

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in millions, except per share data)

	Three Months Ended August 31,				% Increase (Decrease) in US \$	% Increase (Decrease) in Constant Currency (1)
	2016	% of Revenues	2015	% of Revenues		
REVENUES						
Cloud software as a service and platform as a service	\$ 798	9%	\$ 451	5%	77%	79%
Cloud infrastructure as a service	171	2%	160	2%	7%	10%
Total cloud revenues	969	11%	611	7%	59%	61%
New software licenses	1,030	12%	1,151	14%	(11%)	(10%)
Software license updates and product support	4,792	56%	4,696	56%	2%	3%
Total on-premise software revenues	5,822	68%	5,847	70%	0%	1%
Total cloud and on-premise software revenues	6,791	79%	6,458	77%	5%	6%
Hardware products	462	6%	570	7%	(19%)	(18%)
Hardware support	534	6%	558	6%	(4%)	(3%)
Total hardware revenues	996	12%	1,128	13%	(12%)	(11%)
Total services revenues	808	9%	862	10%	(6%)	(5%)
Total revenues	8,595	100%	8,448	100%	2%	3%
OPERATING EXPENSES						
Sales and marketing	1,919	22%	1,731	21%	11%	12%
Cloud software as a service and platform as a service	319	4%	276	3%	16%	18%
Cloud infrastructure as a service	96	1%	89	1%	9%	10%
Software license updates and product support	275	3%	291	4%	(6%)	(4%)
Hardware products	242	3%	303	4%	(20%)	(19%)
Hardware support	149	2%	180	2%	(18%)	(16%)
Services	695	8%	711	8%	(2%)	0%
Research and development	1,520	17%	1,390	17%	9%	11%
General and administrative	315	4%	257	3%	22%	25%
Amortization of intangible assets	311	4%	452	5%	(31%)	(31%)
Acquisition related and other	14	0%	31	0%	(55%)	(54%)
Restructuring	99	1%	83	1%	19%	23%
Total operating expenses	5,954	69%	5,794	69%	3%	4%
OPERATING INCOME	2,641	31%	2,654	31%	(1%)	0%
Interest expense	(416)	(5%)	(374)	(4%)	11%	11%
Non-operating income, net	148	2%	30	0%	403%	467%
INCOME BEFORE PROVISION FOR INCOME TAXES	2,373	28%	2,310	27%	3%	4%
Provision for income taxes	541	7%	563	6%	(4%)	(3%)
NET INCOME	\$ 1,832	21%	\$ 1,747	21%	5%	6%
EARNINGS PER SHARE:						
Basic	\$ 0.44		\$ 0.40			
Diluted	\$ 0.43		\$ 0.40			
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:						
Basic	4,119		4,317			
Diluted	4,221		4,412			

(1) We compare the percent change in the results from one period to another period using constant currency disclosure. We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the exchange rates in effect on May 31, 2016, which was the last day of our prior fiscal year, rather than the actual exchange rates in effect during the respective periods. Movements in international currencies relative to the United States dollar during the three months ended August 31, 2016 compared with the corresponding prior year period decreased our revenues by 1 percentage point, operating expenses by 1 percentage point and operating income by 1 percentage point.

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES (1)
(\$ in millions, except per share data)

	Three Months Ended August 31,						% Increase (Decrease) in US \$		% Increase (Decrease) in Constant Currency (2)	
	2016		2016		2015		2015		2015	
	GAAP	Adj.	Non-GAAP	GAAP	Adj.	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
TOTAL REVENUES	\$ 8,595	\$ 18	\$ 8,613	\$ 8,448	\$ 3	\$ 8,451	2%	2%	3%	3%
TOTAL CLOUD AND ON-PREMISE SOFTWARE REVENUES	\$ 6,791	\$ 18	\$ 6,809	\$ 6,458	\$ 2	\$ 6,460	5%	5%	6%	7%
Cloud software as a service and platform as a service	798	17	815	451	1	452	77%	80%	79%	82%
Cloud infrastructure as a service	171	-	171	160	-	160	7%	7%	10%	10%
New software licenses	1,030	-	1,030	1,151	-	1,151	(11%)	(11%)	(10%)	(10%)
Software license updates and product support	4,792	1	4,793	4,696	1	4,697	2%	2%	3%	3%
TOTAL HARDWARE REVENUES	\$ 996	\$ -	\$ 996	\$ 1,128	\$ 1	\$ 1,129	(12%)	(12%)	(11%)	(11%)
Hardware products	462	-	462	570	-	570	(19%)	(19%)	(18%)	(18%)
Hardware support	534	-	534	558	1	559	(4%)	(4%)	(3%)	(3%)
TOTAL OPERATING EXPENSES	\$ 5,954	\$ (743)	\$ 5,211	\$ 5,794	\$ (816)	\$ 4,978	3%	5%	4%	6%
Cloud software as a service and platform as a service (3)	319	(5)	314	276	(4)	272	16%	15%	18%	17%
Stock-based compensation (3)	314	(314)	-	246	(246)	-	28%	-	28%	-
Amortization of intangible assets (4)	311	(311)	-	452	(452)	-	(31%)	-	(31%)	-
Acquisition related and other	14	(14)	-	31	(31)	-	(55%)	-	(54%)	-
Restructuring	99	(99)	-	83	(83)	-	19%	-	23%	-
CLOUD SOFTWARE AS A SERVICE AND PLATFORM AS A SERVICE MARGIN %	60%		62%	39%		40%	2,124 bp.	2,082 bp.	2,166 bp.	2,123 bp.
OPERATING INCOME	\$ 2,641	\$ 761	\$ 3,402	\$ 2,654	\$ 819	\$ 3,473	(1%)	(2%)	0%	(1%)
OPERATING MARGIN %	31%		39%	31%		41%	(69) bp.	(160) bp.	(82) bp.	(180) bp.
INCOME TAX EFFECTS (5)	\$ 541	\$ 258	\$ 799	\$ 563	\$ 219	\$ 782	(4%)	2%	(3%)	3%
NET INCOME	\$ 1,832	\$ 503	\$ 2,335	\$ 1,747	\$ 600	\$ 2,347	5%	(1%)	6%	0%
DILUTED EARNINGS PER SHARE	\$ 0.43		\$ 0.55	\$ 0.40		\$ 0.53	10%	4%	11%	5%
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	4,221	-	4,221	4,412	-	4,412	(4%)	(4%)	(4%)	(4%)

(1) This presentation includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our condensed consolidated financial statements prepared in accordance with GAAP. For a detailed explanation of the adjustments made to comparable GAAP measures, the reasons why management uses these measures, the usefulness of these measures and the material limitations on the usefulness of these measures, please see Appendix A.

(2) We compare the percent change in the results from one period to another period using constant currency disclosure. We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the exchange rates in effect on May 31, 2016, which was the last day of our prior fiscal year, rather than the actual exchange rates in effect during the respective periods.

(3) Stock-based compensation was included in the following GAAP operating expense categories:

	Three Months Ended August 31, 2016			Three Months Ended August 31, 2015		
	GAAP	Adj.	Non-GAAP	GAAP	Adj.	Non-GAAP
Sales and marketing	\$ 63	\$ (63)	\$ -	\$ 51	\$ (51)	\$ -
Cloud infrastructure as a service	1	(1)	-	1	(1)	-
Software license updates and product support	6	(6)	-	6	(6)	-
Hardware products	2	(2)	-	2	(2)	-
Hardware support	1	(1)	-	1	(1)	-
Services	8	(8)	-	8	(8)	-
Research and development	195	(195)	-	148	(148)	-
General and administrative	38	(38)	-	29	(29)	-
Subtotal	314	(314)	-	246	(246)	-
Cloud software as a service and platform as a service	5	(5)	-	4	(4)	-
Acquisition related and other	-	-	-	3	(3)	-
Total stock-based compensation	\$ 319	\$ (319)	\$ -	\$ 253	\$ (253)	\$ -

(4) Estimated future annual amortization expense related to intangible assets as of August 31, 2016 was as follows:

Remainder of fiscal 2017	\$ 806
Fiscal 2018	945
Fiscal 2019	836
Fiscal 2020	688
Fiscal 2021	543
Fiscal 2022	442
Thereafter	831
Total intangible assets, net	\$ 5,091

(5) Income tax effects were calculated reflecting an effective GAAP tax rate of 22.8% and 24.4% in the first quarter of fiscal 2017 and 2016, respectively, and an effective non-GAAP tax rate of 25.5% and 25.0% in the first quarter of fiscal 2017 and 2016, respectively. The difference between our GAAP and non-GAAP tax rate in the first quarter of fiscal 2017 was primarily due to the net tax effects on stock-based compensation expense and acquisition related items, including the tax effects of amortization of intangible assets. The difference between our GAAP and non-GAAP tax rate in the first quarter of fiscal 2016 was primarily due to the net tax effects of acquisition related items, including the tax effects of amortization of intangible assets.

* Not meaningful

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ in millions)

	August 31, 2016	May 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,614	\$ 20,152
Marketable securities	39,782	35,973
Trade receivables, net	3,407	5,385
Inventories	286	212
Prepaid expenses and other current assets	2,362	2,591
Total Current Assets	74,451	64,313
Non-Current Assets:		
Property, plant and equipment, net	4,108	4,000
Intangible assets, net	5,091	4,943
Goodwill, net	35,350	34,590
Deferred tax assets	1,142	1,291
Other assets	3,081	3,043
Total Non-Current Assets	48,772	47,867
TOTAL ASSETS	\$ 123,223	\$ 112,180
LIABILITIES AND EQUITY		
Current Liabilities:		
Notes payable and other borrowings, current	\$ 999	\$ 3,750
Accounts payable	551	504
Accrued compensation and related benefits	1,419	1,966
Deferred revenues	9,462	7,655
Other current liabilities	2,711	3,333
Total Current Liabilities	15,142	17,208
Non-Current Liabilities:		
Notes payable, non-current	53,057	40,105
Income taxes payable	5,031	4,908
Other non-current liabilities	2,161	2,169
Total Non-Current Liabilities	60,249	47,182
Equity	47,832	47,790
TOTAL LIABILITIES AND EQUITY	\$ 123,223	\$ 112,180

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in millions)

	Three Months Ended August 31,	
	2016	2015
Cash Flows From Operating Activities:		
Net income	\$ 1,832	\$ 1,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	222	219
Amortization of intangible assets	311	452
Deferred income taxes	145	(30)
Stock-based compensation	319	253
Tax benefits on the vesting of restricted stock-based awards and exercise of stock options	215	102
Other, net	39	45
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables, net	1,993	2,150
(Increase) decrease in inventories	(75)	50
Decrease in prepaid expenses and other assets	435	379
Decrease in accounts payable and other liabilities	(1,013)	(1,353)
Decrease in income taxes payable	(309)	(204)
Increase in deferred revenues	1,761	2,071
Net cash provided by operating activities	5,875	5,881
Cash Flows From Investing Activities:		
Purchases of marketable securities and other investments	(5,513)	(11,669)
Proceeds from maturities and sales of marketable securities and other investments	1,752	4,644
Acquisitions, net of cash acquired	(1,143)	—
Capital expenditures	(299)	(446)
Net cash used for investing activities	(5,203)	(7,471)
Cash Flows From Financing Activities:		
Payments for repurchases of common stock	(2,002)	(2,846)
Proceeds from issuances of common stock	487	296
Shares repurchased for tax withholdings upon vesting of restricted stock-based awards	(170)	(70)
Payments of dividends to stockholders	(618)	(650)
Proceeds from borrowings, net of issuance costs	13,932	—
Repayments of borrowings	(3,750)	—
Distributions to noncontrolling interests	(167)	(25)
Net cash provided by (used for) financing activities	7,712	(3,295)
Effect of exchange rate changes on cash and cash equivalents	78	(92)
Net increase (decrease) in cash and cash equivalents	8,462	(4,977)
Cash and cash equivalents at beginning of period	20,152	21,716
Cash and cash equivalents at end of period	\$ 28,614	\$ 16,739

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
FREE CASH FLOW - TRAILING 4-QUARTERS (1)
(\$ in millions)

	Fiscal 2016				Fiscal 2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GAAP Operating Cash Flow	\$ 13,682	\$ 13,113	\$ 14,252	\$ 13,685	\$ 13,679			
Capital Expenditures	(1,636)	(1,606)	(1,606)	(1,189)	(1,042)			
Free Cash Flow	\$ 12,046	\$ 11,507	\$ 12,646	\$ 12,496	\$ 12,637			
% Growth over prior year	(20)%	(22)%	(8)%	(5)%	5%			
GAAP Net Income	\$ 9,501	\$ 9,198	\$ 8,844	\$ 8,901	\$ 8,986			
Free Cash Flow as a % of Net Income	127%	125%	143%	140%	141%			

(1) 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 flow generated from operations. We believe free cash flow is also useful as one of the bases for comparing our performance with our competitors. The presentation of non-GAAP free cash flow is not meant to be considered in isolation or as an alternative to net income as an indicator of our performance, or as an alternative to cash flows from operating activities as a measure of liquidity.

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
SUPPLEMENTAL ANALYSIS OF GAAP REVENUES AND HEADCOUNT (1)
(\$ in millions)

	Fiscal 2016					Fiscal 2017				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
REVENUES										
Cloud software as a service and platform as a service	\$ 451	\$ 484	\$ 583	\$ 690	\$ 2,207	\$ 798				\$ 798
Cloud infrastructure as a service	160	165	152	169	646	171				171
Total cloud revenues	611	649	735	859	2,853	969				969
New software licenses	1,151	1,677	1,680	2,766	7,276	1,030				1,030
Software license updates and product support	4,696	4,683	4,669	4,814	18,861	4,792				4,792
Total on-premise software revenues	5,847	6,360	6,349	7,580	26,137	5,822				5,822
Total cloud and on-premise software revenues	6,458	7,009	7,084	8,439	28,990	6,791				6,791
Hardware products	570	573	604	725	2,471	462				462
Hardware support	558	550	531	558	2,197	534				534
Total hardware revenues	1,128	1,123	1,135	1,283	4,668	996				996
Total services revenues	862	861	793	872	3,389	808				808
Total revenues	\$ 8,448	\$ 8,993	\$ 9,012	\$ 10,594	\$ 37,047	\$ 8,595				\$ 8,595
AS REPORTED REVENUE GROWTH RATES										
Cloud software as a service and platform as a service	34%	34%	57%	66%	49%	77%				77%
Cloud infrastructure as a service	16%	7%	(2%)	5%	6%	7%				7%
Total cloud revenues	29%	26%	40%	49%	36%	59%				59%
New software licenses	(16%)	(18%)	(15%)	(12%)	(15%)	(11%)				(11%)
Software license updates and product support	(1%)	(2%)	0%	3%	0%	2%				2%
Total on-premise software revenues	(4%)	(7%)	(4%)	(3%)	(5%)	0%				0%
Total cloud and on-premise software revenues	(2%)	(4%)	(1%)	0%	(2%)	5%				5%
Hardware products	(1%)	(20%)	(15%)	(11%)	(13%)	(19%)				(19%)
Hardware support	(5%)	(11%)	(10%)	(5%)	(8%)	(4%)				(4%)
Total hardware revenues	(3%)	(16%)	(13%)	(9%)	(10%)	(12%)				(12%)
Total services revenues	1%	(8%)	(7%)	(3%)	(4%)	(6%)				(6%)
Total revenues	(2%)	(6%)	(3%)	(1%)	(3%)	2%				2%
CONSTANT CURRENCY GROWTH RATES (2)										
Cloud software as a service and platform as a service	38%	39%	61%	68%	52%	79%				79%
Cloud infrastructure as a service	23%	11%	2%	8%	11%	10%				10%
Total cloud revenues	34%	31%	44%	51%	40%	61%				61%
New software licenses	(9%)	(12%)	(11%)	(10%)	(11%)	(10%)				(10%)
Software license updates and product support	8%	5%	5%	4%	5%	3%				3%
Total on-premise software revenues	4%	0%	0%	(2%)	0%	1%				1%
Total cloud and on-premise software revenues	6%	2%	3%	2%	3%	6%				6%
Hardware products	9%	(14%)	(10%)	(10%)	(7%)	(18%)				(18%)
Hardware support	4%	(5%)	(5%)	(4%)	(3%)	(3%)				(3%)
Total hardware revenues	6%	(10%)	(8%)	(7%)	(5%)	(11%)				(11%)
Total services revenues	10%	0%	(2%)	(1%)	2%	(5%)				(5%)
Total revenues	7%	0%	1%	0%	2%	3%				3%
GEOGRAPHIC REVENUES										
REVENUES										
Americas	\$ 4,716	\$ 4,960	\$ 4,942	\$ 5,847	\$ 20,466	\$ 4,817				\$ 4,817
Europe, Middle East & Africa	2,456	2,645	2,661	3,120	10,881	2,413				2,413
Asia Pacific	1,276	1,388	1,409	1,627	5,700	1,365				1,365
Total revenues	\$ 8,448	\$ 8,993	\$ 9,012	\$ 10,594	\$ 37,047	\$ 8,595				\$ 8,595
HEADCOUNT										
GEOGRAPHIC AREA										
Americas	59,901	59,999	60,437	60,329		61,221				
Europe, Middle East & Africa	27,030	27,541	27,275	27,061		26,895				
Asia Pacific	48,139	48,620	48,694	48,872		49,234				
Total company	135,070	136,160	136,406	136,262		137,350				

(1) The sum of the quarterly information presented may vary from the year-to-date information presented due to rounding.

(2) We compare the percent change in the results from one period to another period using constant currency disclosure. We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the exchange rates in effect on May 31, 2016 and 2015 for the fiscal 2017 and fiscal 2016 constant currency growth rate calculations presented, respectively, rather than the actual exchange rates in effect during the respective periods.

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
SUPPLEMENTAL GEOGRAPHIC REVENUES ANALYSIS (1)
(\$ in millions)

	Fiscal 2016					Fiscal 2017				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
AMERICAS										
Total cloud and on-premise software revenues	\$ 3,684	\$ 3,927	\$ 3,964	\$ 4,771	\$ 16,346	\$ 3,876				\$ 3,876
Total hardware revenues	\$ 589	\$ 595	\$ 571	\$ 650	\$ 2,404	\$ 526				\$ 526
AS REPORTED GROWTH RATES										
Total cloud and on-premise software revenues	2%	(3%)	(1%)	(3%)	(2%)	5%				5%
Total hardware revenues	1%	(17%)	(17%)	(14%)	(12%)	(11%)				(11%)
CONSTANT CURRENCY GROWTH RATES (2)										
Total cloud and on-premise software revenues	6%	0%	1%	(2%)	1%	6%				6%
Total hardware revenues	6%	(14%)	(13%)	(11%)	(9%)	(10%)				(10%)
EUROPE / MIDDLE EAST / AFRICA										
Total cloud and on-premise software revenues	\$ 1,873	\$ 2,066	\$ 2,069	\$ 2,462	\$ 8,471	\$ 1,903				\$ 1,903
Total hardware revenues	\$ 330	\$ 316	\$ 349	\$ 382	\$ 1,377	\$ 275				\$ 275
AS REPORTED GROWTH RATES										
Total cloud and on-premise software revenues	(6%)	(8%)	(5%)	4%	(3%)	2%				2%
Total hardware revenues	(2%)	(17%)	(8%)	(10%)	(9%)	(17%)				(17%)
CONSTANT CURRENCY GROWTH RATES (2)										
Total cloud and on-premise software revenues	7%	3%	2%	5%	4%	7%				7%
Total hardware revenues	14%	(6%)	(1%)	(8%)	(1%)	(13%)				(13%)
ASIA PACIFIC										
Total cloud and on-premise software revenues	\$ 901	\$ 1,016	\$ 1,051	\$ 1,206	\$ 4,173	\$ 1,012				\$ 1,012
Total hardware revenues	\$ 209	\$ 212	\$ 215	\$ 251	\$ 887	\$ 195				\$ 195
AS REPORTED GROWTH RATES										
Total cloud and on-premise software revenues	(7%)	(3%)	7%	9%	2%	12%				12%
Total hardware revenues	(14%)	(11%)	(8%)	8%	(7%)	(7%)				(7%)
CONSTANT CURRENCY GROWTH RATES (2)										
Total cloud and on-premise software revenues	7%	6%	13%	11%	9%	8%				8%
Total hardware revenues	(3%)	(3%)	(3%)	9%	0%	(9%)				(9%)
TOTAL COMPANY										
Total cloud and on-premise software revenues	\$ 6,458	\$ 7,009	\$ 7,084	\$ 8,439	\$ 28,990	\$ 6,791				\$ 6,791
Total hardware revenues	\$ 1,128	\$ 1,123	\$ 1,135	\$ 1,283	\$ 4,668	\$ 996				\$ 996
AS REPORTED GROWTH RATES										
Total cloud and on-premise software revenues	(2%)	(4%)	(1%)	0%	(2%)	5%				5%
Total hardware revenues	(3%)	(16%)	(13%)	(9%)	(10%)	(12%)				(12%)
CONSTANT CURRENCY GROWTH RATES (2)										
Total cloud and on-premise software revenues	6%	2%	3%	2%	3%	6%				6%
Total hardware revenues	6%	(10%)	(8%)	(7%)	(5%)	(11%)				(11%)

(1) The sum of the quarterly information presented may vary from the year-to-date information presented due to rounding.

(2) We compare the percent change in the results from one period to another period using constant currency disclosure. We present constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the exchange rates in effect on May 31, 2016 and 2015 for the fiscal 2017 and fiscal 2016 constant currency growth rate calculations presented, respectively, rather than the actual exchange rates in effect during the respective periods.

ORACLE CORPORATION
Q1 FISCAL 2017 FINANCIAL RESULTS
EXPLANATION OF NON-GAAP MEASURES

To supplement our financial results presented on a GAAP basis, we use the non-GAAP measures indicated in the tables, which exclude certain business combination accounting entries and expenses related to acquisitions, as well as other significant expenses including stock-based compensation, that we believe are helpful in understanding our past financial performance and our future results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

- Cloud software as a service and platform as a service, software license updates and product support and hardware support deferred revenues: Business combination accounting rules require us to account for the fair values of cloud software as a service and platform as a service contracts, software license updates and product support contracts and hardware support contracts assumed in connection with our acquisitions. Because these contracts are generally one year in duration, our GAAP revenues generally for the one year period subsequent to our acquisition of a business do not reflect the full amount of revenues on these assumed cloud and support contracts that would have otherwise been recorded by the acquired entity. The non-GAAP adjustment to our cloud software as a service and platform as a service revenues, software license updates and product support revenues and hardware support revenues is intended to include, and thus reflect, the full amount of such revenues. We believe the adjustment to these revenues is useful to investors as a measure of the ongoing performance of our business. We have historically experienced high renewal rates on our software license updates and product support contracts and our objective is to increase the renewal rates on acquired and new cloud software as a service and platform as a service and hardware support contracts; however, we cannot be certain that our customers will renew our cloud software as a service and platform as a service contracts, software license updates and product support contracts or our hardware support contracts.
- Stock-based compensation expenses: We have excluded the effect of stock-based compensation expenses from our non-GAAP operating expenses and net income measures. Although stock-based compensation is a key incentive offered to our employees, and we believe such compensation contributed to the revenues earned during the periods presented and also believe it will contribute to the generation of future period revenues, we continue to evaluate our business performance excluding stock-based compensation expenses. Stock-based compensation expenses will recur in future periods.
- Amortization of intangible assets: We have excluded the effect of amortization of intangible assets from our non-GAAP operating expenses and net income measures. Amortization of intangible assets is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.
- Acquisition related and other expenses; and restructuring expenses: We have excluded the effect of acquisition related and other expenses and the effect of restructuring expenses from our non-GAAP operating expenses and net income measures. We incurred significant expenses in connection with our acquisitions and also incurred certain other operating expenses or income, which we generally would not have otherwise incurred in the periods presented as a part of our continuing operations. Acquisition related and other expenses consist of personnel related costs for transitional employees, other acquired employee related costs, stock-based compensation expenses (in addition to the stock-based compensation expenses described above), integration related professional services, certain business combination adjustments including adjustments after the measurement period has ended and certain other operating items, net. Substantially all of the stock-based compensation expenses included in acquisition related and other expenses resulted from unvested options assumed in acquisitions whose vesting was fully accelerated upon termination of the employees pursuant to the original terms of those options. Restructuring expenses consist of employee severance and other exit costs. We believe it is useful for investors to understand the effects of these items on our total operating expenses. Although acquisition related expenses and restructuring expenses generally diminish over time with respect to past acquisitions, we generally will incur these expenses in connection with any future acquisitions.