

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INCOME STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	2017	2016	2015
Revenue:			
Product	\$ 57,190	\$ 61,502	\$ 75,956
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.

BALANCE SHEETS

(In millions)

June 30,	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,663	\$ 6,510
Short-term investments (including securities loaned of \$3,694 and \$204)	125,318	106,730
Total cash, cash equivalents, and short-term investments	132,981	113,240
Accounts receivable, net of allowance for doubtful accounts of \$405 and \$426	19,792	18,277
Inventories	2,181	2,251
Other	4,897	5,892
Total current assets	159,851	139,660
Property and equipment, net of accumulated depreciation of \$24,179 and \$19,800	23,734	18,356
Equity and other investments	6,023	10,431
Goodwill	35,122	17,872
Intangible assets, net	10,106	3,733
Other long-term assets	6,250	3,416
Total assets	\$ 241,086	\$ 193,468
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,390	\$ 6,898
Short-term debt	9,072	12,904
Current portion of long-term debt	1,049	0
Accrued compensation	5,819	5,264
Income taxes	718	580
Short-term unearned revenue	34,102	27,468
Securities lending payable	97	294
Other	6,280	5,949
Total current liabilities	64,527	59,357
Long-term debt	76,073	40,557
Long-term unearned revenue	10,377	6,441
Deferred income taxes	531	1,476
Other long-term liabilities	17,184	13,640
Total liabilities	168,692	121,471
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding 7,708 and 7,808	69,315	68,178
Retained earnings	2,648	2,282
Accumulated other comprehensive income	431	1,537
Total stockholders' equity	72,394	71,997
Total liabilities and stockholders' equity	\$ 241,086	\$ 193,468

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	39,507	33,325	29,668
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	8,408	(8,393)	(9,668)
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	(46,781)	(23,950)	(23,001)
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	\$ 7,663	\$ 6,510	\$ 5,595

See accompanying notes.