or maintain such awards. Therefore, Optionee understands that refusing or withdrawing consent may affect Optionee's ability to participate in the Plan.

Additional details regarding data privacy are included in the Notice of Stock Option Grant and in Oracle's Internal Privacy Policy at:

<http://my.oracle.com/site/legal/cnt337893.pdf>.

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12. Entire Agreement; Interpretation. The Plan made available at the Company's web site at <http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html> is incorporated herein by reference. This Agreement and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. The Committee may amend this Agreement and the Plan from time to time. Optionee understands and agrees that the terms of the Option can only be amended in writing. Optionee agrees that the terms of the Plan govern the Option and that all interpretations and determinations made by the Company (or its Board of Directors and any committee of the Board administering the Plan) with respect to the Plan and this Agreement shall be final and binding on all persons. This Agreement is governed by Delaware law except for that body of law pertaining to conflict of laws. Unless Optionee is subject to a mutual agreement to arbitrate with the Company, Optionee agrees to institute any legal action or legal proceeding relating to this Agreement or the Plan in state court in San Mateo County, California or in federal court in San Francisco, California, United States of America, and no other courts, where this grant is made and/or to be performed. Optionee agrees to submit to the jurisdiction of and agrees that venue is proper in the aforesaid courts in any such action or proceeding and waives, to the fullest extent permitted by law, any objection that the laying of venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in any such court is improper or that such proceedings have been brought in an inconvenient forum.
13. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or to request Optionee's consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party designated by the Company.
14. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
15. 409A Disclaimer. This Agreement shall be interpreted in accordance with, and incorporates the terms and conditions required by, Section 409A of the U.S. Internal Revenue Code (the "Code"). The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including amendments or actions that would result in a reduction in benefits under the Option, as the Company determines are necessary or appropriate to ensure that this Option qualifies for exemption from, or complies with the requirements of, Code Section 409A or to mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code; provided, however, that the Company makes no representation that the Option will be exempt from, or will comply with, Section 409A of the Code, and makes no undertakings to preclude Section 409A of the Code from applying to the Option or to ensure that it complies with Section 409A of the Code. For the avoidance of doubt, Optionee hereby acknowledges and agrees, that the Company will have no liability to Optionee or any other party if the grant, vesting, or exercise of the Option, the issuance of Shares or any other transaction under this Agreement is not exempt from, or compliant with, Code Section 409A, or for any action taken by the Company with respect thereto.

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16. Recoupment. As an additional condition of receiving the Option, Optionee agrees that the Option and any benefits or proceeds Optionee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with Applicable Laws, including, without limitation, pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as may be reflected in a recoupment or “clawback” policy adopted by the Company. Further, if Optionee receives any amount in excess of what Optionee should have received under the terms of the Option for any reason (including without limitation by reason of a financial restatement, mistake in calculations or administrative error), all as determined by the Committee, then Optionee shall be required to promptly repay any such excess amount to the Company.
 17. Country-Specific Terms/Notifications. If Optionee relocates to one of the countries included in Exhibit A of the non U.S. option agreement for options granted in 2017, the special terms for such country will apply to him or her, to the extent the Company determines that the application of such terms is necessary or advisable for legal or administrative reasons. As a result, Optionee should review the specific terms/notifications that apply to him or her in his or her particular country to which he/she transfers. These country specific alerts/notifications are available at the Company’s web site at:
<http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html>
 18. Additional Terms. The Company reserves the right to impose other requirements on Optionee’s participation in the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
 19. Waiver. Optionee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Optionee or any other Participant.

By clicking on the “Accept” button, Optionee accepts the Option and agrees to be bound by its terms as set forth in the Plan and this Agreement.

These terms apply to grants made on or after July 20, 2017.

ORACLE CORPORATION
AMENDED AND RESTATED
2000 LONG-TERM EQUITY INCENTIVE PLAN
STOCK UNIT AWARD AGREEMENT
FOR U.S. EMPLOYEES
(INCLUDING SECTION 16 OFFICERS)

1. Grant. Oracle Corporation (the “Company”) has granted to the participant (“Participant”) named above the number of stock units set forth above (the “Award”) under the Company’s Amended and Restated 2000 Long-Term Equity Incentive Plan (the “Plan”). This Award is subject to the terms set forth below in this stock unit award agreement (the “Agreement”) and in the Plan. In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. All capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.
2. Company’s Obligation to Pay. Each stock unit represents the right to receive a share of Common Stock (a “Share”) on the date the stock unit vests. Unless and until the stock units have vested in accordance with Section 3, Participant will have no right to settlement of any such stock units. Prior to the actual settlement of any vested stock units, such stock units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.
3. Vesting Schedule. Subject to the terms of the Plan and this Agreement, the stock units subject to this Award shall vest in accordance with the schedule specified above.
4. Settlement of the Award. This Award will be settled on the date(s) the stock units vest or as soon thereafter as administratively practicable, but in any event within a period of sixty (60) days following the applicable vesting date. At the time of settlement, Participant will receive one whole Share for each vested stock unit. The Company may, at its sole discretion, substitute an equivalent amount of cash if the distribution of Shares is not reasonably practicable due to the requirements under Applicable Laws, in which case, the amount of cash will be determined on the basis of the Fair Market Value of the Common Stock on the applicable vesting date.
5. No Rights as Stockholder. The stock units underlying this Award do not carry voting rights or rights to cash dividends. Participant shall have no rights as a Stockholder of the Company unless and until the stock units are settled by issuing Shares to the Participant.
6. Termination of Award.
 - a) Notwithstanding any contrary provision of this Agreement, in the event of the termination of Participant’s employment relationship with Participant’s employer (the “Employer”) for any reason other than due to Participant’s death (excluding a transfer to the Company or any Parent, Subsidiary or Affiliate), any stock units that have not vested and Participant’s right to acquire any Shares hereunder will immediately terminate. Participant’s employment relationship shall be considered to have terminated (without regard to any notice period, *e.g.*, a period of “garden leave” or similar period pursuant to local law or as may be required by the terms of an employment agreement) and Participant to have ceased to be employed by the Company or its Parent, Subsidiary or Affiliate, on the earliest of:

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- (1) the date on which the Employer delivers to Participant notice terminating the employment relationship (regardless of whether the notice or termination is lawful or unlawful or is in breach of any contract of employment) unless Participant is transferring employment to the Company, or any Parent, Subsidiary or Affiliate;
 - (2) the date on which Participant delivers notice to his or her Employer that Participant is terminating the employment relationship (regardless of whether the notice or termination is lawful or unlawful or is in breach of any contract of employment) unless Participant is transferring employment to the Company, or any Parent, Subsidiary or Affiliate;
 - (3) the date on which Participant ceases to provide services to the Company, or any Parent, Subsidiary or Affiliate, as appropriate, except where Participant is on an authorized leave of absence; or
 - (4) the date on which Participant ceases to be considered an “employee” under Applicable Laws.
- b) In the event of the termination of Participant’s employment relationship with the Employer due to Participant’s death, the stock units shall vest to the extent (and only to the extent) that they would have vested on the first vesting date occurring after such death pursuant to the vesting schedule referred to in Section 3. Amounts due in settlement of the vested stock units will be delivered to Participant’s legal representative in accordance with Section 4 and provided such person provides proof, to the Company’s satisfaction, of his or her entitlement to receive such amounts.

The committee of the Board of Directors of the Company administering the Plan (the “Committee”) shall have discretion to determine whether Participant has ceased to be employed by the Company or any Parent, Subsidiary or Affiliate, as appropriate, and the effective date on which such employment terminated.

In addition, subject to Applicable Laws, the Committee in its sole discretion may suspend vesting of the Award if Participant takes a leave of absence from employment with the Company or any Parent, Subsidiary or Affiliate.

7. Compliance with Laws and Regulations. The issuance and transfer of Shares shall be subject to compliance by the Company and Participant with all applicable requirements of federal, state, local or foreign securities and other laws and with all applicable requirements of any stock exchange or national market system on which the Common Stock may be listed at the time of such issuance or transfer.
8. Transferability of Award. This Award may not be transferred in any manner other than (i) by will, (ii) by the laws of descent and distribution, or (iii) by proof to the Company’s satisfaction, in the event of Participant’s death, that the beneficiary is entitled to receive the Award.

9. **Tax Consequences**. The general U.S. federal income tax consequences of the grant, vesting, settlement and transfer of the Award, as well as upon disposition of any Shares issued at settlement of this Award, are set forth in the Plan prospectus made available at the Company's web site at:

<http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html>.

If Participant is subject to tax in any other country besides the U.S., the tax treatment in the other country may differ from that reflected in the Plan prospectus.

10. **Tax Withholding Responsibility**. Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax (including federal, state, local and foreign tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant or deemed by the Company or the Employer in its discretion to be an appropriate charge to Participant even if legally applicable to the Company or the Employer ("Tax-Related Items"), is and remains Participant's responsibility and may exceed the amount actually withheld by the Company and/or the Employer. Participant further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Award, including, but not limited to, the grant, vesting or settlement of this Award, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of this Award to reduce or eliminate Participant's liability for Tax-Related Items or to achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, if Participant is not subject to Section 16 of the Exchange Act, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired upon settlement of this Award, either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent); or (3) withholding in Shares issuable upon settlement of this Award. If Participant is subject to Section 16 of the Exchange Act, the Company will satisfy the obligations with regard to all Tax-Related Items by withholding Shares otherwise issuable upon settlement of the Award, unless the use of such withholding method is prevented by Applicable Laws or has adverse tax or accounting consequences, in which case Participant may: (1) elect to have the Company or Employer withhold from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer; or (2) elect to have the Company withhold from proceeds of the sale of Shares acquired upon vesting of the Award, either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

The Company may withhold or account for Tax-Related Items at maximum applicable rates, which in the case of withholding in Shares may involve use of a statutory withholding rate not to exceed the maximum statutory tax rate for the applicable tax jurisdiction, to the extent consistent with Applicable Laws. To the extent that the obligation for the Tax-Related Items is satisfied by withholding in Shares or withholding from proceeds of the sale of Shares and the Company determines the withholding amount using maximum applicable rates, Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. Further, if the obligation for the Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested stock units underlying this Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Participant's participation in the Plan.

Finally, Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver the Shares or the proceeds from the sale of Shares if Participant fails to comply with his or her obligations in connection with the Tax-Related Items as described in this section.

11. Nature of the Grant. By entering into this Agreement and accepting the grant of this Award evidenced hereby, Participant acknowledges that: (i) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time unless otherwise provided in the Plan and this Agreement; (ii) the grant of this Award is voluntary and occasional and does not create any contractual or other right to receive future grants of stock units, or benefits in lieu of stock units, even if stock units have been granted in the past; (iii) all decisions with respect to future grants, if any, will be at the sole discretion of the Company; (iv) Participant's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Participant's employment relationship at any time; (v) Participant's participation in the Plan is voluntary; (vi) this Award and the Shares subject to this Award, and the income and value of same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of Participant's employment contract, if any; (vii) this Award and the Shares subject to this Award, and the income and value of same, are not part of normal or expected compensation or salary for any purpose including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or welfare or retirement benefits (including the 401(k) Savings and Investment Plan and the Deferred Compensation Plan) or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Parent, Subsidiary or Affiliate; (viii) this Award and the Shares subject to this Award, and the income and value of same, are not intended to replace any pension rights or compensation; (ix) unless otherwise agreed with the Company, this Award and the Shares subject to this Award, and the income and value of same, are not granted as consideration for, or in connection with, any service Participant may provide as a director of any Parent, Subsidiary or Affiliate; (x) the vesting of this Award ceases upon termination of the employment relationship as described in Section 6 of this Agreement except as may otherwise be explicitly provided in the Plan document; (xi) the future value

of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty; (xii) the grant of this Award and Participant's participation in the Plan shall not be interpreted to form an employment contract or relationship with the Company or any Parent, Subsidiary or Affiliate; and furthermore, the Award grant shall not be interpreted to form an employment contract with the Employer; (xiii) no claim or entitlement to compensation or damages shall arise from forfeiture of this Award resulting from the termination of Participant's employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); and (xiv) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares.

12. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
13. **Data Privacy Consent.** *As a condition of the grant of this Award, Participant hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this paragraph by and among, as applicable, the Employer and the Company and any Parent, Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Employer, the Company and any Parent, Subsidiary or Affiliate may hold certain personal information about Participant, including Participant's name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, passport number, job title, any Shares or directorships held in the Company, details of all stock units or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in Participant's favor ("Data"), for the purpose of managing and administering the Plan.

Participant acknowledges that Data will be transferred to the Company's stock plan service provider, Fidelity, or such other stock plan service provider or broker as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan, provided that the Company ensures that the recipient maintains a level of privacy broadly equivalent to the standard set forth in the Company's Internal Privacy Policy. Participant accepts that these recipients may be located in the United States or the European Economic Area or elsewhere and the recipient's country may have different data privacy laws and protections than Participant's country. Participant authorizes the Company, its broker and any possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of Data to a designated broker or other third party with whom

Participant may elect to deposit any Shares acquired upon settlement of this Award, as such Data may be required for the administration of the Plan and/or the subsequent holding of Shares on Participant's behalf. Further, Participant understands that Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or later seeks to revoke consent, Participant's employment status or service and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant Participant stock units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing consent may affect Participant's ability to participate in the Plan.

Additional details regarding data privacy are included in the Notice of Stock Unit Award Grant and in Oracle's Internal Privacy Policy at:

<http://my.oracle.com/site/legal/cnt337893.pdf>.

14. Entire Agreement; Interpretation. The Plan made available at the Company's web site at <http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html> is incorporated herein by reference. This Agreement and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. The Committee may amend this Agreement and the Plan from time to time. Participant understands and agrees that the terms of this Award can only be amended in writing. Participant agrees that the terms of the Plan govern this Award and that all interpretations and determinations made by the Company or the Committee with respect to the Plan and this Agreement shall be final and binding on all persons. This Agreement is governed by Delaware law except for that body of law pertaining to conflict of laws. Unless Participant is subject to a mutual agreement to arbitrate with the Company, Participant agrees to institute any legal action or legal proceeding relating to this Agreement or the Plan in state court in San Mateo County, California, or in federal court in San Francisco, California, United States of America, and no other courts, where this grant is made and/or to be performed. Participant agrees to submit to the jurisdiction of and agrees that venue is proper in the aforesaid courts in any such action or proceeding and waives, to the fullest extent permitted by law, any objection that the laying of venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in any such court is improper or that such proceedings have been brought in an inconvenient forum.
15. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party designated by the Company.
16. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
17. 409A Disclaimer. This Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the U.S. Internal Revenue Code (the "Code"). The Company reserves the right, to the extent the Company deems necessary or

advisable in its sole discretion, to unilaterally amend or modify this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including amendments or actions that would result in a reduction in benefits payable under the Award, as the Company determines are necessary or appropriate to ensure that this Award qualifies for exemption from, or complies with the requirements of, Code Section 409A or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code; provided, however, that the Company makes no representation that this Award will be exempt from, or will comply with, Section 409A of the Code, and makes no undertakings to preclude Section 409A of the Code from applying to this Award or to ensure that it complies with Section 409A of the Code. For the avoidance of doubt, Participant hereby acknowledges and agrees that the Company will have no liability to Participant or any other party if the grant, vesting or settlement of this Award and the issuance of Shares or cash or any other transaction under this Agreement is not exempt from, or compliant with, Code Section 409A, or for any action taken by the Company with respect thereto.

18. Recoupment. As an additional condition of receiving this Award, Participant agrees that this Award and any benefits or proceeds Participant may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with Applicable Laws, including, without limitation, pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as may be reflected in a recoupment or “clawback” policy adopted by the Company. Further, if Participant receives any amount in excess of what Participant should have received under the terms of this Award for any reason (including without limitation by reason of a financial restatement, mistake in calculations or administrative error), all as determined by the Committee, then Participant shall be required to promptly repay any such excess amount to the Company.
19. Country-Specific Terms/Notifications. If Participant relocates to one of the countries included in Exhibit A to the non-U.S. stock unit agreement for stock units granted in 2017, the special terms for such country will apply to him or her, to the extent the Company determines that the application of such terms is necessary or advisable for legal or administrative reasons. As a result, Participant should review the specific terms/notifications that apply to him or her in his or her particular country to which he/she transfers. These country specific alerts/notifications are available at the Company’s web site at: <http://my.oracle.com/site/hr/RegionalSites/U.S./usbenefits/equity/index.html>.
20. Additional Terms. The Company reserves the right to impose other requirements on Participant’s participation in the Plan to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
21. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other participant.

By clicking on the “Accept” button, Participant accepts this Award and agrees to be bound by its terms as set forth in the Plan and this Agreement. If Participant does not acknowledge acceptance of the Award within seven (7) months of the Grant Date, the Award will be cancelled.

These terms apply to grants made on or after July 10, 2017.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark V. Hurd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oracle Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Finance and Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 18, 2017

By: /s/ M ARK V. H URD
Mark V. Hurd
Chief Executive Officer and Director
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Safra A. Catz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oracle Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Finance and Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 18, 2017

By: /s/ S AFRA A. C ATZ

Safra A. Catz
Chief Executive Officer and Director
(Principal Executive and Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERS AND
PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the quarterly report on Form 10-Q of Oracle Corporation for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Safra A. Catz, the Chief Executive Officer (Principal Executive Officer and Principal Financial Officer) of Oracle Corporation, and Mark V. Hurd, the Chief Executive Officer (Principal Executive Officer) of Oracle Corporation, each certifies that, to the best of his or her knowledge:

1. the quarterly report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of Oracle Corporation.

Date: September 18, 2017

By: /s/ S AFRA A. C ATZ

Safra A. Catz
Chief Executive Officer and Director
(Principal Executive and Financial Officer)

Date: September 18, 2017

By: /s/ M ARK V. H URD

Mark V. Hurd
Chief Executive Officer and Director
(Principal Executive Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of Oracle Corporation, regardless of any general incorporation language in such filing.