

# FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## INCOME STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	2018	2017	2016
Revenue:			
Product	\$ 64,497	\$ 63,811	\$ 67,336
Service and other	45,863	32,760	23,818
Total revenue	110,360	96,571	91,154
Cost of revenue:			
Product	15,420	15,175	17,880
Service and other	22,933	19,086	14,900
Total cost of revenue	38,353	34,261	32,780
Gross margin	72,007	62,310	58,374
Research and development	14,726	13,037	11,988
Sales and marketing	17,469	15,461	14,635
General and administrative	4,754	4,481	4,563
Impairment and restructuring	0	306	1,110
Operating income	35,058	29,025	26,078
Other income (expense), net	1,416	876	(439)
Income before income taxes	36,474	29,901	25,639
Provision for income taxes	19,903	4,412	5,100
Net income	\$ 16,571	\$ 25,489	\$ 20,539
Earnings per share:			
Basic	\$ 2.15	\$ 3.29	\$ 2.59
Diluted	\$ 2.13	\$ 3.25	\$ 2.56
Weighted average shares outstanding:			
Basic	7,700	7,746	7,925
Diluted	7,794	7,832	8,013
Cash dividends declared per common share	\$ 1.68	\$ 1.56	\$ 1.44

Refer to accompanying notes.

## BALANCE SHEETS

(In millions)

June 30,	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,946	\$ 7,663
Short-term investments	121,822	125,318
Total cash, cash equivalents, and short-term investments	133,768	132,981
Accounts receivable, net of allowance for doubtful accounts of \$377 and \$345	26,481	22,431
Inventories	2,662	2,181
Other	6,751	5,103
Total current assets	169,662	162,696
Property and equipment, net of accumulated depreciation of \$29,223 and \$24,179	29,460	23,734
Operating lease right-of-use assets	6,686	6,555
Equity and other investments	1,862	6,023
Goodwill	35,683	35,122
Intangible assets, net	8,053	10,106
Other long-term assets	7,442	6,076
Total assets	\$ 258,848	\$ 250,312
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 8,617	\$ 7,390
Short-term debt	0	9,072
Current portion of long-term debt	3,998	1,049
Accrued compensation	6,103	5,819
Short-term income taxes	2,121	718
Short-term unearned revenue	28,905	24,013
Other	8,744	7,684
Total current liabilities	58,488	55,745
Long-term debt	72,242	76,073
Long-term income taxes	30,265	13,485
Long-term unearned revenue	3,815	2,643
Deferred income taxes	541	5,734
Operating lease liabilities	5,568	5,372
Other long-term liabilities	5,211	3,549
Total liabilities	176,130	162,601
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding 7,677 and 7,708	71,223	69,315
Retained earnings	13,682	17,769
Accumulated other comprehensive income (loss)	(2,187)	627
Total stockholders' equity	82,718	87,711
Total liabilities and stockholders' equity	\$ 258,848	\$ 250,312

Refer to accompanying notes.

## CASH FLOWS STATEMENTS

(In millions)

Year Ended June 30,	2018	2017	2016
<b>Operations</b>			
Net income	\$ 16,571	\$ 25,489	\$ 20,539
Adjustments to reconcile net income to net cash from operations:			
Asset impairments	0	0	630
Depreciation, amortization, and other	10,261	8,778	6,622
Stock-based compensation expense	3,940	3,266	2,668
Net recognized gains on investments and derivatives	(2,212)	(2,073)	(223)
Deferred income taxes	(5,143)	(829)	2,479
Changes in operating assets and liabilities:			
Accounts receivable	(3,862)	(1,216)	562
Inventories	(465)	50	600
Other current assets	(952)	1,028	(1,212)
Other long-term assets	(285)	(917)	(1,110)
Accounts payable	1,148	81	88
Unearned revenue	5,922	3,820	2,565
Income taxes	18,183	1,792	(298)
Other current liabilities	798	356	(179)
Other long-term liabilities	(20)	(118)	(406)
Net cash from operations	<u>43,884</u>	<u>39,507</u>	<u>33,325</u>
<b>Financing</b>			
Proceeds from issuance (repayments) of short-term debt, maturities of 90 days or less, net	(7,324)	(4,963)	7,195
Proceeds from issuance of debt	7,183	44,344	13,884
Repayments of debt	(10,060)	(7,922)	(2,796)
Common stock issued	1,002	772	668
Common stock repurchased	(10,721)	(11,788)	(15,969)
Common stock cash dividends paid	(12,699)	(11,845)	(11,006)
Other, net	(971)	(190)	(369)
Net cash from (used in) financing	<u>(33,590)</u>	<u>8,408</u>	<u>(8,393)</u>
<b>Investing</b>			
Additions to property and equipment	(11,632)	(8,129)	(8,343)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(888)	(25,944)	(1,393)
Purchases of investments	(137,380)	(176,905)	(129,758)
Maturities of investments	26,360	28,044	22,054
Sales of investments	117,577	136,350	93,287
Securities lending payable	(98)	(197)	203
Net cash used in investing	<u>(6,061)</u>	<u>(46,781)</u>	<u>(23,950)</u>
Effect of foreign exchange rates on cash and cash equivalents	50	19	(67)
Net change in cash and cash equivalents	4,283	1,153	915
Cash and cash equivalents, beginning of period	7,663	6,510	5,595
Cash and cash equivalents, end of period	<u>\$ 11,946</u>	<u>\$ 7,663</u>	<u>\$ 6,510</u>

Refer to accompanying notes.