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 November 30, 2020

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	**54-2185193**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2300 Oracle Way **Austin, Texas**	**78741**
(Address of principal executive offices)	**(Zip Code)**

(737) 867-1000
(Registrant's telephone number, including area code)

500 Oracle Parkway
Redwood City, California 94065
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	ORCL	New York Stock Exchange
2.25% senior notes due January 2021	—	New York Stock Exchange
3.125% senior notes due July 2025	—	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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 ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth 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 December 4, 2020 was: 2,944,034,000.

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 expectations regarding the impacts on our business as a result of the global COVID-19 pandemic;
- our expectation that we may acquire companies, products, services and technologies to further our corporate strategy as compelling opportunities become available;
- our expectation that, on a constant currency basis, our total cloud and license revenues generally will continue to increase due to expected growth in our cloud services and our license support offerings, and continued demand for our cloud license and on-premise license offerings;
- our belief that our Oracle Cloud Software-as-a-Service and Infrastructure-as-a-Service (SaaS and IaaS, respectively, and collectively, Oracle Cloud Services) offerings are opportunities for us to expand our cloud and license business, and that demand for our Oracle Cloud Services will continue to increase;
- our expectation that substantially all of our customers will renew their license support contracts annually;
- our expectation that our hardware business will have lower operating margins as a percentage of revenues than our cloud and license business;
- our expectation that we will continue to make significant investments in research and development, 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;
- the timing and amount of expenses we expect to incur and the cost savings we expect to realize pursuant to our 2019 Restructuring Plan;
- the timing and amount of future cash dividend payments and 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;

- our expectation that, to the extent customers renew support contracts or cloud SaaS 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;
- the percentage of remaining performance obligations that we expect to recognize as revenues over the next twelve months;

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, 2020 and our other Quarterly Reports on Form 10-Q to be filed by us in our fiscal 2021, which runs from June 1, 2020 to May 31, 2021.

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 November 30, 2020 and May 31, 2020
(Unaudited)

(in millions, except per share data)	November 30, 2020	May 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,001	$ 37,239
Marketable securities	10,592	5,818
Trade receivables, net of allowances for doubtful accounts of $472 and $409 as of November 30, 2020 and May 31, 2020, respectively	4,423	5,551
Prepaid expenses and other current assets	3,235	3,532
Total current assets	46,251	52,140
Non-current assets:		
Property, plant and equipment, net	6,627	6,244
Intangible assets, net	3,061	3,738
Goodwill, net	43,877	43,769
Deferred tax assets	3,401	3,252
Other non-current assets	6,797	6,295
Total non-current assets	63,763	63,298
Total assets	$ 110,014	$ 115,438
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable, current	$ 7,251	$ 2,371
Accounts payable	724	637
Accrued compensation and related benefits	1,420	1,453
Deferred revenues	8,062	8,002
Other current liabilities	3,890	4,737
Total current liabilities	21,347	17,200
Non-current liabilities:		
Notes payable and other borrowings, non-current	63,531	69,226
Income taxes payable	12,214	12,463
Other non-current liabilities	4,306	3,832
Total non-current liabilities	80,051	85,521
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: 2,952 shares and 3,067 shares as of November 30, 2020 and May 31, 2020, respectively	26,298	26,486
Accumulated deficit	(17,095)	(12,696)
Accumulated other comprehensive loss	(1,286)	(1,716)
Total Oracle Corporation stockholders' equity	7,917	12,074
Noncontrolling interests	699	643
Total equity	8,616	12,717
Total liabilities and equity	$ 110,014	$ 115,438

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six Months Ended November 30, 2020 and 2019
(Unaudited)

(in millions, except per share data)	Three Months Ended November 30, 2020	Three Months Ended November 30, 2019	Six Months Ended November 30, 2020	Six Months Ended November 30, 2019
Revenues:				
Cloud services and license support	$ 7,112	$ 6,811	$ 14,059	$ 13,616
Cloud license and on-premise license	1,092	1,126	1,978	1,937
Hardware	844	871	1,658	1,686
Services	752	806	1,472	1,593
Total revenues	9,800	9,614	19,167	18,832
Operating expenses:				
Cloud services and license support(1)	1,064	1,022	2,075	2,003
Hardware(1)	244	285	490	557
Services	631	741	1,254	1,445
Sales and marketing(1)	1,836	2,068	3,690	4,086
Research and development	1,601	1,531	3,190	3,088
General and administrative	324	323	619	615
Amortization of intangible assets	345	407	690	821
Acquisition related and other	76	12	95	37
Restructuring	96	42	270	120
Total operating expenses	6,217	6,431	12,373	12,772
Operating income	3,583	3,183	6,794	6,060
Interest expense	(600)	(465)	(1,214)	(959)
Non-operating (expenses) income, net	(11)	92	(13)	191
Income before provision for income taxes	2,972	2,810	5,567	5,292
Provision for income taxes	530	499	874	844
Net income	$ 2,442	$ 2,311	$ 4,693	$ 4,448
Earnings per share:				
Basic	$ 0.82	$ 0.71	$ 1.56	$ 1.36
Diluted	$ 0.80	$ 0.69	$ 1.53	$ 1.32
Weighted average common shares outstanding:				
Basic	2,977	3,245	3,009	3,281
Diluted	3,046	3,331	3,076	3,370

(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 and Six Months Ended November 30, 2020 and 2019
(Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Net income	$ 2,442	$ 2,311	$ 4,693	$ 4,448
Other comprehensive income (loss), net of tax:				
Net foreign currency translation gains (losses)	47	(84)	372	(92)
Net unrealized gains on defined benefit plans	10	7	56	11
Net unrealized gains on marketable securities	—	3	3	88
Net unrealized (losses) gains on cash flow hedges	(6)	8	(1)	(16)
Total other comprehensive income (loss), net	51	(66)	430	(9)
Comprehensive income	$ 2,493	$ 2,245	$ 5,123	$ 4,439

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended November 30, 2020 and 2019
(Unaudited)

(in millions, except per share data)	Three Months Ended November 30, 2020	Three Months Ended November 30, 2019	Six Months Ended November 30, 2020	Six Months Ended November 30, 2019
Common stock and additional paid in capital				
Balance, beginning of period	$ 26,238	$ 26,450	$ 26,486	$ 26,909
Common stock issued	205	301	772	617
Stock-based compensation	488	397	916	843
Repurchases of common stock	(590)	(727)	(1,355)	(1,434)
Other, net	(43)	(47)	(521)	(561)
Balance, end of period	$ 26,298	$ 26,374	$ 26,298	$ 26,374
Accumulated deficit				
Balance, beginning of period	$ (15,410)	$ (6,446)	$ (12,696)	$ (3,496)
Repurchases of common stock	(3,410)	(4,273)	(7,645)	(8,566)
Cash dividends declared	(717)	(767)	(1,447)	(1,562)
Net income	2,442	2,311	4,693	4,448
Other, net	—	1	—	2
Balance, end of period	$ (17,095)	$ (9,174)	$ (17,095)	$ (9,174)
Other equity, net				
Balance, beginning of period	$ (688)	$ (985)	$ (1,073)	$ (1,050)
Other comprehensive income (loss), net	51	(66)	430	(9)
Other, net	50	36	56	44
Balance, end of period	$ (587)	$ (1,015)	$ (587)	$ (1,015)
Total stockholders' equity	$ 8,616	$ 16,185	$ 8,616	$ 16,185
Cash dividends declared per common share	$ 0.24	$ 0.24	$ 0.48	$ 0.48

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended November 30, 2020 and 2019
(Unaudited)

(in millions)	**Six Months Ended November 30, 2020**	**Six Months Ended November 30, 2019**
Cash flows from operating activities:		
Net income	$ 4,693	$ 4,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	742	677
Amortization of intangible assets	690	821
Deferred income taxes	(43)	(263)
Stock-based compensation	916	843
Other, net	184	117
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables, net	1,263	1,079
Decrease in prepaid expenses and other assets	545	638
Decrease in accounts payable and other liabilities	(248)	(916)
Decrease in income taxes payable	(1,243)	(613)
Decrease in deferred revenues	(158)	(318)
Net cash provided by operating activities	7,341	6,513
Cash flows from investing activities:		
Purchases of marketable securities and other investments	(15,578)	(314)
Proceeds from maturities of marketable securities and other investments	10,776	2,204
Proceeds from sales of marketable securities	3	12,575
Acquisitions, net of cash acquired	—	(111)
Capital expenditures	(1,004)	(735)
Net cash (used for) provided by investing activities	(5,803)	13,619
Cash flows from financing activities:		
Payments for repurchases of common stock	(8,962)	(9,996)
Proceeds from issuances of common stock	772	617
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(520)	(559)
Payments of dividends to stockholders	(1,447)	(1,562)
Repayments of borrowings	(1,000)	(4,500)
Other, net	110	(96)
Net cash used for financing activities	(11,047)	(16,096)
Effect of exchange rate changes on cash and cash equivalents	271	(10)
Net (decrease) increase in cash and cash equivalents	(9,238)	4,026
Cash and cash equivalents at beginning of period	37,239	20,514
Cash and cash equivalents at end of period	$ 28,001	$ 24,540
Non-cash financing activities:		
Change in unsettled repurchases of common stock	$ 38	$ 4

See notes to condensed consolidated financial statements.

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2020
(Unaudited)

1. BASIS OF PRESENTATION, RECENT ACCOUNTING PRONOUNCEMENTS AND OTHER

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 consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

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, 2021.

During the first half of fiscal 2021, we adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent amendments to the initial guidance; and ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*, neither of which had a material impact to our current or historical condensed consolidated financial statements. There have been no changes to our significant accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020 that had a significant impact on our condensed consolidated financial statements or notes thereto as of and for the six months ended November 30, 2020.

Remaining Performance Obligations from Contracts with Customers

Trade receivables, net of allowance for doubtful accounts, and deferred revenues are reported net of related uncollected deferred revenues in our condensed consolidated balance sheets as of November 30, 2020 and May 31, 2020. The revenues recognized during the six months ended November 30, 2020 and 2019, respectively, that were included in the opening deferred revenues balances as of May 31, 2020 and 2019, respectively, were approximately $5.9 billion and $6.2 billion, respectively. Revenues recognized from performance obligations satisfied in prior periods and impairment losses recognized on our receivables were immaterial in each of the three and six months ended November 30, 2020 and 2019, respectively.

Remaining performance obligations, as defined in Note 1 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020, were $34.4 billion as of November 30, 2020, approximately 60% of which we expect to recognize as revenues over the next twelve months and the remainder thereafter.

Sales of Financing Receivables

We offer certain of our customers the option to acquire certain of our cloud and license, hardware 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. Financing receivables sold to financial institutions were $300 million and $977 million for the three and six months ended November 30, 2020, respectively, and $196 million and $876 million for the three and six months ended November 30, 2019, respectively.

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 November 30, 2020 and May 31, 2020 and our condensed consolidated statements of cash flows for the six months ended November 30, 2020 and 2019 was nominal.

Acquisition Related and Other Expenses

Acquisition related and other expenses primarily consist of personnel related costs for transitional and certain other employees, certain business combination adjustments including adjustments after the measurement period has ended, and certain other operating items, net.

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	2020	2019	2020	2019
Transitional and other employee related costs	$ 1	$ 3	$ 3	$ 7
Business combination adjustments, net	—	(4)	1	2
Other, net	75	13	91	28
Total acquisition related and other expenses	$ 76	$ 12	$ 95	$ 37

Non-Operating (Expenses) Income, net

Non-operating (expenses) income, net consists primarily of interest income, net foreign currency exchange losses, the noncontrolling interests in the net profits of our majority-owned subsidiaries (primarily Oracle Financial Services Software Limited and Oracle Corporation Japan) and net other income and expenses, including net realized gains and losses related to all of our investments, net unrealized gains and losses related to the small portion of our investment portfolio related to our deferred compensation plan, net unrealized gains and losses related to equity securities and non-service net periodic pension income and losses.

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	2020	2019	2020	2019
Interest income	$ 27	$ 145	$ 58	$ 335
Foreign currency losses, net	(16)	(26)	(66)	(80)
Noncontrolling interests in income	(43)	(46)	(81)	(87)
Other, net	21	19	76	23
Total non-operating (expenses) income, net	$ (11)	$ 92	$ (13)	$ 191

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
November 30, 2020
(Unaudited)

Recent Accounting Pronouncements

Financial Instruments: In March 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04). ASU 2020-04 provides optional guidance for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. We will adopt ASU 2020-04 when our relevant contracts are modified upon transition to alternative reference rates. We do not expect our adoption of ASU 2020-04 to have a material impact on our consolidated financial statements.

Income Taxes: In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which is intended to simplify various areas related to the accounting for income taxes and improve consistent application of Topic 740. ASU 2019-12 is effective for us beginning in fiscal 2022, and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2019-12 on our consolidated financial statements.

2. ACQUISITIONS

Fiscal 2021 and 2020 Acquisitions

During the first half of fiscal 2021 and full year of fiscal 2020, 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 to our condensed consolidated financial statements.

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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	November 30, 2020			May 31, 2020		
	Fair Value Measurements Using Input Types			Fair Value Measurements Using Input Types		
(in millions)	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Corporate debt securities and other	$ 1,737	$ 6,488	$ 8,225	$ 4,036	$ 2,589	$ 6,625
Commercial paper debt securities	—	4,356	4,356	—	5,640	5,640
Money market funds	11,246	—	11,246	18,587	—	18,587
Derivative financial instruments	—	72	72	—	29	29
Total assets	$ 12,983	$ 10,916	$ 23,899	$ 22,623	$ 8,258	$ 30,881
Liabilities:						
Derivative financial instruments	$ —	$ 137	$ 137	$ —	$ 268	$ 268

We classify our marketable securities as available-for-sale debt securities at the time of purchase and reevaluate such classification as of each balance sheet date. Our marketable securities investments consist of Tier 1 commercial paper debt securities, money market funds, corporate debt securities and certain other securities. Marketable securities as presented per our condensed consolidated balance sheets included securities with original maturities at the time of purchase greater than three months and the remainder of the securities were included in cash and cash equivalents. As of November 30, 2020 and May 31, 2020, substantially all of our marketable securities investments mature within one year. Our valuation techniques used to measure the fair values of our instruments 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 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 $70.8 billion and $71.6 billion of senior notes and the related fair value hedges that we had outstanding as of November 30, 2020 and May 31, 2020, respectively, the estimated fair values of the senior notes and the related fair value hedges using Level 2 inputs at November 30, 2020 and May 31, 2020 were $82.1 billion and $80.9 billion, respectively.

ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
November 30, 2020
(Unaudited)

4. INTANGIBLE ASSETS AND GOODWILL

The changes in intangible assets for fiscal 2021 and the net book value of intangible assets as of November 30, 2020 and May 31, 2020 were as follows:

(in millions)	Intangible Assets, Gross			Accumulated Amortization			Intangible Assets, Net	
	May 31, 2020	Additions & Adjustments, net[1]	November 30, 2020	May 31, 2020	Expense	November 30, 2020	May 31, 2020	November 30, 2020
Developed technology	$ 4,471	$ 3	$ 4,474	$ (3,290)	$ (316)	$ (3,606)	$ 1,181	$ 868
Cloud services and license support agreements and related relationships	5,589	10	5,599	(3,271)	(329)	(3,600)	2,318	1,999
Other	1,341	—	1,341	(1,102)	(45)	(1,147)	239	194
Total intangible assets, net	$ 11,401	$ 13	$ 11,414	$ (7,663)	$ (690)	$ (8,353)	$ 3,738	$ 3,061

(1) Amounts also include any changes in intangible asset balances for the periods presented that resulted from foreign currency translations.

As of November 30, 2020, estimated future amortization expenses related to intangible assets were as follows (in millions):

Remainder of fiscal 2021	$ 668
Fiscal 2022	1,106
Fiscal 2023	682
Fiscal 2024	445
Fiscal 2025	126
Fiscal 2026	24
Thereafter	10
Total intangible assets, net	$ 3,061

The changes in the carrying amounts of goodwill, net, which is generally not deductible for tax purposes, for our operating segments for the six months ended November 30, 2020 were as follows:

(in millions)	Cloud and License	Hardware	Services	Total Goodwill, net
Balances as of May 31, 2020	$ 39,637	$ 2,367	$ 1,765	$ 43,769
Goodwill adjustments, net[1]	96	—	12	108
Balances as of November 30, 2020	$ 39,733	$ 2,367	$ 1,777	$ 43,877

(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). Amounts also include any changes in goodwill balances for the period presented that resulted from foreign currency translations.

5. RESTRUCTURING ACTIVITIES

Fiscal 2019 Oracle Restructuring Plan

During fiscal 2019, our management approved, committed to and initiated plans to restructure and further improve efficiencies in our operations due to our acquisitions and certain other operational activities (2019 Restructuring Plan). In the second quarter of fiscal 2021, our management supplemented the 2019 Restructuring Plan to reflect additional actions that we expect to take. Restructuring costs associated with the 2019 Restructuring Plan were recorded to the restructuring expense line item within our condensed consolidated statements of operations as they were incurred. We recorded $269 million and $125 million of restructuring expenses in connection with the 2019 Restructuring Plan in the first half of fiscal 2021 and 2020, respectively. Any changes to the estimates or timing of executing the 2019 Restructuring Plan will be reflected in our future results of operations.

Summary of All Plans

		Six Months Ended November 30, 2020						
(in millions)	Accrued May 31, 2020(2)	Initial Costs(3)	Adj. to Cost(4)	Cash Payments	Others(5)	Accrued November 30, 2020(2)	Total Costs Accrued to Date	Total Expected Program Costs
2019 Restructuring Plan(1)								
Cloud and license	$ 75	$ 126	$ (15)	$ (112)	$ 7	$ 81	$ 414	$ 454
Hardware	14	24	(1)	(21)	—	16	103	106
Services	27	37	(2)	(31)	2	33	126	147
Other(6)	22	100	—	(80)	3	45	363	369
Total 2019 Restructuring Plan	$ 138	$ 287	$ (18)	$ (244)	$ 12	$ 175	$ 1,006	$ 1,076
Total other restructuring plans(7)	$ 13	$ 2	$ (1)	$ (2)	$ —	$ 12		
Total restructuring plans	$ 151	$ 289	$ (19)	$ (246)	$ 12	$ 187		

(1) Restructuring costs recorded for individual line items primarily related to employee severance costs.

(2) As of November 30, 2020 and May 31, 2020, substantially all restructuring liabilities have been recorded in other current liabilities within our condensed consolidated balance sheets.

(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) Represents employee related severance costs for functions that are not included within our operating segments and certain other restructuring costs.

(7) 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.

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6. DEFERRED REVENUES

Deferred revenues consisted of the following:

(in millions)	November 30, 2020	May 31, 2020
Cloud services and license support	$ 7,057	$ 6,996
Hardware	570	613
Services	395	365
Cloud license and on-premise license	40	28
Deferred revenues, current	8,062	8,002
Deferred revenues, non-current (in other non-current liabilities)	656	597
Total deferred revenues	$ 8,718	$ 8,599

Deferred cloud services and license support revenues and deferred hardware revenues substantially represent customer payments made in advance for cloud or support contracts that are typically billed in advance with corresponding revenues generally being recognized ratably over the contractual periods. Deferred services revenues include prepayments for our services business and revenues for these services are generally recognized as the services are performed. Deferred cloud license and on-premise license revenues typically resulted from customer payments that related to undelivered products and services or specified enhancements.

In connection with our acquisitions, we have estimated the fair values of the cloud services and license support performance obligations assumed from our acquired companies. Refer to Note 9 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020 for further explanation of these estimates.

7. DERIVATIVE FINANCIAL INSTRUMENTS

We held the following derivative instruments that were designated and accounted for as hedging instruments pursuant to ASC 815, *Derivatives and Hedging* (ASC 815) as of November 30, 2020 and May 31, 2020:

- interest rate swap agreements, which are used to protect us against changes in the fair values of certain of our fixed-rate borrowings attributable to the movements in benchmark interest rates. We have designated these swap agreements as qualifying hedging instruments and are accounting for them as fair value hedges pursuant to ASC 815;
- cross-currency interest rate swap agreements, which are used to protect us against changes in the fair values of certain of our fixed-rate Euro-denominated borrowings attributable to the movements in benchmark interest rates and foreign currency exchange rates by effectively converting the fixed-rate, Euro-denominated borrowings, including the annual interest payments and the payment of principal at maturity, to variable-rate, U.S. Dollar-denominated debt based on LIBOR. We have designated these swap agreements as qualifying hedging instruments and are accounting for them as fair value hedges pursuant to ASC 815; and
- cross-currency swap agreements, which are used to manage foreign currency exchange risk by converting certain of our fixed-rate Euro-denominated borrowings including periodic interest payments and the payment of principal at maturity to fixed-rate U.S. Dollar-denominated debt and are accounted for as cash flow hedges pursuant to ASC 815.

We also held certain foreign currency contracts that were not designated as hedges pursuant to ASC 815. As of November 30, 2020 and May 31, 2020, the notional amounts of such forward contracts we held to purchase U.S. Dollars in exchange for other major international currencies were $3.9 billion and $4.2 billion, respectively, and the notional amounts of forward contracts we held to sell U.S. Dollars in exchange for other major international currencies were $3.9 billion as of the end of each period. The fair values of our outstanding foreign currency forward contracts were nominal as of November 30, 2020 and May 31, 2020. Net gains or losses related to these forward contracts are included in non-operating income, net.

See Note 10 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020 for additional information regarding the purpose, accounting and classification of our derivative instruments. None of our derivative instruments are used for trading purposes. The effects of 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 Instruments Designated as Hedges in Condensed Consolidated Balance Sheets

		Fair Value as of	
(in millions)	**Balance Sheet Location**	**November 30, 2020**	**May 31, 2020**
Derivative assets:			
Interest rate swap agreements designated as fair value hedges	Other current assets	$ 17	$ —
Cross-currency interest rate swap agreements designated as fair value hedges	Other non-current assets	55	—
Interest rate swap agreements designated as fair value hedges	Other non-current assets	—	29
Total derivative assets		$ 72	$ 29
Derivative liabilities:			
Cross-currency swap agreements designated as cash flow hedges	Other current liabilities	$ 137	$ 251
Cross-currency interest rate swap agreements designated as fair value hedges	Other non-current liabilities	—	17
Total derivative liabilities		$ 137	$ 268

Effects of Fair Value Hedging Relationships on Hedged Items in Condensed Consolidated Balance Sheets

(in millions)	**November 30, 2020**	**May 31, 2020**
Notes payable, current:		
Carrying amount of hedged item	$ 1,517	$ —
Cumulative hedging adjustment included in the carrying amount	$ 17	$ —
Notes payable and other borrowings, non-current:		
Carrying amounts of hedged items	$ 2,217	$ 3,680
Cumulative hedging adjustments included in the carrying amount	$ 111	$ 75

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Effects of Derivative Instruments Designated as Hedges on Income

	Three Months Ended November 30,			
	2020		2019	
(in millions)	Non-operating (expenses) income, net	Interest expense	Non-operating (expenses) income, net	Interest expense
Condensed consolidated statements of operations line amounts in which the hedge effects were recorded	$ (11)	$ (600)	$ 92	$ (465)
Gain (loss) on hedges recognized in income:				
Interest rate swap agreements designated as fair value hedges:				
Derivative instruments	$ —	$ (7)	$ —	$ (4)
Hedged items	—	7	—	4
Cross-currency interest rate swap agreements designated as fair value hedges:				
Derivative instruments	(2)	2	5	(16)
Hedged items	1	(2)	(3)	16
Cross-currency swap agreements designated as cash flow hedges:				
Amount of gain (loss) reclassified from accumulated OCI	12	—	(10)	—
Total gain (loss) on hedges recognized in income	$ 11	$ —	$ (8)	$ —

	Six Months Ended November 30,			
	2020		2019	
(in millions)	Non-operating (expenses) income, net	Interest expense	Non-operating (expenses) income, net	Interest expense
Condensed consolidated statements of operations line amounts in which the hedge effects were recorded	$ (13)	$ (1,214)	$ 191	$ (959)
Gain (loss) on hedges recognized in income:				
Interest rate swap agreements designated as fair value hedges:				
Derivative instruments	$ —	$ (12)	$ —	$ 12
Hedged items	—	12	—	(12)
Cross-currency interest rate swap agreements designated as fair value hedges:				
Derivative instruments	70	4	(13)	7
Hedged items	(62)	(4)	12	(7)
Cross-currency swap agreements designated as cash flow hedges:				
Amount of gain (loss) reclassified from accumulated OCI	115	—	(18)	—
Total gain (loss) on hedges recognized in income	$ 123	$ —	$ (19)	$ —

Gain (Loss) on Derivative Instruments Designated as Hedges included in Other Comprehensive Income (OCI)

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	2020	2019	2020	2019
Cross-currency swap agreements designated as cash flow hedges	$ 6	$ (2)	$ 114	$ (34)

8. STOCKHOLDERS' EQUITY

Common Stock Repurchases

Our Board of Directors has approved a program for us to repurchase shares of our common stock. As of November 30, 2020, approximately $7.6 billion remained available for stock repurchases pursuant to our stock repurchase program. We repurchased 158.1 million shares for $9.0 billion during the six months ended November 30, 2020 (including 0.7 million shares for $38 million that were repurchased but not settled) and 181.0 million shares for $10.0 billion during the six months ended November 30, 2019 under the 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.

Dividends on Common Stock

In December 2020, our Board of Directors declared a quarterly cash dividend of $0.24 per share of our outstanding common stock. The dividend is payable on January 21, 2021 to stockholders of record as of the close of business on January 7, 2021. 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 2021 Stock-Based Awards Activity and Compensation Expense

During the first half of fiscal 2021, we issued 45 million restricted stock-based units (RSUs), substantially all of which were issued as a part of our annual stock-based award process and are subject to service-based vesting restrictions. These fiscal 2021 stock-based awards issuances were partially offset by stock-based award forfeitures and cancellations of 23 million shares during the first half of fiscal 2021.

The RSUs that were granted during the six months ended November 30, 2020 have vesting restrictions, valuations and contractual lives of a similar nature to those described in Note 13 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

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

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	2020	2019	2020	2019
Cloud services and license support	$ 36	$ 30	$ 66	$ 61
Hardware	3	3	6	6
Services	14	14	26	28
Sales and marketing	80	37	151	125
Research and development	314	272	590	543
General and administrative	41	41	77	80
Total stock-based compensation	$ 488	$ 397	$ 916	$ 843

9. INCOME TAXES

Our effective tax rates for the periods presented are 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 varied from the tax computed at the U.S. federal statutory income tax rate for the periods presented primarily due to earnings in foreign operations, state taxes, the U.S. research and development tax credit, settlements with tax authorities, the tax effects of stock-based compensation, the Foreign Derived Intangible Income deduction and the tax effect of Global Intangible Low-Taxed Income. Our effective tax rates were 17.8% and 15.7% for the three and six months ended November 30, 2020, respectively, and 17.7% and 16.0% for the three and six months ended November 30, 2019, respectively.

Our net deferred tax assets were $3.4 billion and $3.2 billion as of November 30, 2020 and May 31, 2020, 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 2019. Our U.S. federal income tax returns have been examined for all years prior to fiscal 2010, 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 2007, 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 2001.

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, Canada, India, Indonesia, Israel, Mexico, Pakistan, Saudi Arabia, South Korea and Spain, 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

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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.

10. 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 Officer 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. The tabular 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 license, hardware and services—each of which is comprised of a single operating segment. All three of our businesses market and sell our offerings globally to businesses of many sizes, government agencies, educational institutions and resellers with a worldwide sales force positioned to offer the combinations that best meet customer needs.

Our cloud and license business engages in the sale, marketing and delivery of our enterprise applications and infrastructure technologies through cloud and on-premise deployment models including our cloud services and license support offerings; and our cloud license and on-premise license offerings. Cloud services and license support revenues are generated from offerings that are typically contracted with customers directly, billed to customers in advance, delivered to customers over time with our revenue recognition occurring over the contractual terms, and renewed by customers upon completion of the contractual terms. Cloud services and license support contracts provide customers with access to the latest updates to the applications and infrastructure technologies as they become available and for which the customer contracted and also include related technical support services over the contractual term. Cloud license and on-premise license 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 cloud and on-premise IT environments. We generally recognize revenues at the point in time the software is made available to the customer to download and use, which typically is immediate upon signature of the license contract. In each fiscal year, our cloud and license business' contractual activities are typically highest in our fourth fiscal quarter and the related cash flows are typically highest in the following quarter (i.e., in the first fiscal quarter of the next fiscal year) as we receive payments from these contracts.

Our hardware business provides Oracle Engineered Systems, servers, storage, industry-specific hardware, operating systems, virtualization, management and other hardware-related software to support diverse IT environments. Our hardware business also offers hardware support, which provides customers with software updates for the software components that are essential to the functionality of their hardware products, such as Oracle Solaris and certain other software, and can also include product repairs, maintenance services and technical support services.

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Our services business provides services to customers and partners to help maximize the performance of their investments in Oracle applications 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:

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Cloud and license:				
Revenues(1)	$ 8,204	$ 7,938	$ 16,038	$ 15,556
Cloud services and license support expenses	1,008	970	1,966	1,901
Sales and marketing expenses	1,620	1,856	3,253	3,612
Margin(2)	$ 5,576	$ 5,112	$ 10,819	$ 10,043
Hardware:				
Revenues	$ 844	$ 871	$ 1,658	$ 1,686
Hardware products and support expenses	236	277	475	541
Sales and marketing expenses	94	114	192	231
Margin(2)	$ 514	$ 480	$ 991	$ 914
Services:				
Revenues	$ 752	$ 806	$ 1,472	$ 1,593
Services expenses	595	700	1,180	1,365
Margin(2)	$ 157	$ 106	$ 292	$ 228
Totals:				
Revenues(1)	$ 9,800	$ 9,615	$ 19,168	$ 18,835
Expenses	3,553	3,917	7,066	7,650
Margin(2)	$ 6,247	$ 5,698	$ 12,102	$ 11,185

(1) Cloud and license revenues presented for management reporting included revenues related to cloud and license obligations that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our condensed consolidated statements of operations for the periods presented due to business combination accounting requirements. See Note 9 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended May 31, 2020 for an explanation of these adjustments and the table below for a reconciliation of our total operating segment revenues to our total revenues as reported in our condensed 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 research and development, general and administrative and certain other allocable expenses, net. 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:

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	2020	2019	2020	2019
Total revenues for operating segments	$ 9,800	$ 9,615	$ 19,168	$ 18,835
Cloud and license revenues(1)	—	(1)	(1)	(3)
Total revenues	$ 9,800	$ 9,614	$ 19,167	$ 18,832
Total margin for operating segments	$ 6,247	$ 5,698	$ 12,102	$ 11,185
Cloud and license revenues(1)	—	(1)	(1)	(3)
Research and development	(1,601)	(1,531)	(3,190)	(3,088)
General and administrative	(324)	(323)	(619)	(615)
Amortization of intangible assets	(345)	(407)	(690)	(821)
Acquisition related and other	(76)	(12)	(95)	(37)
Restructuring	(96)	(42)	(270)	(120)
Stock-based compensation for operating segments	(133)	(84)	(249)	(220)
Expense allocations and other, net	(89)	(115)	(194)	(221)
Interest expense	(600)	(465)	(1,214)	(959)
Non-operating (expense) income, net	(11)	92	(13)	191
Income before provision for income taxes	$ 2,972	$ 2,810	$ 5,567	$ 5,292

(1) Cloud and license revenues presented for management reporting included revenues related to cloud and license obligations that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our condensed consolidated statements of operations for the periods presented due to business combination accounting requirements. See Note 9 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended May 31, 2020 for an explanation of these adjustments and this table for a reconciliation of our total operating segment revenues to our total revenues as reported in our condensed consolidated statements of operations.

Disaggregation of Revenues

We have considered information that is regularly reviewed by our CODMs in evaluating financial performance, and disclosures presented outside of our financial statements in our earnings releases and used in investor presentations to disaggregate revenues to depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. The principal category we use to disaggregate revenues is the nature of our products and services as presented in our condensed consolidated statements of operations, the total of which is reconciled to revenues from our reportable segments as per the preceding tables of this footnote.

The following table is a summary of our total revenues by geographic region. The relative proportion of our total revenues between each geographic region as presented in the table below was materially consistent across each of our operating segments' revenues for the periods presented.

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	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Americas	$ 5,259	$ 5,304	$ 10,327	$ 10,454
EMEA[1]	2,852	2,695	5,590	5,248
Asia Pacific	1,689	1,615	3,250	3,130
Total revenues	$ 9,800	$ 9,614	$ 19,167	$ 18,832

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

The following table presents our cloud services and license support revenues by applications and infrastructure ecosystems.

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Applications cloud services and license support	$ 2,901	$ 2,753	$ 5,717	$ 5,457
Infrastructure cloud services and license support	4,211	4,058	8,342	8,159
Total cloud services and license support revenues	$ 7,112	$ 6,811	$ 14,059	$ 13,616

11. EARNINGS PER SHARE

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

	Three Months Ended November 30,		Six Months Ended November 30,	
(in millions, except per share data)	**2020**	**2019**	**2020**	**2019**
Net income	$ 2,442	$ 2,311	$ 4,693	$ 4,448
Weighted average common shares outstanding	2,977	3,245	3,009	3,281
Dilutive effect of employee stock plans	69	86	67	89
Dilutive weighted average common shares outstanding	3,046	3,331	3,076	3,370
Basic earnings per share	$ 0.82	$ 0.71	$ 1.56	$ 1.36
Diluted earnings per share	$ 0.80	$ 0.69	$ 1.53	$ 1.32
Shares subject to anti-dilutive restricted stock-based awards and stock options excluded from calculation[1]	36	55	36	55

(1) These weighted shares relate to anti-dilutive restricted stock-based awards and stock options, both of which were service-based, as calculated using the treasury stock method and contingently issuable shares, substantially all of which were related to performance based stock option (PSO) arrangements. Such shares could be dilutive in the future.

12. 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 (the HP Settlement Agreement), resolving litigation between HP and one of Oracle's former CEOs who had previously acted as HP's chief executive officer and chairman of HP's board of directors. HP sought a judicial declaration of the parties' rights and obligations under the HP Settlement Agreement and other equitable and monetary relief. Oracle answered the complaint and filed cross-claims.

After a bench trial on the meaning of the HP Settlement Agreement, the court found that the HP Settlement Agreement required Oracle to continue to develop certain of its software products for use on HP's Itanium-based servers at no cost to HP. The case proceeded to a jury trial in May 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 cross-claims. The jury awarded HP $3.0 billion in damages. Under the court's rulings, HP is entitled to post-judgment interest, but not pre-judgment interest, on this award.

After the trial court denied Oracle's motion for a new trial, Oracle filed a notice of appeal on January 17, 2017. On February 2, 2017, HP filed a notice of appeal of the trial court's denial of pre-judgment interest.

Oracle has posted a mandated surety bond with the trial court for the amounts owing. No amounts have been paid or recorded to our results of operations. We continue to believe that we have meritorious defenses against HP's claims, and we intend to present these defenses to the appellate court. Oracle filed its opening brief on March 7, 2019. Briefing on the appeal was completed November 1, 2019, and the appellate court has not scheduled a date for oral argument. We cannot currently estimate a reasonably possible range of loss for this action due to the complexities and uncertainty 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 on our future cash flows and results of operations.

Derivative Litigation Concerning Oracle's NetSuite Acquisition

On May 3 and July 18, 2017, two alleged stockholders filed separate derivative lawsuits in the Court of Chancery of the State of Delaware, purportedly on Oracle's behalf. Thereafter, the court consolidated the two derivative cases and designated the July 18, 2017 complaint as the operative complaint. The consolidated lawsuit was brought against all the then-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 Inc. (NetSuite) at an excessive price. Plaintiff seeks declaratory relief, unspecified monetary damages (including interest), and attorneys' fees and costs. The defendants filed a motion to dismiss, which the court denied on March 19, 2018.

On May 4, 2018, our Board of Directors established a Special Litigation Committee (the SLC) to investigate the allegations in this derivative action. Three non-employee directors served on the SLC. On August 15, 2019, the SLC filed a letter with the court, stating that the SLC believed that plaintiff should be allowed to proceed with the derivative litigation on behalf of Oracle. After the SLC advised the Board that it had fulfilled its duties and obligations, the Board withdrew the SLC's authority, except that the SLC maintained certain authority to respond to discovery requests in the litigation.

After plaintiff filed its initial complaint, plaintiff filed several amended complaints. Plaintiff filed its most recent amended complaint on October 22, 2020, and on October 23, 2020, plaintiff brought a motion for leave to file a further amended complaint. The operative complaint asserts claims for breach of fiduciary duty against our Chief Executive Officer, our Chief Technology Officer, the estate of Mark Hurd (our former Chief Executive Officer who passed away on October 18, 2019), and two other members of our Board of Directors. Oracle is named as a nominal defendant. On September 8, 2020, the estate of Mark Hurd and the two other members of our Board of Directors moved to dismiss this complaint, when it was, at the time, a proposed amended complaint. No hearing has been scheduled on this motion. On November 6, 2020, our Chief Executive Officer, our Chief Technology Officer, and Oracle as a nominal defendant filed answers to the operative complaint.

The parties are conducting discovery.

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.

Securities Class Action and Derivative Litigation Concerning Oracle's Cloud Business

On August 10, 2018, a putative class action, brought by an alleged stockholder of Oracle, was filed in the U.S. District Court for the Northern District of California against us, our Chief Technology Officer, our then-two Chief Executive Officers, two other Oracle executives, and one former Oracle executive. As noted above, Mr. Hurd, one of our then-two Chief Executive Officers, passed away on October 18, 2019. On March 8, 2019, plaintiff filed an amended complaint. Plaintiff alleges that the defendants made or are responsible for false and misleading statements regarding Oracle's cloud business. Plaintiff further alleges that the former Oracle executive engaged in insider trading. Plaintiff seeks a ruling that this case may proceed as a class action, and seeks damages, attorneys' fees and costs, and unspecified declaratory/injunctive relief. On April 19, 2019, defendants moved to dismiss plaintiff's amended complaint. On December 17, 2019, the court granted this motion, giving plaintiffs an opportunity to file an amended complaint, which plaintiff filed on February 17, 2020. On April 23, 2020, defendants filed a motion to dismiss, and the court held a hearing on this motion on September 24, 2020. The court has not yet ruled on this motion. We believe that we have meritorious defenses against this action, and we will continue to vigorously defend it.

On February 12, 2019, a stockholder derivative lawsuit was filed in the U.S. District Court for the Northern District of California. The derivative suit is brought by two alleged stockholders of Oracle, purportedly on Oracle's behalf, against all members of our Board of Directors, and Oracle as a nominal defendant. Plaintiffs claim that the alleged actions described in the August 10, 2018 class action discussed above caused harm to Oracle, and that Oracle's Board members violated their fiduciary duties of care, loyalty, reasonable inquiry, and good faith by failing to prevent this alleged harm. Plaintiffs also allege that defendants' actions constitute gross mismanagement, waste, and securities fraud. Plaintiffs seek a ruling that this case may proceed as a derivative action, a finding that defendants are liable for breaching their fiduciary duties, an order directing defendants to enact corporate reforms, attorneys' fees and costs, and unspecified equitable relief. On April 26, 2019, the court approved a stay of this action, which will be lifted if the class action discussed above is dismissed, if the motion to dismiss the class action is denied, or if either party voluntarily chooses to lift the stay.

On May 8, 2019, a second derivative action was filed in the U.S. District Court for the Northern District of California. The derivative suit is brought by an alleged stockholder of Oracle, purportedly on Oracle's behalf, against our Chief Technology Officer, our then-two Chief Executive Officers, one former Oracle executive, and Oracle as a nominal defendant. Plaintiff claims that the alleged actions described in the August 10, 2018 class action discussed above caused harm to Oracle, and plaintiff raises further allegations of impropriety relating to Oracle's stock buybacks and acquisition of NetSuite. Plaintiff asserts claims for violation of securities laws, violation of fiduciary duties, contribution and indemnification. Plaintiff seeks a ruling that the case may proceed as a derivative action, and seeks damages, declaratory and other equitable relief, attorneys' and expert fees and costs. On June 4, 2019, the court issued an order finding that this case was related to the derivative case above and staying the case under the court's prior stay order. On July 8, 2019, plaintiffs in the two derivative actions filed a consolidated complaint. The actions remain stayed.

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.

Derivative Litigation Concerning Oracle's Board Composition and Hiring Practices

On July 2 and 10, 2020, two alleged stockholders filed derivative lawsuits in the U.S. District Court for the Northern District of California, purportedly on Oracle's behalf, and thereafter, filed a consolidated complaint on August 21, 2020. On July 30, 2020, a third alleged stockholder filed a derivative lawsuit in the same court. On October 16, 2020, defendants moved to consolidate all these actions, and the court granted this motion on November 30, 2020.

On December 7, 2020, plaintiffs filed a consolidated derivative complaint against all members of our Board of Directors, and Oracle as a nominal defendant, seeking declaratory and injunctive relief, monetary damages, interest, corporate governance changes, disgorgement, restitution, punitive damages, and an award of attorneys' fees, expert fees, and costs. Plaintiffs allege that: (a) defendants breached their fiduciary duties by permitting Oracle to violate anti-discrimination laws and Oracle's own policies, failing to ensure sufficient diversity on the board, failing to ensure an independent board chairman, rehiring Ernst & Young LLP as Oracle's auditors, and by breaching the HP Settlement Agreement (discussed above); (b) defendants made false and misleading statements in Oracle's proxy statements; (c) defendants received unjust compensation and were unjustly enriched; (d) defendants aided and abetted this conduct; and (e) our Chief Technology Officer and our Chief Executive Officer are liable for abuse of control. Defendants' response to this complaint is currently due on January 6, 2020.

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 provides products and services that address enterprise information technology (IT) environments. Our products and services include enterprise applications and infrastructure offerings that are delivered worldwide through a variety of flexible and interoperable IT deployment models. These models include on-premise deployments, cloud-based deployments, and hybrid deployments (an approach that combines both on-premise and cloud-based deployment) such as our Oracle Cloud at Customer offering (an instance of Oracle Cloud in a customer's own data center). Accordingly, we offer choice and flexibility to our customers and facilitate the product, service and deployment combinations that best suit our customers' needs. Through our worldwide sales force and Oracle Partner Network, we sell to customers all over the world including businesses of many sizes, government agencies, educational institutions and resellers.

We have three businesses: cloud and license; hardware; and services; each of which comprises a single operating segment. The descriptions set forth below as a part of Management's Discussion and Analysis of Financial Condition and Results of Operations and the information contained within Note 10 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report provide additional information related to our businesses and operating segments and align to how our chief operating decision makers (CODMs), which include our Chief Executive Officer and Chief Technology Officer, view our operating results and allocate resources.

Impacts of the COVID-19 Pandemic on Oracle's Business

For a discussion of the impacts on and risks to our business from COVID-19, please refer to "Impacts of the COVID-19 Pandemic on Oracle's Business" included in Item 1 Business and certain risk factors included in Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020; and the information presented below in Results of Operations in Item 2 of this Quarterly Report.

Cloud and License Business

Our cloud and license business, which represented 84% of our total revenues on a trailing 4-quarter basis, markets, sells and delivers a broad spectrum of enterprise applications and infrastructure technologies through our cloud and license offerings.

Cloud services and license support revenues include:

- license support revenues, which are earned by providing Oracle license support services to customers that have elected to purchase support services in connection with the purchase of Oracle applications and infrastructure software licenses for use in cloud, on-premise and other IT environments. Substantially all license support customers renew their support contracts with us upon expiration in order to continue to benefit from technical support services and the periodic issuance of unspecified updates and enhancements, which current license support customers are entitled to receive. License support contracts are generally priced as a percentage of the net fees paid by the customer to purchase a cloud license and/or on-premise license; are generally billed in advance of the support services being performed; are generally renewed at the customer's option; and are generally recognized as revenues ratably over the contractual period that the support services are provided, which is generally one year; and
- cloud services revenues, which provide customers access to Oracle Cloud applications and infrastructure technologies via cloud-based deployment models that Oracle develops, provides unspecified updates and enhancements for, hosts, manages and supports and that customers access by entering into a subscription agreement with us for a stated period. Oracle Cloud Services arrangements are generally

billed in advance of the cloud services being performed; have durations of one to three years; are generally renewed at the customer's option; and are generally recognized as revenues ratably over the contractual period of the cloud contract or, in the case of usage model contracts, as the cloud services are consumed over time.

Cloud license and on-premise license revenues include revenues from the licensing of our software products including Oracle Applications, Oracle Database, Oracle Middleware and Java, among others, which our customers deploy within cloud-based, on-premise and other IT environments. Our cloud license and on-premise license transactions are generally perpetual in nature and are generally recognized as revenues up front at the point in time when the software is made available to the customer to download and use. Revenues from usage-based royalty arrangements for distinct cloud licenses and on-premise licenses are recognized at the point in time when the software end user usage occurs. The timing of a few large license transactions can substantially affect our quarterly license revenues due to the point-in-time nature of revenue recognition for license transactions, which is different than the typical revenue recognition pattern for our cloud services and license support revenues in which revenues are generally recognized ratably over the contractual terms. Cloud license and on-premise license customers have the option to purchase and renew license support contracts, as further described above.

Providing choice and flexibility to our customers as to when and how they deploy Oracle applications and infrastructure technologies are important elements of our corporate strategy. In recent periods, customer demand for our applications and infrastructure technologies delivered through our Oracle Cloud Services has increased. To address customer demand and enable customer choice, we have introduced certain programs for customers to pivot their applications and infrastructure licenses and the related license support to the Oracle Cloud for new deployments and to migrate to and expand with the Oracle Cloud for their existing workloads. We expect these trends to continue.

Our cloud and license business' revenue growth is affected by many factors, including the strength of general economic and business conditions; governmental budgetary constraints; the strategy for and competitive position of our offerings; the continued renewal of our cloud services and license support customer contracts by the customer contract base; substantially all customers continuing to purchase license support contracts in connection with their license purchases; the pricing of license support contracts sold in connection with the sales of licenses; the pricing, amounts and volumes of licenses and cloud services sold; and foreign currency rate fluctuations.

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

- expected growth in our cloud services and license support offerings; and
- continued demand for our cloud license and on-premise license offerings.

We believe these factors should contribute to future growth in our cloud and license business' total revenues, which should enable us to continue to make investments in research and development to develop and improve our cloud and license products and services.

Our cloud and license 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 cloud and license business' revenues over those quarterly periods and because the majority of our costs for this business are generally fixed in the short term. The historical upward trend of our cloud and license business' revenues over the course of the four quarters within a particular fiscal year is primarily due to the addition of new cloud services and license support contracts to the customer contract base that we generally recognize as revenues ratably; the renewal of existing customers' cloud services and license support contracts over the course of each fiscal year that we generally recognize as revenues ratably; and the historical upward trend of our cloud license and on-premise license revenues, which we generally recognize at a point in time upon delivery; in each case over those four quarterly periods.

Hardware Business

Our hardware business, which represented 9% of our total revenues on a trailing 4-quarter basis, provides a broad selection of enterprise hardware products and hardware-related software products, including Oracle Engineered Systems, servers, storage, industry-specific hardware offerings, operating systems, virtualization, management and other hardware related software, and related hardware support. Each hardware product and its related software, such as an operating system or firmware, are highly interdependent and interrelated and are accounted for as a combined performance obligation. The revenues for this combined performance obligation are generally recognized at the point in time that the hardware product and its related software are delivered to the customer and ownership is transferred to the customer. 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 unspecified software updates for software components that are essential to the functionality of our hardware products and associated software products such as Oracle Solaris. Our hardware support offerings can also include product repairs, maintenance services and technical support services. Hardware support contracts are entered into and renewed at the option of the customer, are generally priced as a percentage of the net hardware products fees and are generally recognized as revenues ratably as the hardware support services are delivered over the contractual terms.

We generally expect our hardware business to have lower operating margins as a percentage of revenues than our cloud and license 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 many factors, including our ability to timely manufacture or deliver a few large hardware transactions; our strategy for and the position of our hardware products relative to competitor offerings; customer demand for competing offerings, including cloud infrastructure offerings; 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; and foreign currency rate fluctuations.

Services Business

Our services business, which represented 7% of our total revenues on a trailing 4-quarter basis, helps customers and partners maximize the performance of their investments in Oracle applications and infrastructure technologies. We believe that our services are differentiated based on our focus on Oracle technologies, extensive experience, broad sets of intellectual property and best practices. Our services offerings include consulting services, advanced customer services and education services. Our services business has lower margins than our cloud and license and hardware businesses. Our services revenues are affected by many factors including our strategy for, and the competitive position of, our services; customer demand for our cloud and license and hardware offerings and the associated services for these offerings; general economic conditions; governmental budgetary constraints; personnel reductions in our customers' IT departments; and tighter controls over customer discretionary spending.

Acquisitions

Our selective and active acquisition program is another important element of our corporate strategy. Historically, we have invested billions of dollars to acquire a number of complementary companies, products, services and technologies. The pace of our acquisitions has slowed recently, but as compelling opportunities become available, we may 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 our 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 flows 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 Accounting Standards Codification (ASC), and we consider the various staff accounting bulletins and other applicable guidance issued by the SEC. 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.

During the first half of fiscal 2021, 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, 2020 provides a more complete discussion of our critical accounting policies and estimates.

Results of Operations

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 statements 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 license, 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 of our three businesses in the discussion below.

Consistent with our internal management reporting processes, the below operating segment presentation is noted to include any revenues adjustments related to cloud services and license support contracts that would have otherwise been recorded by the acquired businesses as independent entities but were not recognized in our condensed 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 10 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 expenses or income, net and provision for income taxes are not attributed to our three operating segments because our management does not view the performance of our three 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 10 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 for 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 of our 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, 2020, 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 November 30, 2020 and 2019, our financial statements would reflect reported revenues of $1.17 million in the first half of fiscal 2021 (using 1.17 as the month-end average exchange rate for the period) and $1.10 million in the first half of fiscal 2020 (using 1.10 as the month-end average exchange rate for the period). The constant currency presentation, however, would translate the results for the first half of fiscal 2021 and 2020 using the May 31, 2020 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 November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
***Total Revenues by Geography*:**								
Americas	$ 5,259	-1%	0%	$ 5,304	$ 10,327	-1%	0%	$ 10,454
EMEA(1)	2,852	6%	2%	2,695	5,590	7%	4%	5,248
Asia Pacific	1,689	5%	2%	1,615	3,250	4%	2%	3,130
Total revenues	9,800	2%	1%	9,614	19,167	2%	1%	18,832
Total Operating Expenses	6,217	-3%	-4%	6,431	12,373	-3%	-3%	12,772
Total Operating Margin	$ 3,583	13%	11%	$ 3,183	$ 6,794	12%	11%	$ 6,060
Total Operating Margin %	37%			33%	35%			32%
***% Revenues by Geography*:**								
Americas	54%			55%	54%			55%
EMEA	29%			28%	29%			28%
Asia Pacific	17%			17%	17%			17%
***Total Revenues by Business*:**								
Cloud and license	$ 8,204	3%	2%	$ 7,937	$ 16,037	3%	3%	$ 15,553
Hardware	844	-3%	-3%	871	1,658	-2%	-2%	1,686
Services	752	-7%	-8%	806	1,472	-8%	-8%	1,593
Total revenues	$ 9,800	2%	1%	$ 9,614	$ 19,167	2%	1%	$ 18,832
***% Revenues by Business*:**								
Cloud and license	83%			83%	83%			83%
Hardware	9%			9%	9%			9%
Services	8%			8%	8%			8%

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

Excluding the effects of foreign currency rate fluctuations, our total revenues increased in the fiscal 2021 periods presented, relative to the corresponding prior year periods, due to growth in our cloud and license business' revenues, which were partially offset by declines in our hardware business' revenues and services business' revenues. The constant currency increases in our cloud and license business' revenues during the fiscal 2021 periods presented, relative to the corresponding prior year periods, were attributable to growth in our cloud services and license support revenues as customers purchased our applications and infrastructure technologies via cloud and license deployment models and renewed their related cloud contracts and license support contracts to continue to gain access to the latest versions of our technologies and to receive support services. The constant currency decreases in our hardware business' revenues during the fiscal 2021 periods presented were due to reductions in our hardware product revenues and hardware support revenues primarily due to the emphasis we placed on the marketing and sale of our growing strategic hardware offerings and growing cloud-based infrastructure technologies and the de-emphasis of our sales and marketing efforts for certain of our non-strategic hardware products and related support services. The constant currency decreases in our services business' revenues during the fiscal 2021 periods presented were attributable to declines in each of our primary services offerings. Due to the effects of the COVID-19 pandemic, all three of our businesses' revenues were adversely impacted during the fiscal 2021 periods presented relative to the corresponding prior year periods. While we expect these effects to be temporary, the impacts of COVID-19 for the remainder of fiscal 2021 and future periods are unknown. On a constant currency basis, the EMEA and Asia Pacific regions contributed to our total revenues growth in the fiscal 2021 periods presented while the Americas region was flat during these periods, in each case relative to the corresponding prior year periods.

Excluding the effects of foreign currency rate fluctuations, our total operating expenses decreased in the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to lower sales and marketing expenses, lower hardware expenses and lower services expenses, all of which were attributable to lower headcount and a reduction in certain variable expenditures as further described below. In addition, we also incurred lower amortization of intangible assets during the fiscal 2021 periods presented. These constant currency expense decreases were partially offset by certain constant currency expense increases during the fiscal 2021 periods presented including: higher cloud services and license support expenses, which increased primarily due to higher infrastructure investments that were made to support the increase in our cloud and license business' revenues; higher research and development expenses, which increased primarily due to higher employee related expenses; higher acquisition related and other expenses, which increased primarily due to certain right-of-use assets and other assets that were abandoned in connection with plans to improve our cost structure and operations; and higher restructuring expenses, which increased due to actions taken during the first half of fiscal 2021 pursuant to the Fiscal 2019 Oracle Restructuring Plan (2019 Restructuring Plan). During the fiscal 2021 periods presented, we curtailed a number of variable expenditures across all of our lines of businesses and functions including employee travel expenses and marketing expenses, among others, in response to COVID-19. We expect that certain of these expenses may normalize in future periods provided global economic conditions improve.

In constant currency, our total operating margin and total operating margin as a percentage of total revenues increased during the fiscal 2021 periods presented due to higher total revenues and lower total operating expenses.

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.

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Our operating results reported pursuant to GAAP included the following business combination accounting adjustments and expenses related to acquisitions and certain other expense and income items that affected our GAAP net income:

(in millions)	Three Months Ended November 30, 2020	Three Months Ended November 30, 2019	Six Months Ended November 30, 2020	Six Months Ended November 30, 2019
Cloud services and license support deferred revenues(1)	$ —	$ 1	$ 1	$ 3
Amortization of intangible assets(2)	345	407	690	821
Acquisition related and other(3)	76	12	95	37
Restructuring(4)	96	42	270	120
Stock-based compensation, operating segments(5)	133	84	249	220
Stock-based compensation, R&D and G&A(5)	355	313	667	623
Income tax effects(6)	(212)	(189)	(548)	(528)
	$ 793	$ 670	$ 1,424	$ 1,296

(1) In connection with our acquisitions, we have estimated the fair values of the cloud services and license support contracts assumed. Due to our application of business combination accounting rules, we did not recognize the cloud services and license support 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) Represents the amortization of intangible assets, substantially all of which were acquired in connection with our acquisitions. As of November 30, 2020, estimated future amortization related to intangible assets was as follows (in millions):

Remainder of fiscal 2021	$ 668
Fiscal 2022	1,106
Fiscal 2023	682
Fiscal 2024	445
Fiscal 2025	126
Fiscal 2026	24
Thereafter	10
Total intangible assets, net	$ 3,061

(3) Acquisition related and other expenses primarily consist of personnel related costs 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.

(4) Restructuring expenses during the first half of fiscal 2021 and 2020 primarily related to employee severance in connection with our 2019 Restructuring Plan. Additional information regarding certain of our restructuring plans is provided in management's discussion below under "Restructuring Expenses", in Note 5 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, and in Note 8 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

(5) Stock-based compensation was included in the following operating expense line items of our condensed consolidated statements of operations (in millions):

	Three Months Ended November 30, 2020	Three Months Ended November 30, 2019	Six Months Ended November 30, 2020	Six Months Ended November 30, 2019
Cloud services and license support	$ 36	$ 30	$ 66	$ 61
Hardware	3	3	6	6
Services	14	14	26	28
Sales and marketing	80	37	151	125
Stock-based compensation, operating segments	133	84	249	220
Research and development	314	272	590	543
General and administrative	41	41	77	80
Total stock-based compensation	$ 488	$ 397	$ 916	$ 843

(6) For the second quarter and first half of fiscal 2021 the applicable jurisdictional tax rates applied to our income before provision for income taxes after excluding the tax effects of items within the table above such as for stock-based compensation, amortization of intangible assets, restructuring, and certain other acquisition related items resulted in effective tax rates of 18.7% and 18.9%, respectively, instead of 17.8% and 15.7%, respectively, which represented our effective tax rates as derived per our condensed consolidated statements of operations. For the second quarter and first half of fiscal 2020, the applicable jurisdictional tax rates applied to our income before provision for income taxes after adjusting

for the effects of items within the table above, such as for stock-based compensation, amortization of intangible assets, restructuring, and certain other acquisition related items, resulted in effective tax rates of 18.8% and 19.3%, respectively, instead of 17.7% and 16.0%, respectively, as derived per our condensed consolidated statements of operations.

Cloud and License Business

Our cloud and license business engages in the sale and marketing of our applications and infrastructure technologies that are delivered through various deployment models and include: Oracle license support offerings; Oracle Cloud Services offerings; and Oracle cloud license and on-premise license offerings. License support revenues are typically generated through the sale of license support contracts related to cloud licenses and on-premise licenses; are purchased by our customers at their option; and are generally recognized as revenues ratably over the contractual term, which is generally one year. Our cloud services deliver applications and infrastructure technologies on a subscription basis via cloud-based deployment models that we develop, provide unspecified updates and enhancements for, host, manage and support. Revenues for our cloud services are generally recognized over the contractual term, which is generally one to three years, or in the case of usage model contracts, as the cloud services are consumed. Cloud license and on-premise license 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 cloud and on-premise IT environments and are generally recognized up front at the point in time when the software is made available to the customer to download and use. We continue to place significant emphasis, both domestically and internationally, on direct sales through our own sales force. We also continue to market certain of our offerings through indirect channels. Costs associated with our cloud and license business are included in cloud services and license support expenses, and sales and marketing expenses. These costs are largely personnel and infrastructure related including the cost of providing our cloud services and license support offerings, salaries and commissions earned by our sales force for the sale of our cloud and license offerings, and marketing program costs.

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
***Cloud and License Revenues*:**								
Americas(1)	$ 4,494	1%	1%	$ 4,470	$ 8,815	0%	1%	$ 8,827
EMEA(1)	2,369	8%	4%	2,200	4,662	9%	6%	4,270
Asia Pacific(1)	1,341	6%	3%	1,268	2,561	4%	3%	2,459
Total revenues(1)	8,204	3%	2%	7,938	16,038	3%	3%	15,556
***Expenses*:**								
Cloud services and license support(2)	1,008	4%	4%	970	1,966	3%	3%	1,901
Sales and marketing(2)	1,620	-13%	-13%	1,856	3,253	-10%	-10%	3,612
Total expenses(2)	2,628	-7%	-8%	2,826	5,219	-5%	-5%	5,513
Total Margin	$ 5,576	9%	8%	$ 5,112	$ 10,819	8%	7%	$ 10,043
Total Margin %	68%			64%	67%			65%
***% Revenues by Geography*:**								
Americas	55%			56%	55%			57%
EMEA	29%			28%	29%			27%
Asia Pacific	16%			16%	16%			16%
***Revenues by Offerings*:**								
Cloud services and license support(1)	$ 7,112	4%	4%	$ 6,812	$ 14,060	3%	3%	$ 13,619
Cloud license and on-premise license	1,092	-3%	-5%	1,126	1,978	2%	1%	1,937
Total revenues(1)	$ 8,204	3%	2%	$ 7,938	$ 16,038	3%	3%	$ 15,556
***Cloud Services and License Support Revenues by Ecosystem*:**								
Applications cloud services and license support(1)	$ 2,901	5%	5%	$ 2,754	$ 5,718	5%	4%	$ 5,460
Infrastructure cloud services and license support(1)	4,211	4%	3%	4,058	8,342	2%	2%	8,159
Total cloud services and license support revenues(1)	$ 7,112	4%	4%	$ 6,812	$ 14,060	3%	3%	$ 13,619

(1) Includes cloud services and license support revenue adjustments related to certain cloud services and license 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 condensed 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 expense 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 foreign currency rate fluctuations, our cloud and license business' total revenues increased in the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to growth in our cloud services and license support revenues, which was due to increased customer purchases and renewals of cloud-based services and license support contracts in recent periods for which we delivered such services during the fiscal 2021 periods presented. Our cloud and license business' revenues were adversely impacted during the fiscal 2021 periods presented due to the COVID-19 pandemic, and the impacts of COVID-19 for the rest of fiscal 2021 and future periods are unknown. In constant currency, the Americas region contributed 34% and 20%, respectively, the EMEA region contributed 46% and 64%, respectively, and the Asia Pacific region contributed 20% and 16%, respectively, to the revenues growth for this business during the second quarter and the first half of fiscal 2021, respectively, in each case relative to the corresponding prior year periods.

In constant currency, our total cloud and license business' expenses decreased in the fiscal 2021 periods presented, relative to the corresponding prior year periods, due to lower sales and marketing expenses, which decreased primarily due to lower headcount related expenses; and due to our curtailment of variable expenditures, including lower employee travel expenses and lower marketing expenses in response to COVID-19. These constant currency expense decreases were partially offset by higher cloud services and license support expenses during the fiscal 2021 periods presented, which were primarily attributable to higher technology infrastructure expenses to support the increase in our cloud and license business' revenues.

Excluding the effects of foreign currency rate fluctuations, our cloud and license business' total margin and total margin as a percentage of revenues increased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, due to the fiscal 2021 increases in total revenues and the decreases in total expenses for this business.

Hardware Business

Our hardware business' revenues are generated from the sales of our Oracle Engineered Systems, server, storage, and industry-specific hardware offerings. The hardware product and related software, such as an operating system or firmware, are highly interdependent and interrelated and are accounted for as a combined performance obligation. The revenues for this combined performance obligation are generally recognized at the point in time that the hardware product is delivered to the customer and ownership is transferred to the customer. 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 hardware support services are delivered over the contractual term, which is generally one year. 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 November 30, 2020	Percent Change Actual	Percent Change Constant	2019	Six Months Ended November 30, 2020	Percent Change Actual	Percent Change Constant	2019
Hardware Revenues:								
Americas	$ 419	-6%	-5%	$ 447	$ 828	-3%	-1%	$ 850
EMEA	241	0%	-1%	242	461	-5%	-6%	485
Asia Pacific	184	1%	-3%	182	369	5%	3%	351
Total revenues	844	-3%	-3%	871	1,658	-2%	-2%	1,686
Expenses:								
Hardware products and support(1)	236	-15%	-15%	277	475	-12%	-12%	541
Sales and marketing(1)	94	-17%	-18%	114	192	-17%	-17%	231
Total expenses(1)	330	-15%	-16%	391	667	-14%	-13%	772
Total Margin	$ 514	7%	6%	$ 480	$ 991	8%	8%	$ 914
Total Margin %	61%			55%	60%			54%
% Revenues by Geography:								
Americas	50%			51%	50%			50%
EMEA	28%			28%	28%			29%
Asia Pacific	22%			21%	22%			21%

(1) Excludes stock-based compensation and certain expense 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.

Our constant currency hardware revenues declined in the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to our continued emphasis on the marketing and sale of our growing strategic hardware offerings and growing cloud-based infrastructure technologies and the de-emphasis of our sales and marketing efforts for certain of our non-strategic hardware products, the net impact of which resulted in reduced sales volumes of certain of our hardware product lines and also impacted the volume of hardware support contracts sold in recent periods. Our hardware business’ revenues were also adversely impacted during the fiscal 2021 periods presented by the unfavorable economic effects caused by COVID-19. Geographically, we experienced constant currency revenue declines in each region during the fiscal 2021 periods presented other than Asia Pacific during the first half of fiscal 2021 in which revenues increased.

Excluding the effects of foreign currency rate fluctuations, total hardware expenses decreased in the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to lower hardware product expenses, lower hardware support costs and lower sales and marketing costs, all of which aligned to lower hardware revenues.

In constant currency, our hardware business’ total margin and total margin as a percentage of revenues increased during the fiscal 2021 periods presented due to lower total hardware expenses.

Services Business

We offer services to customers and partners to help to maximize the performance of their investments in Oracle applications and infrastructure technologies. Services revenues are generally recognized over time 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 November 30, 2020	Percent Change Actual	Percent Change Constant	2019	Six Months Ended November 30, 2020	Percent Change Actual	Percent Change Constant	2019
***Services Revenues*:**								
Americas	$ 347	-11%	-9%	$ 388	$ 686	-12%	-11%	$ 779
EMEA	241	-5%	-8%	253	466	-5%	-8%	494
Asia Pacific	164	0%	-3%	165	320	0%	-2%	320
Total revenues	752	-7%	-8%	806	1,472	-8%	-8%	1,593
Total Expenses(1)	595	-15%	-16%	700	1,180	-14%	-14%	1,365
Total Margin	$ 157	48%	47%	$ 106	$ 292	28%	28%	$ 228
Total Margin %	21%			13%	20%			14%
***% Revenues by Geography*:**								
Americas	46%			48%	46%			49%
EMEA	32%			32%	32%			31%
Asia Pacific	22%			20%	22%			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 foreign currency rate fluctuations, our total services revenues decreased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, due to revenue decreases in each of our primary services offerings. Our services business revenues were also adversely impacted during the fiscal 2021 periods presented by the impacts of COVID-19, including the impacts of consulting project delays due to customer resource constraints and in-person meeting restrictions imposed by certain jurisdictions. In addition, we incurred lower billable travel expenses and lower billable sub-contractor expenses for which we were to be reimbursed by our customers, which reduced the amount of revenues and expenses we reported for our services business during the fiscal 2021 periods presented. Geographically, we experienced constant currency revenue declines in all regions during the fiscal 2021 periods presented.

In constant currency, total services expenses decreased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to lower employee related costs caused by lower headcount and lower travel and sub-contractor expenses as described above.

In constant currency, total margin and total margin as a percentage of total services revenues increased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, due to lower total expenses for this business.

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 November 30, 2020	Percent Change Actual	Percent Change Constant	2019	Six Months Ended November 30, 2020	Percent Change Actual	Percent Change Constant	2019
Research and development(1)	$ 1,287	2%	2%	$ 1,259	$ 2,600	2%	3%	$ 2,545
Stock-based compensation	314	16%	16%	272	590	9%	9%	543
Total expenses	$ 1,601	5%	5%	$ 1,531	$ 3,190	3%	4%	$ 3,088
% of Total Revenues	16%			16%	17%			16%

(1) Excluding stock-based compensation

On a constant currency basis, total research and development expenses increased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to higher fiscal 2021 employee related expenses including higher salary expenses due to increased headcount, higher variable compensation expenses and higher stock-based compensation expenses. These constant currency expense increases were partially offset by lower travel expenses during the fiscal 2021 periods presented due to the impacts of COVID-19.

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

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	**2020**	**Actual**	**Constant**	**2019**	**2020**	**Actual**	**Constant**	**2019**
General and administrative[1]	$ 283	0%	0%	$ 282	$ 542	1%	2%	$ 535
Stock-based compensation	41	0%	0%	41	77	-4%	-4%	80
Total expenses	$ 324	0%	0%	$ 323	$ 619	1%	1%	$ 615
% of Total Revenues	3%			3%	3%			3%

(1) Excluding stock-based compensation

Excluding the effects of foreign currency rate fluctuations, total general and administrative expenses increased slightly in the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to higher variable compensation expenses and certain other expense increases. These fiscal 2021 constant currency expense increases were almost entirely offset by lower salary expenses due to lower headcount, and by lower travel expenses and certain other variable expense reductions that we implemented during the fiscal 2021 periods presented due to the impacts of COVID-19. In addition, general and administrative expenses during the first half of fiscal 2021 were unfavorably affected in comparison to the corresponding prior year period due to a $29 million litigation related benefit that reduced our expenses during that fiscal 2020 period.

Amortization of Intangible Assets: Substantially all of our intangible assets were 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 4 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report has additional information regarding our intangible assets and related amortization.

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	**2020**	**Actual**	**Constant**	**2019**	**2020**	**Actual**	**Constant**	**2019**
Developed technology	$ 158	-23%	-23%	$ 204	$ 316	-24%	-24%	$ 415
Cloud services and license support agreements and related relationships	165	-3%	-3%	171	329	-4%	-4%	342
Other	22	-31%	-31%	32	45	-30%	-29%	64
Total amortization of intangible assets	$ 345	-15%	-16%	$ 407	$ 690	-16%	-16%	$ 821

Amortization of intangible assets decreased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, due to a reduction in expenses associated with certain of our intangible assets that became fully amortized, partially offset by a smaller amount of additional amortization from intangible assets that we acquired in connection with our recent acquisitions.

Acquisition Related and Other Expenses: Acquisition related and other expenses primarily consist of personnel related costs for transitional and certain other employees, certain business combination adjustments, including adjustments after the measurement period has ended, and certain other operating items, net.

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
Transitional and other employee related costs	$ 1	-68%	-68%	$ 3	$ 3	-58%	-57%	$ 7
Business combination adjustments, net	—	*	*	(4)	1	-51%	-50%	2
Other, net	75	459%	449%	13	91	221%	222%	28
Total acquisition related and other expenses	$ 76	514%	503%	$ 12	$ 95	154%	155%	$ 37

* Not meaningful

On a constant currency basis, acquisition related and other expenses increased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to higher other expenses, net, which primarily related to certain facilities related right-of-use assets and other assets that were abandoned in connection with plans to improve our cost structure and operations during the periods presented.

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 other contract termination costs to improve our cost structure prospectively. For additional information regarding our restructuring plans, see Note 5 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report and Note 8 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
Restructuring expenses	$ 96	130%	124%	$ 42	$ 270	125%	123%	$ 120

Restructuring expenses in fiscal 2021 and 2020 primarily related to our 2019 Restructuring Plan. Our management approved, committed to and initiated the 2019 Restructuring Plan in order to restructure and further improve efficiencies in our operations. We may incur additional restructuring expenses in future periods due to the initiation of new restructuring plans or from changes in estimated costs associated with existing restructuring plans.

The majority of the initiatives undertaken by our 2019 Restructuring Plan were effected to implement our continued emphasis in developing, marketing and selling our cloud-based offerings. These initiatives impacted certain of our sales and marketing and research and development operations. Certain of the cost savings realized pursuant to our 2019 Restructuring Plan initiatives were offset by investments in resources and geographies that best address the development, marketing, sale and delivery of our cloud-based offerings including investments in our second-generation cloud infrastructure.

Interest Expense:

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
Interest expense	$ 600	29%	29%	$ 465	$ 1,214	27%	27%	$ 959

Interest expense increased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to higher average borrowings resulting from our issuance of $20.0 billion of senior notes in April 2020, which was partially offset by a reduction in interest expense resulting primarily from the maturities and repayments of $1.0 billion of senior notes during fiscal 2021 and $4.5 billion of senior notes during fiscal 2020.

Non-Operating (Expenses) Income, net: Non-operating (expenses) income, net consists primarily of interest income, net foreign currency exchange losses, the noncontrolling interests in the net profits of our majority-owned subsidiaries (primarily Oracle Financial Services Software Limited and Oracle Corporation Japan) and net other income and expenses, including net realized gains and losses related to all of our investments, net unrealized gains and losses related to the small portion of our investment portfolio related to our deferred compensation plan, net unrealized gains and losses related to equity securities and non-service net periodic pension income and losses.

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
Interest income	$ 27	-82%	-82%	$ 145	$ 58	-83%	-83%	$ 335
Foreign currency losses, net	(16)	-34%	-30%	(26)	(66)	-17%	-18%	(80)
Noncontrolling interests in income	(43)	-7%	-7%	(46)	(81)	-7%	-7%	(87)
Other, net	21	12%	12%	19	76	227%	221%	23
Total non-operating (expenses) income, net	$ (11)	*	*	$ 92	$ (13)	*	*	$ 191

* Not meaningful

In constant currency, we incurred, non-operating expenses, net during the fiscal 2021 periods presented in comparison to non-operating income, net during the fiscal 2020 periods presented. The changes to non-operating expenses, net during the fiscal 2021 periods presented were primarily due to lower interest income that we recognized during the fiscal 2021 periods, which was caused by lower interest rates that were applicable to our cash, cash equivalent and marketable securities balances.

Provision for Income Taxes: Our effective income tax rates for each of the periods presented were 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 varied from the tax computed at the U.S. federal statutory income tax rate for the periods presented primarily due to earnings in foreign operations, state taxes, the U.S. research and development tax credit, settlements with tax authorities, the tax effects of stock-based compensation, the Foreign Derived Intangible Income deduction and the tax effect of Global Intangible Low-Taxed Income. 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.

	Three Months Ended November 30,				Six Months Ended November 30,			
		Percent Change				Percent Change		
(Dollars in millions)	2020	Actual	Constant	2019	2020	Actual	Constant	2019
Provision for income taxes	$ 530	6%	4%	$ 499	$ 874	4%	2%	$ 844
Effective tax rate	17.8%			17.7%	15.7%			16.0%

Provision for income taxes increased during the fiscal 2021 periods presented, relative to the corresponding prior year periods, primarily due to higher income before provision for income taxes and an unfavorable jurisdictional mix of earnings, partially offset by changes in unrecognized tax benefits due to settlements with tax authorities and other events.

Liquidity and Capital Resources

(Dollars in millions)	November 30, 2020	Change	May 31, 2020
Working capital	$ 24,904	-29%	$ 34,940
Cash, cash equivalents and marketable securities	$ 38,593	-10%	$ 43,057

Working capital: The decrease in working capital as of November 30, 2020 in comparison to May 31, 2020 was primarily due to cash used for repurchases of our common stock, the reclassification of $5.8 billion of long-term senior notes as current liabilities and cash used to pay dividends to our stockholders during the first half of fiscal 2021. These unfavorable impacts were partially offset by the favorable effects to our net current assets resulting from our net income during the first half of fiscal 2021 and cash proceeds from stock option exercises. 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, money market funds, Tier-1 commercial paper and other securities with original maturities of 90 days or less. Marketable securities consist of corporate debt securities and certain other securities. The decrease in cash, cash equivalents and marketable securities at November 30, 2020 in comparison to May 31, 2020 was primarily due to $9.0 billion of settled repurchases of our common stock, the repayment of $1.0 billion of borrowings, payments of cash dividends to our stockholders and cash used for capital expenditures. These cash outflows during the first half of fiscal 2021 were partially offset by certain cash inflows, primarily cash inflows generated by our operations and cash inflows from stock option exercises during the first half of fiscal 2021.

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 on a net basis during the first half of fiscal 2021, 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 November 30, 2020 relative to what we reported as of May 31, 2020.

	Six Months Ended November 30,		
(Dollars in millions)	**2020**	**Change**	**2019**
Net cash provided by operating activities	$ 7,341	13%	$ 6,513
Net cash (used for) provided by investing activities	$ (5,803)	*	$ 13,619
Net cash used for financing activities	$ (11,047)	-31%	$ (16,096)

* Not meaningful

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 license support agreements. Payments from customers for these license 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 licenses, cloud services, hardware offerings and other 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, interest payments and leased facilities.

Net cash provided by operating activities increased during the first half of fiscal 2021, relative to the corresponding prior year period, primarily due to higher net income, higher cash collections from customers, a portion of which were previously delayed due to the global economic effects that resulted from COVID-19, and certain other cash favorable working capital changes, in each case during the first half of fiscal 2021 relative to the first half of fiscal 2020.

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

Net cash used for investing activities was $5.8 billion during the first half of fiscal 2021 in comparison to net cash provided by investing activities of $13.6 billion during the first half of fiscal 2020. Net cash used for investing activities during the first half of fiscal 2021 primarily resulted from an increase in cash used for the purchases of marketable securities and other investments and a decrease in cash proceeds from sales and maturities of marketable securities and other investments, in each case during the first half of fiscal 2021 relative to the first half of fiscal 2020.

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

Net cash used for financing activities in the first half of fiscal 2021 decreased compared to the first half of fiscal 2020 primarily due to lower debt repayments; lower stock repurchases; and higher cash proceeds from stock option exercises, in each case during the first half of fiscal 2021 in comparison to the first half of fiscal 2020.

***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:

	Trailing 4-Quarters Ended November 30,		
(Dollars in millions)	**2020**	**Change**	**2019**
Net cash provided by operating activities	$ 13,967	1%	$ 13,796
Capital expenditures	(1,833)	15%	(1,591)
Free cash flow	$ 12,134	-1%	$ 12,205
Net income	$ 10,380		$ 10,933
Free cash flow as percent of net income	117%		112%

***Long-Term Customer Financing*:** We offer certain of our customers the option to acquire licenses, cloud services, hardware and other 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 $266 million and $330 million, respectively, or approximately 13% and 17%, respectively, of our cloud license and on-premise license revenues in the first half of fiscal 2021 and 2020, respectively.

***Contractual Obligations*:** During the first half of fiscal 2021, 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, 2020.

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 our 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, 2017 has been a weighted-average annualized rate of 1.4% per year. The potential dilution percentage is calculated as the average annualized new restricted stock-based awards and 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 November 30, 2020, which generally have a ten-year exercise period, substantially all have exercise prices lower 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 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 November 30, 2020, 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, was 8.3%.

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 half of fiscal 2021. 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, 2020 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 and Financial Officer), as of the end of the period covered by this Quarterly Report, our Principal Executive and Financial Officer has 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 and Financial Officer) 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 and 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 9 (pertaining to information regarding contingencies related to our income taxes) and Note 12 (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, 2020. 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. As of November 30, 2020, approximately $7.6 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 November 30, 2020 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

(in millions, except per share amounts)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
September 1, 2020—September 30, 2020	29.7	$ 58.78	29.7	$ 9,902.1
October 1, 2020—October 31, 2020	29.8	$ 58.85	29.8	$ 8,151.6
November 1, 2020—November 30, 2020	8.8	$ 56.93	8.8	$ 7,648.4
Total	68.3	$ 58.57	68.3	

Item 5. Other Information

Oracle is implementing a more flexible employee work location policy and has changed its Corporate Headquarters from Redwood City, California to Austin, Texas. We believe these moves best position Oracle for growth and provide our personnel with more flexibility about where and how they work. Depending on their role, this means that many of our employees can choose their office location as well as continue to work from home part time or all of the time. In addition, we will continue to support major hubs for Oracle around the world, including those in the United States such as Redwood City, Austin, Santa Monica, Seattle, Denver, Orlando and Burlington, among others, and we expect to add other locations over time. By implementing a more modern approach to work, we expect to further improve our employees' quality of life and quality of output.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed By
10.15*	Oracle Corporation 2020 Equity Incentive Plan	S-8	333-249880	99.1	11/5/20	Oracle Corporation
10.16*‡	Form of Restricted Stock Unit Agreement under the 2020 Equity Incentive Plan for U.S. Employees					
31.01‡	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive and Financial Officer					
32.01†	Section 1350 Certification of Principal Executive and Financial Officer					
101‡	Interactive Data Files Pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of November 30, 2020 and May 31, 2020, (ii) Condensed Consolidated Statements of Operations for the three and six months ended November 30, 2020 and 2019, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended November 30, 2020 and 2019, (iv) Condensed Consolidated Statements of Equity for the three and six months ended November 30, 2020 and 2019, (v) Condensed Consolidated Statements of Cash Flows for the six months ended November 30, 2020 and 2019 and (vi) Notes to Condensed Consolidated Financial Statements					
104‡	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2020, formatted in Inline XBRL					

* 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: December 11, 2020	By: /s/ SAFRA A. CATZ Safra A. Catz Chief Executive Officer and Director (Principal Executive and Financial Officer)
Date: December 11, 2020	By: /s/ WILLIAM COREY WEST William Corey West Executive Vice President, Chief Accounting Officer

ORACLE CORPORATION
2020 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EMPLOYEES

1. <u>Grant</u>. Oracle Corporation (the "***Company***") has granted to the participant ("***Participant***") named above the number of restricted stock units ("***RSUs***") set forth above (the "***Award***") under the Company's 2020 Equity Incentive Plan (the "***Plan***"). This Award is subject to the terms and conditions set forth below in this Restricted Stock Unit Award Agreement (the "***Award Agreement***"), the Plan and the Oracle Corporation Equity Award Transfer and Leave Policy (the "***Policy***"). In the event of a conflict between the terms of the Plan and the terms of this Award 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. <u>Company's Obligation to Pay</u>. Each RSU represents the right to receive a share of Common Stock (a "***Share***") on the date the RSU vests. Unless and until the RSUs have vested in accordance with Section 3, Participant will have no right to settlement of any such RSUs. Prior to the actual settlement of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. <u>Vesting Schedule</u>. Subject to the terms of the Plan, this Award Agreement and the Policy, the RSUs subject to this Award shall vest in accordance with the schedule specified above.

4. <u>Settlement of the Award</u>. This Award will be settled on the date(s) the RSUs vest under Section 3 above or under the Plan, or as soon thereafter as administratively practicable, but in any event within a period of two and one-half (2½) months following the applicable vesting date. At the time of settlement, Participant will receive one whole Share for each vested RSU, less any Shares withheld or sold to satisfy Tax-Related Items (as defined in Section 10 below). 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. <u>No Stockholder Rights</u>. Participant shall have no rights as a stockholder of the Company unless and until the RSUs are settled by issuing Shares to Participant. The RSUs underlying this Award do not carry voting rights or rights to cash dividends. No adjustments will be made for dividends or other rights of a stockholder for which the record date is prior to the date of issuance of the stock certificate or book entry evidencing such Shares.

6. <u>Termination of Service</u>.

(a) In the event of the termination of Participant's employment relationship with the Company or the Affiliate employing Participant (the "***Employer***") (excluding a transfer to the Company or any Affiliate) 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 his or her employment agreement, if any, and other than due to Participant's death, any RSUs 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 Affiliate, on the earliest of:

(i) 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 Affiliate;

(ii) 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 Affiliate;

(iii) the date on which Participant ceases to provide services to the Company, or any Affiliate, as appropriate, except where Participant is on an authorized leave of absence; or

(iv) the date on which Participant ceases to be considered an "employee" under applicable laws (such termination, a "***Termination***" and such termination date, the "***Termination Date***," in each case as further defined in the Plan).

(b) In the event of the termination of Participant's employment relationship with the Employer due to Participant's death, the RSUs 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 RSUs will be delivered to Participant's legal representative in accordance with Section 4 (or within such longer period following vesting as may be permitted under Section 409A of the Code) and provided such person provides proof, to the Company's satisfaction, of his or her entitlement to receive such amounts.

7. **Compliance with Laws and Regulations**. The Award and the issuance and transfer of Shares thereunder shall be subject to compliance by the Company and Participant with all applicable requirements of federal, state, local or foreign securities, exchange control 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 (a) by will, (b) by the laws of descent and distribution, or (c) if applicable, 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 website at:

https://my.oracle.com/site/hr/benefits/Equity_Awards/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. A description of the tax consequences related to the Award in various jurisdictions outside the U.S. is set forth in the applicable supplement to the Plan prospectus made available at the Company's website referenced above.

10. **Responsibility for Taxes**. Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax (including U.S. 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 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 or the underlying Shares, 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 an Insider, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations or rights with regard to all Tax-Related Items by one or a combination of the following:

(i) withholding from Participant's wages or other cash compensation payable to Participant by the Company and/or the Employer;

(ii) 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);

(iii) withholding in Shares issuable upon settlement of this Award; and/or

(iv) any other method determined by the Company and permitted under applicable law;

provided, however, that if Participant is an Insider, 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: (A) elect to have the Company or the Employer withhold from Participant's wages or other cash compensation payable to Participant by the Company and/or the Employer; or (B) elect to have the Company withhold from proceeds of the sale of Shares acquired upon settlement 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 by considering statutory withholding amounts or other withholding rates, including up to the maximum rate applicable in Participant's jurisdiction(s). If the maximum rate is used, Participant may receive a refund of any over-withheld amount in cash from the Company or the Employer and will have no entitlement to the equivalent amount in Shares or, if not refunded, Participant may be able to seek a refund from the local tax authorities. Further, if the obligation for the Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant will be deemed to have been issued the full number of Shares subject to the vested RSUs 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. **<u>Nature of the Grant</u>**. By entering into this Award Agreement and accepting the grant of this Award evidenced hereby, Participant acknowledges that:

(a) 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 Award Agreement;

(b) the grant of this Award is exceptional, voluntary, and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

(c) all decisions with respect to future grants, if any, will be at the sole discretion of the Company;

(d) this Award and Participant's participation in the Plan shall not create a right to further employment with the Employer;

(e) this Award and Participant's participation in the Plan shall not be interpreted as forming or amending an employment or service contract with the Company or the Employer, and shall not interfere with the ability of the Employer to terminate Participant's employment relationship at any time;

(f) Participant's participation in the Plan is voluntary;

(g) this Award and the Shares subject to this Award, and the income from 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 Affiliate;

(h) this Award and the Shares subject to this Award, and the income from and value of same, are not intended to replace any pension rights or compensation;

(i) unless otherwise agreed with the Company, this Award and the Shares subject to this Award, and the income from and value of same, are not granted as consideration for, or in connection with, any service Participant may provide as a director of any Affiliate;

(j) the vesting of this Award ceases upon Participant's Termination, as described in Section 6 of this Award Agreement, except as may otherwise be explicitly provided in the Plan;

(k) no claim or entitlement to compensation or damages shall arise from forfeiture of this Award resulting from Participant's Termination (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) or from the application of any clawback or recoupment policy adopted by the Company or imposed by applicable law;

(l) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty; and

(m) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Award 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. **<u>No Advice Regarding Grant</u>**. 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 Notice**. In order to administer Participant's participation in the Plan and for the performance of this Award Agreement, the Employer, the Company and any Affiliate may process the Participant's Personal Information (as defined below).

Personal information of a Participant may include 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 RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in Participant's favor ("***Personal Information***").

Personal Information will be shared with 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. Personal Information will be held during the term of this Award Agreement and as further specified in the Oracle Records Retention Policy. Personal Information is required by the Company to enter into and perform the Award Agreement and to administer the Plan, and the Company would not be able to grant Participant RSUs or other equity awards or administer or maintain such awards if Personal Information is not provided by Participant.

Participant is referred to Oracle's Internal Privacy Policy, available at: https://my.oracle.com/go/internalprivacypolicy, and to Fidelity's Privacy Policy, available at https://www.fidelity.com/privacy-policy, for additional details on the processing of its Personal Information.

14. **Entire Agreement**. The Plan made available at the Company's web site at https://my.oracle.com/site/hr/benefits/Equity_Awards/index.html is incorporated herein by reference. This Award 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 Award 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 Award Agreement shall be final and binding on all persons.

15. **Governing Law and Venue**. The Award and the provisions of this Award Agreement shall be governed by and construed in accordance with the laws of the State of Delaware in the United States, without regard to such state's conflict of laws rules. 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 Award 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.

16. **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 online or electronic system established and maintained by the Company or any third party designated by the Company.

17. **Severability**. The provisions of this Award 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.

18. **409A Disclaimer**. This Award Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of 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 Award 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, Section 409A of the Code 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 Award Agreement is not exempt from, or compliant with, Section 409A of the Code, or for any action taken by the Company with respect thereto.

19. **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. In addition, if at any time after the vesting of the RSUs, the Committee determines that Participant committed any act or omission that would constitute Cause while he or she was employed by the Company or an Affiliate, the Company may require Participant to repay to the Company all amounts received under this Award Agreement.

20. **Country-Specific Provisions**. If Participant relocates to one of the countries included in Exhibit A to the Restricted Stock Unit Award Agreement for Non-U.S. Participants, the additional terms and conditions for such country will apply to him or her, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. As a result, Participant should review the specific terms and conditions that apply in the particular country to which he/she transfers. These country-specific terms and conditions, along with notifications about legal requirements in certain countries, are available at the Company's website at: https://my.oracle.com/site/hr/benefits/Equity_Awards/index.html.

21. **Imposition of Other Requirements**. 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.

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

23. **Acceptance**. 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 Award 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 November 4, 2020.

Exhibit 31.01

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. I am 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. 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: December 11, 2020

By: /s/ SAFRA A. CATZ

Safra A. Catz

Chief Executive Officer and Director (Principal Executive and Financial Officer)

Exhibit 32.01

CERTIFICATION OF PRINCIPAL EXECUTIVE AND 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 and Financial Officer) of Oracle Corporation, certifies that, to the best of 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: December 11, 2020

By: /s/ SAFRA A. CATZ
Safra A. Catz
Chief Executive Officer and Director (Principal Executive and Financial 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.