

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INCOME STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	2017	2016	2015
Revenue:			
Product			\$ 75,956
	\$ 57,190	\$ 61,502	
Service and other	32,760	23,818	17,624
Total revenue	89,950	85,320	93,580
Cost of revenue:			
Product	15,175	17,880	21,410
Service and other	19,086	14,900	11,628
Total cost of revenue	34,261	32,780	33,038
Gross margin	55,689	52,540	60,542
Research and development	13,037	11,988	12,046
Sales and marketing	15,539	14,697	15,713
General and administrative	4,481	4,563	4,611
Impairment, integration, and restructuring	306	1,110	10,011
Operating income	22,326	20,182	18,161
Other income (expense), net	823	(431)	346
Income before income taxes	23,149	19,751	18,507
Provision for income taxes	1,945	2,953	6,314
Net income	\$ 21,204	\$ 16,798	\$ 12,193
Earnings per share:			
Basic	\$ 2.74	\$ 2.12	\$ 1.49
Diluted	\$ 2.71	\$ 2.10	\$ 1.48
Weighted average shares outstanding:			
Basic	7,746	7,925	8,177
Diluted	7,832	8,013	8,254
Cash dividends declared per common share	\$ 1.56	\$ 1.44	\$ 1.24

See accompanying notes.

COMPREHENSIVE INCOME STATEMENTS

(In millions)

Year Ended June 30,	2017	2016	2015
Net income	<u>\$ 21,204</u>	<u>\$ 16,798</u>	<u>\$ 12,193</u>
Other comprehensive income (loss):			
Net unrealized gains (losses) on derivatives (net of tax effects of \$(5), \$(12), and \$20)	(218)	(238)	559
Net unrealized losses on investments (net of tax effects of \$(613), \$(121), and \$(197))	(1,116)	(228)	(362)
Translation adjustments and other (net of tax effects of \$9, \$(33), and \$16)	<u>228</u>	<u>(519)</u>	<u>(1,383)</u>
Other comprehensive loss	<u>(1,106)</u>	<u>(985)</u>	<u>(1,186)</u>
Comprehensive income	<u>\$ 20,098</u>	<u>\$ 15,813</u>	<u>\$ 11,007</u>

See accompanying notes. Refer to Note 19 – Accumulated Other Comprehensive Income for further information.

BALANCE SHEETS

(In millions)

June 30,	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$	6,51
	\$ 7,663	0
Short-term investments (including securities loaned of \$3,694 and \$204)		106,73
	125,318	0
Total cash, cash equivalents, and short-term investments		113,24
	132,981	0
Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426		18,27
	19,792	7
Inventories		2,25
	2,181	1
Other		5,89
	4,897	2
Total current assets		139,66
	159,851	0
Property and equipment, net of accumulated depreciation of \$24,179 and \$19,800		18,35
	23,734	6
Equity and other investments		10,43
	6,023	1
Goodwill		17,87
	35,122	2
Intangible assets, net		3,73
	10,106	3
Other long-term assets		3,41
	6,250	6
Total assets		\$
	\$ 241,086	193,46
		8
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$	6,89
	\$ 7,390	8
Short-term debt		12,90
	9,072	4
Current portion of long-term debt		0
	1,049	0
Accrued compensation		5,26
	5,819	4
Income taxes		58
	718	0
Short-term unearned revenue		27,46
	34,102	8
Securities lending payable		29
	97	4
Other		5,94
	6,280	9
Total current liabilities		59,35
	64,527	7
Long-term debt		40,55
	76,073	7

(In millions)

Long-term unearned revenue			6,44
	10,377	1	
Deferred income taxes			1,47
	531	6	
Other long-term liabilities			13,64
	17,184	0	
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Total liabilities			121,47
	168,692	1	
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Commitments and contingencies			
Stockholders' equity:			
Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808			68,17
	69,315	8	
Retained earnings			2,28
	2,648	2	
Accumulated other comprehensive income			1,53
	431	7	
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Total stockholders' equity			71,99
	72,394	7	
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Total liabilities and stockholders' equity			\$ 193,46
	\$ 241,086	8	

See accompanying notes.

CASH FLOWS STATEMENTS

(In millions)

Year Ended June 30,	2017	2016	2015
Operations			
Net income	\$ 21,204	\$ 16,798	\$ 12,193
Adjustments to reconcile net income to net cash from operations:			
Goodwill and asset impairments	0	630	7,498
Depreciation, amortization, and other	8,778	6,622	5,957
Stock-based compensation expense	3,266	2,668	2,574
Net recognized gains on investments and derivatives	(2,073)	(223)	(443)
Deferred income taxes	(3,296)	332	224
Deferral of unearned revenue	67,711	57,072	45,072
Recognition of unearned revenue	(57,735)	(48,498)	(44,920)
Changes in operating assets and liabilities:			
Accounts receivable	(925)	(530)	1,456
Inventories	50	600	(272)
Other current assets	1,066	(1,167)	62
Other long-term assets	(539)	(41)	346
Accounts payable	81	88	(1,054)
Other current liabilities	386	(260)	(624)
Other long-term liabilities	1,533	(766)	1,599
Net cash from operations	<u>39,507</u>	<u>33,325</u>	<u>29,668</u>
Financing			
Proceeds from issuance (repayments) of short-term debt, maturities of 90 days or less, net	(4,963)	7,195	4,481
Proceeds from issuance of debt	44,344	13,884	10,680
Repayments of debt	(7,922)	(2,796)	(1,500)
Common stock issued	772	668	634
Common stock repurchased	(11,788)	(15,969)	(14,443)
Common stock cash dividends paid	(11,845)	(11,006)	(9,882)
Other, net	(190)	(369)	362
Net cash from (used in) financing	<u>8,408</u>	<u>(8,393)</u>	<u>(9,668)</u>
Investing			
Additions to property and equipment	(8,129)	(8,343)	(5,944)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(25,944)	(1,393)	(3,723)
Purchases of investments	(176,905)	(129,758)	(98,729)
Maturities of investments	28,044	22,054	15,013
Sales of investments	136,350	93,287	70,848
Securities lending payable	(197)	203	(466)
Net cash used in investing	<u>(46,781)</u>	<u>(23,950)</u>	<u>(23,001)</u>
Effect of foreign exchange rates on cash and cash equivalents	19	(67)	(73)
Net change in cash and cash equivalents	1,153	915	(3,074)
Cash and cash equivalents, beginning of period	6,510	5,595	8,669
Cash and cash equivalents, end of period	<u>\$ 7,663</u>	<u>\$ 6,510</u>	<u>\$ 5,595</u>

See accompanying notes.